Annual report **presented to his Majesty the King**

2023

GOVERNOR

Mr. Abdellatif JOUAHRI

BANK BOARD

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Mrs. Faouzia ZAABOUL, The Director of Treasury and External Finance

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Mr. Mohamed Manchoud

REPORT
ON THE FINANCIAL YEAR 2023

PRESENTED TO HIS MAJESTY THE KING

BY MR. ABDELLATIF JOUAHRI

GOVERNOR OF BANK AL-MAGHRIB

Your Majesty,

In application of Article 50 of Law No. 40-17 on the Statutes of Bank Al-Maghrib promulgated by Dahir No. 1-19-82 of Shawwal 17, 1440 (June 21, 2019), I have the honor to present to Your Majesty the report of the year 2023, the sixty-fifth year of the central bank.

Summary

Majesty,

In an uncertain and shock-prone environment, the global economy posted a further deceleration in 2023, albeit less than initially projected. Its growth stood at 3.2 percent after 3.5 percent a year earlier, with notable strength in the USA and several large emerging Asian countries, while activity remained sluggish in the Euro area and UK.

This slowdown, compounded by other factors including geo-economic fragmentation and maritime transport disruptions, contributed to the weakening of global trade, which recorded a volume growth limited to 0.3 percent, one of the lowest over the last four decades.

In commodity markets, after two years of rises, prices dropped significantly by 29.9 percent for energy products and by 9.8 percent for other commodities. These declines resulted from moderate demand, improved supply of agricultural products and increased oil production outside OPEC+. These developments coupled with the restrictive monetary policy stance led to a downward trend in inflation, which eased from 8.7 percent to 6.8 percent year-on-year. In these circumstances, several central banks paused their monetary tightening cycle, and some reduced their key rates.

On financial markets, the main stock markets in advanced economies performed remarkably well despite high interest rates, fears of recession, and concerns raised by turbulence episodes in the US and Swiss banking sectors. Simultaneously, sovereign yields ended the year with a sharp rise in advanced countries, while their evolution was mixed in large emerging economies.

Higher financing costs and measures introduced to support households and businesses in the context of rising inflation contributed to slowing the fiscal consolidation initiated in 2021, thereby curbing the rebuilding of buffers needed to withstand future shocks.

It is against this backdrop, and in the aftermath of the devastating earthquake that struck Al Haouz region, that our country hosted, in October 2023, the Annual Meetings of the World Bank and the IMF which returned to our continent after an absence of half a century and provided an opportunity to further discuss the consolidation of multilateralism and the reform of the global financial architecture.

The successful organization of this event, widely praised by the international community, alongside the management of a major disaster, demonstrates once again our country's resilience to extreme shocks, and its ability to turn crises into opportunities.

This resilience is also noticeable in the performance of the national economy which, notwithstanding the difficult external environment, recorded a marked improvement in its growth rate to 3.4 percent after 1.5 percent in 2022. Non-agricultural value added grew by 3.5 percent, particularly reflecting the continued recovery in tourism-related activities, the acceleration in manufacturing and the easing of contraction in mining and construction. Agricultural production continued to suffer from consecutive years of drought and water stress, slightly recovering by 1.4 percent after a decline of 11.3 percent a year earlier.

As regards consumer price trends, inflation eased significantly despite the rise in volatile food prices. Indeed, after accelerating to a peak of 10.1 percent in February 2023, it gradually slowed to 3.4 percent in December and averaged 6.1 percent for the whole year, down from 6.6 percent in 2022. This development is due in particular to the decline in international energy and food prices externally, and, internally, to Government's measures to mitigate price increases of some commodities and services, especially transportation, as well as the tightening of monetary policy initiated by Bank Al-Maghrib in September 2022.

Despite considerable uncertainty surrounding the national and international economic outlook, Bank Al-Maghrib, expecting an easing of inflationary pressures, sought to fine-tune its monetary policy, as did many central banks, to ensure price stability while supporting the ongoing post-pandemic recovery. Thus, after a further 50 basis point key rate increase at its first meeting of the year, it paused its tightening cycle from June onwards while continuing to fulfill all banks' liquidity requirements, as well as implementing its longer-term refinancing programs.

The labor market remained a source of concern, with a further loss of 157,000 jobs, leaving the volume of employment 3.5 percent below its pre-pandemic level. This development reflects significant declines in the agricultural sector, which continued to suffer from adverse weather conditions and water stress. The sector lost 202,000 jobs, bringing its share of total employment down to 27.8 percent from 37.8 percent in 2008 and 42.3 percent in 2000. At the same time, job creation in other sectors was far from sufficient to offset these losses. Services generated a mere 15,000 jobs, while industry-including crafts-created only 7,000 jobs, despite the vigorous export momentum of some of the world's crafts of Morocco. On the other hand, the construction sector grew by 19,000 jobs, following a virtual stagnation in 2022.

Faced with lack of opportunities, part of the active population withdrew from the labor market, further reducing the participation rate to 43.6 percent overall, and to 19 percent among women. Despite this decline, the unemployment rate worsened to 13 percent, its highest since 2001. In urban areas, which account for two-thirds of the working-age population, the unemployment rate reached 16.8 percent, peaking at 48.3 percent among young people aged 15 to 24. At present, over a quarter of this age group is not in education, employment, or training. At the same time, some skills for which Morocco has invested heavily in education and training over many years are subject to a strong pull from advanced countries.

As regards public finances, despite the Government's efforts to sustain purchasing power and investment, the post-pandemic consolidation process continued. It was underpinned by a good performance of tax revenues, in line with robust nominal GDP growth, and substantial receipts generated by innovative financing mechanisms. In addition, the cost of the measures taken in response to Al-Haouz earthquake was largely covered thanks to a surge of citizen solidarity, which helped mobilize resources amounting to 19.6 billion dirhams by the end of the year, through the "special fund for the management of the effects of the earthquake" created at your Majesty's behest. The fiscal deficit, net of proceeds from the sale of State holdings, narrowed to 4.4 percent of GDP, even below the target set in the Finance Act, and direct public debt decreased to 69.5 percent of GDP, albeit with a slight increase in its external component to 17.3 percent.

External accounts also recovered significantly in 2023, as the current account deficit narrowed to 0.6 percent of GDP, its lowest since 2008. Driven by lower commodity prices-especially energy price-this decline particularly reflects the momentum of the automotive industry, the leading export sector. Shipments of passenger cars reached 515,000 units, well ahead of countries such as Romania and Portugal. Similarly, travel receipts and remittances pursued their strong post-pandemic recovery, to reach 104.7 and 115.3 billion dirhams respectively, thus making a substantial contribution to financing the trade deficit of 285.5 billion dirhams recorded in 2023. On the other hand, FDI inflows were below their usual level, falling back to the equivalent of 2.4 percent of GDP. At the end of the year, Bank Al-Maghrib's official reserve assets increased to 359.4 billion dirhams, equivalent to almost 5.5 months of imports of goods and services, a level which remains adequate according to IMF standards.

Under these conditions, the situation on the foreign exchange market remained stable, with supply and demand forces making a growing contribution to the determination of the dirham exchange rate. The latter remained within the regulatory fluctuation band with no central bank intervention, reflecting its alignment with the fundamentals, as reflected by the Bank's quarterly assessments.

At the same time, Bank Al-Maghrib continues to work with the relevant stakeholders to create a transparent and efficient interbank futures market, and to develop the use of foreign exchange risk hedging. To this end, the government is called upon to remove legal constraints on the trading of these instruments, and to establish an incentive tax framework for derivatives.

In the same vein, while continuing to prepare and raise awareness among economic operators, particularly VSMEs, Bank Al-Maghrib is fine-tuning the inflation-targeting framework that will be established once the adequate conditions are in place. This requires a sustained consolidation of macroeconomic balances, adequate preparation of economic operators, and the availability of detailed data to enable better-informed decision-making.

In terms of monetary conditions, after a surge of 7.9 percent in 2022, bank credit to the non-financial sector slowed sharply to 2.7 percent in 2023, mainly due to the end of the support programs put in place after the pandemic. This development was accompanied by an increase in non-performing loans, for both households and businesses, to a total of 94 billion dirhams, affecting the banking system's asset quality. To improve lending capacity, Bank Al-Maghrib is working on the creation of a secondary market for non-performing loans.

Despite these developments, the cumulative results of banks recovered in 2023. Bank Al-Maghrib is continuing to strengthen the sector resilience by pursuing the reform of the legal and regulatory framework in convergence with international standards and advocating prudence in dividend distribution to cope with possible stress scenarios. The Bank has pioneered an assessment of the impact of physical and transitional climate risks. It is working with other regulators and ministerial departments to develop a national strategy for financing the fight against climate change effects. As for consumer protection, the Bank intensified its efforts to improve access to banking products and services and enhance transparency. This included the establishment of a platform for comparing the conditions offered by different banking institutions.

Casablanca stock market performed remarkably well in 2023, thanks to the optimism generated by the announcement that our country would host international sporting events, the launch of the post-earthquake reconstruction plan and the operationalization of the new direct housing assistance program. In the real estate market, after five consecutive years of decline, prices showed a slight increase of 0.6 percent, which was accompanied by an 8.2 percent rise in the number of transactions, after the 10.5 percent drop in 2022.

More broadly, on the macro-prudential front, regular monitoring by all regulators indicates that the national financial system remains robust and resilient. Bank Al-Maghrib is monitoring these achievements by strengthening its supervisory framework and extending it to include climate and cyber risks.

In terms of financial inclusion, the first phase of the national strategy was completed in 2023, with notable progress made on several fronts, including legal and regulatory matters, as well as on plans to develop inclusive offerings and financial education. Consequently, activities of payment institutions launched within this framework became a central aspect of the distribution of direct social aid.

The experience accumulated by our country is now in high demand from international institutions, as evidenced by the visit of Her Majesty Queen Máxima of the Netherlands, Special Representative of the Secretary General of the United Nations in this field, and the prominence of financial inclusion in the discussions during the Annual Meetings of last October in Marrakesh.

Regarding payment systems and means, the Bank continued its efforts to diversify, secure and strengthen resilience, in collaboration with the various stakeholders. In particular, the launch of the instant interbank transfer and the continuation of work on the operationalization of the Central Counterparty Clearing House were notable achievements.

In the area of combating money laundering and the financing of terrorism, our country has made a significant stride forward with its removal from the grey lists of the Financial Action Task Force and the European Union. The objective is to enhance the public authorities' ability to respond to new types of economic and financial crimes in a constantly changing internal and external environment.

Majesty,

In recent years, our country's external environment has undergone a profound transformation. A series of shocks of varying types and geopolitical tensions are challenging the rules and principles governing international relations and the global economic order. This has a negative impact on growth, cross-border trade and investment.

Furthermore, in time of tangible manifestations of climate change, there is a growing consensus that the world is deviating from the trajectory it has set in the fight against this phenomenon. Meetings are held frequently, and commitments are made with great regularity. However, few of these commitments have been fulfilled, and sometimes even setbacks are announced, usually justified by specific exceptional circumstances.

At the same time, the implications of the digital revolution, and the rise of artificial intelligence, remain uncertain. In the absence of a clear vision of public policies in this field, major private players who are primarily focused on profit will continue to drive these developments, which could have a significant impact on employment.

These various developments are contributing to a climate where mistrust and distrust are gradually replacing trust, fragmentation replacing cooperation, protectionism replacing openness, and where the future of the Planet is more uncertain than ever. In this unstable global environment, our country is called upon to pursue its quest for sustainable and inclusive development.

Despite constraints and challenges, it has maintained and expanded its reform agenda and its economic and social projects. Its steadfast commitment to the universal values of dialogue and peace reinforces its credibility and its status as a reliable partner. Its political stability and openness, combined with its geographical location, make it an attractive investment destination.

This status is further reinforced by positive assessments from international institutions. Indeed, after accessing the Precautionary and Liquidity Line several times, Morocco signed an agreement with the IMF under the Flexible Credit Line, thus joining the select circle of a handful of emerging countries that are benefiting from it. Furthermore, it has been granted access to the Resilience and Sustainability Facility, which will support its efforts in the area of green transition. Consequently, Morocco enjoys favorable access to international financial markets and has recently seen an improvement in its sovereign rating outlook.

The key challenge today is to maintain this momentum in order to ensure the successful completion of the various projects and to consolidate and sustain the gains made. Consequently, the country has to navigate a number of transitions, with the risks and uncertainties that are usually inherent to them.

In line with Your Majesty's vision, in its transition to a social State, our country has initiated a large-scale project with a clearly defined content and timetable. The project is progressing as planned and has taken a decisive step forward since last December, as eligible households have started receiving direct social aid from the Government. Simultaneously, the recent resumption of the gradual lift of subsidies is a sound decision that will help secure the resources necessary to ensure the project sustainability.

That said, access to Government's social aid should be the exception, not the rule, and the important number of beneficiaries is, per se, more of a challenge than an achievement. The ultimate goal should be high-quality education for every child, decent jobs for every active person, universal access to healthcare and a protective State that ensures that no-one is left behind.

Therefore, all public policies, notably social policies, must be geared towards fulfilling this ambition. It is in the light of these considerations that we should gauge the scope of the decisions stemming from the social dialogue, which has occupied a pivotal place in the public debate in recent months and to which a considerable fiscal effort has been devoted.

While wage increases may be justified, especially considering the bout of inflation over the past two years, they should reflect an improvement in productivity. Moreover, it should be noted that it benefits only a fraction of workers, namely civil servants and employees in the formal private sector. By contrast, workers in rural areas, as well as employees and self-employed workers in informal activities, generally low-paid and poorly supervised, may not necessarily benefit from these decisions.

It appears more judicious and equitable to base social dialogue on an approach including not only improvement of employment conditions, but also social justice and inequality reduction, to ensure a genuine contribution to the edification of the social State. These, and other considerations of inter-generational justice, are another reason why pension schemes reforms-which have been postponed for years-should be carried out while the risks to their equilibrium are progressively intensifying.

Similarly, the persistence of claims despite the agreement reached, underscores once again the importance of a holistic policy and the need to strengthen intermediary structures to make them credible interlocutors.

Moreover, climate shocks and water stress are becoming a new normal requiring, beyond the necessary emergency solutions, an acceleration of the entire public and private agenda in this area. In particular, the relationship of citizens and economic players to water use must change. This requires a reassessment of pricing policies and governance of this precious resource. More generally, climate-related public policy is today fragmented among a multitude of actors and strategies, which calls for an overhaul to ensure greater coherence, convergence, and efficiency, and ultimately a successful transition to a green, sustainable economy.

On another front, mindful of the opportunities offered by the digital revolution but also the risks it entails, Morocco has in recent years sought to accelerate its transition to a digital economy. It launched several plans and initiatives, particularly for the digitization of public services, and created a dedicated agency. However, on the eve of launching a new strategy, the challenge remains daunting, and the success of this project depends on a number of prerequisites, including strengthening the core-mainly public-infrastructure, improving the quality of education and training in preparation for tomorrow job market, promoting digital literacy, and creating an environment that provides incentives and fosters the emergence of a digital ecosystem.

Specifically in the financial sector, in line with the objectives of its new strategic plan, Bank Al-Maghrib intends to establish a fund dedicated to FinTech as a catalyst for the efforts of various stakeholders and to facilitate the emergence of an ecosystem that promotes financial innovation and access to and use of financial services. It will provide financial support to entrepreneurs and guidance on several fronts, including legal and regulatory aspects.

Ultimately, all these transitions should contribute to the gradual emergence of a modern, formalized economy. In this context, while the significant decline in agricultural employment is per se a natural transformation in a country's development process, it should go hand in hand with a reallocation towards more productive sectors. Yet the available data show that, in Morocco, this reallocation has likely favored low-productivity activities in the tertiary sector. This calls for the reinforcement of the policies that facilitate such reallocation.

Upstream, this issue is linked to education, and, downstream, to the economy's capacity to create employment, which in turn is contingent upon the investment dynamics. Thus, the emphasis placed on boosting private investment, particularly through the operationalization of the Mohammed VI Fund, the finalization of the implementing texts for the new Investment Charter, and the reform of the Regional Investment Centers, raises the hope that the 550 billion dirhams of investment and the creation of 500,000 jobs will be achieved between 2022 and 2026, as called for by Your Majesty in October 2022.

However, a number of other areas requires special attention. One of the most important is the fight against corruption, which is widespread according to both international institutions and the national body in charge of fighting it. It is indeed one of the first obstacles mentioned by companies, along with unfair competition from informal activities. If not addressed, it could even curb the pace of implementation of structural reforms and projects.

It is becoming crucial to ensure the conditions for the success of the national anti-corruption strategy, to bring the ongoing legislative reforms in this area to fruition, and to improve their effectiveness. Cooperation and synergy among the various stakeholders should also be promoted according to a cross-functional and sectoral approach.

In addition, the preponderance of informality in many activities poses a major challenge, considerably affecting productivity and employment quality. Furthermore, it likely underlies the high use of cash in our country. Despite progress in financial inclusion and the development of electronic means of payment, Morocco's cash-to-GDP ratio is one of the highest in the world. Yet, cash entails substantial production and distribution costs, and increases the risks associated with insecurity, criminal activity, and tax evasion, among others. Mitigating this phenomenon necessitates careful attention and efforts from all stakeholders as part of a dedicated strategy.

Moreover, all these transitions require substantial resources that cannot be mobilized on a sustainable basis by the State alone. While the government's firm commitment to improve the sustainability of public finances in order to rebuild fiscal buffers is a sensible course of action, it nevertheless remains a considerable challenge, given the significant number of projects underway or planned.

The involvement of the private sector and foreign investors is essential. In this sense, the recently adopted law on public-private partnerships, the prospects opened up by the Investment Charter, as well as the agreements concluded with certain friendly countries, at Your Majesty's behest, hold great promise.

Majesty,

Despite an uncertain and sometimes hostile environment, Morocco is resolutely pursuing its path towards emergence and prosperity. The success of this great, complex, and multidimensional transition hinges upon refocusing public policies towards the fundamentals of development. This entails investing in human capital, strengthening governance and the institutional framework, improving the business environment, and preserving macroeconomic balances. It also requires the mobilization of all the country's driving forces in a mindset of earnestness and accountability, placing the national interest above all else.

Abdellatif JOUAHRI

Rabat, June 2024

Economic, monetary and financial situation

Part 1

1.1 International environment

Despite continued monetary tightening, the effects of successive shocks since 2020 and persisting geopolitical tensions, the world economy posted a notable resilience in 2023. Growth decelerated only slightly, from 3.5 percent to 3.2 percent, while inflation decreased significantly. Similarly, the labor market situation in main advanced economies continued to be favourable, as unemployment rates remained historically low and wages continued to rise.

On the other hand, world trade slowed sharply for the second consecutive year, due to weakening global demand and several other factors, namely increased geo-economic fragmentation, which results in a proliferation of trade restrictions, and shipping disruptions.

On commodity markets, after two years of sharp rises, prices fell significantly in 2023, mainly due to moderating demand, improved supply of agricultural products and increased oil production from non-OPEC+ countries.

In financial markets, the year was marked by a notable performance of the main stock markets in advanced economies, despite continued rate hikes, fears of economic recession and concerns over the turbulence in the US and Swiss banking sectors. In debt markets, sovereign yields in advanced economies continued their sharp rise initiated a year earlier, while developments in major emerging economies were mixed, particularly with China and India remaining stable. Nevertheless, towards the end of the year, yields began to fall as inflation slowed and a change in the monetary policy stance was expected.

As regards public finances, the fiscal consolidation that began in 2021- after the exceptional support provided in response to the pandemic- was further slowed by measures to assist households and businesses, particularly in advanced countries, and by the rising cost of financing amid high levels of indebtedness.

Finally, faced with an increasing number of conflicts and heightened geopolitical tensions, further efforts were made to strengthen multilateralism, cooperation, and international solidarity. Specifically, during the Annual Meetings of the World Bank and the IMF held in Marrakech in October, the heads of the two institutions, the Moroccan Minister of the Economy and Finance and the Governor of Bank Al-Maghrib issued a joint declaration setting out the principles for enhanced international cooperation aimed at harnessing the power of multilateralism for the benefit of all.

1.1.1 Economic growth

Against a backdrop of rising uncertainty stemming from geopolitical tensions, persistent inflationary pressures and continued monetary policy tightening, the global economy proved surprisingly resilient in 2023. The slowdown turned out to be less marked than expected, with year-on-year growth returning from 3.5 percent to 3.2 percent, due particularly to the normalization of supply chains, lower energy prices and, in many cases, support and fiscal stimulus measures.

This relative performance was nevertheless largely divergent across countries, with notable strength of activity in the USA and several major emerging Asian countries, and a particularly weak pace in the euro area and UK.

In the USA, growth accelerated from 1.9 percent in 2022 to 2.5 percent in 2023, driven by robust household consumption sustained by excess savings built up during the pandemic, a still-favourable situation in the labour market, and fiscal support measures, notably under the Inflation Reduction Act[1] and the CHIPS and Science Act on semiconductors[2].

By contrast, growth in the euro area decelerated sharply from 3.4 percent to 0.4 percent, reflecting low consumer confidence, lingering effects of high energy prices and weak investment. However, this trend covers an uneven performance across member countries. Growth thus reached 2.5 percent in Spain, driven by tourism, moderated to 0.9 percent in France and Italy, while the German economy contracted slightly by 0.3 percent.

In the UK, the sharp rise in interest rates and the cost of living weighed on activity, with growth decelerating from 4.3 percent in 2022 to 0.1 percent in 2023. In Japan, the pace of activity firmed up from 1 percent to 1.9 percent, favoured by buoyant tourism and exports.

[1] The "Inflation Reduction Act", passed in August 2022, is a 10-year, 430 billion dollars government spending program which, in addition to mitigating the effects of rising prices, aims to invest in green industry and reduce carbon emissions.

[2] Also adopted in August 2022, the "Chips and Science Act" is aimed at boosting semiconductor production and developing research in this field.

Table 1.1.1: Economic growth in the world (in percent)

	2020	2021	2022	2023
World	**-2.7**	**6.5**	**3.5**	**3.2**
Advanced economies	**-3.9**	**5.7**	**2.6**	**1.6**
United states	-2.2	5.8	1.9	2.5
Euro area	-6.1	5.9	3.4	0.4
Germany	-3.8	3.2	1.8	-0.3
France	-7.5	6.3	2.5	0.9
Italy	-9.0	8.3	4.0	0.9
Spain	-11.2	6.4	5.8	2.5
United kingdom	-10.4	8.7	4.3	0.1
Japan	-4.1	2.6	1.0	1.9
Emerging and developing countries	**-1.8**	**7.0**	**4.1**	**4.3**
Emerging and developing countries of Asia	**-0.5**	**7.7**	**4.4**	**5.6**
China	2.2	8.5	3.0	5.2
India[1]	-5.8	9.7	7.0	7.8
Latin America and the Caribbean	**-7.0**	**7.3**	**4.2**	**2.3**
Brazil	-3.3	4.8	3.0	2.9
Mexico	-8.6	5.7	3.9	3.2
Emerging and developing countries of Europe	**-1.6**	**7.5**	**1.2**	**3.2**
Russia	-2.7	6.0	-1.2	3.6
Türkiye	1.9	11.4	5.5	4.5
Sub-Saharan Africa	**-1.6**	**4.7**	**4.0**	**3.4**
South Africa	-6.0	4.7	1.9	0.6
Nigeria	-1.8	3.6	3.3	2.9
Middle East and North Africa	**-2.7**	**4.3**	**5.2**	**1.9**

Source: IMF.

[1] For India, the fiscal year straddles two calendar years beginning in April. The 2023/2024 fiscal year therefore appears in the 2023 column.

In emerging countries, although health restrictions were lifted in December 2022 and support measures were put in place, China's economic recovery has been relatively slow, with growth rate going from 3 percent to 5.2 percent. As it continues to rebalance its economic model, China is confronted with many challenges, including problems in the real estate sector, high levels of indebtedness and weakening consumer and investor confidence.

In India, economic activity held up well, growing from 7 percent a year earlier to 7.8 percent underpinned by a strong expansion in the services sector and vigorous public investment, while in Brazil, the pace of the economy remained virtually unchanged at 2.9 percent partly owing to its record agricultural output. Meanwhile, after contracting by 1.2 percent in 2022, Russia's economy has returned to growth, and its GDP rose by 3.6 percent in 2023, boosted by military spending.

In sub-Saharan Africa, economic activity continued to be adversely affected by political instability, climatic hazards, and the generally unfavourable international environment, slowing down from 4 percent to 3.4 percent. In main economies of the region, growth decelerated to 2.9 percent in Nigeria, where oil production was disrupted by recurring technical problems and insecurity, while South Africa posted weak growth of 0.6 percent, namely due to persistent power cuts and tighter monetary policy.

In the Middle East and North Africa region, numerous developments took place, most notably the outbreak and ramifications of the conflict in Gaza, natural disasters in Libya and Morocco, and the decline in world energy prices. Against this backdrop, growth slowed sharply from 5.2 percent to 1.9 percent overall, from 5.6 percent to 1.9 percent in oil-exporting countries, and from 4.5 percent to 1.8 percent in oil-importing countries.

Box 1.1.1: China's economy, a global growth engine stalling out

After years of exceptional economic performance, averaging 9 percent annual growth between 2000 and 2019, China, the main engine of global growth, has been facing persistent difficulties in recent years. Meanwhile, the Chinese authorities launched a transition to a more balanced and sustainable economic model, with greater emphasis on domestic consumption and the service sector. In these circumstances, the pace of economic activity decelerated sharply, hovering around 4 percent over the last two years.

The Chinese economy is facing a wide range of difficulties. One of the most problematic sectors is real estate, which accounts for 20 percent of the value added produced by the country. This sector has undergone rapid expansion for many years, culminating in an accumulation of oversupply in certain regions, and a price rise that seriously undermined households' access to housing.

More recently, in addition to unfavourable global economic conditions and trade tensions with the USA, the economy suffered greatly from the authorities' approach to containing the pandemic. The latter involved strict sanitary restrictions maintained over a long period, with no clear advantages over the more flexible approaches adopted in other countries, which significantly affected household confidence. These obstacles were compounded by other structural factors such as an ageing population[1] and moderating productivity gains.

Considering these factors, the IMF, in its latest Article IV consultations with China, forecasts that the pace of economic activity will continue to slow gradually and hover around 3.5 percent by 2028.

[1] According to China's National Bureau of Statistics (NBS), China's population declined in 2023 for the second year running.

In view of its importance, China's economic slowdown carries with it significant consequences for the rest of the world economy. China's share of international trade has risen from 4.7 percent in 2002 to 12.7 percent in 2022, with a predominant weighting in raw materials, the country being the world's leading importer of minerals (over 70 percent of world nickel, aluminium, and iron imports) and agricultural products (12 percent of world cereal imports and 58 percent of soybean imports[2]). Similarly, over the past decade, China contributed almost two-thirds of the increase in global oil consumption, almost one-third of the rise in natural gas consumption, and was the main player on the coal markets[3].

Measured in terms of capital flows (loans and FDI), this slowdown is likely to lead to a weakening of Chinese financing flows to emerging and developing countries, mostly in the form of commercial and sovereign loans, the total amount of which rose from $3 billion in 2001 to a peak of $180 billion in 2015, with countries from Asia (30 percent), sub-Saharan Africa (28 percent) and Latin America (23 percent) as main recepients[4].

In addition, China has been granting emergency loans for several years, thereby acting as lender of last resort to finance debt servicing and, since 2015, becoming the main creditor of emerging and developing economies. In 2000, the latter's external public debt, held by public creditors in China, did not exceed one billion dollars, while it reached 355 billion in 2017[5].

Lastly, 14.1 percent of FDI flows between 2005 and 2022 were directed to Asia, 11.4 percent to Latin America, 10.6 percent to sub-Saharan Africa and 4.4 percent to the Middle East. These flows peaked in 2018 to $54 billion, and have been declining since then, reflecting a desire for rationalization and greater risk aversion from Chinese investors[6].

[2, 4 and 6] "How Dependent Are Emerging Economies on China's Growth?", French Treasury Department, No. 336, January 2024.
[3] "World Energy Outlook", International Energy Agency, 2023.
[5] "China, the world's main creditor, a further fragility for emerging and developing countries", CEPII, 2023.

1.1.2 Labour market

In 2023, labour markets in the major advanced economies remained notably resilient, with unemployment rates continuing to evolve at historically low levels overall. Labor supply remained constrained by several factors, most notably the aging population, scarcity of labour in some sectors, and shift in worker preferences since the pandemic.

In the USA, the unemployment rate stood at 3.6 percent and wages continued to rise at a steady pace, of 4.5 percent after 5.4 percent in 2022. Labour demand was driven by a more buoyant than expected economic activity.

In the euro area, despite monetary tightening, the unemployment rate continued to decline, from 6.7 percent in 2022 to 6.5 percent in 2023, its lowest level since the area's creation. Nevertheless, unemployment levels and trends showed contrasts across the region, with rates declining from 3.1 percent to 3 percent in Germany, from 8.1 percent to 7.7 percent in Italy and from 12.9 percent to 12.1 percent in Spain, while France posted a slight rise from 7.3 percent to 7.4 percent. Unemployment rose slightly to 4 percent in the UK and remained low in Japan at 2.6 percent.

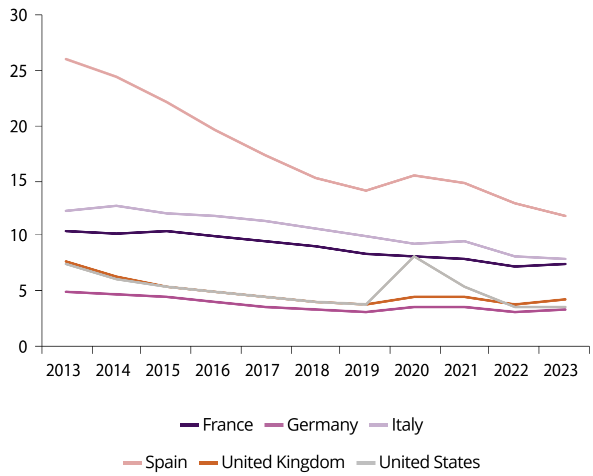
In the main emerging economies, unemployment rates dropped from 5.5 percent in 2022 to 5.2 percent in 2023 in China, from 9.3 percent to 8 percent in Brazil and from 10.5 percent to 9.4 percent in Türkiye.

Table 1.1.2: Unemployment rate (in percent)

	2019	2020	2021	2022	2023
			Advanced countries		
United States	3.7	8.1	5.4	3.6	3.6
Euro area	7.6	8.0	7.7	6.7	6.5
Germany	3.0	3.6	3.6	3.1	3.0
France	8.4	8.0	7.9	7.3	7.4
Italy	9.9	9.3	9.5	8.1	7.7
Spain	14.1	15.5	14.8	12.9	12.1
United Kingdom	3.8	4.6	4.6	3.9	4.0
Japan	2.4	2.8	2.8	2.6	2.6
			Emerging countries		
Türkiye	13.7	13.1	12	10.5	9.4
China	5.2	5.2	5.1	5.5	5.2
Brazil	12.0	13.8	13.2	9.3	8.0

Source: IMF.

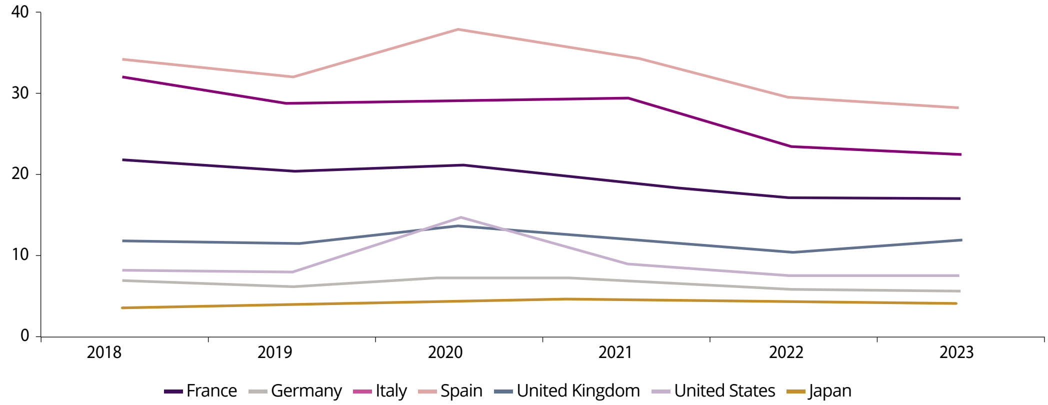
Chart 1.1.1: Unemployment rate in the main advanced countries (in percent)



Youth unemployment[1] continued its downward trend in most advanced economies. In the euro area, it fell from 14.5 percent to 14.4 percent overall, from 17.3 percent to 17.2 percent in France, from 5.9 percent to 5.8 percent in Germany, from 29.7 percent to 28.5 percent in Spain and from 23.7 percent to 22.7 percent in Italy. The rate declined from 8.1 percent to 7.9 percent in the USA, stabilized at 4.1 percent in Japan, and rose from 10.6 percent to 12 percent in the UK.

[1] People aged 15 to 24.

Chart 1.1.2: Youth unemployment rate in advanced countries (in percent)



Source: OECD.

1.1.3 Commodity markets

After a surge over the previous two years, commodity prices fell sharply in 2023, mainly due to the easing of supply disruptions[1], abundant agricultural production, slowing global economic activity and easing concerns about an energy crisis in Europe. On average, energy prices dropped by 29.9 percent in 2023, and by 9.8 percent for non-energy products.

Chart 1.1.3: Annual change in commodity price indexes (2010=100)

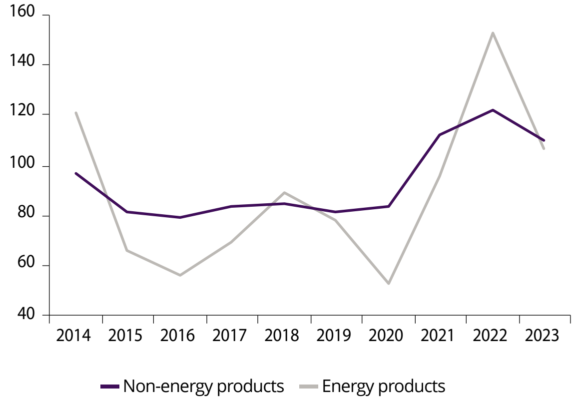
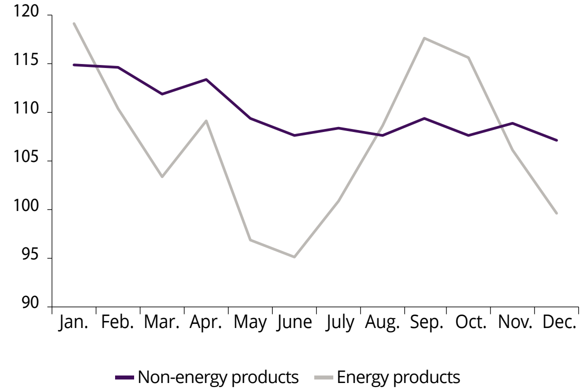


Chart 1.1.4: Monthly change in commodity price indexes in 2023 (2010=100)



Source: World Bank.

[1] Nonetheless, the outbreak of conflict in Gaza has raised concerns about energy supplies.

In the oil market, prices[1] fell by 16.8 percent to an average of $80.8 per barrel in 2023. Over the course of the year, however, prices remained volatile, as result of uncertainties surrounding the outlook for global demand and OPEC+ decisions. After a temporary rise in April, following the announcement of a 1.66 mb/d production cut, prices turned downwards in response to fears of a global recession, accentuated by the risks of a large-scale banking crisis. This prompted some OPEC+ countries (Saudi Arabia and Russia) to announce further supply cuts in July. Nevertheless, prices fell again in the fourth quarter, driven by additional production from non-OPEC countries, particularly the USA and Brazil, and from some OPEC+ countries, such as Russia and Iran, whose actual production exceeded agreed quotas.

Similarly, natural gas prices fell sharply in 2023, by 67.5 percent in the European market and 60.1 percent in the US market. This evolution was attributable to abundant supply, a considerable drop in European demand and very comfortable inventory levels. As for coal, prices fell by almost half, mainly due to increased supply from the main producers, and to falling demand associated with the increased use of alternative energies (hydro and natural gas) to generate electricity.

Chart 1.1.5: Annual change in energy prices

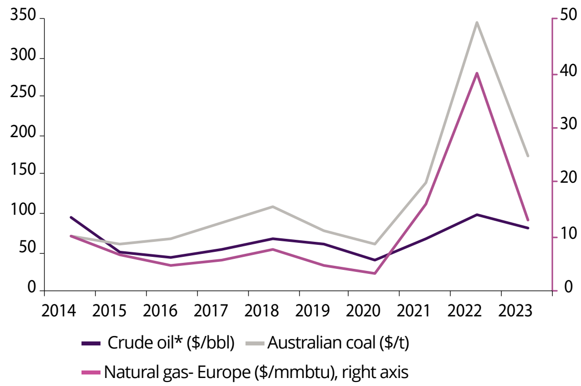
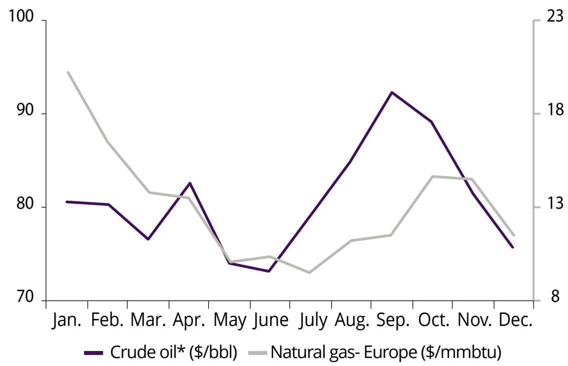


Chart 1.1.6: Monthly change in energy prices in 2023



(*) The average of Brent, WTI and Dubai Fateh prices.

Source: World Bank.

[1] Average prices for Brent, WTI and Dubai Fateh.

Prices for metals and ores continued their downward trend, with a further decline by 9.6 percent after a 1.2 percent fall in 2022, as demand slowed combined with abundant supply. By product, the price of copper fell by 3.8 percent, due to the prolonged sluggishness of China's real estate sector, yet mitigated by rising demand for clean technologies, while the price of aluminium contracted by 16.6 percent due to improved Chinese production. Iron prices remained virtually unchanged, reflecting weak demand, mainly from China.

Prices of rock phosphate rose by 20.9 percent to $321.7 per tonne, while those of derivatives contracted by 28.8 percent to $550.1 for DAP and by 32.9 percent to $480.2 for TSP. This trend was primarily due to the lower price of natural gas used to produce ammonia, one of DAP's main inputs, and to the reduced use of these fertilizers in several agricultural regions, notably in Asia.

In the same vein, food prices fell by 9.2 percent in 2023, reflecting both an 11.5 percent drop in the price of cereals, which were heavily supplied, and an 18.1 percent fall in the price of oils and flours. The exceptions were rice and sugar prices, which rose by 27 percent each, due to export restrictions on rice imposed by India, and fears of lower production of sugar in India and Thailand owing to unfavourable weather conditions.

Chart 1.1.7: Non-energy price indexes (2010=100)

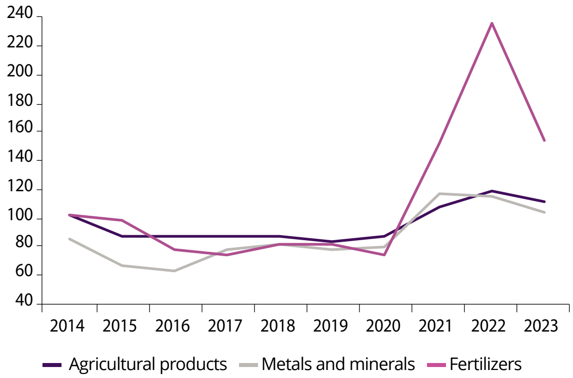
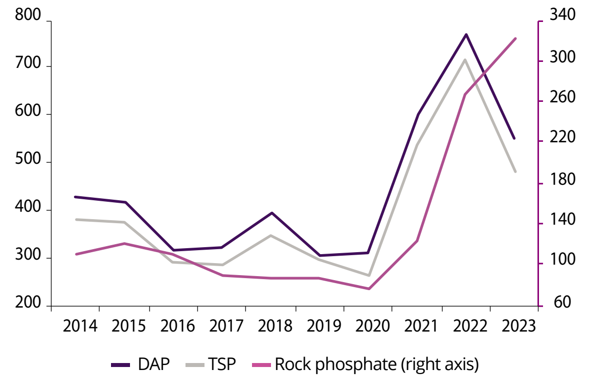


Chart 1.1.8: Prices of phosphate and derivatives (dollar/tonne)



Source: World Bank.

As for precious metals, despite a sharp increase in supply, gold prices rose by 7.9 percent to $1,942.7 per ounce, against a backdrop of strong demand from investors and from the jewellery industry. Similarly, the price of silver gained 7.4 percent, driven mainly by growing demand for the production of electric vehicles, photovoltaic solar panels and electronic components.

1.1.4 Inflation

After exceptional levels recorded in 2022, inflation decelerated sharply in 2023, while remaining high. Reasons for this development include the moderation in energy and food prices, continued monetary tightening and easing of disruptions to global supply chains. The average inflation rate thus fell from 8.7 percent in 2022 to 6.8 percent in 2023 worldwide, decelerating from 7.3 percent to 4.6 percent in advanced countries and from 9.8 percent to 8.3 percent in emerging and developing economies.

Table 1.1.3: Inflation in the world (in percent)

	2017	2018	2019	2020	2021	2022	2023
World	**3.3**	**3.6**	**3.5**	**3.2**	**4.7**	**8.7**	**6.8**
Advanced economies	**1.7**	**2.0**	**1.4**	**0.7**	**3.1**	**7.3**	**4.6**
United states	2.1	2.4	1.8	1.2	4.7	8.0	4.1
Euro area	1.5	1.8	1.2	0.3	2.6	8.4	5.4
Germany	1.7	1.9	1.4	0.4	3.2	8.7	6.0
France	1.2	2.1	1.3	0.5	2.1	5.9	5.7
Italy	1.3	1.2	0.6	-0.1	1.9	8.7	5.9
Spain	2.0	1.7	0.8	-0.3	3.0	8.3	3.4
United kingdom	2.7	2.5	1.8	0.9	2.6	9.1	7.3
Japan	0.5	1.0	0.5	0.0	-0.2	2.5	3.3
Emerging and developing countries	**4.5**	**5.0**	**5.1**	**5.2**	**5.9**	**9.8**	**8.3**
China	1.6	2.1	2.9	2.5	0.9	2.0	0.2
India	3.6	3.4	4.8	6.2	5.5	6.7	5.4
Brazil	3.4	3.7	3.7	3.2	8.3	9.3	4.6
Russia	3.7	2.9	4.5	3.4	6.7	13.8	5.9
Middle East and North Africa	**7.2**	**11.3**	**8.0**	**10.8**	**14.0**	**14.3**	**16.0**

Source: IMF.

In the USA, after peaking at 8 percent in 2022, inflation fell to 4.1 percent in 2023, while its core component remained at a higher level, namely 4.8 percent after 6.2 percent. Similarly, in the euro area, inflation eased from 8.4 percent to 5.4 percent, whereas its core component accelerated from 3.9 percent to 4.9 percent. By country, the rise of consumer price slowed from 8.7 percent to 6 percent in Germany, from 5.9 percent to 5.7 percent in France, from 8.7 percent to 5.9 percent in Italy and from 8.3 percent to 3.4 percent in Spain. Meanwhile, inflation decelerated from 9.1 percent to 7.3 percent in the UK, but accelerated in Japan from 2.5 percent to 3.3 percent, its highest level since 1982, driven by food prices and a weak yen.

Chart 1.1.9: Inflation in the world (in percent)

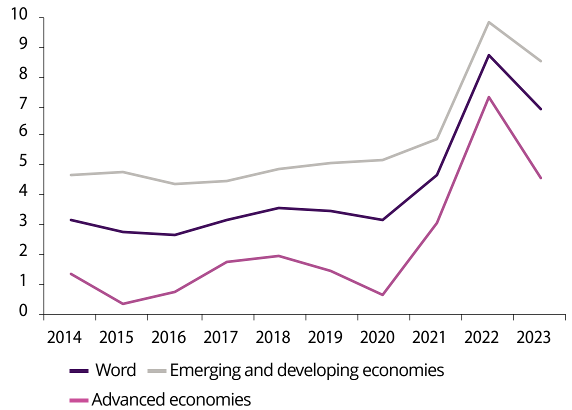
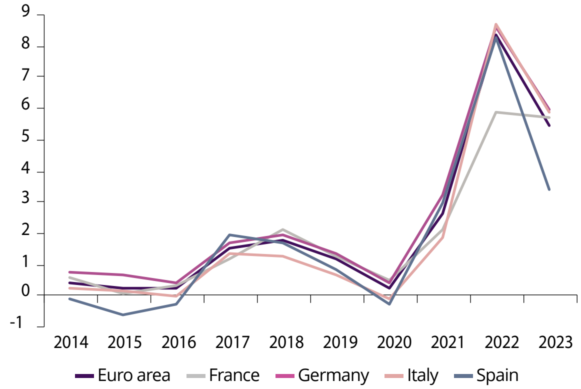


Chart 1.1.10: Inflation in the main euro area economies (in percent)



Source: IMF.

In emerging and developing countries, China proved to be the exception, with strong disinflation. Consumer prices recorded several monthly declines and rose slightly by 0.2 percent for the year as a whole, after 2 percent in 2022. This change reflects lower food prices combined with weaker demand.

In the other major emerging economies, inflation slowed from 6.7 percent to 5.4 percent in India, from 13.8 percent to 5.9 percent in Russia and from 9.3 percent to 4.6 percent in Brazil. On the other hand, faced with the effects of currency devaluation and price liberalization on certain products, Argentina continued to post soaring inflation, reaching 133.5 percent in 2023 after 72.4 percent a year earlier.

In the MENA region, inflation further accelerated from 14.3 percent in 2022 to 16 percent, driven by sharp currency depreciations and persistently high food prices. In particular, inflation rose from 8.5 percent to 24.4 percent in Egypt, and from 8.3 percent to 9.3 percent in Tunisia, while it stabilized at 9.3 percent in Algeria. On the other hand, it slowed in all Gulf Cooperation Council countries, falling from 2.5 percent to 2.3 percent in Saudi Arabia, from 4.8 percent to 1.6 percent in the United Arab Emirates, and from 5 percent to 3.1 percent in Qatar.

1.1.5 Public finances

Following the post-pandemic fiscal consolidation initiated in 2021, which persisted into 2022 despite support efforts aimed at mitigating the impact of inflation, the public finance situation deteriorated overall in 2023. Fiscal deficit widened from 3.9 percent in 2022 to 5.5 percent of GDP on average, and global public debt went from 91.3 percent to 93.2 percent of GDP.

Fiscal balances deteriorated in both advanced and emerging and developing economies, with year-on-year GDP ratios rising from 3.2 percent in 2022 to 5.6 percent in 2023 and from 4.9 percent to 5.4 percent respectively. On the other hand, public debt worsened more in emerging and developing economies, where it rose to 68 percent of GDP, whereas it remained stable at 111 percent of GDP on average in advanced economies.

Chart 1.1.11: Fiscal balances in main advanced countries (in percent of GDP)

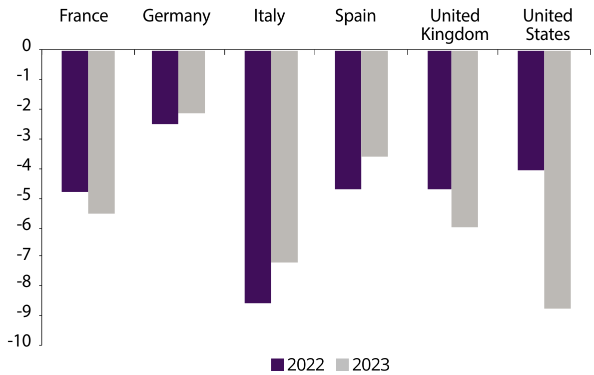
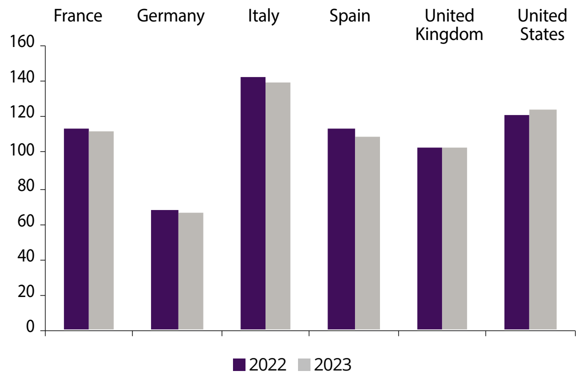


Chart 1.1.12: Fiscal debt in main advanced countries (in percent of GDP)



Source: IMF.

In the United States, after a marked decrease from 11.1 percent in 2021 to 4.1 percent of GDP in 2022, the fiscal deficit widened to 8.8 percent in 2023, with public debt rising to 122.1 percent of GDP. In the euro area, where fiscal support was less extensive, the deficit improved slightly to 3.5 percent of GDP. However, this trend covers different paths between the main member countries, with France posting a widening to 5.5 percent of GDP in 2023, while Germany recorded a reduction to 2.1 percent, Spain to 3.6 percent and Italy to 7.2 percent. Public debt in Euro zone as a whole fell to 88.6 percent of GDP, with declines to 64.3 percent in Germany, 107.5 percent in Spain, 110.6 percent in France and 137.3 percent in Italy.

In the UK, fiscal deficit deteriorated to 6 percent of GDP in 2023 from 4.7 percent in 2022, while public debt remained virtually stable at 101 percent of GDP. Japan, on the other hand, reported an increase to 5.8 percent of GDP, with debt levels remaining very high, albeit down slightly to 252.4 percent of GDP.

As for emerging economies, fiscal deficit eased to 7.1 percent of GDP in China, along with a rise in public debt to 83.6 percent of GDP, following a particularly large sovereign bond issue of 1,000 billion Chinese yuan ($137 billion) to finance infrastructure projects. Similarly, India's deficit fell to 8.6 percent of GDP with the withdrawal of support measures introduced for foodstuffs and fertilizers in the wake of the conflict in Ukraine, and the good performance of tax revenues, while the country's debt ratio rose slightly to 82.7 percent of GDP.

In Brazil, the budget deficit deteriorated from 3.1 percent of GDP in 2022 to 7.9 percent in 2023, with debt rising to 84.7 percent of GDP in the wake of reinforcing social policies, most notably the "Bolsa Familia[1]" program. Similarly, Türkiye posted a significant increase of 1.1 percent to 5.5 percent of GDP, reflecting primarily the post-2023 earthquake reconstruction cost, and a fall in public debt to 28.9 percent of GDP. In Russia, the fiscal deficit and public debt, although deteriorating slightly, remained well contained at 2.3 percent and 19.7 percent of GDP respectively.

Chart 1.1.13: Fiscal balances in main emerging economies (as percent of GDP)

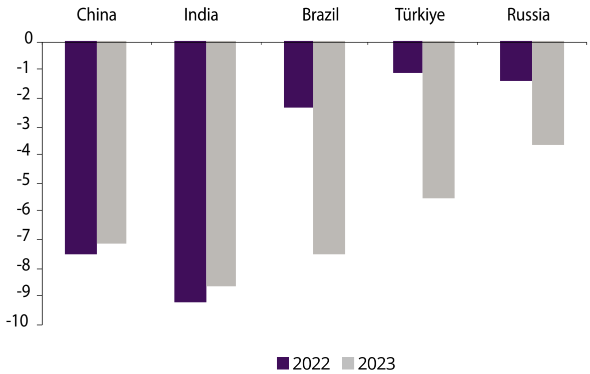
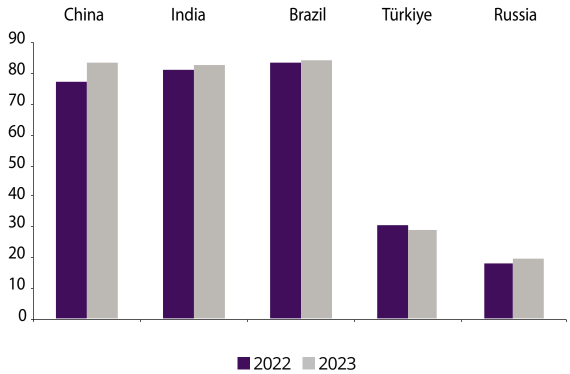


Chart 1.1.14: Fiscal debt in major emerging economies (as percent of GDP)



Source: IMF.

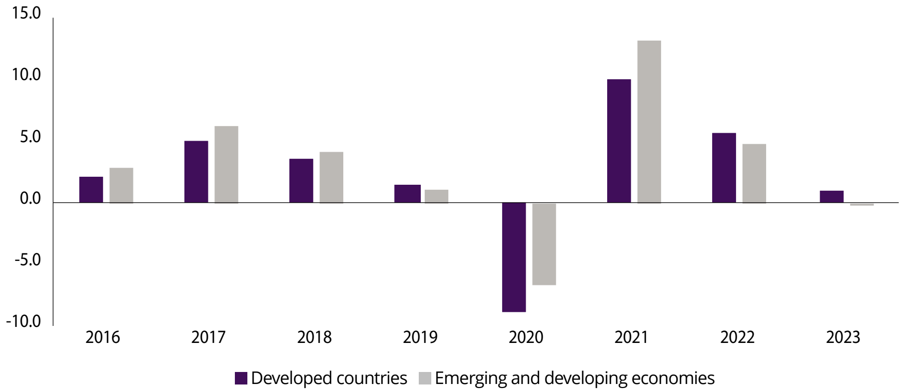
In the MENA region in particular, the fiscal situation in oil-exporting countries was hit hard by the downturn in oil prices. The budget surplus fell to 6.3 percent of GDP in the United Arab Emirates, 5.4 percent in Qatar and turned into a deficit of 2 percent of GDP in Saudi Arabia. Public debt remained relatively low at 26.2 percent of GDP in Saudi Arabia, 30.9 percent in the United Arab Emirates and 39.4 percent in Qatar.

1.1.6 External accounts

For the second year running, world trade has slowed down, mainly due to weakening economic activity, geo-economic fragmentation resulting in increased trade restrictions, and disruptions to maritime traffic caused by climatic phenomena and armed conflicts. Thus, after the post-pandemic rebound of 11 percent in 2021 and the 5.6 percent increase recorded in 2022, its volume growth dropped to 0.3 percent in 2023, reflecting a marked deceleration in exports from advanced economies to 0.9 percent, and a slight contraction of 0.1 percent in exports from emerging and developing countries.

[1] Established since 2003, the "Bolsa Família" is a direct conditional transfer program intended for Brazilian households living in poverty.

Chart 1.1.15: Exports of goods and services by volume (change in percent)



Source: IMF.

Remittances to low- and middle-income countries reached $669 billion in 2023, up by 3.8 percent after averaging 9.2 percent over the previous two years. This increase, albeit limited, reflects the resilience of labour markets in advanced economies and in the Gulf Cooperation Council countries.

Regional analysis shows an increase of 8 percent in transfers to Latin America and the Caribbean, 7.2 percent to South Asia, 3 percent to East Asia and the Pacific, and 1.9 percent to sub-Saharan Africa. By contrast, the Middle East and North Africa posted a decline of 5.3 percent, mainly due to a drop in transfers to Egypt. According to the World Bank, this can be explained by the fact that official statistics did not take into account a large proportion of remittances channelled through the parallel foreign exchange market.

In this context, current account balances have improved overall in advanced economies, with an average deficit of 0.3 percent of GDP in 2022 turning into a surplus of 0.5 percent in 2023. This evolution is due to lower deficits of 3 percent in the USA and 2.2 percent in the UK, and a higher surplus of 3.4 percent in Japan. It also reflects a marked improvement in the current account balance in the euro area, from a deficit of 0.5 percent of GDP to a surplus of 1.9 percent. In the main member countries of the area, the surplus strengthened to 2.6 percent of GDP in Spain and 6.8 percent in Germany, while the deficit balance eased to 0.8 percent in France and turned into a positive balance of 0.2 percent in Italy.

In emerging and developing countries, the current account surplus fell to 0.6 percent of GDP on average in 2023, after 1.5 percent in 2022, with a particular decline from 2.3 percent to 1.5 percent in China, hit by weaker global demand, and from 10.5 percent to 2.5 percent in Russia, due to lower commodity prices, notably those of energy. On the other hand, the current account deficit eased from 2 percent to 1.2 percent in India, driven by a rise in services exports, and from 2.5 percent to 1.3 percent in Brazil, benefiting from higher exports of agricultural and petroleum products.

In the MENA region, the decline in oil production and world oil prices led to a significant drop in current account surpluses for the main exporting countries, which fell from 13.7 percent of GDP to 3.9 percent in Saudi Arabia, from 26.7 percent to 18.7 percent in Qatar, and from 11.6 percent to 9.3 percent in the United Arab Emirates. Conversely, the decline in oil prices and the buoyancy of travel receipts in oil-importing countries led to a narrowing of the current account deficit, which fell from 3.5 percent to 1.2 percent in Egypt, from 7.9 percent to 7 percent in Jordan and from 8.6 percent to 2.5 percent in Tunisia.

Table 1.1.4: Current account balance (in percent of GDP)

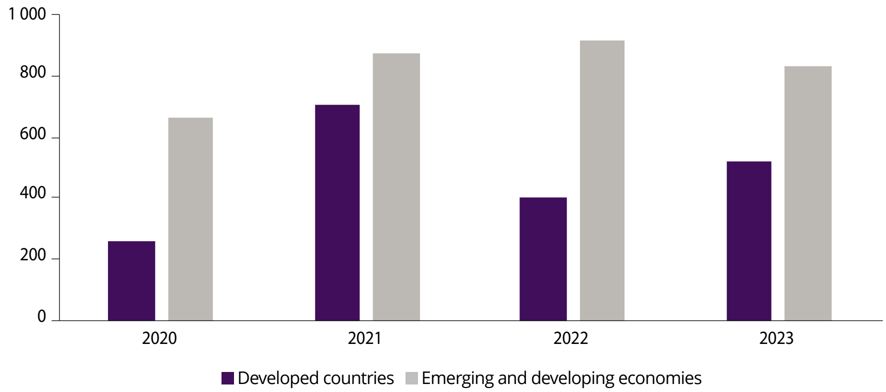
	2019	2020	2021	2022	2023
Advanced economies	**0.8**	**0.3**	**1.0**	**-0.3**	**0.5**
United states	-2.1	-2.8	-3.5	-3.8	-3.0
Euro area	2.4	1.8	2.8	-0.5	1.9
Germany	8.2	7.1	7.7	4.4	6.8
France	0.5	-1.6	0.4	-2.0	-0.8
Italy	3.3	3.9	2.4	-1.5	0.2
Spain	2.1	0.6	0.8	0.6	2.6
United kingdom	-2.7	-2.9	-0.5	-3.1	-2.2
Japan	3.4	3.0	3.9	2.0	3.4
Emerging and developing countries	**0.0**	**0.4**	**0.9**	**1.5**	**0.6**
Emerging and developing countries of Asia	**0.5**	**1.5**	**1.2**	**1.2**	**1.0**
China	0.7	1.7	2.0	2.3	1.5
India	-0.9	0.9	-1.2	-2.0	-1.2
Latin America and the Caribbean	**-2.1**	**-0.3**	**-2.0**	**-2.4**	**-1.2**
Brazil	-3.6	-1.9	-2.8	-2.5	-1.3
Mexico	-0.3	2.4	-0.3	-1.2	-0.3
Emerging and developing countries of Europe	**1.3**	**0.1**	**1.5**	**2.7**	**-0.5**
Russia	3.9	2.4	6.6	10.5	2.5
Türkiye	1.4	-4.4	-0.9	-5.4	-4.1
Sub-Saharan Africa	**-3.1**	**-2.7**	**-1.0**	**-2.0**	**-2.8**
South Africa	-2.6	1.9	3.7	-0.5	-1.6
Middle East and North Africa	**1.1**	**-3.8**	**4.2**	**10.0**	**5.3**

Source: IMF.

Despite the uncertain economic outlook and rising interest rates, FDI flows increased slightly by 3 percent in 2023 to $1,365 billion, following a 16.6 percent contraction the previous year. They soared by 29 percent to $524 billion for advanced economies, while they dropped by 9 percent to $841 billion for developing countries.

By region, net flows to Asia fell by 12 percent to $584 billion, mainly reflecting declines to China and India, and by 1 percent to $48 billion to Africa. On the other hand, net flows to North America remained virtually unchanged at $377 billion, and at $209 billion to Latin America and Caribbean. Europe saw an inflow of $70 billion, following an outflow of $115 billion a year earlier.

Chart 1.1.16: FDI inflows (in billion of dollars)



Source: UNCTAD.

Lastly, foreign exchange reserves rose in the main emerging countries, reaching $3,449.5 billion in China, $627.8 billion in India, $597.2 billion in Russia and $355 billion in Brazil.

Box 1.1.2: World trade slowdown: causes and consequences

In 2023, world trade grew by 0.3 percent, its lowest level in four decades, except for 2009 (financial crisis) and 2020 (pandemic), with medium-term prospects well below its historical performance[1]. Besides the drop in global demand, this slowdown reflects a series of shocks, namely the pandemic and the war in Ukraine, in addition to structural factors linked to the consequences of climate change, geo-economic fragmentation and the rise of economic sovereignism.

Trade tensions running since 2018 between China and the United States have led to a series of import tariff hikes and a change in the structure of their trade. The US has in fact turned to new sources of supply, particularly for high-tech products[2], with China's share of US imports falling from 22 percent in 2018 to 13 percent in the first half of 2023[3].

In 2020, the major disruptions to global supply chains and shortages of healthcare products caused by the *pandemic* led to a rise in economic sovereignty and a shift towards nearshoring, especially through the nationalization and relocation of the production process for certain strategic goods and products.

In 2022, the *war in Ukraine* triggered a succession of sanctions against Russia, largely disrupting trade in food and energy products and calling into question the organization of global value chains.

Furthermore, maritime transport, which handles 80 percent of the world's trade volume, has recently experienced major disruptions on its main arteries, associated with the repercussions of climate change. In October 2023, for example, the Panama Canal, which accounts for around 5 percent of this volume, experienced a drop in water levels due to a severe drought, which prompted the authorities to cut the daily quota of ships transiting by half, resulting in a 6-day increase in transit time[4].

Moreover, these disruptions have been exacerbated by the growing number of conflicts. Since the outbreak of the conflict in Gaza, attacks on Red Sea shipping lanes have been added to those caused by the war in Ukraine and the Black Sea. According to IMF estimates[5], transits through the Suez Canal, which account for around 15 percent of world trade volume, fell by 50 percent year-on-year in the first two months of 2024. Many shipping companies are forced to pass through the Cape of Good Hope, thereby extending delivery times by more than ten days on average.

[1] According to the IMF's projections of April 2024, the growth rate of trade in volume is expected to reach 3 percent in 2024 and 3.3 percent in 2025, against a historical annual average of 4.9 percent (2000-2019 period).

[2] "World trade report 2023: Re-globalization for a secure, inclusive and sustainable future", WTO, September 2023.

[3 and 9] "Cold War II? Preserving Economic Cooperation Amid Geoeconomic Fragmentation", Speech by IMF First Managing Deputy Director Gita Gopinath, 20th World Congress of the International Economic Association, December 11, 2023.

[4] "Climate change is disrupting global trade", Serkan Arslanalp, Robin Koepke, Alessandra Sozzi, Jasper Verschuur, Blog, IMF, November 2023.

[5] "Red Sea attacks disrupt global trade", Parisa Kamali, Robin Koepke, Alessandra Sozzi, Jasper Verschuur, Blog, IMF, March 7, 2024.

Finally, world trade is also being impacted by the resurgence of industrial policies[6] (IP), which often include a trade policy component[7]. In 2023, the total number of new IP measures grew to over 2,500, of which around 1,800 have trade-distorting effects. Furthermore, according to IMF data[8] from China, the European Union and the United States, almost three-quarters of the subsidy measures introduced under these IPs trigger retaliation within a year, thereby heightening trade tensions and weakening trade.

This shift, observed over recent years, towards geo-economic fragmentation and the questioning of the rules governing international trade is clearly affecting the global economy. According to the IMF[9] , the major impacts include:

(i) ***Turmoil in commodity markets, particularly affecting vulnerable countries***. Increased fragmentation could lead to strong fluctuations in commodity prices, resulting in long-term GDP losses of 1.2 percent on average for low-income countries, thereby further exacerbating food insecurity problems.

(ii) ***Higher energy transition costs***. Minerals that are essential to this transition (copper, nickel, cobalt, lithium, etc.) are located in limited geographical areas, and any disruption to trade in these resources would lead to major price fluctuations, slowing investment in renewable energies and low-carbon industries.

(iii) ***Restrictions on trade would diminish efficiency gains linked to specialization*** and limit economies of scale, reducing economic opportunities and lowering living standards, particularly in developing countries.

Overall, although it is difficult and uncertain to assess the cost of fragmentation, tighter restrictions on international trade could reduce global economic output by up to 7 percent in the long term, or around $7.4 trillion. This would be equivalent to the combined size of the French and German economies, and three times the annual output of sub-Saharan Africa[10].

[6] IP refers to targeted government interventions aimed at supporting specific domestic firms, industries, or narrowly defined economic activities to achieve certain national objectives (economic or non-economic such as climate- related ones). Source: "Industrial policy coverage in IMF Surveillance-broad considerations", Staff report, IMF, February 2024.

[7] Remarks by IMF First Managing Deputy Director Gita Gopinath, at the Ninth IMF-WB-WTO Trade Research Conference, October 25, 2023.

[8] "The Return of industrial policy in data", Simon Evenett, Adam Jakubik, Fernando Martín, Michele Ruta, working paper, IMF, January 2024.

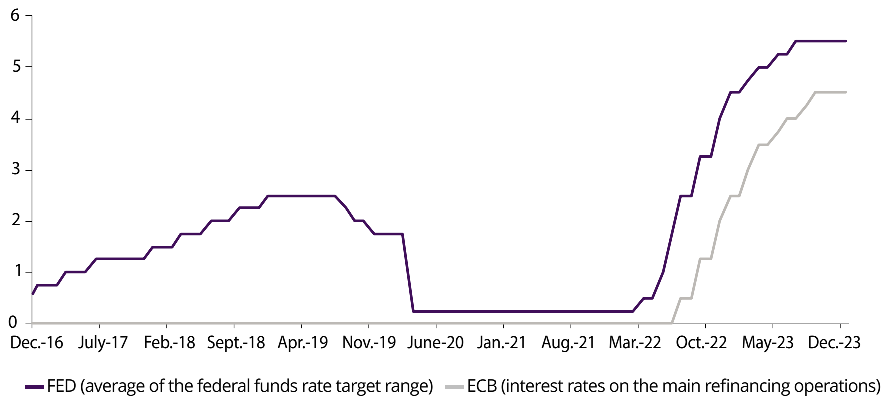
[10] "The high cost of global economic fragmentation", Blog, IMF, August 2023.

1.1.7 Monetary policies

Inflation continued to run at high levels in 2023, albeit at a slower pace, leading central banks to continue tightening their monetary policy. In advanced economies, the Fed raised its target range for the federal funds rate by a further 100 basis points (bps) between January and July, before keeping it unchanged at [5.25 percent - 5.50 percent] for the rest of the year. Thus, since the start of the tightening cycle in March 2022, rates have been increased by a total of 525 bp. At the same time, the Fed continued reducing its holdings of Treasury securities and mortgage-backed securities, as announced in May 2022[1].

Similarly, the ECB kept its restrictive monetary policy stance, with rate hikes totalling 200 bp in 2023 to 4.5 percent for the interest rate on main refinancing operations, 4.75 percent for the marginal lending facility and 4 percent for the deposit facility. Thus, since July 2022, the ECB will have raised rates by a total of 450 bp. It has also continued the process of normalizing its balance sheet, notably by halting the reinvestment of principal repayments on maturing securities under its asset purchase program (APP) in July 2023. Regarding the Pandemic Emergency Purchase Programme (PEPP), the ECB announced in December that it would end reinvestments under this programme at the end of 2024[2].

Chart 1.1.17: Key rates of the ECB and the FED (in percent)



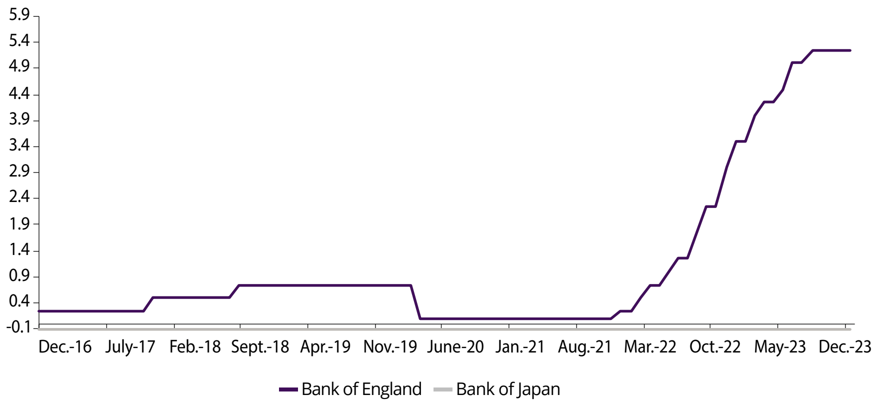
Source: Thomson Reuters Eikon.

1 Reduction capped at $47.5 billion per month in June, July and August 2022, then at $95 billion per month from September onwards.
2 In the first half of 2024, the ECB intends to continue reinvesting all principal repayments on maturing securities acquired under the PEPP, then reduce the PEPP portfolio by an average of €7.5 billion per month in the second half of the year, before ceasing reinvestments under the program at the end of 2024.

In the same vein, the Bank of England raised its key rate five times during the year by a total of 175 bp, bringing it to 5.25 percent in August 2023, its highest level since the end of 2008, before keeping it unchanged for the rest of the year. Meanwhile, in September, it launched a new series of bond sales aimed at lightening its balance sheet by £100 billion per month over the period running from October 2023 to September 2024[1].

The central bank of Japan maintained its short-term interest rate at -0.1 percent throughout the year. In addition, it decided in October to revise its limit on 10-year government bond yields, with the 1 percent mark no longer considered a ceiling but a benchmark around which it will base its asset purchases.

Chart 1.1.18: Key rates of the Bank of England and the Bank of Japan (in percent)

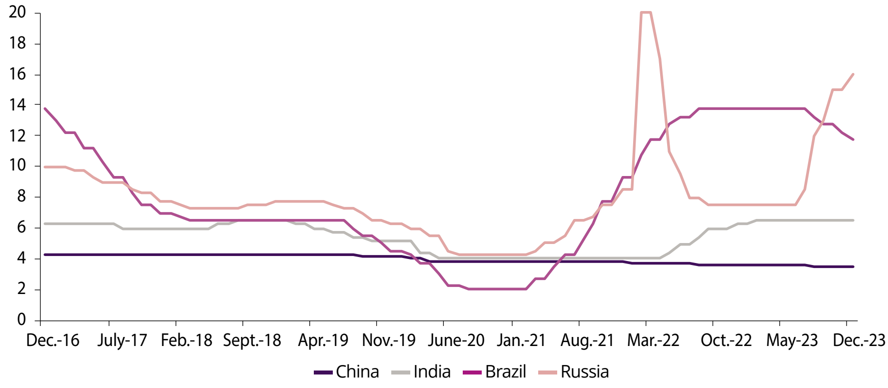


Source: Thomson Reuters Eikon.

Concerning central banks in main emerging countries, the monetary policy stance has been heterogeneous. Thus, amid the absence of inflationary pressures and to support the economy, the People's Bank of China cut its rate twice, bringing it down to 3.45 percent. Similarly, prompted by falling inflation, Brazil's central bank began a process of monetary easing in August 2023, and lowered its key rate from 13.75 percent to 11.75 percent by the end of the year. In India, the Reserve Bank raised its rate by a final 25 bp in February, before keeping it unchanged for the year as a whole at 6.5 percent. In Türkiye, after easing monetary policy in 2022 despite surging inflation, the central bank started a tightening cycle in June 2023, raising the key rate from 8.5 percent to 42.5 percent in December. Finally, faced with high inflation and a depreciating Ruble, Russia's central bank raised its rate five times from July, for a total of 850 bp, taking it to 16 percent.

1 At its September 2022 meeting, the Bank of England agreed to reduce the bond stock by £80 billion over the following twelve months.

Chart 1.1.19: Key rates of major emerging countries' central banks (in percent)



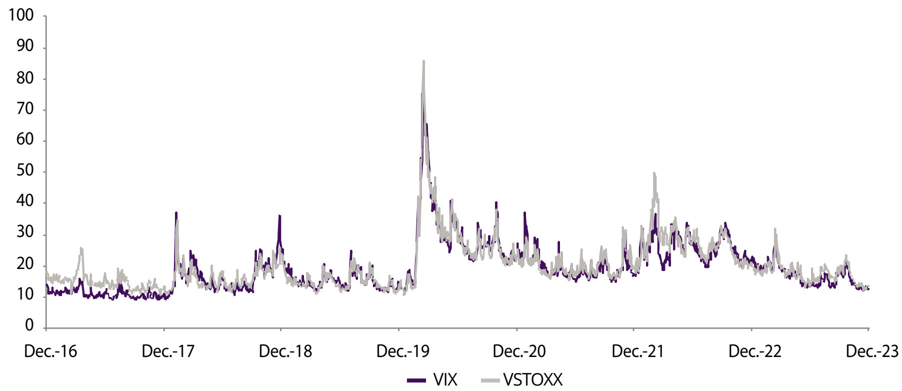
Source: Thomson Reuters Eikon.

1.1.8 Financial markets

Despite a situation characterized by continued monetary tightening, a slowdown in economic activity and concerns about the turmoil in the US and Swiss banking sectors[1], stock markets evolved upwards in 2023. In major advanced markets, the FTSE 100 rose by 3.5 percent, the Dow Jones Industrials by 3.7 percent, the Nikkei 225 by 12.4 percent and the EuroStoxx 50 by 13.7 percent. These developments were matched by a reduction in volatility on both American and European markets, with the VIX falling from 25.6 in 2022 to 16.8 in 2023, and the VSTOXX from 27 to 17.7.

On the other hand, the MSCI emerging markets index fell by 4.6 percent, primarily as a result of underperformance by China (7.4 percent) and Brazil (4.9 percent), while India's index rose by 5.8 percent.

Chart 1.1.20: Stock markets volatility indexes



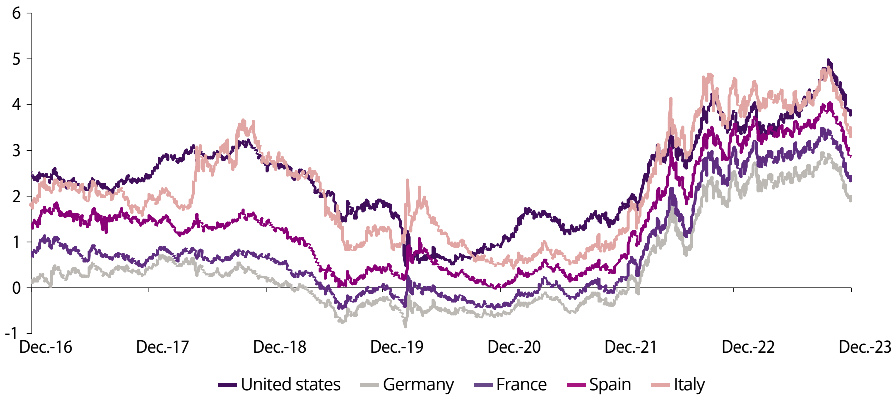
Source: Thomson Reuters Eikon.

[1] In March 2023, banking stocks in the US and Europe faced pressure after bank failures in the US (Silicon Valley Bank, Silvergate Bank and Signature Bank) and Switzerland (Credit Suisse), coupled with more general concerns about the financial situation of US regional banks.

At the same time, higher interest rates led to a sharp rise in sovereign bond yields. This trend was nonetheless reversed at the end of the year, due to expectations of a change in monetary policy stance with the observed decline in inflation. In the euro area, 10-year sovereign yields rose by 127 bp to 2.4 percent in Germany, by 135 bp to 3 percent in France, by 128 bp to 3.5 percent in Spain and by 109 bp to 4.1 percent in Italy. Similarly, the US sovereign rate for the same maturity rose by 100 bp to 4 percent.

Trends in main emerging economies were uneven. Sovereign 10-year yields rose by 140 bp to 11.4 percent in Russia, fell by 57 bp to 17 percent in Türkiye and by 44 bp to 11.8 percent in Brazil, while they remained virtually unchanged at 2.7 percent in China and 7.2 percent in India.

Chart 1.1.21: 10-year sovereign rates of the USA and of the main countries of the Euro area (in percent)

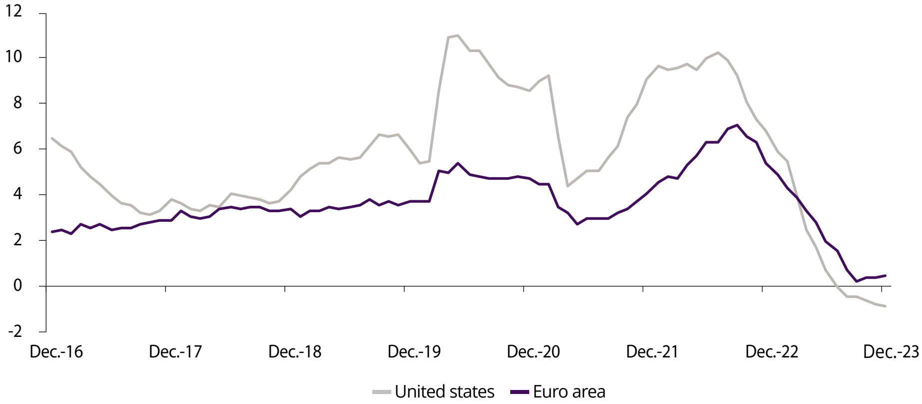


Source: Thomson Reuters Eikon.

As for bank lending, it registered a deceleration overall in 2023. In advanced economies, the pace slowed from 9.1 percent to 1.4 percent in the USA and from 5.8 percent to 2.1 percent in the euro area. In main emerging economies, growth slowed from 6 percent to 1.4 percent in China[1] and from 17.4 percent to 10.6 percent in Brazil.

[1] Available data relate to consumer lending.

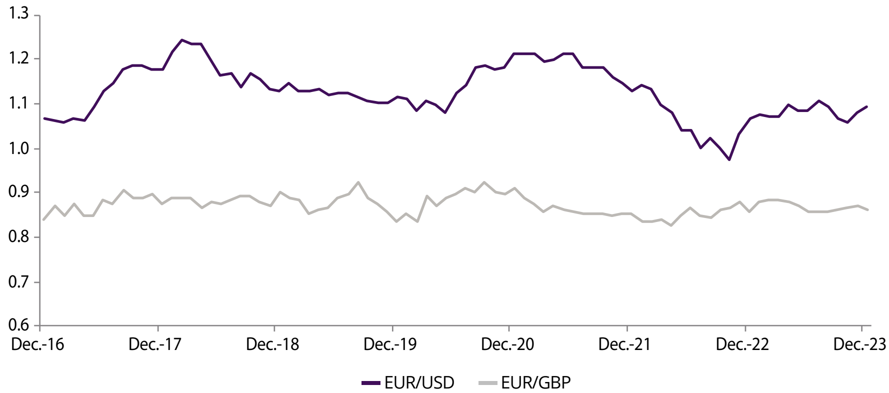
Chart 1.1.22: Credit trends in the United States and the euro area (YoY, in percent)



Source: Thomson Reuters Eikon.

In foreign exchange markets, the year was marked by a depreciation of the dollar against the euro, linked in particular to the narrowing of the key interest rate differential. Over the whole year, the dollar fell by 2.8 percent to an average of 0.92 euros. The US dollar also depreciated by 0.9 percent against the sterling, while it appreciated by 6.9 percent against the Japanese yen.

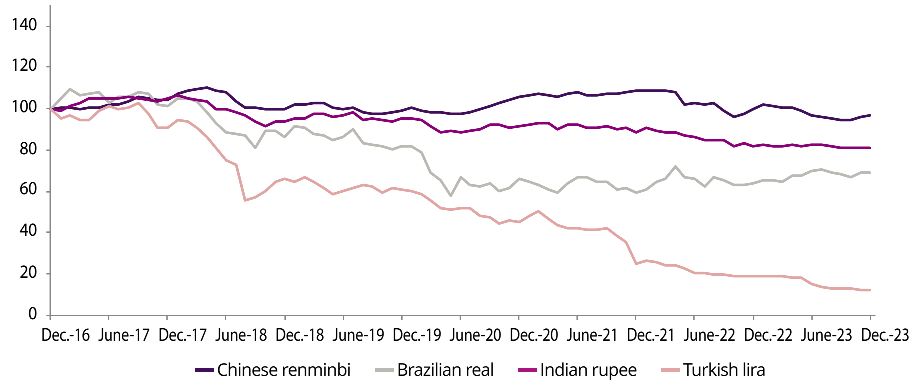
Chart 1.1.23: Euro exchange rate



Source: Thomson Reuters Eikon.

Currencies of the main emerging economies, with the exception of the Brazilian real which appreciated by 3.2 percent, were generally in decline against the US dollar, with losses of 5.1 percent for the Chinese renminbi, 4.9 percent for the Indian rupee, 29.1 percent for the Turkish lira and 20.3 percent for the Russian ruble.

Chart 1.1.24: Change in the currencies of major emerging countries against the dollar (index base 100 on 31 December 2016)



Source: Thomson Reuters Eikon.

Box 1.1.3: Marrakech Declaration for Global Cooperation

To mark the Annual Meetings of the World Bank and the IMF held in Marrakech in October 2023, the head of the two institutions, along with the Minister of Economy and Finance of Morocco and the Governor of Bank Al-Maghrib, issued a joint declaration setting out the principles for enhanced international cooperation.

This Declaration highlights the need for solidarity and unity to safeguard future prosperity and put an end to extreme poverty. It also underlines the growing existential threat posed by climate change, disparities in income and opportunities, as well as geopolitical tensions. Besides, the Declaration affirms that the rapid pace of digitalization and technological transformation create new challenges, but also opportunities that every country should be able to take advantage of.

The Marrakech Declaration is a call for enhanced global collaborative action aimed at building resilience and creating more opportunities for a better future. The **four** Marrakech **principles** for international cooperation are as follows:

1. Reinvigorating inclusive and sustainable growth

- Promote growth-enhancing structural reforms;
- Expand financing sources;
- Address fragility by making effective use of support mechanisms for countries facing situations of fragility or conflict.

2. Building resilience

- Stengthen institutional capacity by building stronger institutions and policy frameworks, with the support of international organizations;
- Maintain external stability by pursuing sound macroeconomic policies while avoiding disruptive spillovers to other countries;
- Strengthen public debt management and resolution frameworks by improving external and domestic debt management and enhancing the efficiency and timeliness of debt restructuring processes;
- Improve global crisis preparedness and mitigation;
- Decouple growth from climate risks by enhancing the capacity to manage and implement cost-effective disaster risk reduction and planning strategies.

3. Supporting transformational reforms

- Accelerate the green transition to advance decarbonization in line with the principles of the Paris Agreement, while ensuring energy security throughout the transition;
- Manage technological transformations and develop internationally harmonized regulations on crypto assets, data protection, cybersecurity and artificial intelligence;
- Improve healthcare systems and preparedness by working together on strengthening global health security;
- Promote equitable quality education for the largest possible audience;
- Contribute to gender equality to multiply and facilitate economic opportunities for women, empower them and recognize their leadership.

4. Strengthening and modernizing international cooperation

- Strengthen collaboration, with a commitment by the World Bank and IMF to work closely together and with their partners to help member countries address challenges and take advantage of opportunities that may unfold;
- Strengthen the international monetary system and its regulations, conventions and institutions, in order to meet countries' needs and facilitate international trade, payments and investment;
- Promote the multilateral trading system to support global economic cooperation and growth, ensuring this system is based on rules, non-discriminatory, fair, open, inclusive, sustainable, transparent and offers effective dispute settlement mechanisms.

1.2 Production and demand

In 2023, unfavorable weather conditions and a generally difficult and uncertain external environment continued to affect the national economy. The country was also hit by a violent earthquake, which took a heavy toll on human lives but had no major impact on the pace of economic activity.

In such context, the non-agricultural sectors saw their value added increase slightly from 3.4 percent to 3.5 percent, with, in particular, a steady recovery in tourism-related activities, an improvement in manufacturing industries and a lesser contraction in the mining and construction sectors. At the same time, agricultural value added rose by 1.4 percent, after an 11.3 percent decline a year earlier, and the national economic growth accelerated from 1.5 percent to 3.4 percent.

On the demand side, the contribution of the domestic component was positive at 3.6 percentage points, instead of -1.3 point in 2022, reflecting in particular a 1.5 percent rebound in investment, after a 6 percent decline, and a 3.7 percent improvement in household consumption, following a stagnation. On the other hand, foreign demand turned once again negative by 0.2 point.

At current prices, GDP grew by 10 percent to 1,463.4 billion dirhams. Taking into account increases in property income outflows and current transfers from abroad, gross national disposable income (GNDI) stood at 1,575.6 billion, up by 9.7 percent year-on-year.

Table 1.2.1: Value added at last year's prices (change in percent)

	2017	2018	2019	2020	2021*	2022*	2023**
Primary sector	**19.5**	**4.5**	**-3.9**	**-7.1**	**19.0**	**-11.8**	**1.6**
Agriculture and forestry	21.5	5.6	-5.0	-8.1	19.5	-11.3	1.4
Fisheries and aquaculture	-9.3	-12.5	13.8	12.2	9.9	-20.8	7.0
Secondary sector	**3.4**	**3.1**	**4.1**	**-5.2**	**7.8**	**-2.7**	**1.3**
Extraction industry	11.0	-0.8	2.3	2.6	7.3	-23.0	-2.7
Manufacturing industries	3.4	3.2	3.4	-7.4	9.0	0.6	2.7
Electricity and gas supply - Water supply, sewage system, waste treatment	2.9	8.8	14.7	-1.3	7.5	-4.4	0.7
Construction	1.3	1.3	0.5	-4.1	4.7	-3.7	-0.4
Tertiary sector	**3.3**	**2.9**	**3.9**	**-7.9**	**5.7**	**6.8**	**4.4**
Wholesale and retail trade; repair of motor vehicles and motorcycles	4.6	-0.2	2.1	-6.6	8.2	-0.6	1.5
Transport and storage	1.3	-0.5	5.5	-28.5	10.5	3.9	5.9
Accommodation and catering	10.4	6.2	3.6	-54.6	15.4	68.0	23.5
Information and communication	-2.0	3.5	2.5	5.1	-1.5	3.8	3.5
Financial activities and insurance	3.8	1.9	5.3	0.6	3.6	10.2	5.0
Real estate activities	1.5	3.2	1.8	-0.8	2.9	0.0	3.0
Research and development and services to businesses	4.7	6.1	8.3	-13.4	9.6	10.8	5.1
General government, compulsory social security	3.9	3.9	6.6	5.3	5.1	5.0	2.2
Education, health and social work	1.1	4.1	2.0	0.8	3.6	6.5	3.4
Other Services	1.9	1.5	0.2	-23.2	5.0	6.4	4.6
Non-agricultural value added	**3.2**	**2.8**	**4.0**	**-6.9**	**6.4**	**3.4**	**3.5**
Total value added	**5.2**	**3.1**	**3.0**	**-7.0**	**7.9**	**1.6**	**3.2**
Taxes on products net of subsidies	**4.0**	**2.4**	**2.3**	**-8.3**	**10.3**	**1.2**	**4.9**
GDP	**5.1**	**3.1**	**2.9**	**-7.2**	**8.2**	**1.5**	**3.4**

* Revised figures.
** Provisional figures.
Source: HCP.

1.2.1 Production

Following a contraction of 11.8 percent in 2022, the value added in the primary sector improved by 1.6 percent, reflecting increases of 1.4 percent for agriculture and 7 percent for fishing, after respective declines of 11.3 percent and 20.8 percent.

The 2022/2023 agricultural campaign was marked by low and erratic rainfall, as well as significant variations in temperature, leading to thermal shocks that disrupted crop production cycles.

Cumulative rainfall increased by 13.1 percent year-on-year, but was down 17.3 percent compared to the average of the last five years. Under these conditions, the area sown rose by 2.8 percent to 3.7 million hectares, the average yield per hectare improved by 57.3 percent to 15 quintals (Qx), and the output of the three main cereals[1] stood at 55.1 million quintals (MQx), up 61.8 percent on the previous crop year.

For other plant crops, production fell by 44.7 percent for olives, 40.3 percent for citrus fruits, 27.9 percent for sugar crops and 0.8 percent for market gardening. Conversely, production of fodder crops rose by 0.6 percent.

Chart 1.2.1: Production of the three main cereals (in MQx)

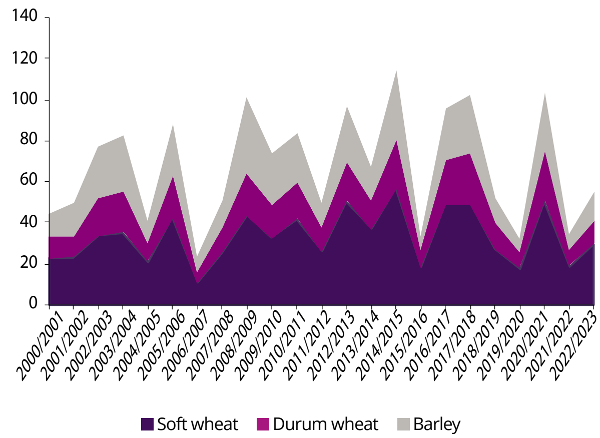
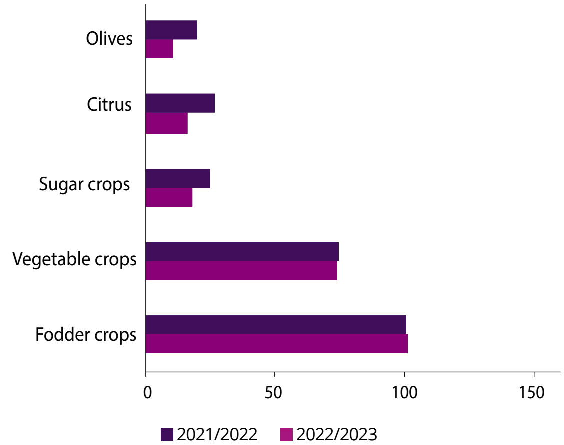


Chart 1.2.2: Production of the main crops excluding cereals (in MQx)



Source: Ministry of Agriculture, Maritime Fisheries, Rural Development, Waters and Forests.

As to the livestock sector, production rose by 1.2 percent for red meats[2], 1.4 percent for eggs and white meats, while it fell by 5 percent for milk.

With regard to fishing, the available data on coastal and artisanal fishing show a 10.7 percent drop in catches to 1.4 million tons, with decreases of 16.9 percent for pelagic fish, which represent 74.2 percent of the total, and of 8.5 percent for cephalopods, as well as increases of 45.2 percent for white fish and 26.8 percent for crustaceans. In value terms, production improved by 2.8 percent to 10 billion dirhams.

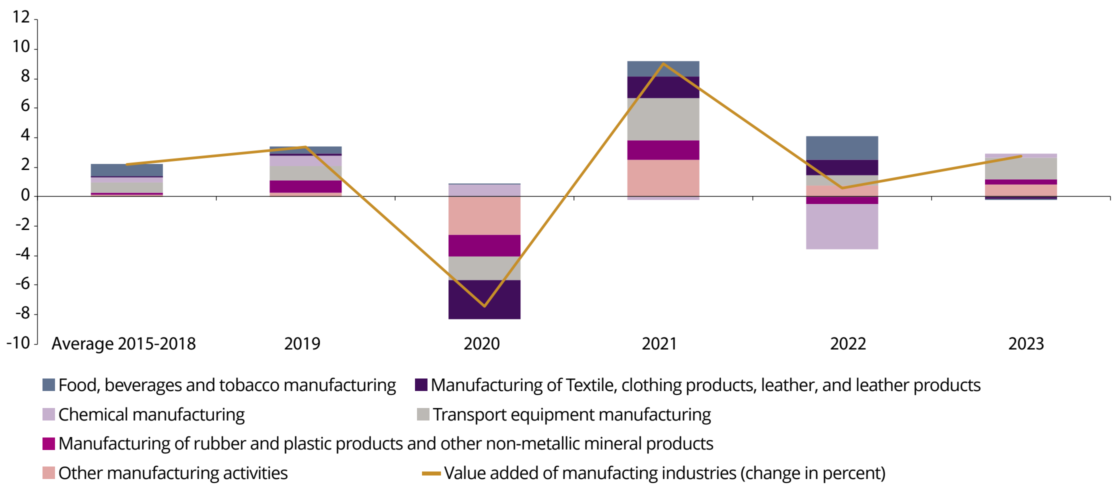
[1] These are soft wheat, durum wheat, and barley.
[2] Beef meat, goat meat and sheep meat.

Chart 1.2.3: Marketed production of coastal and artisanal fisheries (change in percent)

Source: National Fisheries Office.

The value added of secondary sector increased by 1.3 percent, following a decline of 2.7 percent in 2022, bringing its contribution to growth from -0.7 to 0.3 percentage point. Manufacturing industries saw their value added rise by 2.7 percent, after 0.6 percent, driven by an acceleration from 10.2 percent to 15 percent in the pace of activity in the "Manufacturing of transport equipment", in line with the good momentum of the automotive sector. This trend also reflects a 1.2 percent improvement in the value added of the chemical industry, after a 13.5 percent decline. Conversely, activity fell by 0.2 percent in the "Manufacturing of food products, beverages and tobacco" and by 1.1 percent in the "Textiles, clothing and leather" sub-sector, which was particularly affected by lower foreign demand.

Chart 1.2.4: Contribution to the change in the value added of the manufacturing industries (in percentage points)



Sources: HCP data and Bank Al-Maghrib calculations.

Box 1.2.1: World Crafts of Morocco and manufacturing sector performance

Over the last two decades, Morocco has made the development and diversification of its industrial base a strategic choice. This policy was implemented through a series of strategies, including the "Emergence Plan" (2005), the "National Pact for Industrial Emergence" (2009-2015), the "Industrial Acceleration Plan" (2014-2020) and the "Industrial Recovery Plan" (2021-2023), which enabled the development of several "World Crafts of Morocco", namely the automotive, aeronautics, electronics, textiles and leather, agrifood and offshoring[1].

The available data already give a preliminary idea of the achievements in this area. Over the period 2014-2023[2], automotive sector exports rose by an annual average of 14.1 percent to 148.2 billion dirhams. This trend reflects a marked increase in production, thanks to capacity-building at both the Stellantis plant in Kénitra and the Renault Group. According to the International Organization of Motor Vehicle Manufacturers (OICA) statistics, the number of cars produced nationally rose by an annual average of 9.7 percent to almost 536,000 in 2023, a level exceeding those recorded in countries such as Romania (513,000), Hungary (507,000) and Portugal (318,000).

Similarly, exports of aeronautics posted an average annual increase of 12.9 percent, and those of electronics and electrical goods 11.0 percent. In the traditional sectors, growth was also sustained but relatively slower, standing at 7.0 percent for food industry and at 3.6 percent for textiles, clothing and leather. Overall, "World Crafts of Morocco" exports grew by 10.1 percent annually over the same period.

Morocco therefore succeeded in gradually integrating itself into global value chains and climbing toward high value-added segments. According to the 2023 edition of the annual ranking of the United Nations Industrial Development Organization (UNIDO) in terms of industrial competitiveness, the country ranks 26th out of 153 countries based on the criterion of "share of medium and high-tech manufactured products in total manufactured exports".

This trend in exports did not, however, lead to a tangible improvement in wealth creation and employment. According to the HCP's national accounts data, the value added of the manufacturing industry rose by an annual average of 1.8 percent between 2014 and 2023, and its share in GDP fell over the same period from 15.3 percent to 14.5 percent, compared with a target of 23 percent by 2020 initially set as part of the Industrial Acceleration Plan. This performance remains below that of many countries which have developed their industries in recent years, such as Bangladesh (9.5 percent) and Vietnam (8.8 percent).

[1] It should be noted that several new "World Crafts of Morocco" are currently under development. This analysis is limited to the first five business lines. The offshoring sector was not taken into consideration, as the national accounts classification does not allow this sector to be clearly categorized.

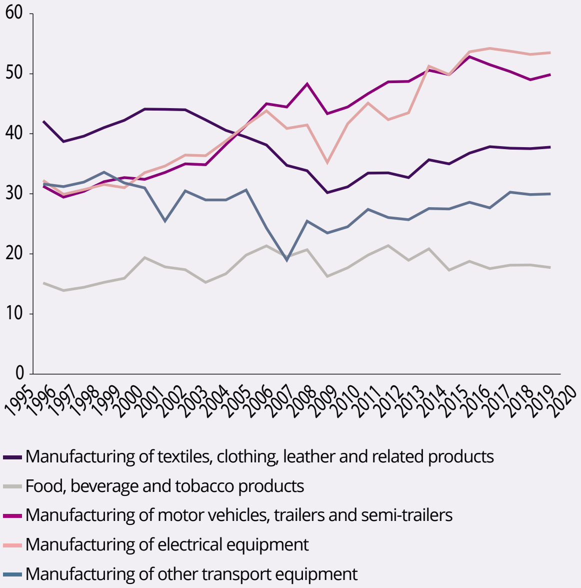
[2] The selection of the period was conditioned by the availability of data for the various global trades.

By sub-sector[3], the contribution to industrial growth stood at 0.7 point and 0.8 point respectively for the "food, beverages and tobacco" and "transport equipment" industries, and a total of 0.2 point for "electrical equipment" and "manufacture of computers, electronic and optical goods", while that of "textiles, clothing and leather goods" was nil.

In terms of employment, net job creation in the industrial sector remained very limited, with 8,000 new jobs created annually, for a total of 71,000 over the whole period. This figure falls well short of the ambitions announced in the various strategies implemented since 2005[4].

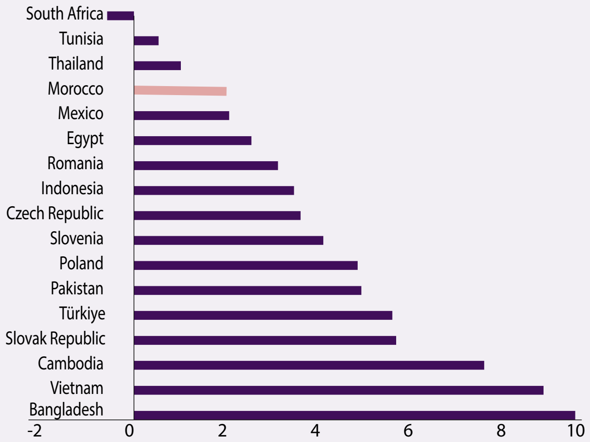
These trends can be attributed to the heavy reliance on imported inputs for the production of certain World Crafts of Morocco. According to the OECD TiVA database[5], the foreign value-added content of gross exports is relatively high, standing at 53.5 percent for the manufacture of electrical equipment, 49.9 percent for the manufacture of motor vehicles, trailers and semi-trailers, and 30 percent for the manufacture of other transport equipment, compared with 17.8 percent for food, beverages and tobacco products.

Chart B.1.2.1.1: Foreign value added content of gross exports by main industrial sectors (in percent)



Source: TIVA, OECD.

Chart B.1.2.1.2: Growth in value added in manufacturing industries for a sample of countries (2014-2022 average, in percent)



Source: World Bank.

[3] Based on the national accounts nomenclature, the industries used in this analysis to understand World Crafts of Morocco are: "Manufacture of food products, beverages and tobacco", "Manufacture of textiles, wearing articles, leather and leather products", "Manufacture of computers, electronic and optical goods", "Manufacture of electrical equipment" and "Manufacture of transport equipment".

[4] The announced targets are 440,000 jobs for the Emergence Plan, 220,000 jobs for the National Pact for Industrial Emergence 2009-2015, 500,000 for the Industrial Acceleration Plan 2014-2020, and between 50,000 and 100,000 jobs for the Industrial Recovery Plan 2021-2023.

[5] Link: OECD Data Explorer - Trade in Value Added (TiVA) 2023 edition: Principal Indicators.

In conclusion, Morocco's real challenge remains to boost the local value-added content of its exports, all the more so as its geographical position and status as an oasis of peace and stability make it one of the potential beneficiary countries of the reorganization of global value chains unfolding worldwide, as highlighted by several specialized publications[6].

To this end, the country is required to meet the necessary conditions, in particular through massive investment in human capital and, as His Majesty emphasized in his message to participants in the National Industry Day on March 29, 2023, "accompanying mechanisms should be put in place and expanded to strengthen technology research within Moroccan companies. A system bringing together industry, academia, and research centers should be set up to spur innovation and make it an engine for the growth of our industry".

[6] Such as Bloomberg, Financial Times (FDi Markets).

Similarly, the "Electricity, gas, water, sewerage and waste" branch reported a 0.7 percent rise in its value added, following a 4.4 percent decline in 2022, reflecting an acceleration from 0.4 percent to 2.4 percent in electricity production. By source, electricity production jumped by 22.5 percent in the wind power segment, due in particular to the commissioning of the 300 MW Boujdour wind farm in July 2023, and by 48 percent in the solar power segment, due in particular to the resumption of operations at the Noor Ouarzazate III power plant[1]. Conversely, thermal power generation fell by 2 percent, cutting its share from 81.3 percent to 77.8 percent, while hydropower continued to decline for the fifth year running, affected by a succession of drought years.

On the other hand, consumption, as measured by deliveries from the electricity transmission network, rose by 2.7 percent, leading to a 23.8 percent increase in imports. The balance of foreign electricity trade showed a deficit of 1,849 GWh, or the equivalent of 1.9 billion dirhams, after 1,397 GWh, or the equivalent of 3.4 billion dirhams in 2022.

[1] The Noor Ouarzazate III power plant was shut down for maintenance from September 18, 2021 to December 12, 2022.

Chart 1.2.5: Electricity production by source (in thousands of GWH)

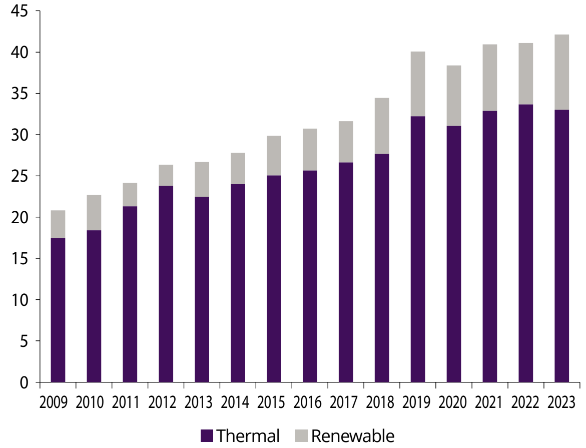
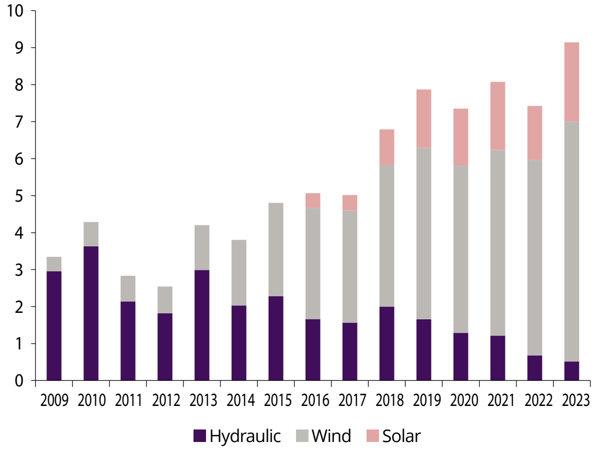


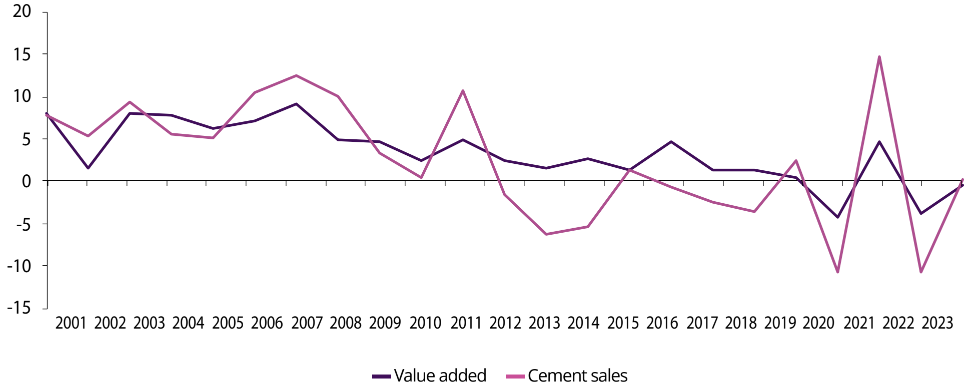
Chart 1.2.6: Renewable electricity generation (in thousands of GWh)



Source: National Electricity and Drinking Water Office.

As for the construction sector, it continued to run out of steam, contracting by a further 0.4 percent after 3.7 percent a year earlier. This trend, as reflected in cement sales which were virtually flat, is largely due to the sluggishness of the construction sector, as indicated by the continuing slowdown in real-estate loans.

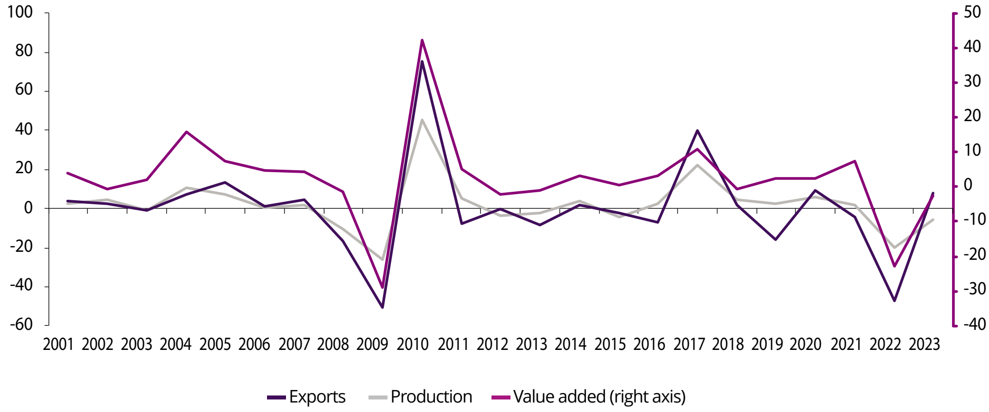
Chart 1.2.7: Value added of construction and cement sales (change in percent)



Sources: HCP and Ministry of National Territory upgrading, Urbanization, Housing and Policy of the City.

In the same vein, reflecting a further 5.8 percent decline in phosphate market production, the extractive industry saw a 2.7 percent drop in its value added, following a 23 percent decline in 2022. However, infra-annual analysis shows a clear upturn in activity over the last quarter of the year after three consecutive quarters of decline.

Chart 1.2.8: Production and exports of raw phosphates in volume and value added of extractive industries (change in percent)



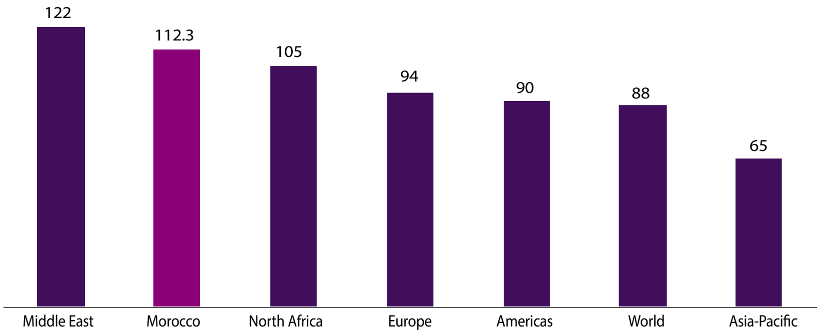
Sources: HCP and OCP.

In the tertiary sector, the pace of activity decelerated to 4.4 percent from 6.8 percent a year earlier, and its contribution to growth fell from 3.5 percentage points to 2.4 points.

Benefiting in particular from the upturn in global tourism, the post-Covid-19 dynamism in the "Accommodation and catering" branch continued, with value added up 23.5 percent after 68 percent. Arrivals at border crossings totaled 14.5 million, up 33.6 percent in 2022 and 12.3 percent in 2019. This recovery is therefore faster compared to North Africa and most other regions of the world. It includes rebounds of 27.1 percent to 7.4 million for Moroccans living abroad (MLA) and 41.2 percent to 7.1 million for foreign tourists. In terms of the main tourist-generating countries[1], the most significant increases were recorded by Germany (64 percent), Spain (44.7 percent) and France (32.8 percent).

[1] Data on tourist arrivals by the main tourist-generating countries relate to foreign tourists and not MLA.

Chart 1.2.9: Ratio of arrivals at border crossings by region in 2023 (in percent of the registered number in 2019)



Sources: World Tourism Organization (WTO) and Ministry of Tourism, Handicrafts and Social and Solidarity Economy.

Table 1.2.2: Arrivals at border crossings

		In thousands			Change (in percent)	
		2019	2022	2023	2023/2022	2023/2019
Foreign tourists		**7,043**	**5,065**	**7,150**	**41.2**	**1.5**
Europe	France	1,991	1,505	1,999	32.8	0.4
	Spain	881	902	1,304	44.7	48.1
	Italy	352	240	335	39.7	-4.8
	Germany	413	171	281	64.0	-32.1
	United Kingdom	551	482	679	41.0	23.2
	Irland	26	30	43	45.3	66.8
	Russia	40	18	33	80.9	-16.9
North America	United States	347	231	332	43.5	-4.4
	Canada	131	72	108	50.2	-18.1
Africa	Tunisia	58	36	48	32.5	-17.9
	Algeria	117	35	47	34.5	-59.6
	Mauritania	49	44	61	37.0	24.6
	Senegal	58	57	69	20.4	19.6
Asia	China	141	28	60	113.4	-57.7
	India	17	13	29	119.8	73.7
MLA		**5,889**	**5,804**	**7,375**	**27.1**	**25.2**
Total		**12,932**	**10,869**	**14,525**	**33.6**	**12.3**

Source: Ministry of Tourism, Handicrafts and Social and Solidarity Economy.

Similarly, overnight stays in classified establishments rose by 34.9 percent to 25.6 million, exceeding their 2019 level by 1.6 percent. This trend reflects year-on-year increases of 54 percent for non-residents to 17 million individuals, although this number was 2 percent lower than in 2019, and 8.2 percent for nationals to 8.6 million.

By main tourist destination, overnight stays rose by 10 percent in Marrakech and 32.8 percent in Al Haouz, but dropped by 36.1 percent in Tangier, 12.7 percent in Fez, 7.6 percent in Casablanca and 6.6 percent in Agadir.

Table 1.2.3: Overnight stays in classified tourist accommodation establishments

	In thousands			Change (in percent)	
	2019	2022	2023	2023/2022	2023/2019
Foreign tourists	**17,406**	**11,071**	**17,053**	**54.0**	**-2.0**
Europe	12,353	7,557	12,039	59.3	-2.5
France	4,853	3,412	5,060	48.3	4.3
Spain	877	530	987	86.2	12.6
Germany	1,746	429	864	101.5	-50.5
United Kingdom	2,224	1,690	2,720	60.9	22.3
Italy	419	261	462	77.0	10.3
Netherlands	436	244	410	68.3	-6.0
Russia	110	41	70	73.8	-35.6
North America	849	680	990	45.6	16.6
United States	672	551	785	42.5	16.8
Arab countries	953	673	470	-30.2	-50.7
Maghreb	336	129	153	18.9	-54.4
National tourists	**7,838**	**7,939**	**8,587**	**8.2**	**9.6**
Total	**25,244**	**19,010**	**25,641**	**34.9**	**1.6**

Source: Ministry of Tourism, Handicrafts and Social and Solidarity Economy.

Under these conditions, and taking into account changes in bedding capacity, the occupancy rate rose from 41 percent to 48 percent year-on-year. In particular, it rose by 13 points to 32 percent in Ouarzazate, by 11 points to 67 percent in Marrakech, by 10 points to 44 percent in Tetouan, by 9 points to 61 percent in Agadir and by one point to 43 percent in Fez. Conversely, it fell by 15 points to 27 percent in Sale, by 5 points to 35 percent in Mohammedia and by 3 points to 34 percent in Benslimane.

Table 1.2.4: Occupancy rates by major destination

	In percent		Change (in pp)	
	2022	2023	2022/2021	2023/2022
Marrakech	55	67	27	11
Al Haouz	59	66	32	7
Agadir	52	61	22	9
Casablanca	37	43	14	6
Tangier	44	52	15	8
Rabat	45	52	18	7
Salé	42	27	15	-15
Fez	42	43	5	1
Essaouira	37	45	14	9
Tetouan	34	44	13	10
Ouarzazate	19	32	6	13
Meknes	22	24	5	1
Mohammedia	41	35	13	-5
Benslimane	37	34	9	-3
Al Hoceima	21	24	0	3
Assilah	16	21	-1	5
Total	**41**	**48**	**16**	**7**

Source: Ministry of Tourism, Handicrafts and Social and Solidarity Economy.

Concerning transport and warehousing Services, value-added growth accelerated from 3.9 percent to 5.9 percent. Activity indicators show passenger traffic up by 31.5 percent for air travel, 15.2 percent for rail transport and 39.1 percent for maritime transport. Similarly, transported goods rose by 34 percent for air freight and by 7.4 percent for sea freight, driven mainly by the active performance of the Tangier-Med port. Rail freight, on the other hand, contracted by a further 18 percent, mainly reflecting the decline in the volume of transported raw phosphate.

In the "Information and communication" branch, the mobile telephony customer base grew by 5.6 percent to almost 56 million, the Internet customer base by 7.6 percent to 38.3 million and the fixed-line customer base by 8.5 percent to 2.9 million. However, in terms of usage, average outgoing usage[1] fell by 21.3 percent for fixed telephony and 10.6 percent for mobile telephony. Under these conditions, the sector's value added is expected to rise by 3.5 percent, after 3.8 percent in 2022.

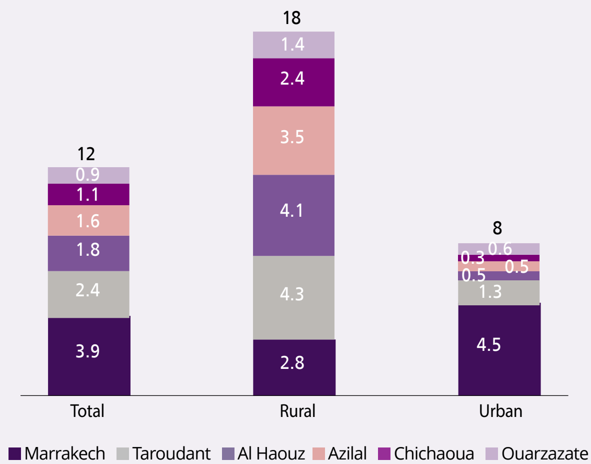
[1] Defined by the ratio of outgoing traffic in minutes to the average subscriber base per month.

Box 1.2.2: Al Haouz earthquake, toll, repercussions and the authorities' response

On September 8, 2023, Morocco was struck by a 7 magnitude earthquake, with the epicenter located in the commune of Ighil in the province of Al Haouz, some 70 km southwest of Marrakech. This is the most violent earthquake in Morocco's recent history, after those of Agadir in 1960 and Al Hoceima in 2004, which had magnitudes of 5.7 and 6.3 respectively. The human toll was very high, with 2,960 deaths, 1,139 serious injuries and 4,661 minor injuries.

The main affected areas are Al Haouz, Marrakech, Chichaoua, Taroudant, Ouarzazate and Azilal, in the "Marrakech-Safi", "Souss-Massa", "Draa-Tafilalet" and "Béni Mellal-Khénifra" regions. According to HCP data, these regions were home in 2021 to 4.2 million inhabitants, or 12 percent of the national population, more than half of them lives in rural areas.

Chart B.1.2.2.1: Demographic weight of disaster-stricken zones by area of residence in 2021 (in percent)



Source: HCP.

Table B.1.2.2.1: Density of the disaster-stricken provinces (inhabitant/km²)

	Density
Marrakech	364
Al Haouz	111
Chichaoua	59
Azilal	58
Taroudant	52
Ouarzazate	26

In view of the predominance of rural areas, the agricultural sector plays an key role in the economic fabric of almost all the disaster-stricken regions. Overall, "Marrakech-Safi" accounts for almost 10.5 percent of national agriculture, followed by "Béni Mellal-Khénifra" (9.6 percent), "Souss-Massa" (8.4 percent) and "Draa-Tafilalet" (6.1 percent).

Tourism is the main activity in the city of Marrakech, which alone accounts for almost 39 percent of classified tourist accommodation establishments and 35 percent of overnight stays at national level (39 percent for international tourism and 27 percent for domestic tourism). The province of Al Haouz, which benefits from its proximity to the city of Marrakech, is experiencing certain tourism momentum thanks to the many sites it hosts, such as the Toubkal national park, the Aghbar natural reserve, Lake Ifni, the Oued Ourika, the Tinmel mosque, the historic site of Aghmat and the Oukaimden resort. The "Marrakech-Safi" region thus accounts for 22 percent of value added in the "accommodation and catering" sector, while all the affected regions contribute a total of almost 23 percent to GDP.

In addition to the above-mentioned human toll, the earthquake caused significant direct damage to residential and non-residential buildings, as well as to infrastructure (roads, power grid, hydro-agricultural infrastructure, etc.). According to the Ministry of the Interior, 59,674 homes collapsed totally (32 percent) or partly (68 percent), and over a thousand schools were affected, 60 of which were reduced to rubble. On the intangible side, numerous historic monuments were also damaged, mainly in Marrakech, Taroudant and Ouarzazate.

In response to this situation, and on the instructions of His Majesty the King, the authorities mobilized without delay rescue and emergency support operations, backed by a spontaneous surge of public solidarity. A "special fund to manage the effects of the earthquake" was set up, raising 19.6 billion dirhams at end-December 2023.

To rebuild and upgrade the affected regions, the authorities draw up, on Royal instructions, a major program with a 120 billion dirhams budget over a five-year period, and a dedicated agency was set up to implement it. The program centers around four main components: (i) rehousing people affected by the earthquake, rebuilding houses and rehabilitating infrastructure; (ii) opening up and upgrading these areas; (iii) speeding up the correction of social deficits, particularly in the mountainous areas affected by the earthquake; and (iv) encouraging economic activity and employment as well as promoting local initiatives.

Of this amount, 22 billion dirhams were earmarked for direct financial aid in 2023 and 2024, and for rehabilitation work in 2024, including:

- 8 billion dirhams for direct emergency aid to families and for rebuilding and upgrading housing. For each household affected, this involves a subsistence allowance of 30,000 dirhams spread over 12 months, as well as financial assistance of 140,000 dirhams if the house is completely destroyed, and 80,000 dirhams if it only suffered partial collapse.
- 14 billion to open up the affected areas, rehabilitate damaged dams and water stations as well as health centers and educational institutions, reinvigorate the local economic fabric and preserve cultural heritage and religious buildings.

This remaining 98 billion dirhams will be allocated to developing infrastructure and promoting agricultural and tourist activities in the concerned provinces, supporting the emergence of integrated rural centers and the rehabilitation of cities and old towns, as well as enhancing the quality of public services, notably markets, bus stations and slaughterhouses.

The program is projected to transform the region and to have a significant social and economic impact over the coming years. Indeed, international experience[1] shows that the occurrence of an earthquake induces a reduction in the stock of human and material capital, but rebuilding efforts generally result in an acceleration of the pace of economic activity.

[1] Estimating the impact of disasters, Post-Disaster Needs Assessment (PDNA) guidelines, volume B, UNDP.

In this respect, several approximate assessments were made, including that of the OECD which, in its economic outlook report dated November 2023, considered that the main productive activities had not been affected by the earthquake and that post-earthquake reconstruction would reinforce investment. The World Bank, in a report published the same month[2], stressed that, although the earthquake had disrupted some economic activities and means of subsistence locally, it was unlikely to have significant macroeconomic repercussions, given that the areas most affected are poorly integrated into the national economy.

Rigorous quantification of the economic repercussions requires detailed information on the scope of the planned projects, their timetable and financing method. Limiting itself to the first component of the State's response, the cost of which is estimated at 22 billion dirhams, and for which information is available on its content, Bank Al-Maghrib has assessed its impact on the pace of economic activity in 2024. To this end, it drew on several sources of data, notably the socio-demographic profile of the affected areas and the supply and use table published by the HCP.

The estimation study points to increases of 5 billion dirhams in household consumption and 8.3 billion in investment, as well as an acceleration in growth of 0.3 percentage point in 2024.

[2] "Economic Monitor report in Morocco", World Bank, November 2023.

1.2.2 Demand

Unlike 2022, national economic growth in 2023 was driven by domestic demand. Its contribution rose from -1.3 to +3.6 percentage points, while that of net exports fell from +2.8 to -0.2 percentage point.

Table 1.2.5: Demand components at last year's prices (change in percent, unless otherwise indicated)

	2017	2018	2019	2020	2021*	2022*	2023**
Domestic demand (contribution in pp)	**3.6**	**3.8**	**2.1**	**-7.0**	**9.7**	**-1.3**	**3.6**
Household final consumption	3.7	2.4	2.2	-5.6	6.8	0.0	3.7
General government final consumption	2.4	3.7	4.8	-0.6	7.2	3.0	4.1
Investment	3.0	5.3	-0.2	-11.9	14.5	-6.0	1.5
Net exports (contribution in pp)	**1.5**	**-0.8**	**0.8**	**-0.1**	**-1.5**	**2.8**	**-0.2**
Exports of goods and Services	10.8	3.8	5.1	-15.0	7.9	20.5	8.8
Imports of goods and Services	4.6	4.8	2.1	-11.9	10.4	9.5	7.4

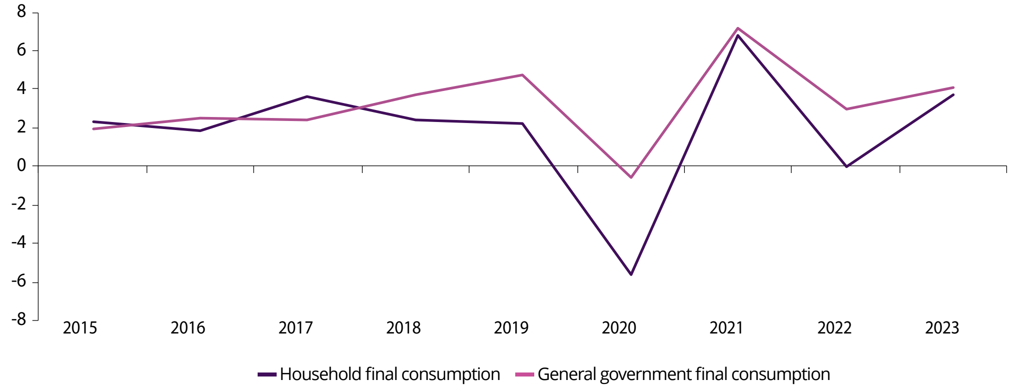
* Revised figures.

** Provisional figures.

Sources: HCP data and Bank Al-Maghrib calculations.

Despite persistently high inflation, household consumption rose by 3.7 percent, after a period of stagnation, buoyed in particular by wage increases implemented as part of the sectoral social dialogue, and by remittances, which increased sharply. Its contribution to growth was thus positive at 2.3 percentage points. Similarly, general government consumption accelerated from 3 percent to 4.1 percent, contributing by 0.8 percentage point to growth.

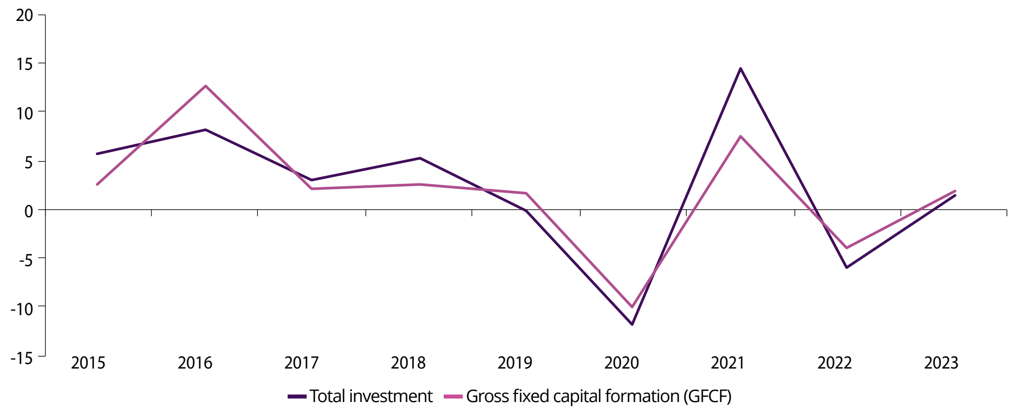
Chart 1.2.10: National final consumption (change in percent)



Source: HCP.

Investment rose by 1.5 percent, following a 6 percent drop, and contributed 0.4 percentage point to growth, after -1.8 point. This was the result of a 1.9 percent increase in gross fixed capital formation, a 2 percent fall in changes in inventories, and stagnation in net acquisitions of valuables.

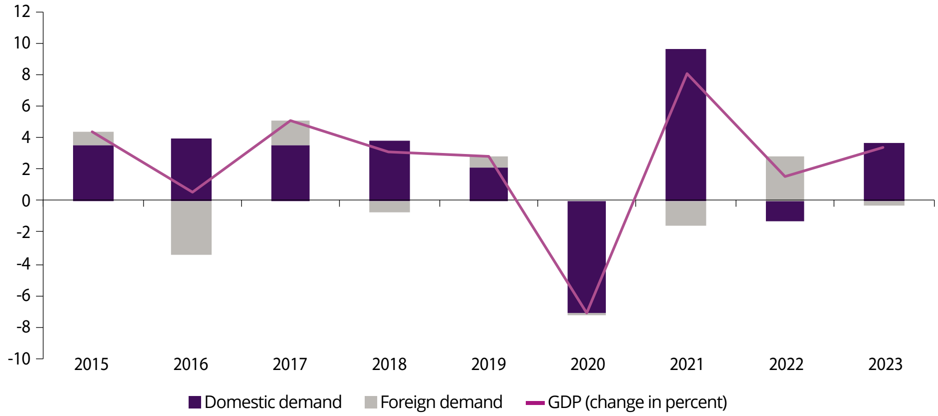
Chart 1.2.11: Investment (Change in percent)



Source: HCP.

Finally, the negative contribution of net exports to growth reflects a more pronounced slowdown in exports of goods and services than in imports, from 20.5 percent to 8.8 percent and from 9.5 percent to 7.4 percent respectively.

Chart 1.2.12: Contribution of demand components to growth (in percentage points)



Source: HCP.

1.2.3 Main aggregates in nominal terms

At current prices, GDP grew by 10 percent to 1,463.4 billion dirhams in 2023. Taking into account increases of 7.5 percent to 20.9 billion in property income outflows and 6.3 percent to 133.1 billion in current transfers from abroad, gross national disposable income (GNDI) reached 1,575.6 billion, up 9.7 percent year-on-year.

Chart 1.2.13: Gross national disposable income

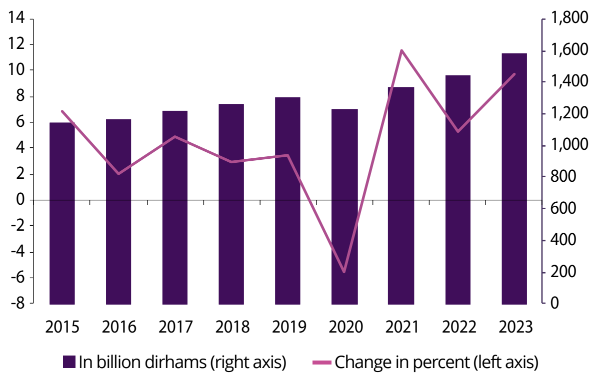
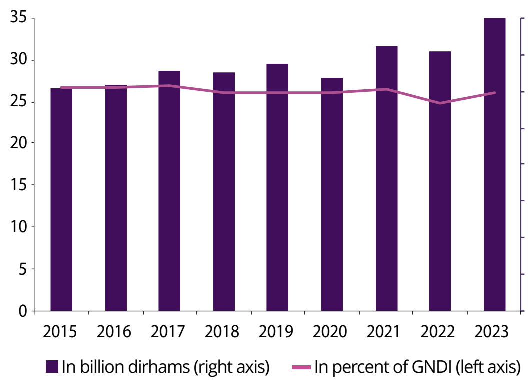


Chart 1.2.14: National savings



Source: HCP.

National final consumption improved by 7.6 percent to 1,162.9 billion dirhams, and national savings by 16 percent to 412.7 billions, equivalent to 26.2 percent of GNDI instead of 24.8 percent in 2022. Investment stood at 421.7 billion, or 28.8 percent of GDP, compared with 30.3 percent. Under these conditions, the financing requirement eased year-on-year, from 47.3 billion dirhams to 9 billion dirhams.

Chart 1.2.15: Investment rate (in percent of GDP)

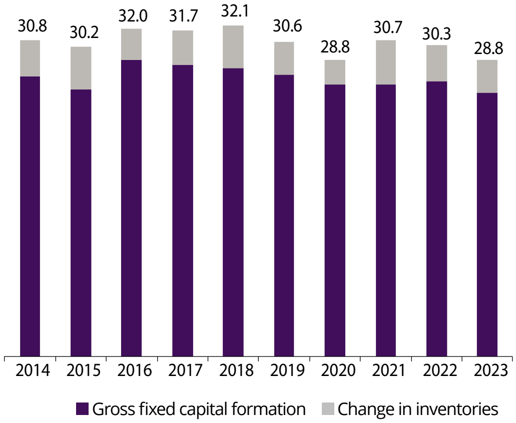
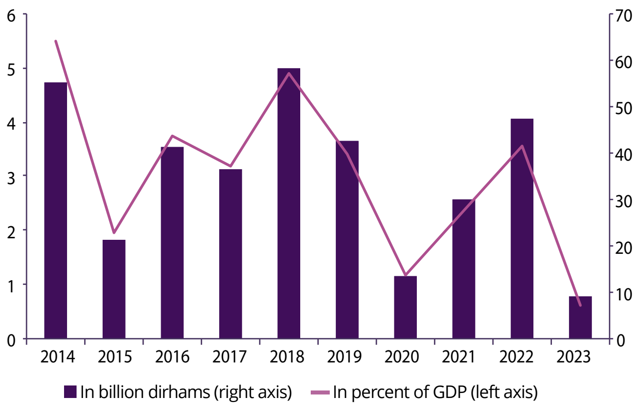


Chart 1.2.16: Financing requirement



Source: HCP.

1.3 Labor market[1]

Despite an improvement in economic growth, the labor market situation deteriorated significantly in 2023, with a considerable loss of jobs, a significant drop of the participation rate and a steep rise of unemployment.

At sector level, agriculture posted a further loss of 202,000 jobs, bringing its share in total employment to 27.8 percent, while services generated 15,000 jobs, compared with 164,000 a year earlier. Similarly, employment momentum remained weak in the industrial sector, including crafts, up by 7,000 jobs, bringing therefore total job-creations since 2015, the first year of implementation of Industrial Acceleration Plan, to 71,000. As for the construction and public work sector, after a virtual stagnation in 2022, it saw the creation of 19,000 jobs. Overall, the national economy lost 157,000 jobs after 24,000 in 2022.

Against this background, part of the active population withdrew from the market, leading to a further drop in the participation rate to 43.6 percent. Despite this decline, the unemployment rate rose by 1.2 percentage point to 13 percent, its highest level since 2001.

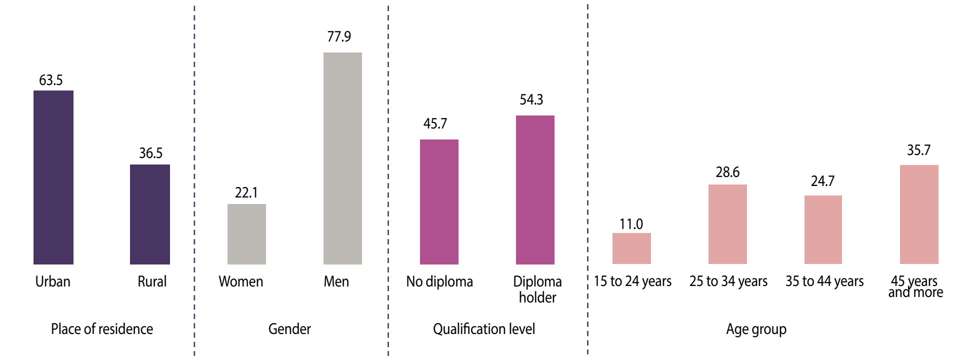
Taking into account the pace of economic activity, apparent labor productivity[2] in non-agricultural sectors improved by 2.9 percent, after 0.8 percent in 2022. In addition, nominal wages rose by 4.3 percent, from 2 percent, in the private sector[3], and by 1.2 percent, instead of 3.5 percent, in the public service[4]. Taking into account inflation, real wages fell respectively by 1.8 percent, from 4.4 percent, and by 4.6 percent, instead of 2.9 percent.

1.3.1 Active population

In 2023, the active population[5] fell again by 0.2 percent to 12.2 million, reflecting a 3.4 percent decrease to 4.4 million in rural areas and a 1.8 percent increase to 7.7 million in urban areas. By gender, this change masks a rise by 0.6 percent for men as against a drop by 2.5 percent for women, with the feminization rate falling from 22.6 percent to 22.1 percent.

1 Following the overhaul of its survey on employment, the HCP published the results for years 2016 to 2023. For the purpose of analysis, the series have been connected back since 1999 where possible.
2 Measured by the ratio of value added to the number of employees
3 Calculated on the basis of CNSS data.
4 Public service salaries are estimated by Bank Al-Maghrib based on the changes in the number of public servants, as published in the human resources report accompanying the Finance Bill, and in personnel expenditure as shown in the Treasury's statement of charges and resources.
5 According to the HCP, this is the workforce available for goods and Services production, whether employed or in search for a job.

Chart 1.3.1: Structure of the active population in 2023 (in percent)

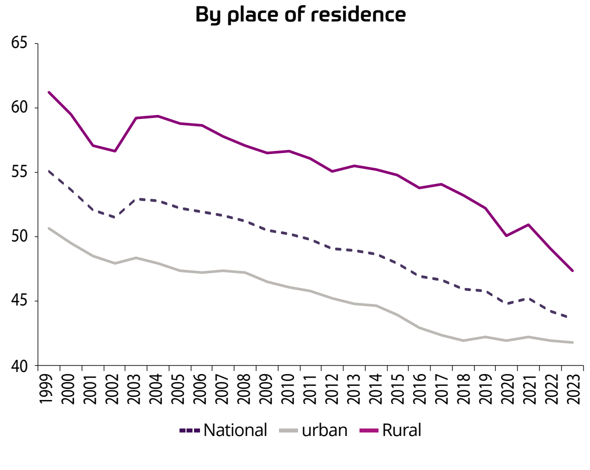


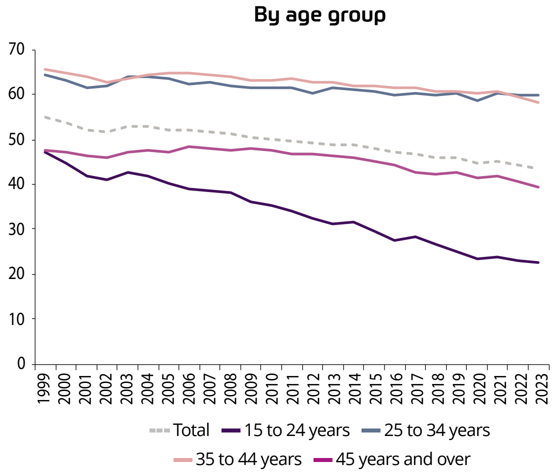
Source: HCP.

Taking into account a 1.4 percent rise in the working-age population[1], the participation rate[2] continued its downward trend, dropping by 0.7 percentage point to 43.6 percent. In rural areas, it fell by 1.8 point to 47.3 percent, with a significant contraction of 2.9 points to 19.9 percent among women, while in urban areas, it fell by 0.1 point to 41.8 percent, covering a 0.5 point decrease for men to 66.5 percent and a 0.2 point rise among women to 18.5 percent.

The drop in the participation rate affected all age groups, with the exception of the 25-34 year-old segment, which slightly grew by 0.1 point to 60 percent. In particular, the decrease stood at 1.3 point to 58.1 percent for 35-44 year-olds, and at 0.2 point to 22.6 percent for the youth aged 15 to 24 years. Among the latter, around 26.1 percent are not in education, employment or training (NEET).

Charts 1.3.2: Participation rate (in percent)





Source: HCP.

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1 Aged 15 years and over.

2 This is the ratio of the number of active population (employed or unemployed) to the working-age population

At the regional level, with the exception of Draa-Tafilalet, Souss-Massa and the Southern regions, which reported increases, other regions posted declines in the participation rate ranging from 0.3 percentage point in Rabat-Salé-Kenitra to 2.2 points in Beni Mellal-Khenifra.

Table 1.3.1: Participation rate by region (in percent)

	2021	2022	2023	2023/2022 change (In pp)
Beni Mellal-Khenifra	44.4	42.2	40.0	-2.2
Oriental	42.5	42.0	40.1	-1.9
Tanger-Tetouan-Al Hoceima	49.8	50.1	48.7	-1.4
Marrakech-Safi	46.8	45.0	44.0	-1.0
Casablanca-Settat	47.7	46.7	46.1	-0.6
Fez-Meknes	42.3	42.2	41.8	-0.4
Rabat-Salé-Kénitra	44.2	44.3	44.0	-0.3
Draa-Tafilalet	43.6	41.0	41.7	0.7
Souss-Massa	41.3	38.3	39.0	0.7
Southern Regions	44.5	44.5	45.3	0.8
National	**45.3**	**44.3**	**43.6**	**-0.7**

Source: HCP.

1.3.2 Employment

The year 2023 ended with a net loss of 157,000 jobs, compared to 24,000 in 2022, as a result of a 198,000 job destruction in rural areas and a 41,000 job creation in urban areas. The employed active population thus stood at 10.6 million, down by 1.5 percent year-on-year and 3.5 percent compared with its pre-pandemic level.

Under these conditions, and taking into account the increase in the working-age population, the employment rate[1] continued to fall to 38 percent, one of the lowest ratios in the world[2]. In rural areas, it fell by 2.2 points to 44.3 percent, and was particularly pronounced among women; while in urban areas, it dropped by 0.5 point to 34.8 percent, and concerned exclusively men.

[1] Ratio between the employed active population aged 15 and over and total population aged 15 and over.
[2] Based on International Labor Organization (ILOSTAT) data for the year 2022, Morocco ranks 93rd out of 97 countries for which data is available.

Chart 1.3.3: Job creation (in thousands)

Source: HCP.

At the sectoral level, agriculture continued to be affected by generally adverse weather conditions and water scarcity, posting the loss of 202,000 jobs, after 215,000 in 2022. In parallel, non-agricultural sectors recorded an overall increase of 41,000 jobs, compared with 191,000 a year earlier. Services generated 15,000 jobs, after 164,000, with increases of 31,000 in “social services provided to local authorities” and 21,000 in “accommodation and catering” which continued its strong post-pandemic recovery. Conversely, this recovery came to a halt in the trade sector, down by 74,000 jobs, the highest drop ever recorded since 1999[1]. Similarly, in the industrial sector including crafts, job creation remained limited, up by 7,000 instead of 28,000. In the construction and public works sector, after remaining virtually unchanged in 2022, employment grew by 24,000 in rural areas, while in urban areas it continued to be hit by the sluggishness of the construction sector, posting the loss of 5,000 jobs.

These evolutions have accelerated the structural trends observed in recent years, with the share of agriculture declining by 1.5 percentage point to 27.8 percent, while that of other sectors rose by 0.9 point to 48.3 percent for services, 0.4 point to 11.6 percent for construction and public works and 0.2 point to 12.2 percent for industry including crafts.

[1] Year in which the national employment survey was extended to rural areas.

Chart 1.3.4: Contributions to employment growth (in pp)

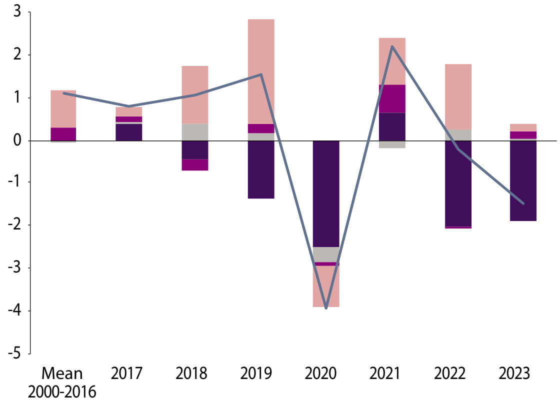
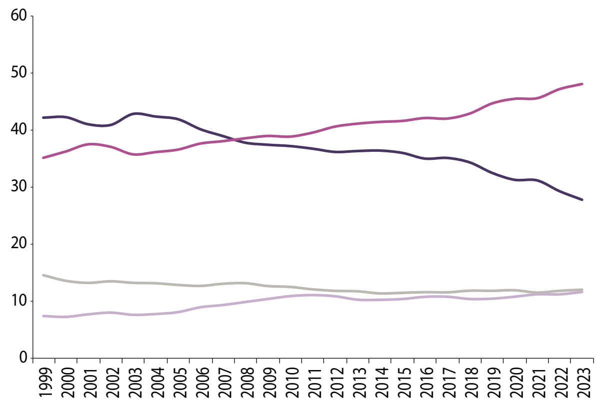


Chart 1.3.5: Structure of employment by sector of activity (in percent)



Sources: HCP data and Bank Al-Maghrib calculations.

Box 1.3.1: Agricultural sector performance and sectoral reallocation in the labor market: 2008-2023

Agriculture plays an essential role in Morocco's socio-economic development and food security. It contributes an average[1] of 10.6 percent to GDP, although with wide variations depending on climatic conditions, and is a major source of employment and income for a large segment of the population.

Following the implementation of the Green Morocco Plan, activity in the sector improved significantly, averaging 7.5 percent on an annual basis between 2008 and 2017, well ahead of the GDP, which grew by only 3.8 percent. From 2018 onwards, this pace slowed sharply to an average of 0.3 percent, compared with 2 percent for economic growth. In terms of employment, the sector suffered losses averaging 15,000 per year between 2008 and 2017, and 136,000 between 2018 and 2023. Overall, it posted a cumulative loss of almost 965,000 jobs over the entire period, bringing its share to total employment from 37.8 percent in 2008, to 35.5 percent in 2017, and less than 28 percent in 2023.

This underperformance is mainly attributed to the global warming, causing a succession of drought years[2] and worsening water stress. According to the World Bank[3], these changes may lead to the migration of 1.9 million Moroccans, or 5.4 percent of the total population, to urban areas by 2050.

The decline in agricultural employment may also result from the increasing use of modern techniques and mechanization, with the number of agricultural machines rising[4] between 2008 and 2018 from 40,000 to 75,000 tractors and from 3,000 to 7,000 harvesters.

[1] Average over the period 2008-2023.

[2] According to a statement by the Minister of Agriculture to the House of Representatives in January 2024, the Kingdom has experienced six consecutive years of drought since 2018, compared with a frequency of 30 percent in the 1980s and 6 percent between 1945 and 1980.

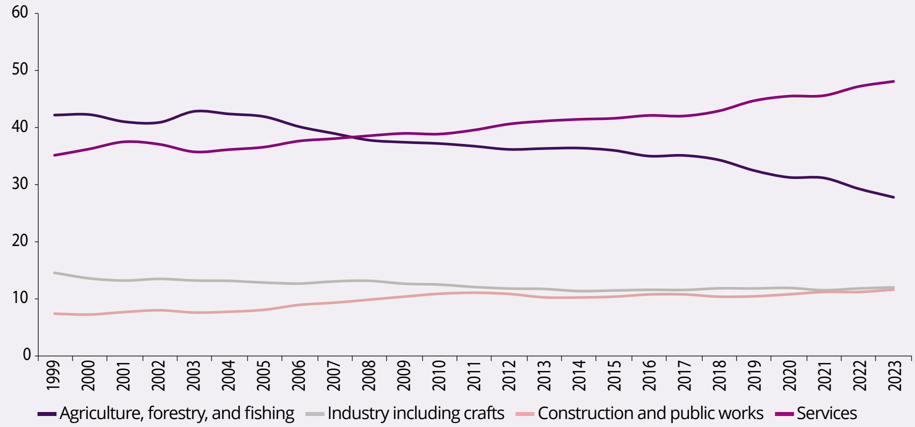
[3] "Morocco: Climate and Development Report", World Bank, October 2022.

[4] "Morocco's Green Plan: Assessment and Impacts 2008-2018", Ministry of Agriculture, Fisheries, Rural Development, Water and Forests, August 2021.

Parallel to the decline in agricultural employment between 2008 and 2023, employment in the tertiary sector grew by a total of nearly 1.3 million over the same period, including around 26 percent in trade, and by 288,000 in construction and public works, while 32,000 jobs were lost in the industry including crafts.

These changes suggest that the reallocation of agricultural jobs has benefited low-productivity activities in the services sector, while the results in terms of job creation in industry, including crafts, remain well below the announced ambitions of the various industrial strategies implemented since 2005[5].

Chart B.1.3.1.1: Employment structure by sector of activity (in percent)



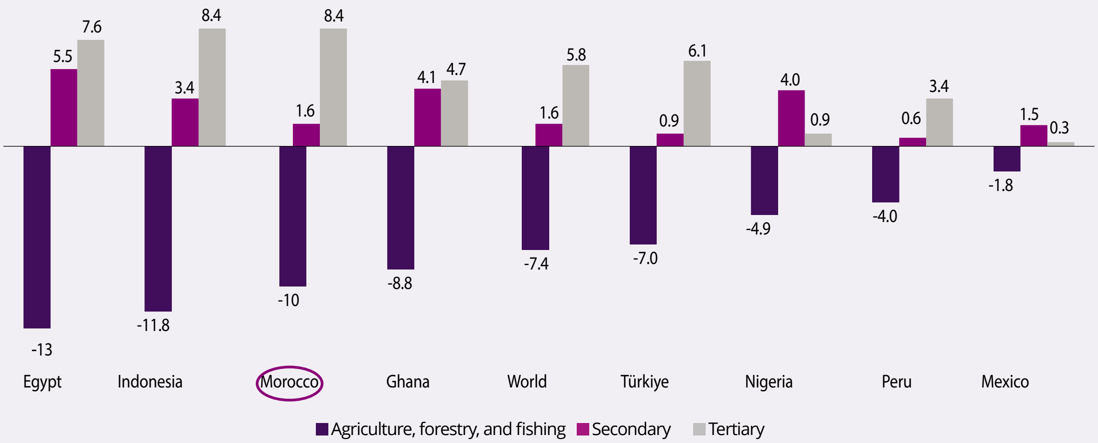
Source: HCP.

The decline in agricultural employment remains a global phenomenon, with its share in total employment falling by 7.4 percentage points between 2008 and 2022, according to World Bank data[6]. In many countries, this drop benefited both the secondary and tertiary sectors, unlike in Morocco, where it mainly benefited tertiary activities. According to the International Labor Organization, this could be partly explained by the relatively high level of qualification of the agricultural workforce in these countries, which is likely to facilitate conversion to other productive sectors. In 2022, the proportion of agricultural employees with an average or higher level of education stood at 33.1 percent in Egypt, 35.7 percent in Ghana and 63.2 percent in Nigeria, compared to less than a quarter in Morocco.

[5] The announced targets are 440 thousand created jobs for the Emergence Plan, 220 thousand jobs for the National Pact for Industrial Emergence 2009-2015, 500 thousand for the Industrial Acceleration Plan 2014-2020, and between 50 and 100 thousand jobs for the Industrial Recovery Plan 2021-2023.

[6] World Development Indicators database, World Bank.

Chart B.1.3.1.2: Changes in sectors' contribution to employment between 2008 and 2023 (in percentage points)



Source: World Bank.

For comparability purposes, World Bank data were considered for all countries in the sample, including Morocco.

Two main lessons can be drawn from all the above developments. In view of the unavoidable repercussions of climate change, particularly on agricultural employment, authorities are required to step up their efforts in terms of mitigation and adaptation policies, based in particular on climate-smart agricultural techniques that proved successful in many countries. At the same time, Morocco should continue to work toward the development of high-productivity activities capable of offering alternatives to the workforce released from agriculture. Strengthening industrial ecosystems may represent a promising initiative that should be reinforced. However, this requires substantial investment in upgrading human capital to facilitate the sectoral reallocation taking place in the labor market.

The analysis of the characteristics of the employed active population shows that it remains low-skilled, with almost half holding no diploma. This proportion varies from 36.1 percent in cities to 71 percent in rural areas, and stands, depending on the sector of activity, at 34.7 percent in services, 40.9 percent in industry including crafts, 56.7 percent in construction and public works and peaks at 77.2 percent in agriculture, forestry and fishing.

According to occupational status, the wage employment rate continues to improve, reaching around 59 percent instead of 52.6 percent in 2022, although more than half (51.9 percent) work without a contract. For the remainder, 30.1 percent are self-employed, and nearly 11 percent are unpaid employees virtually all of them working as family helpers in rural areas.

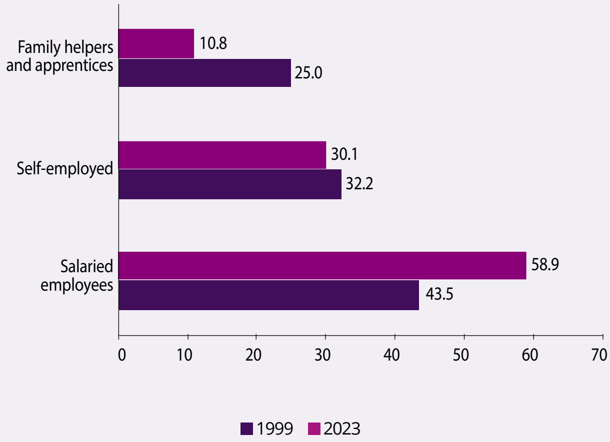
Box 1.3.2: Evolution of salaried employment over the period 1999-2023

The way in which labor is organized is generally related to the level of development and formalization of the economy. In advanced economies, salaried employment often predominates, while in countries where informal work is widespread, its weight is relatively lower, and sometimes self-employment dominates.

In Morocco, out of the 10.6 million employed active population in 2023, 58.9 percent or 6.2 million have the status of salaried employees. For the remainder, 3.2 million (30.1 percent) are self-employed and almost 1.2 million (10.8 percent) are family helpers and apprentices. Salaried employment is more prevalent in urban areas, standing at 71.1 percent as against 39.9 percent in rural areas, and among men, at 59.3 percent versus 57.4 percent for women.

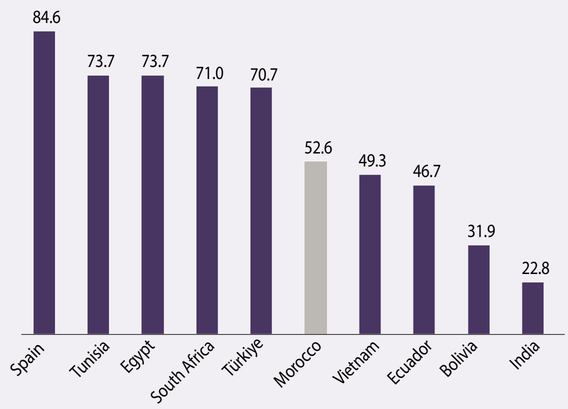
Over the period 1999-2023, salaried employment grew by an annual average of 2.1 percent, compared with 0.8 percent for total employment. In 2023 in particular, it registered a rebound by 10.4 percent, in both urban and rural areas. Despite this upward trend, Morocco's wage employment rate remains relatively low by international standards. ILO data for 2022, for example, show that this rate stood at 70.7 percent in Türkiye, 73.7 percent in Egypt and Tunisia, and 84.6 percent in Spain, compared with 52.6 percent in Morocco.

Chart B.1.3.2.1: Employment structure according to occupational status (in percent)



Source: HCP.

Chart B.1.3.2.2: Wage employment rate for a sample of countries in 2022 (in percent)



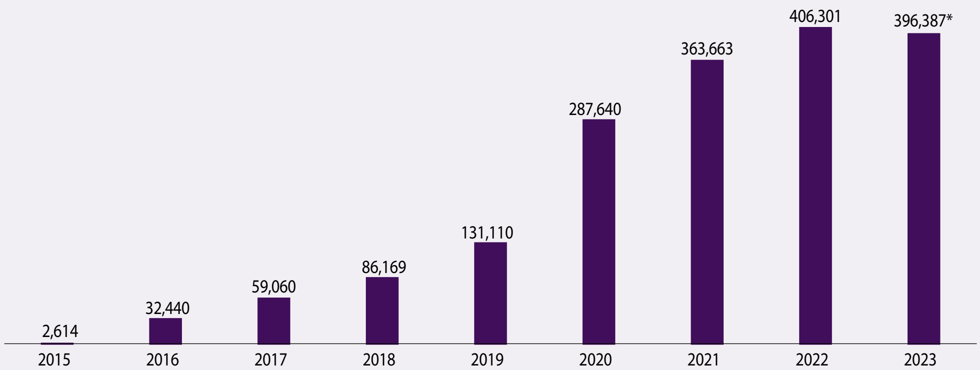
Source: ILO.
For Tunisia, data covers 2019.

In addition, the status of salaried employees in Morocco does not guarantee decent working conditions. In 2023, more than half of all employees (51.9 percent) did not possess an employment contract, 54.2 percent had no health coverage in relation to their job and only 44.4 percent were affiliated to a pension scheme. Finally, continuing training was virtually non-existent, as 97.6 percent of employees declared not to have benefited from any employer-sponsored training over the last twelve months.

Despite these conditions, a large fringe of the unemployed population prefers salaried employment. Indeed, according to data from the HCP's national employment survey for 2019, more than 7 out of 10 unemployed people (71.9 percent) wish to work as a salaried employee, a proportion ranging from 68.4 percent for men to 78.3 percent for women, and reaching 78.7 percent for holders of a higher diploma as against 64.9 percent among those without qualifications. This finding reflects the weakness of the entrepreneurial spirit among a part of the population, despite the efforts made by public authorities, in particular with the introduction in 2015 of the self-employed entrepreneur status[1].

The number of affiliated members to the latter reached 406.3 thousand by end-2022, but fell back to 396.4[2] thousand by end-November 2023. This change coincided notably with (i) the start of compulsory health insurance contributions[3] due in February 2022; (ii) the upward adjustment of tax rates for self-employed entrepreneurs[4] in 2023; and (iii) the economic downturns in the services and trade sector, which, according to the 2021 edition of the Moroccan SMEs Observatory report, account for 85.2 percent of registered self-employed entrepreneurs.

Chart B.1.3.2.3: Number of occupied self-employed entrepreneurs



Sources: Business reports of the TGD and Maroc PME.

* Data at end-November 2023.

In conclusion, while the rise in the proportion of salaried workers is a positive development toward a more formal economy, it remains insufficient by international standards, and is still no guarantee of better working conditions. It also reflects the lack of attractiveness of entrepreneurship.

[1] It should be recalled that the introduction of the self-employed status was part of the authorities' efforts to reduce the weight of the informal economy and reduce unemployment through simplified and advantageous taxation and streamlined administrative procedures.

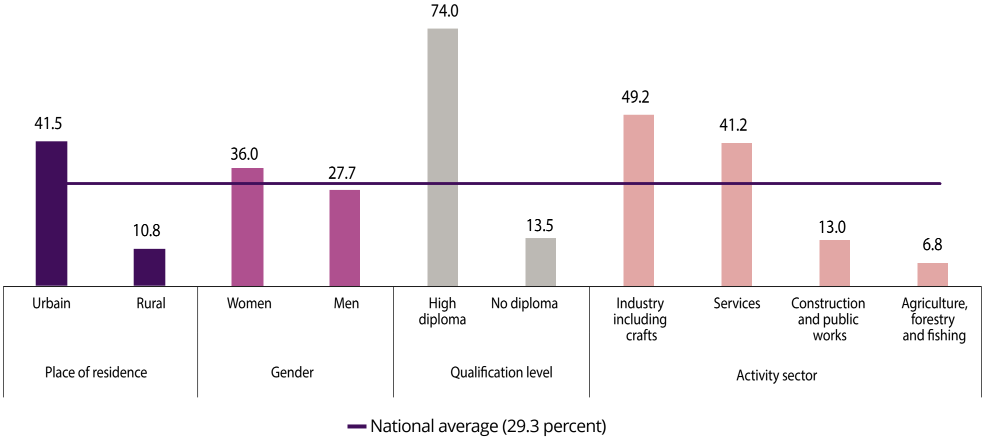
[2] Maroc PME data.

[3] According to Circular Note No. 731 on the tax provisions of the Finance Act for the 2021 fiscal year, the amount of effective contributions for self-employed entrepreneurs ranges from 1,200 dirhams for an annual tax paid of less than 500 dirhams to 14,400 dirhams for a tax of more than 50 thousand dirhams.

[4] This involves the introduction of income tax on surplus annual turnover exceeding 80,000 dirhams for the entrepreneur, made to the benefit of the same customer. This rate rises to 30 percent as against a maximum of 1 percent previously. This measure is designed to combat tax evasion and disguised salaried employment.

With regard to job-related services, less than 30 percent of the workforce benefit from health coverage as part of their work[1]. This proportion stands at 41.4 percent in urban areas, compared with 10.7 percent in rural areas, and increases in line with the qualification level, rising from 13.5 percent for those with no diploma to 74 percent for those with higher diplomas. By sector, it varies from 6.8 percent in agriculture, forestry and fishing to 49.2 percent in industry, including crafts. In addition, only 28.3 percent of the employed active population is affiliated to a pension system, ranging from 9.3 percent in rural areas to 40.7 percent in urban areas, and standing at 35.8 percent among women, compared to 26.4 percent for men.

Chart 1.3.6: Proportion of employees benefiting from occupational health coverage in 2023 (in percent)



Source: HCP.

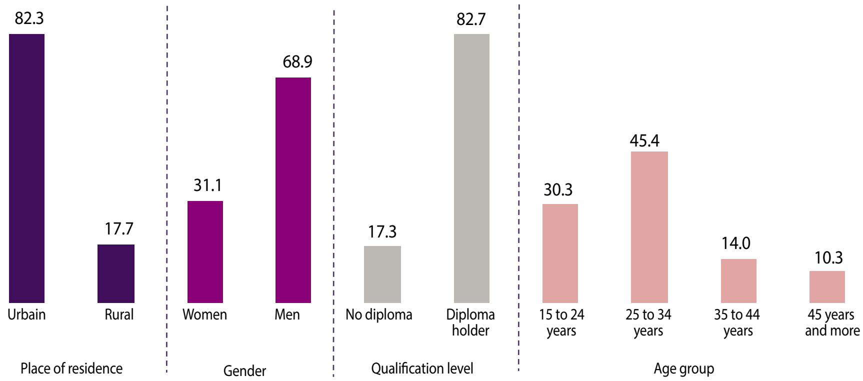
1.3.3 Unemployment and underemployment

After declining by 4.4 percent in 2022, the unemployed population jumped by 9.6 percent in 2023 to 1.58 million people. The increase stood at 16.2 percent in rural areas and 8.2 percent in cities, where it was particularly rapid among men, with a rate of 11.4 percent, compared with 2.6 percent for women.

The unemployed population remains predominantly male (68.9 percent), and much more qualified than the employed active population, with the proportions of diploma-holders standing at 82.6 percent and 50.1 percent respectively. 51.2 percent of the unemployed are first-time jobseekers, and 66.4 percent have been out of work for more than a year.

[1] It should be reminded that these proportions are calculated on the basis of declarations made by respondents to the 2023 edition of the National Employment Survey carried out by the HCP. They are expected to rise significantly in 2024, taking into account the acceleration of the project to generalize healthcare coverage.

Chart 1.3.7: Characteristics of the unemployed population in 2023 (in percent)



Source: HCP.

These evolutions, combined with the decline of the employed active population, resulted in a sharp rise of the unemployment rate, which increased from 11.8 percent to 13 percent year-on-year at the national level, from 15.8 percent to 16.8 percent in urban areas, and from 5.2 percent to 6.3 percent in rural areas. The unemployment rise affected both men and women, with rates increasing from 10.3 percent to 11.5 percent and from 17.2 percent to 18.3 percent respectively. No age group was spared, and it was particularly pronounced among young people aged 15 to 24, with the ratio rising from 32.7 percent to 35.8 percent overall, and from 46.7 percent to 48.3 percent in urban areas.

Chart 1.3.8: Unemployment rate by gender (in percent)

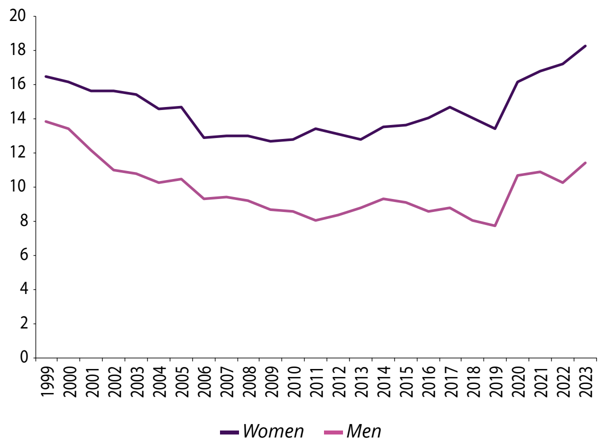
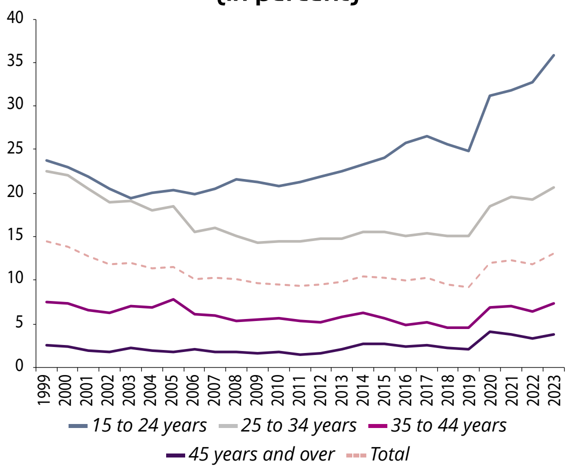


Chart 1.3.9: Unemployment rate by age group (in percent)



Source: HCP.

Analysis by region shows that the rise in unemployment was generalized, although with different rates. The most significant increase was posted in Beni Mellal-Khenifra with 2.3 points, and the lowest in the Southern Regions with 0.2 point. In terms of levels, the "Marrakech-Safi" region continues to post the lowest rate, at 7.7 percent, while the Oriental and Southern regions have the highest ratios, at 19.6 percent and 20.3 percent respectively.

Table 1.3.2: Unemployment rate by region (in percent)

	2021	2022	2023	Change (in pp)
Beni Mellal-Khenifra	9.6	10.5	12.8	2.3
Oriental	18.1	17.4	19.6	2.2
Draa-Tafilalet	9.6	9.7	11.9	2.2
Souss-Massa	11.3	11.4	13.5	2.1
Casablanca-Settat	14.6	13.8	15.0	1.2
Marrakech-Safi	7.6	6.9	7.7	0.8
Fez-Meknes	13.4	13.5	14.2	0.7
Rabat-Salé-Kenitra	12.2	11.0	11.6	0.6
Tanger-Tetouan-Al Hoceima	10.4	9.7	10.1	0.4
Southern regions	20.1	20.1	20.3	0.2
National	**12.3**	**11.8**	**13.0**	**1.2**

Source: HCP.

In parallel with the deterioration of unemployment, the labor market situation was characterized by a rise in underemployment[1], from 9 percent to 9.8 percent at the national level, from 8.1 percent to 8.7 percent in cities and from 10.4 percent to 11.6 percent in rural areas. By gender, it stands at 10.9 percent for men compared to 5.8 percent for women, and varies by sector of activity from 6.4 percent in industry, including crafts, to 19.2 percent in construction and public works. In 50.9 percent of cases, underemployment affects working active population who consider their qualifications inadequate or their remuneration insufficient.

Chart 1.3.10: Underemployment rate by place of residence (in percent)

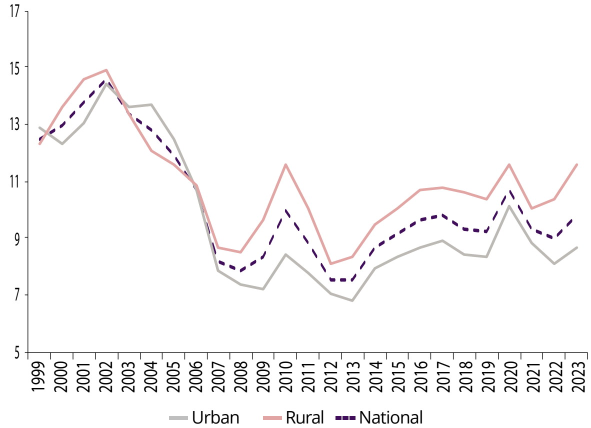
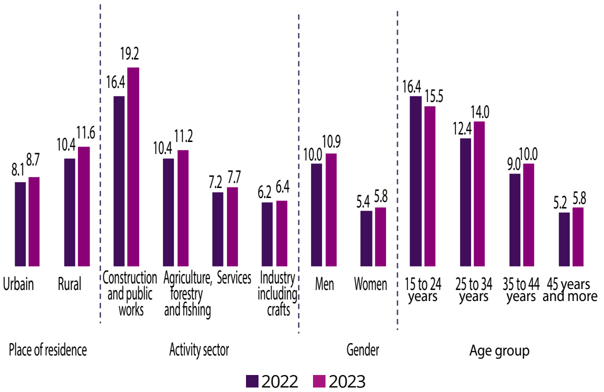


Chart 1.3.11: Underemployment rate by characteristics of the employed population (in percent)



Source: HCP.

[1] The underemployed population is made up of people who worked: i) during the reference week, less than 48 hours and were available to work overtime, or ii) more than the set threshold and are looking for another job or are willing to change jobs because of a mismatch with their training or diploma, or because of inadequate pay.

1.3.4 Productivity and wages

In non-agricultural sectors, the limited 0.5 percent rise in employment, coupled with the 3.5 percent increase in value added, led to a 2.9 percent improvement in apparent labor productivity, after 0.8 percent in 2022. This change includes an increase of 4.1 percent, instead of 3.4 percent, in the tertiary sector, and a slight increase of 0.3 percent, after a 3.8 percent decrease, in the secondary sector.

In nominal terms, wages rose by 4.3 percent in the private sector, after 2 percent in 2022, and by 1.2 percent in the public service, instead of 3.5 percent. In real terms, they continued respectively to drop by 1.8 percent, after 4.4 percent, and by 4.6 percent, instead of 2.9 percent.

Chart 1.3.12: Apparent labor productivity in non-agricultural sectors and average wages in real terms (in percent)

Sources: HCP, CNSS, MEF and Bank Al-Maghrib calculations.

Table 1.3.3: Main labor market indicators

		2021	2022	2023
Activity indicators				
Active population (in thousands)		12,280	12,191	12,171
By place of residence	Urban	7,511	7,591	7,731
	Rural	4,770	4,599	4,441
Participation rate (in percent)		45.3	44.3	43.6
By place of residence	Urban	42.3	41.9	41.8
	Rural	50.9	49.1	47.3
By gender	Men	70.4	69.6	69.0
	Women	20.9	19.8	19.0
Employment indicators				
Job creation (in thousands)		230	-24	-157
By place of residence	Urban	100	150	41
	Rural	130	-174	-198
By sector	Agriculture, forestry, and fishing	68	-215	-202
	Industry including craft	-19	28	7
	Construction and public works	71	-1	19
	Services	115	164	15
Employed active population (in thousands)		10,772	10,749	10,591
By place of residence	Urban	6,239	6,390	6,431
	Rural	4,533	4,359	4,160
Employment rate (in percent)		39.7	39.1	38.0
By place of residence	Urbain	35.1	35.3	34.8
	Rural	48.4	46.5	44.3
Unemployment and underemployment indicators (in percent)				
Unemployment rate		12.3	11.8	13.0
By place of residence	Urban	16.9	15.8	16.8
	Young people aged 15 to 24 years	46.7	46.7	48.3
	Rural	5.0	5.2	6.3
Underemployment rate		9.3	9.0	9.8
By place of residence	Urban	8.8	8.1	8.7
	Rural	10.0	10.4	11.6
Productivity and wages (Change in percent)				
Apparent labor productivity in non-agricultural activities		4.0	0.8	2.9
Average wage in the private sector	In nominal terms	-1.6	2.0	4.3
	In real terms	-2.9	-4.4	-1.8
Average wage in the civil service	In nominal terms	3.9	3.5	1.2
	In real terms	2.5	-2.9	-4.6

Sources: HCP, CNSS, MEF and Bank Al-Maghrib calculations.

1.4 Inflation

After peaking at 6.6 percent in 2022, inflation, as measured by the change in the consumer price index (CPI), fell to 6.1 percent on average in 2023 while remaining at a high level. In line with the trend observed worldwide, this development reflects on one hand, weakening external pressures, with lower inflation registered among Morocco's main trading partners, the drop in energy and food prices, and appreciation of the dirham's effective exchange rate[1]. On the other hand, it is the result of measures taken by the Government to curb price increases of some goods and Services, and the monetary policy tightening initiated by Bank Al-Maghrib in September 2022.

By component, inflation deceleration reflects a 4.1 percent fall in fuel and lubricant prices, following a 42.3 percent surge, and a decline in core inflation, which fell from 6.6 to 5.6 percent, due to a decline in food prices included in this index.

Conversely, against a backdrop of unfavorable weather conditions and increasing water stress, volatile food products prices continued to rise, edging up 18.8 percent on average instead of 11.1 percent in 2022. Regulated tariffs rose by 0.8 percent, following a 0.1 percent decrease, mainly driven by higher tobacco prices.

In the upstream, the easing of inflation is partly related to the slowdown in manufacturing producer price index excluding refining. The latter increased by 1.6 percent instead of 12.7 percent in 2022, particularly due to lower prices in the "chemical industry" sector.

Chart 1.4.1: Change in inflation (in percent)

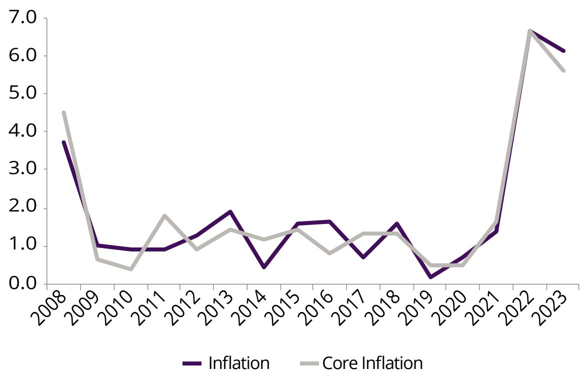
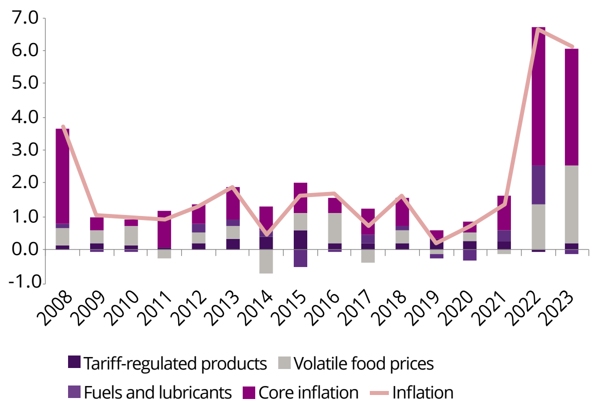


Chart 1.4.2: Contributions to inflation (in percentage points)



Sources: HCP data and Bank Al-Maghrib calculations.

[1] Cf. Bank Al-Maghrib Annual Report 2021, page 127 for an update on the methodology used to calculate the effective exchange rate.

Table 1.4.1: Consumer prices (change* in percent)

Product groups	2017	2018	2019	2020	2021	2022	2023
Consumer price index	**0.7**	**1.6**	**0.2**	**0.7**	**1.4**	**6.6**	**6.1**
Volatile food prices	**-3.1**	**3.0**	**-1.5**	**2.0**	**-1.3**	**11.1**	**18.8**
Tariff-regulated products	**0.8**	**0.9**	**1.3**	**1.2**	**1.2**	**-0.1**	**0.8**
Fuels and lubricants	**8.8**	**5.5**	**-2.7**	**-12.4**	**12.9**	**42.3**	**-4.1**
Core inflation indicator	**1.3**	**1.3**	**0.5**	**0.5**	**1.7**	**6.6**	**5.6**
- Food products	1.6	1.4	-1.1	0.0	1.8	11.9	9.8
- Clothing items and footwear	1.4	1.2	1.2	0.3	1.9	4.8	3.7
- Housing, water, gas, electricity and other fuels[1]	1.1	1.0	1.5	1.3	1.6	2.3	1.7
- Furniture, household appliances and routine household maintenance	0.5	0.2	0.4	0.2	1.1	5.1	3.8
- Health[1]	2.4	1.0	0.0	0.5	2.2	2.1	2.9
- Transport[2]	-0.4	0.3	0.7	0.7	1.7	4.4	3.7
- Communication	-0.2	1.0	3.3	-0.4	-0.2	0.3	0.2
- Entertainment and culture[1]	0.6	0.1	0.3	-1.4	1.1	5.7	1.8
- Education	2.7	2.6	3.5	2.7	1.6	2.2	3.8
- Restaurants and hotels	3.2	1.1	1.4	1.1	1.0	2.8	5.7
- Miscellaneous goods and Services [1]	0.9	1.8	0.8	1.4	2.4	3.5	2.4

* Changes are based on official CPI base 2017 data from 2018 to 2023 and on CPI base year 2006 with December 2017 as intermediary basis for 2017.
[1] Excluding Tariff-regulated products.
[2] Excluding tariff-regulated products, fuels and lubricants.
Sources: HCP data and Bank Al-Maghrib calculations.

1.4.1 Components of the consumer price index

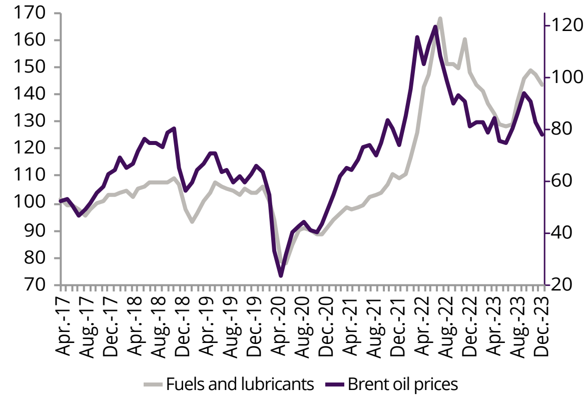
1.4.1.1 Fuels and lubricants

After jumping 42.3 percent in 2022, fuels and lubricants prices fell by 4.1 percent, and their contribution to inflation stood at -0.1 percentage point compared to 1.2 point. In addition to the base effect, this movement reflects the drop in international oil prices in a context increased production of some non-OPEC countries, notably the United States. In particular, the Brent oil price decreased from 99.8 USD/bbl to 82.6 USD/bbl on average in 2023.

This impact was accentuated by the decline in the gross refining margin[1] from 13.98USD/bbl to 10.19 USD/bbl on average, and by an average rise of 0.2 percent of the national currency against the US dollar, following a sharp depreciation of 11.5 percent a year earlier.

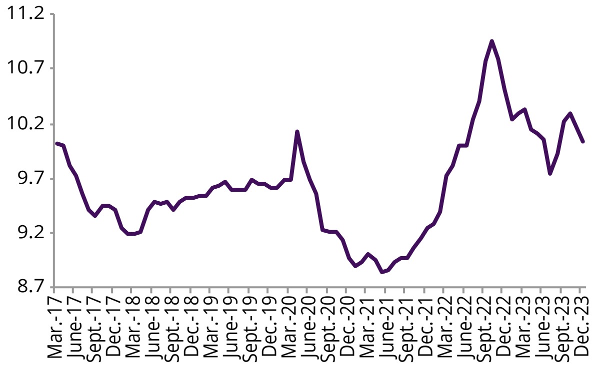
[1] Calculated by the Ministry of Ecological Transition and Cohesion of French Territories, https://www.ecologie.gouv.fr/en/node/508.

Chart 1.4.3: Fuels and lubricants prices (base 100 = 2017) and Brent oil prices (USD per barrel)



Sources: HCP and World Bank.

Chart 1.4.4: Exchange rate of the Dirham against the US dollar (MAD/USD)

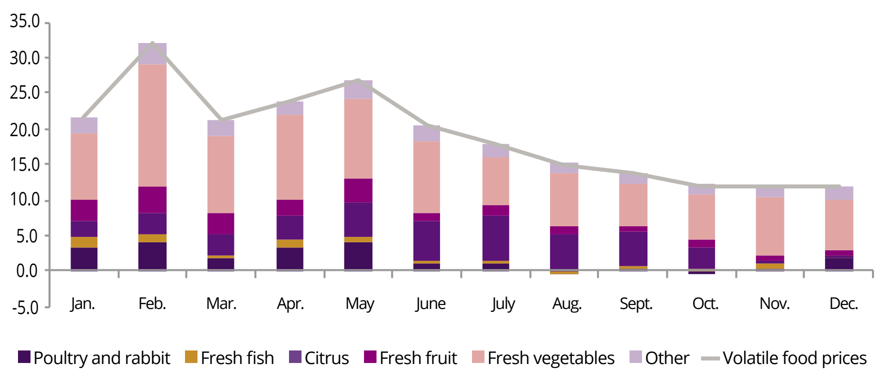


1.4.1.2 Volatile food prices

Volatile food prices rose by 18.8 percent in 2023, after climbing 11.1 percent in 2022 and remaining virtually unchanged on average over the previous five years (2017-2021), bringing their contribution to inflation to 2.4 percentage points. This change is mainly attributable to increased water stress and unfavorable weather conditions which affected domestic supply of these products, as well as the persistently high energy prices.

By product, the strongest accelerations were recorded for “citrus fruit”, from -0.8 percent to 79.4 percent, “fresh vegetables” from 17.2 percent to 30.7 percent and “eggs” from 8.6 percent to 19.8 percent. The impact of these increases was mitigated by the slowing prices of “poultry and rabbit” from 12.9 percent to 6.8 percent, and “fresh fish” from 4.3 percent to 3.9 percent.

Chart 1.4.5: Contribution to the changes in volatile food prices In 2023 (in percentage points)



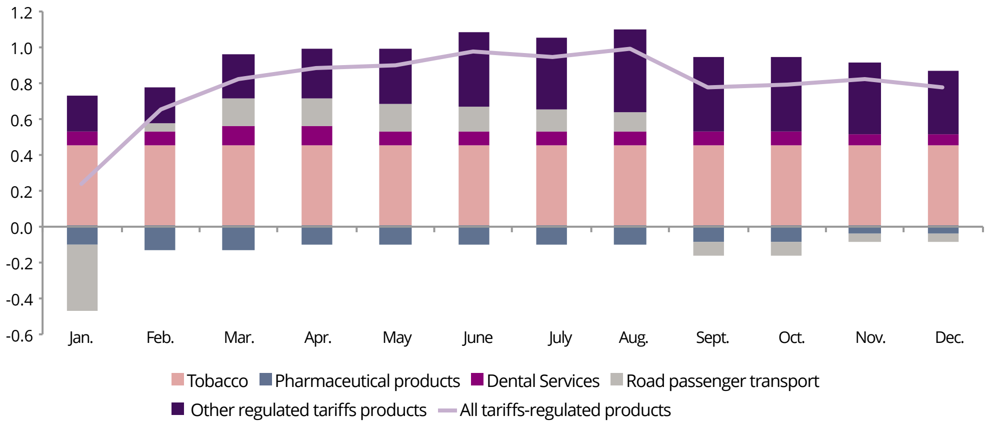
Sources: HCP data and Bank Al-Maghrib calculations.

1.4.1.3 Tariff-regulated products

After slightly decreasing by 0.1 percent in 2022, regulated tariffs rose by 0.8 percent in 2023, mainly reflecting the 5.4 percent increase, after 3.5 percent, in tobacco prices whose taxation arrangements[1] were revised in the 2022 Finance Law. It is also attributable to a 2 percent rise, from 0.6 percent, in "medical Services" prices. Conversely, "pharmaceutical products" prices fell by 0.8 percent, following the decision by the Ministry of Health and Social Protection to review the selling prices to the public of some categories of medicinal drugs[2].

Overall, the contribution of regulated tariffs to inflation stood at 0.2 percentage point, after a virtually zero contribution in 2022.

Chart 1.4.6: Contribution to monthly changes in regulated tariffs in 2023 (in percentage points)



Sources: HCP data and Bank Al-Maghrib calculations.

1.4.1.4 Core inflation

Except for the first two months, when it continued to accelerate, core inflation went gradually on a downward trend throughout the rest of the year from an 8.5 percent peak in February to 2.8 percent in December, bringing its annual average to 5.6 percent instead of 6.6 percent in 2022. This trend mainly reflects the easing of external pressures in line with lower inflation rates registered among Morocco's main trading partners, as well as the decrease in international food prices.

[1] For 2023, this measure consists, on the one hand, in reducing the ad valorem portion of the public selling price excluding VAT and specific CDT for cigarettes from 67 percent to 66 percent and, on the other hand, in raising the minimum collection rate for CDT from 710.2 dirhams to 782.1 dirhams per thousand cigarettes and the specific portion from 100 dirhams to 175 dirhams per thousand cigarettes.

[2] Ministry of Health and Social Protection decrees No. 1030-23 of April 10, No. 1851-23 of July 7 and No. 2279-23 of September 4 revising the selling prices to the public of originator, generic and biosimilar drugs marketed in Morocco.

By component, 80 percent of this slowdown can be attributed to the drop in the prices of food products included in the index, and whose increase declined from 11.9 percent to 9.8 percent. In particular, price rises decelerated from 13.4 percent to 2.1 percent for "cereal-based products" and from 27.8 percent to 17.9 percent for "oils", while they accelerated from 4.8 percent to 15.1 percent for "fresh meats". To improve the supply of the latter, the Government had taken a number of measures in favor of the livestock sector. These included subsidizing livestock feed and removing customs barriers on the import of cattle for slaughter, up to a quota of 200.000 head.

The slowdown in prices also affected non-food products[1] except for those of "education" which accelerated from 2.2 percent to 3.8 percent, "restaurants and hotels" from 2.8 percent to 5.7 percent, and "healthcare[2]" from 2.1 percent to 2.9 percent.

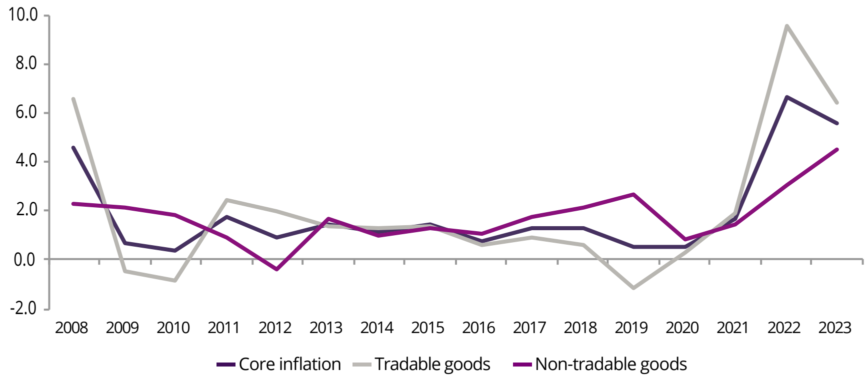
Overall, the contribution of core inflation to the changes in the consumer price index fell from 4.2 percentage points in 2022 to 3.5 points in 2023.

Tradable and non-tradable goods

The deceleration in core inflation is attributable to a smaller increase in tradable goods' prices. These rose by 6.4 percent in 2023 as against 9.5 percent in 2022, reflecting, alongside the rise of the exchange rate, the drop in inflation rate from 8.4 percent to 5.4 percent in the eurozone, Morocco's main trading partner, and the decline in international food prices, with the FAO index edging down 13.8 percent after rising 15 percent.

Conversely, prices of non-tradable goods and Services accelerated from 3.1 percent to 4.5 percent, driven mainly by price increases of 15.1 percent, up from 4.8 percent, for "fresh meats" and by 5.4 percent, from 3.3 percent, for "pre-school and primary education".

Chart 1.4.7: Change of core inflation and its tradable and non-tradable components (in percent)



Sources: HCP and Bank Al-Maghrib calculations.

[1] These are the ten non-food items included in the core inflation basket (see table 1.4.1).
[2] Excluding regulated products.

1.4.2. Goods and Services

The breakdown of the CPI basket into goods and Services[1] shows a relatively limited increase of prices for the latter by 1.8 percent, in a context marked by significant job losses and higher unemployment.

For goods, the rise in prices grew from 8.3 percent to 8.8 percent, covering an acceleration from 9.8 percent to 17 percent for unprocessed products, consisting mainly of fresh food, and a deceleration from 7.6 percent to 5.5 percent for processed goods excluding fuels and lubricants.

Chart 1.4.8: Price of goods and Services (change in percent)

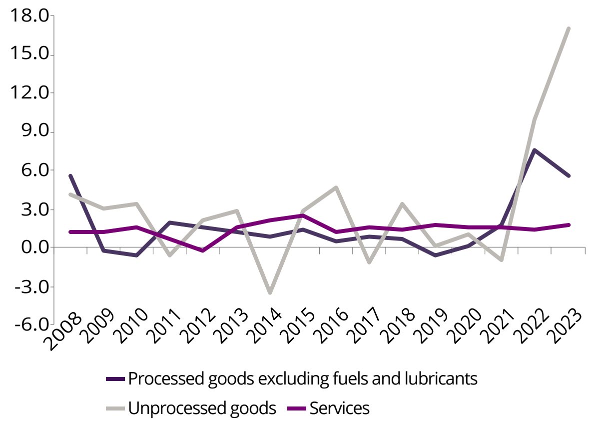
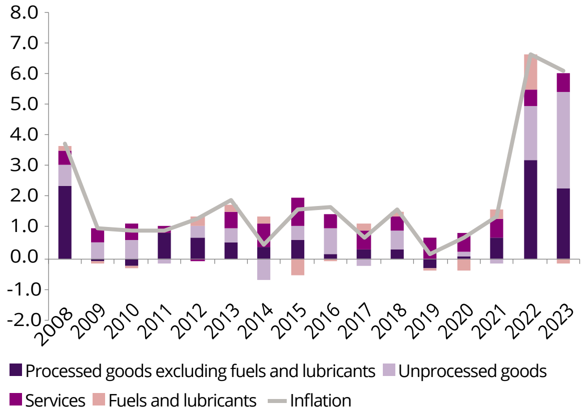


Chart 1.4.9: Contribution of prices of goods and Services to inflation (in percentage points)



Sources: HCP and Bank Al-Maghrib calculations.

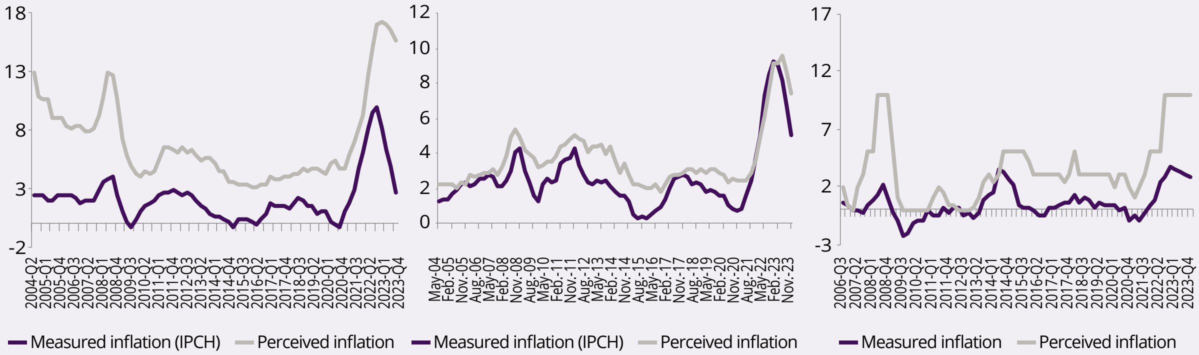
Box 1.4.1: Measuring inflation, between statistical objectivity and household perception

Inflation is measured by statistical institutes through the Consumer Price Index (CPI), which is compiled on the basis of a reference basket of goods and Services representing household consumption habits. For reasons of international comparability, this indicator is based on a clear definition and a methodology that is broadly similar from one country to another.

For their part, when required to give their perception of price trends, households generally report higher inflation rates than those measured objectively. This mismatch is purportedly linked to subjective considerations, in particular their own consumption behavior which may deviate significantly from that represented by the CPI reference basket.

[1] Based on HCP data, BAM makes a distinction between four categories: Fuels and lubricants, processed goods excluding fuels and lubricants, unprocessed goods and Services.

Chart B.1.4.1.1: Change in inflation and its perception (median, in percent) by households (The case of the Eurozone, the United-Kingdom and Japan)



Source: European Commission. *Source: Bank of England.* *Source: Bank of Japan.*

This difference tends to widen during periods of crisis, as was the case during the covid-19 pandemic, and is often less significant in advanced countries than in emerging economies where perceptions are more prone to changes in food and energy prices[1]. Broadly speaking, the theoretical and empirical literature[2] on this issue highlights several factors. In addition to (i) the structure of consumption, which varies from one household to another, and which can deviate significantly from the average structure on which the CPI is based, other factors include (ii) the frequency with which goods and Services are consumed, as the perceived inflation is more influenced by the prices of frequently consumed goods and Services (food products, fuel, etc.); (iii) the greater sensitivity to price rises than to price falls; (iv) the basis of comparison, with inflation representing an annual change in prices, whereas households sometimes refer to prices observed several years earlier; and (v) the failure into account improvements in product quality.

For central banks, households' perception of inflation is of particular importance for the monetary policy decision-making process. Indeed, it impacts their expectations of price trends, which, together with that of other economic agents, gives an insight on the degree to which these expectations are anchored and enable evaluating and monitoring the risk of triggering self-fulfilling inflation spirals.

The apprehension and monitoring of these perceptions are generally based on direct household surveys. However, various studies and analyses use existing data, such as CPI data, or data available on social networks and online platforms, to extract information on perceived inflation.

[1] "Perceived inflation and reality: understanding the difference", Bank of Canada, August 25, 2020.

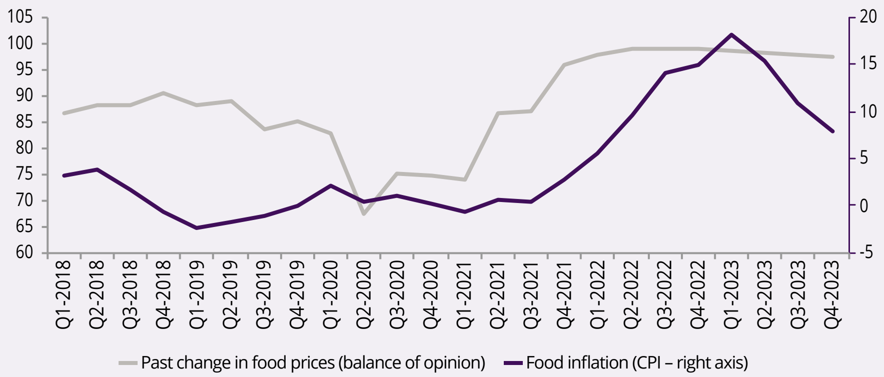
[2] https://www.euro-area-statistics.org/digital-publication/statistics-insights-inflation/index.html?lang=fr.

Survey-based measures

These are surveys carried out by statistical institutes and/or central banks on a representative sample of households to gather qualitative (increase/decrease/stagnation) or quantitative (a figure or a range) information on perceived price trends.

In Morocco, the HCP conducts a quarterly business survey based on a sample of 3.000 households, including 2.000 in urban areas. Among the questions addressed is one on "past change in food prices over the last 12 months". Since the launch of the survey in the fourth quarter of 2007, the proportion of households perceiving an increase in these prices has always been higher than that of households experiencing a drop, even when prices of this product category were falling. For 2023 in particular, almost all households (98 percent on average) indicated that food prices had risen over the last 12 months.

Chart B.1.4.1.2: Perceptions of the change in food prices over the last 12 months (Balance of opinion[3]) and food inflation (in percent)



Source: HCP.

Measures based on consumer price index data

The American Institute for Economic Research[4] has developed, based on U.S. CPI data, a monthly price index[5] known as the EPI (Everyday Price Index), which is designed to reflect perceived inflation trends. The aim of this index is to capture price changes experienced by consumers on a regular basis. The products included in the EPI reference basket are those that may significantly impact household budgets. These are products that are purchased at least once a month, and whose prices cannot be fixed on a long-term contractual basis. Just like the direct surveys, the results show that perceived inflation is higher overall than that measured based on the CPI, and that it is also more volatile.

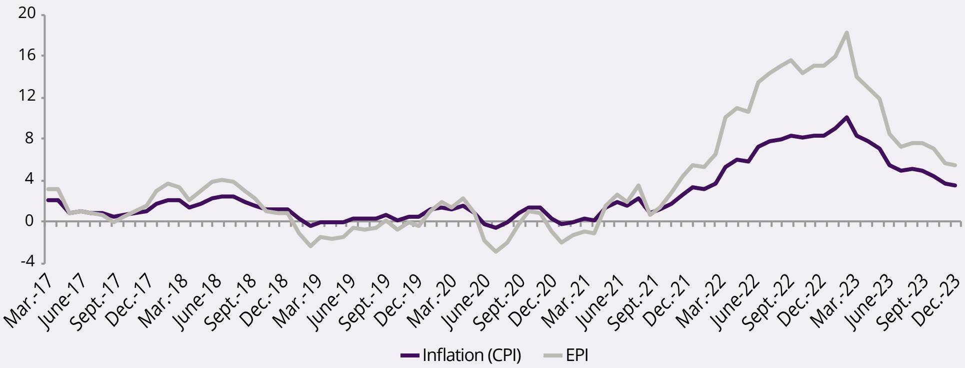
[3] The balance of opinion is the difference between the proportions of households reporting an increase and those reporting a decrease.

[4] U.S.-based, nonprofit, nonpartisan research and education body, focusing in particular on the promotion of private enterprise, economic freedom and property rights.

[5] Polina Vlasenko: "Capturing the Inflation that People Experience: The Everyday Price Index vs. "The consumer Price Index". AIER, June 2015.

This approach was implemented by Bank Al-Maghrib for the case of Morocco, and the EPI was calculated based on the available data relating to the 116 sections of the CPI. The resulting index covers 46.3 percent of the CPI, with the proportion of food products reaching 79 percent. Its trend shows that since September 2021, perceived inflation has been systematically higher than the rate published by the HCP. The gap between the two measures widened gradually, peaking at 8.1 percentage points in February 2023, before falling during the rest of the year to 2 points in December. Similarly, the EPI showed higher volatility, with a standard deviation of 5.4 percent compared with 2.8 percent for the CPI over the 2008-2023 period.

Chart B.1.4.1.3: Inflation calculated on the basis of EPI and CPI (Year-on-year change, in percent)



Sources: HCP data and Bank Al-Maghrib calculations.

Other measures based on online data

More recently, several studies[6] tried to use the information content of data available on social networks, notably the "X" platform, to extract signals that may provide information on the perception or anticipation of inflation, as well as on the uncertainties surrounding its outlook.

These experiments use natural language processing (NLP)[7] techniques to filter keywords, distinguishing between those reflecting a perception of rising inflation and those reflecting a feeling of falling inflation. The indicators obtained are oftentimes consistent with both objective measures of inflation and the results of household surveys, and even carry some predictive power for future inflation trends.

[6] Experiments were carried out by the central banks of France, Italy and Colombia, as well as by academic institutions, particularly in Argentina and Germany.

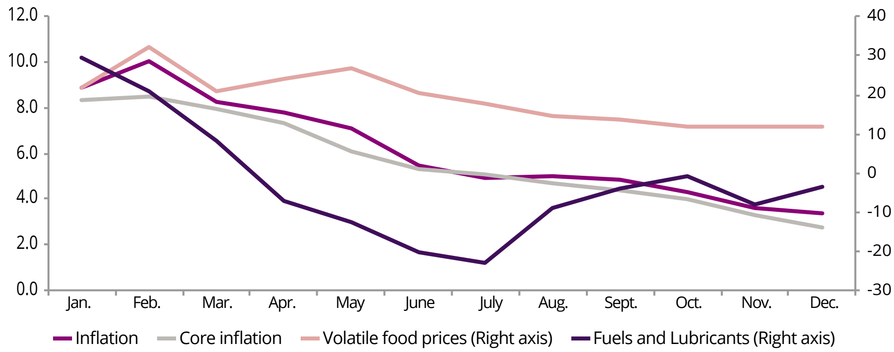
[7] This is a machine-learning-based method for processing and interpreting text and data.

1.4.3 Infra-annual Inflation profile

Infra-annual analysis of consumer prices shows that inflation continued to surge in the first two months of the year, reaching a peak of 10.1 percent in February 2023. Subsequently, it gradually fell to 3.4 percent in December.

Its movement largely reflects that of core inflation, which in turn is mainly driven by the changes in its food component. Prices of volatile food products rose sharply in the first half of the year, and continued this upward trend in the following months, although at a much slower pace. At the same time, year-on-year change in fuel and lubricant prices remained positive over the first three months, before turning negative from April onwards.

Chart 1.4.10: Infra-annual change of inflation In 2023 (in percent)



Sources: HCP data and Bank Al-Maghrib calculations.

1.4.4 Consumer prices by city

The analysis of consumer price changes by city shows considerable heterogeneity. Indeed, the slowdown in inflation during 2023 masks a deceleration in 8 of the 18 cities covered by the HCP survey, and an acceleration in the others.

The strongest deceleration in inflation was reported in Casablanca, where prices rose 4.9 percent from 6.5 percent in 2022, followed by Kenitra and Settat with increases of 6.5 percent after 8 percent and 5.2 percent after 6.6 percent respectively. Conversely, inflation rose from 5.4 percent to 7.7 percent in Laayoune, from 8.4 percent to 10.1 percent in Al-Hoceima and from 5.3 percent to 6.3 percent in Dakhla.

The lowest inflation rate was observed in Rabat, at 4.8 percent, while Al-Hoceima posted the highest rate for the second year in a row, that is 10.1 percent. The inflation gap therefore widened to 5.3 percentage points from 3.1 points in 2022.

Table 1.4.2: Consumer prices by city (change in percent)

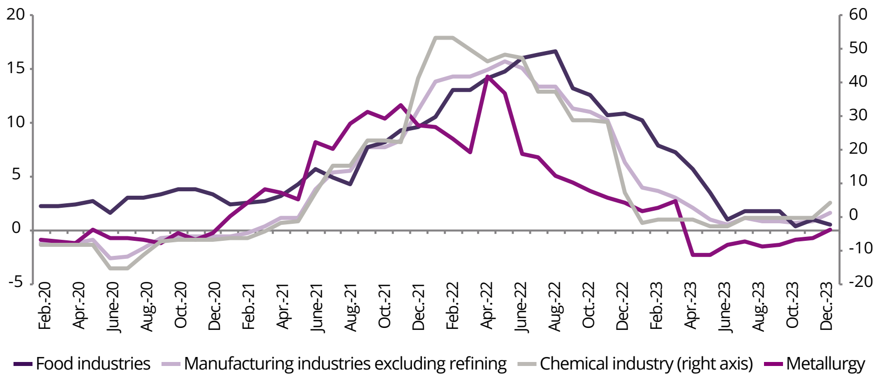
	Inflation				Inflation		
	2021	2022	2023		2021	2022	2023
Agadir	1.1	5.3	6.0	**Tangier**	1.3	6.7	6.2
Casablanca	1.9	6.5	4.9	**Laayoune**	0.4	5.4	7.7
Fez	1.1	6.9	6.8	**Dakhla**	0.6	5.3	6.3
Kenitra	1.3	8.0	6.5	**Guelmim**	0.7	5.8	6.3
Marrakech	1.6	7.3	7.1	**Settat**	1.7	6.6	5.2
Oujda	1.1	6.9	7.0	**Safi**	1.6	7.0	7.5
Rabat	1.3	6.0	4.8	**Beni-Mellal**	2.0	8.0	8.8
Tetouan	0.8	6.8	7.1	**Al-Hoceima**	1.3	8.4	10.1
Meknes	1.4	6.8	5.8	**Errachidia**	1.5	7.6	8.0
National	**1.4**	**6.6**	**6.1**				
Range (in percent points)	**1.6**	**3.1**	**5.3**				

Source: HCP.

1.4.5 Industrial producer prices

Producer prices in manufacturing industries excluding refining decelerated significantly in 2023. This change took place against a backdrop marked by a relative easing of pressure on global production and supply chains and a drop in international non-energy commodity prices, with the corresponding IMF index falling 5.7 percent in 2023 after rising 7.9 percent in 2022 and 26.7 percent in 2021.

Chart 1.4.11: Change in Industrial producer prices excluding refining in 2023 (in percent)



Sources: HCP data and Bank Al-Maghrib calculations.

Indeed, producer prices rose 1.6 percent, against 12.7 percent a year earlier, mainly as a result of price contractions of 0.6 percent and 5.4 percent respectively in the “chemical industry” and “metallurgy”, following increases of 37.3 percent and 17.9 percent, as well as a slowdown from 13.5 percent to 3.4 percent in the “food industries”.

Table 1.4.3: Manufacturing producer price index* (change in percent)

	2017	2018	2019	2020	2021	2022	2023
Producer price index excluding refining	**0.7**	**2.6**	**0.6**	**-1.2**	**4.3**	**12.7**	**1.6**
Including:							
Food industries	0.3	0.2	-0.1	2.9	5.4	13.5	3.4
Textile manufacturing	-1.2	1.8	0.2	0.8	4.4	6.8	2.6
Clothing industry	0.0	0.7	2.2	0.9	0.2	2.6	5.8
Manufacturing of electrical equipment	2.9	6.2	-0.6	2.1	4.7	6.7	1.3
Chemical industry	2.1	12.1	3.0	-9.1	10.1	37.3	-0.6
Metallurgy	0.4	-0.2	-2.3	-6.3	17.9	17.9	-5.4
Metallic products	2.3	1.3	-0.5	-1.7	1.2	3.5	0.8
Woodworking and manufacturing of wood products	-0.3	1.5	4.6	-2.7	1.7	11.5	2.5
Paper and cardboard production	0.2	0.8	4.7	-1.8	-0.2	3.2	3.0

* Changes are calculated based on the Producer Price Index base 100=2018 from 2019 and refer to base 100=2010 before this year.
Source: HCP.

1.5 Public finance

Despite a relatively difficult context, in which the Government had to make a significant effort to support population purchasing power and maintain public investment at a high level, the post-pandemic recovery of public finances continued in 2023. As a result, the fiscal deficit, excluding proceeds from the sale of State holdings, fell from 5.4 percent of GDP to 4.4 percent, below the Finance Act target, and direct public debt decreased by 2.1 points of GDP to 69.5 percent, albeit with its external component rising slightly to 17.3 percent of GDP.

Budget execution was characterized by the good performance of tax revenues, boosted by strong nominal GDP growth, and by the concretization of the full amount of revenues expected from the "innovative financing mechanisms". On the expenditure side, the cost of the actions undertaken in response to the earthquake that hit the Al Haouz region was largely covered by resources mobilized through the "Special Fund for managing the effects of the earthquake". Yet, the need to maintain budgetary support in view of persistent inflation, and to speed up the implementation of some programs, in particular the drinking water supply program, led the Government to open additional credits of 10 billion dirhams.

Under these conditions and taking into account the 9.3 billion reduction in the stock of pending operations, the cash deficit remained virtually stable at 73.7 billion dirhams. This financing need was covered by domestic resources up to 37.2 billion dirhams and by positive net external inflows of 35 billion dirhams, including a bond issue on the international financial market (IFM) of 26.1 billion dirhams.

Table 1.5.1: Main public finance indicators (In percentage of GDP, unless otherwise indicated)

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Current receipts	21.7	22.0	22.2	21.7	22.1	22.0	21.8	25.1	24.3
Tax receipts	19.0	19.3	19.6	19.7	19.3	19.3	19.0	21.1	20.3
"Innovative financing mechanisms" (in billion dirhams)	-	-	-	-	9.4	2.6	11.9	25.1	25.4
Overall expenditure	26.1	26.4	25.9	25.5	26.1	29.7	28.0	31.1	29.9
Current expenditure	20.7	20.6	20.1	20.0	20.2	22.2	21.9	24.0	22.3
Wage bill	9.5	9.6	9.1	8.9	10.3	11.6	11.0	11.1	10.4
Subsidy costs (in billion dirhams)	14.0	14.1	15.3	17.7	16.1	13.5	21.8	41.8	29.9
Investment	5.4	5.8	5.8	5.5	5.8	7.5	6.1	7.0	7.6
Fiscal balance (excluding sale of State's holdings)	-3.8	-4.2	-3.2	-3.5	-3.8	-7.1	-5.9	-5.4	-4.4
Direct public debt	58.4	60.1	60.3	60.5	60.3	72.2	69.4	71.5	69.5

Sources: MEF (DTFE) and HCP for nominal GDP.

1.5.1 The 2023 Finance Act

The 2023 Finance Act (FA) was established on the basis of a growth rate of 4 percent, average prices of $93 per barrel for the Brent and $800 per ton for butane gas, an average exchange rate of 8.99 dirhams per dollar and an inflation rate of 2 percent. It set a fiscal deficit target, excluding the proceeds from the sale of State holdings, at 70.7 billion dirhams, equivalent to 4.9 percent of GDP.

In terms of resources, the FA set a 19.1 percent improvement in current revenues. Tax receipts were expected to rise by 14.9 percent, driven by increases of 18.4 percent in corporate tax revenues, 17.6 percent in VAT and 11.4 percent in income tax. At the same time, non-tax revenues were projected to rise by 58.8 percent, mainly as a result of 19.5 billion receipts from State-owned entreprises (SOEs) and 25 billion from “innovative financing mechanisms”.

At the same time, current expenditure was projected to increase by 11.9 percent, with a 5.6 percent rise in the wage bill, particularly driven by the creation of 28,212 budgetary positions, a 14 percent rise in the cost of other goods and Services, and a 56.2 percent rebound in subsidies. Similarly, capital spending was set to rise by 16.9 percent to 91.1 billion, with total expenditure set therefore to reach 416.6 billion, compared with 369 billion a year earlier.

Table 1.5.2: Budget programming (in millions of dirhams, unless otherwise indicated)

	2022 FA	2023 FA	Change in percent	Change in value
Current receipts	**286,812**	**341,720**	**19.1**	**54,908**
Tax receipts[1]	251,768	289,272	14.9	37,504
Including: VAT	96,352	113,329	17.6	16,977
CT	51,447	60,914	18.4	9,467
IT	43,041	47,931	11.4	4,889
Nontax receipts	30,944	49,148	58.8	18,204
Including: Revenue from "innovative financing mechanisms"	12,000	25,000	108.3	13,000
GCC grants	700	350	106.3	404
Receipts from other Treasury special accounts	4,100	3,300	-19.5	-800
Overall expenditure	**368,959**	**416,594**	**12.9**	**47,635**
Current expenditure	**290,967**	**325,456**	**11.9**	**34,490**
Goods and Services	216,967	234,912	8.3	17,945
Wage bill[2]	147,537	155,794	5.6	8,258
Other goods and services	69,430	79,117	14.0	9,687
Debt expense	28,075	29,966	6.7	1,892
Subsidies	17,020	26,580	56.2	9,560
Transfers to territorial authorities	28,905	33,999	17.6	5,093
Current balance[3]	**-4,155**	**16,264**		
Capital spending[4]	77,993	91,138	16.9	13,145
Balance of other Treasury special accounts	4,500	4,200		
Primary balance[3]	**-49,573**	**-40,708**		
Fiscal balance[3]	**-77,648**	**-70,674**		
In percentage of GDP[5]	-5,9	-4,9		
Financing need	**-77,648**	**-70,674**		
Domestic financing	51,976	13,142		
External financing	20,672	52,532		
Sale of the State's holdings	5,000	5,000		

[1] Tax revenues are expressed net of tax refunds, rebates and refunds, and include the 30 percent of VAT revenues transferred to local authorities.

[2] Personnel expenses include social security contributions for the employer's share.

[3] Current balance refers to the difference between current revenues and current expenditure. The fiscal balance represents the difference between current revenues and overall expenditure including the balance of the Treasury special accounts. The primary balance excludes debt interest payments.

[4] Forecast in terms of issuances.

[5] Ratios calculated on the basis of nominal GDP as projected by the Ministry of Economy and Finance,

Source: MEF (DTFE).

Box 1.5.1: Main tax measures of the 2023 Finance Act[1]

The tax measures introduced by the 2023 Finance Act are part of the ongoing implementation of the framework law on tax reform. They revolve around revising corporate tax, income tax and VAT regimes, streamlining tax incentives, providing support to companies in difficulty and unleashing tax potential to promote social cohesion.

Corporate tax

- Initiating the implementation of the corporate tax reform based on a gradual approach, with the aim of moving from a six-rate to a three-rate system by 2026. Accordingly, the tax rate by 2026 will reach 20 percent for companies with a net taxable profit of less than 100 million dirhams, and 35 percent for companies with a net taxable profit higher than that amount. However, service companies having CFC status, companies operating in Industrial Acceleration Zones (IAZ) and private companies created on or after January 1, 2023 and engaged under an agreement with the State to invest at least 1.5 billion dirhams over a five-year period will be taxed at 20 percent. For credit institutions, similar bodies, Bank Al-Maghrib, CDG and insurance and reinsurance companies, the rate will stand at 40 percent.
- Reducing gradually from 15 percent to 10 percent, at a rate of 1.25 percentage point a year, of the withholding tax rate on distributed income from shares, quotas, and similar income.
- Limiting corporate tax exemptions relating to CFC status to the first five years following the company's creation.
- Excluding finance companies established in IAZ from the tax benefits provided for in those zones, in line with the tax treatment instituted by the 2021 FA for those having CFC status.

Income tax

- Setting-up a mechanism for the spontaneous payment of income tax instalments for lawyers, with a five-year exemption for those newly identified with the tax authorities.
- Reducing the tax burden on salaried and similar income earners and pensioners by raising the flat rate for:
  - The deduction of job-related expenses from 20 percent to 35 percent for gross annual taxable income below or equal to 78,000 dirhams and to 25 percent otherwise, while raising the deduction ceiling from 30,000 dirhams to 35,000 dirhams;
  - The reduction from 60 percent to 70 percent on gross annual taxable income not exceeding 168,000 dirhams from pensions and life annuities.
- Extending the income tax exemption for gross salaries paid by companies, associations and cooperatives created after January 1, 2015 till December 31, 2026, instead of the original December 31, 2022. It should be reminded that this exemption, limited to a maximum of 10 employees, is granted for a 24-month period to those recruited on an open-ended employment contract and perceiving a maximum gross monthly salary of 10,000 dirhams.

[1] Circular note N°733 from the General Tax Directorate on the tax provisions of the 2023 Finance Act.

- Extending till December 31, 2026, the 36-month income tax exemption granted to employees up to the age of 35 on the occasion of their first recruitment under an open-ended employment contract.
- Raising from 17 percent to 30 percent the final withholding tax rate on salaries and allowances paid by educational or vocational training institutions to teachers who are not part of their permanent staff.
- Reinstating the 40 percent deduction to income from the rental of non-agricultural property for the purpose of determining net taxable property income as part of the yearly overall income tax return, the rates applied to withholding taxes now being non-discharging.
- Reviewing the method of taxation and control of income tax on property profit by: (i) introducing the possibility of requesting a prior opinion from the Administration concerning the elements used to determine the property profit and the tax; (ii) issuing a tax settlement or exemption certificate to the applicant within a maximum period of two months; and (iii) exempting from tax audit taxpayers who base their return on the aforementioned settlement certificate. In the absence of a request for prior notice or the refusal of the elements retained by the Administration following this notice, the taxpayer will have to pay, on a provisional basis, the difference between the amount of declared tax and 5 percent of the sale price.
- Harmonizing income tax rates on property profits by applying a 20 percent rate, instead of 30 percent, to profit made on the first disposal of undeveloped buildings included within urban areas.
- Reviewing tax benefits relating to primary residences, through: (i) reducing the occupancy period from 6 to 5 years; (ii) clarifying the notion of primary residence; and (iii) repealing the exemption for the sale of a building or part of a building occupied as a primary residence before the expiry of the 6-year period.
- Modifying the tax regime applicable to retirement insurance contracts by: (i) raising from 40 percent to 70 percent the deduction rate applied to the taxable capital paid out at the end of the contract for amounts less than or equal to 168,000 dirhams; (ii) taxing the gross amount of redemptions of premiums and contributions made before the age of 45, instead of 50 previously, or before the 8-year deadline at the non-liberating rate of 15 percent, without any deduction or deferral.
- Introducing for the self-employment regime and the unified professional contribution (CPU) a withholding tax at a rate in full discharge of 30 percent on annual sales in excess of 80,000 dirhams made with the same customer.
- Capping income tax exemptions at 1 million dirhams for the total amount of severance pay and voluntary early retirement payment, as well as any compensation for damages granted in the event of dismissals.
- Including income from beekeeping as part of agricultural income.

Value-added tax

- Exempting from VAT without the right to deduction individuals working in regulated professions (Interpreters, notaries, Aduls (Muslim notaries), bailiffs, architects, quantity surveyors, land surveyors, topographers, veterinarians, etc.) with a turnover less than or equal to 500,000 dirhams.
- Raising from 10 percent to 20 percent the VAT rate for operations carried out by lawyers, interpreters, notaries, Aduls, bailiffs and veterinarians, to align them with other regulated independent professions.
- Exempting from import VAT for the year 2023, instead of the reduced rate of 10 percent, basic foodstuffs intended for feeding livestock and farmyard animals.

Registration and stamp duties and the Special Annual Vehicle Tax (SAVT)

- Dematerializing the payment of stamp duties for the electronic national identity card and the Anthropometric profile.
- Introducing the obligation for authorized dealers to collect the proportional stamp on first registration of vehicles acquired in Morocco, instead of the Customs and Indirect Taxes Administration previously.
- Exempting from the payment of SAVT and cancellation of additional charges and penalties for vehicles over 10 years of age, provided that SAVT is paid for the last payable year and the vehicle is permanently withdrawn from circulation by 2023.

Common measures

- Revising the tax regime for real-estate mutual funds (OPCI) through: (i) permanent deferral of payment of corporate or income tax on net capital gains or real-estate profits, with the deletion of the 50 percent deduction on the subsequent sale of securities received in return for granting buildings to these funds; (ii) the reduction from 60 percent to 40 percent of the deduction rate for dividends distributed by OPCIs, and its limitation to income from profits relating to the rental of built-up real estate distributed by OPCIs that open up their capital to public participation through the sale of at least 40 percent of existing shares; and (iii) the inclusion of income from profits distributed by OPCIs to individuals in the property income category, with a 40 percent deduction during the annual overall income tax return.
- Adjusting downwards the minimum contribution rates from 0.5 percent to 0.25 percent for all companies, irrespective of declared current income excluding depreciation; from 0.25 percent to 0.15 percent for transactions carried out by commercial companies in respect of sales of certain basic profucts; and from 6 percent to 4 percent for independent professions.
- Limiting the exemption from withholding tax on dividends paid by companies in the CFC and IAZ to the portion of foreign dividends and other equity income distributed to non-residents. This measure falls under the framework of adapting national legislation to international tax treaties and standards.
- Granting insurance and reinsurance brokerage companies the benefits provided for service companies having CFC status.
- Introducing a withholding tax on income and corporate tax based on the following scale: (i) 5 percent of the amount of remuneration, excluding VAT, allocated to legal entities subject to corporate tax and paid by the State, local authorities and state-owned companies and their subsidiaries; (ii) 10 percent for remuneration, excluding VAT, allocated to individuals subject to income tax under the real net income (RNI) or simplified net income (SNI) regimes and paid by public or private law legal entities, as well as by individuals subject to the RNI or SNI regimes.
- Laying out procedures to regularize the tax situation of “inactive” companies.
- Reactivating the social solidarity contribution on profits and income for the years 2023 to 2025 according to the following proportional scale:

Amount of profit / income subject to the contribution (in dirhams)	Contribution rate
From 1 million to less than 5 million	1.5 percent
From 5 million to less than 10 million	2.5 percent
From 10 million to less than 40 million	3.5 percent
40 million and over	5.0 percent

1.5.2 Budget implementation

In 2023, budget consolidation continued, with the fiscal deficit, excluding proceeds from the sale of State holdings, easing to 64.4 billion dirhams, down by 6.2 billion dirhams on the FA target and by 7.1 billion dirhams compared with the implementation of 2022. This is the result of an 8.6 billion improvement in the positive balance of the Treasury special accounts to 17 billion, as well as a 6.6 percent rise in current revenues and a 5.6 percent increase in overall expenditure.

Chart 1.5.1: Overall fiscal balance and primary balance

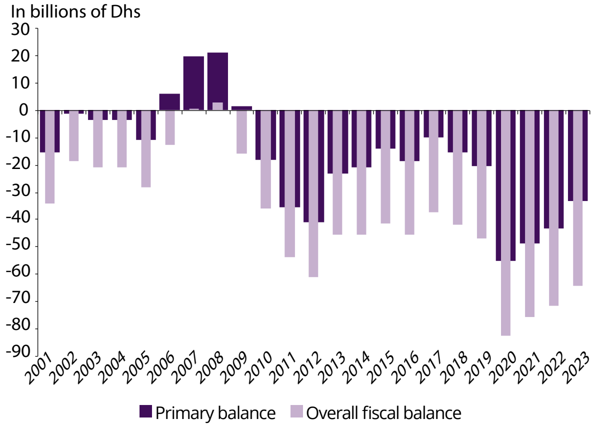
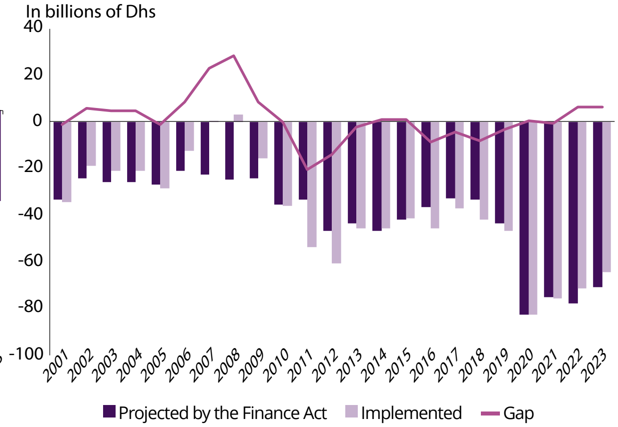


Chart 1.5.2: Overall fiscal balance



Source: MEF (DTFE).

Box 1.5.2: Draft reform of the Organic Law relating to the Finance Act

The adoption in 2015 of the Organic Law relating to the Finance Act (OLFA) was a key step in strengthening the principles of good governance of public finances. With reference to Article 77 of the Constitution, the OLFA set up a budgetary rule, known as the golden rule, stipulating that the proceeds of borrowing may not exceed the sum of capital expenditure and repayment of debt principal for the fiscal year. It also introduced a vast array of measures aimed at consolidating budgetary discipline, namely: (i) the prohibition to register operating expenses in the capital spending section; (ii) limiting the carryover of capital appropriations to 30 percent of payment appropriations; and (iii) enshrining the restrictive nature of personnel expenditure and the inclusion of State contributions of social security and pension within this expenditure.

Although the OLFA has led to significant progress, particularly in terms of keeping a balanced budget, transparency and modernization of public finance management, its assessment after almost a decade of implementation highlights several areas for improvement. In addition to the delay in implementing some of its provisions, in particular the certification of financial statements by the Court of Auditors (CA) initially scheduled as of January 2020, the succession of large-scale exogenous shocks and the many budget-intensive launched or planned projects over the recent years are putting considerable pressure on the State's resources, calling for a strengthening of public finance governance to ensure their sustainability.

Taking these factors into account, and in order to align itself further with the best international standards, the Government made the reform of the OLFA one of its key priorities in drawing-up the 2024 Finance Act. The revamp project focuses[1] largely on broadening its scope and strengthening financial principles and rules. In particular, it provides for:

- Extending the scope of the OLFA to cover non-commercial public institutions and companies, through subjecting the management of their budgets to the same principles and rules applied to the State Budget, notably with respect to streamlining expenditure, the program approach, accountability and result-based management, as well as multi-year budget programming;
- introducing a new budgetary rule based on a medium-term debt target, which will guide the preparation of the three-year budget program (TBP). The draft also provides for a "general derogation clause" in the event of exceptional circumstances;
- including a note on the TBP in the documents accompanying the Financial Act Bill (FAB);
- clarifying the conditions under which the Draft Amended Finance Act is drawn up and the process and procedures for its adoption;
- Laying down new provisions aimed in particular at (i) reducing the deadlines governing the submission of the Discharge Bill (DB) and the certification report of the State's accounts by the CA, as well as the process of examining and voting on the FA; (ii) reinforcing the principle of performance by submitting efficiency and performance reports to parliamentary committees; and (iii) dematerializing institutional exchanges as part of the FAB adoption process.

[1] Presentation made by the Minister Delegate for the Budget to Parliament on October 26, 2023.

Current income

Following a 19.8 percent increase in 2022, current revenues rose by 6.6 percent to 355.6 billion dirhams. This reflects an increase of 5.4 percent to 296.3 billion in tax revenues, thanks to strong GDP growth in nominal terms, and of 13.5 percent to 55.2 billion in non-tax revenues, representing realization rates of 102.4 percent and 112.3 percent respectively of to the FA.

Direct tax revenues, which stood at 103.2 percent of the forecast of the FA, rose by 4.6 percent to 116.8 billion. By category, income tax revenues increased by 5.8 percent to 50.7 billion, reflecting improvements of 2 billion dirhams for income tax on salaries, 799 million for individuals and 467 million for property profits. In turn, boosted by tighter tax control and driven by profits from fixed-income investments and shares, corporate tax generated 62.3 billion dirhams; that is 102.3 percent of the projected amount and 2.4 percent higher compared to 2022.

Indirect tax revenues rose by 4 percent to 143.1 billion dirhams, with a realization rate of 98.6 percent. VAT revenues increased by 4 percent to 110.3 billion dirhams, covering a rebound of domestic VAT by 24 percent to 34.5 billion dirhams, and a drop of import VAT by 3.1 percent to 75.8 billion dirhams. The latter was impacted in particular by lower imports and measures introduced to support the agricultural sector. In turn, ICT revenues amounted to 32.8 billion, up by 3.7 percent, reflecting increases of 7.7 percent to 13.7 billion for tobacco and 8.1 percent to 3 billion for other products excluding tobacco and energy, while revenues from energy products remained virtually unchanged at 16.2 billion.

Chart 1.5.3: Corporate tax and Income tax revenues

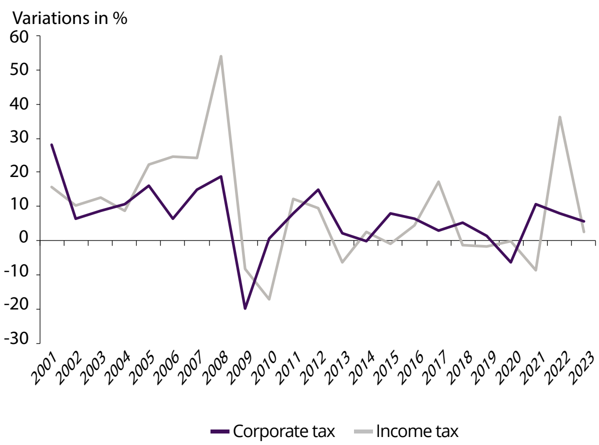
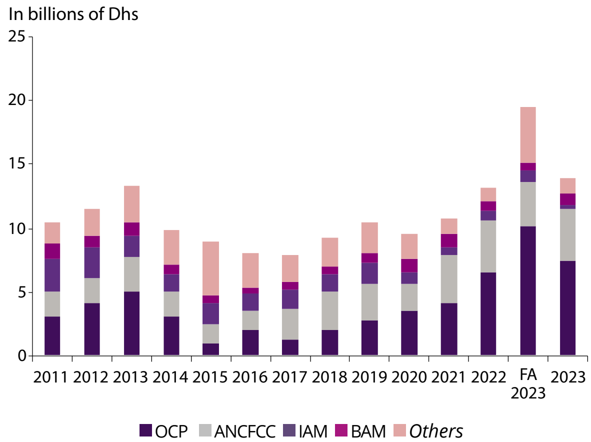


Chart 1.5.4: Revenues from SOEs



Source: MEF (DTFE).

Revenue from other tax categories continued to improve, rising 18.3 percent to 16.4 billion dirhams for customs duties, and 11.1 percent to 20 billion for registration and stamp duties. The increase in the latter was particulary due to a rise by 1.4 billion dirhams in registration duties, 305 million in stamp duties, 191 million in tax on insurance contracts, and 78 million in SAVT.

Chart 1.5.5: Current revenues

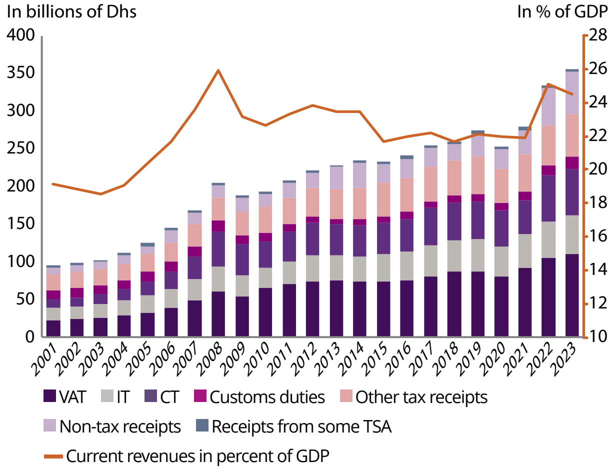
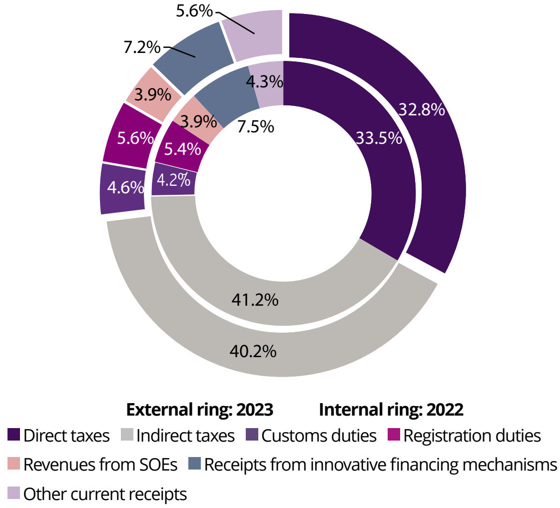


Chart 1.5.6: Breakdown of current revenues



Source: MEF (DTFE).

Non-tax revenues rose by 13.5 percent to 55.2 billion dirhams, representing a 112.3 percent realization rate. Resources from SOEs increased by 6.4 percent to 14 billion, including 7.4 billion from OCP, 4 billion from the National Agency for Land Conservation, Cadaster, and Cartography, 937 million from Bank Al-Maghrib and 360 million from Maroc Télécom. Revenues from "innovative financing mechanisms" rose from 25.1 billion in 2022 to 25.4 billion at end-2023, bringing the total amount mobilized since the first use of this new source in 2019 to 74.3 billion dirhams. In addition, "miscellaneous income" from the Ministries brought in 11.8 billion and "support funds" amounted to 2.8 billion. Grants from GCC countries reached 784 million dirhams, compared with 380 million a year earlier.

Table 1.5.3: Situation of the Treasury's revenues and expenditures (In millions of dirhams, unless otherwise indicated)

	2022[1]	2023	Change (in percent)	Implementation rate compared to 2023 FA (in percent)
Current receipts	**333,738**	**355,624**	**6.6**	**104.1**
Tax receipts[2]	**281,186**	**296,339**	**5.4**	**102.4**
Direct taxes	111,656	116,814	4.6	103.2
Corporate tax	60,830	62,293	2.4	102.3
Income tax	47,970	50,731	5.8	105.8
Indirect taxes	137,617	143,079	4.0	98.6
VAT	106,012	110,298	4.0	97.3
Internal consumption tax	31,605	32,780	3.7	103.0
Customs duties	13,895	16,436	18.3	109.4
Registration and stamp duties	18,018	20,010	11.1	125.5
Non-tax receipts	**48,644**	**55,216**	**13.5**	**112.3**
Resources from SOEs	13,146	13,987	6.4	71.9
Other revenues	35,498	41,229	16.1	138.9
Including GCC grants	380	784	106.3	224.0
Receipts from "Innovative financing mechanisms"	25,066	25,432	1.5	101.7
Receipts of some Treasury' special accounts	**3,908**	**4,070**	**4.1**	**123.3**
Overall expenditure	**413,705**	**437,070**	**5.6**	**104.9**
Current expenditure	**319,938**	**326,306**	**2.0**	**100.3**
Goods and Services	**217,841**	**232,054**	**6.5**	**98.8**
Wage bill	147,756	151,765	2.7	97.4
Other goods and Services	70,085	80,289	14.6	101.5
Public debt expense	**28,502**	**31,220**	**9.5**	**104.2**
Domestic	23,526	22,930	-2.5	98.4
External	4,976	8,290	66.6	124.2
Subsidies	**41,791**	**29,943**	**-28.4**	**112.7**
Transfers to territorial authorities	**31,804**	**33,090**	**4.0**	**97.3**
Current balance[3]	**13,800**	**29,318**		
Capital spending	**93,767**	**110,764**	**18.1**	**121.5**
Balance of other Treasury's Special accounts	8,415	16,997		
Primary balance[3]	**-43,051**	**-33,229**		
Overall fiscal balance[3]	**-71,553**	**-64,448**		
Change in pending operations	-1,961	-9,299		
Financing requirement/surplus	**-73,514**	**-73,747**		
Domestic financing	67,399	37,187		
Domestic debt	42,640	39,562		
Other operations	24,760	-2,374		
External financing	6,115	34,953		
Drawings	29,707	45,490		
Amortizations	-23,593	-10,537		
Proceeds from the sale of State's holdings	0	1,607		

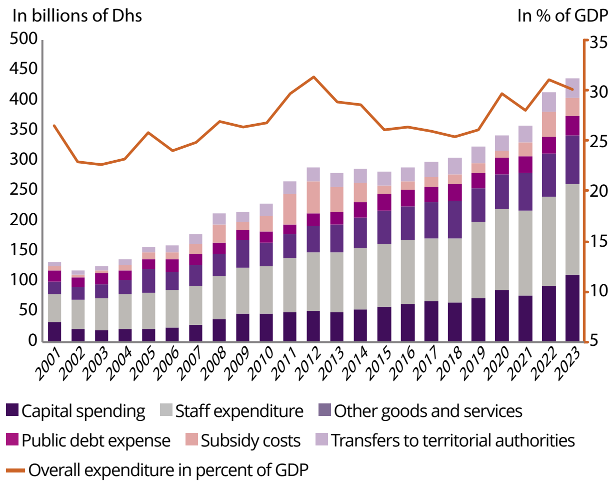
[1] Revised figures.
[2] Tax revenues are expressed net of tax refunds, rebates and refunds, and include the 30 percent of VAT revenues transferred to territorial authorities.
[3] Current balance refers to the difference between current revenues and current expenditure. The fiscal balance represents the difference between current revenue and overall expenditure, including the balance of the Treasury's special accounts. The primary balance excludes debt interest payments.

Source: MEF (DTEF).

Overall expenditure

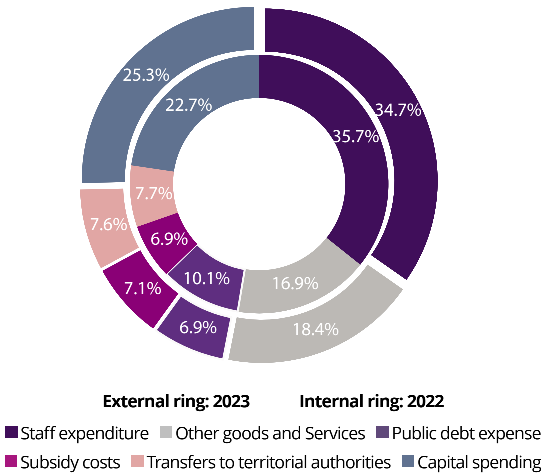
Implemented up to 104.9 percent of the projected amount in the Finance Act, overall expenditure rose by 5.6 percent to 437.1 billion, reflecting increases of 2 percent to 326.3 billion in current expenditure and 18.1 percent to 110.8 billion in capital expenditure.

Chart 1.5.7: Overall expenditure



Source: MEF (DTFE).

Chart 1.5.8: Structure of overall expenditure



Expenditure on goods and services rose by 6.5 percent to 232.1 billion, or 98.8 percent of total appropriations. The wage bill[1] rose by 2.7 percent to 151.8 billion, mainly as a result of wage increases agreed as part of the social dialogue, and the net creation of 14,092 budgetary positions[2], although this is 2.6 percent below the Finance Act forecast. As a percentage of GDP, it contracted by 0.7 point to 10.4 percent. The part served by the Personnel Expenses Department, which accounts for 84.4 percent of the total, increased by 0.5 percent, reflecting a 1.2 percent rise in its structural component and a 9.5 percent fall in recalls. By department, more than half of this expenditure was allocated to the Ministries of National Education, Preschool and Sports (26.8 percent), of Interior (19.4 percent) and of Health and of Social Protection (8.8 percent).

Expenses on other goods and services rose by 14.6 percent to 80.3 billion, with an implementation rate of 101.5 percent. This change reflects, in particular, increases by 17.4 percent to 41.1 billion in transfers to SOEs and 78.7 percent to 10.9 billion in payments to special Treasury accounts.

As for subsidy costs, after a 91.4 percent jump in 2022, they fell by 28.4 percent to 29.9 billion, equivalent to 2 percent of GDP and 112.7 percent of the programmed amount. The overshooting compared to FA projections is mainly attributed to aid granted to professionals in the transport

[1] Including social security costs relating to the employer's share.
[2] Difference between the creation of 28,212 jobs and the suppression of 14,120 jobs.

sector, and to import subsidies for soft wheat and sugar, against a backdrop of persistently high prices of fuels and lubricants, and a sharp rise in imports of basic foodstuffs. In detail, 16.7 billion dirhams were allocated to subsidize butane gas prices, 6.6 billion to sugar, 3.9 billion to domestic flour and soft wheat imports, and 2.5 billion to the transport sector.

Chart 1.5.9: Wage bill*

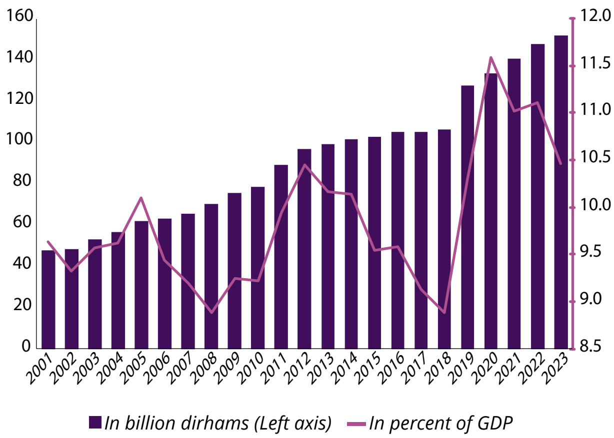
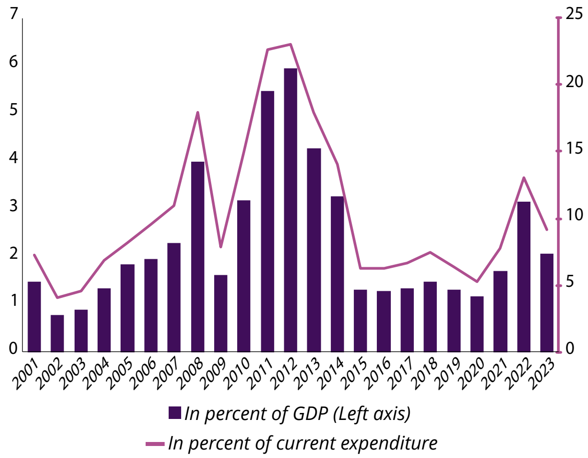


Chart 1.5.10: Subsidies



* Starting from 2019, the personnel expenses include social security contributions relating to the employer's share, classified previously under other goods and services.

Source: MEF (DTFE)

Interest expense on debt rose by 9.5 percent to 31.2 billion dirhams, driven by a 66.6 percent jump to 8.3 billion dirhams in foreign debt, compared with the 6.7 billion dirhams projected in the Finance Act, due to the increase in the stock of debt and in higher interest rates internationally. On the other hand, domestic debt costs fell by 2.5 percent to 22.9 billion.

Box 1.5.3: Fiscal responses to the various shocks suffered by Morocco

After the Covid-19 pandemic in 2020, Morocco was shaken by a series of successive shocks linked in particular to climate change, the outbreak of war in Ukraine, the sharp rise in inflationary pressures and, more recently, the violent earthquake which hit the Al Haouz region.

Against this background, the authorities undertook a number of actions with significant budgetary consequences. For example, to mitigate the impact of climate change, as reflected in a succession of drought years and heightened water stress, the Kingdom had to speed up implementation of its National Drinking Water Supply and Irrigation Program 2020-2027. Similarly, faced with persistently high inflation, and in addition to maintaining subsidies on basic products, the authorities introduced a series of measures to support purchasing power and some economic activities, notably agriculture and transport. These include:

- Suspending customs duties on wheat and legume imports, and reactivating the soft wheat import refund system (since November 2021);
- Suspending the collection of import duties and VAT on cattle, to stabilize red meat prices (February 2023);
- Exempting phytosanitary products and plant and animal reproductive material intended exclusively for agricultural use from VAT (April 2023);
- Exempting imported products and equipment intended exclusively for agricultural use from VAT (April 2023);
- Suspending import duties on some steel pipes and tubes used in the project to link the Sebou and Bouregreg basins (April 2023);
- Suspending import duties on oilseeds, crude sunflower, soya and rapeseed oils (since June 2022);
- Introducing a premium for sheep importers on the occasion of Aid Al Adha and providing support to livestock feed (March 2023).

In view of the additional expenditure generated by all these measures, the Government issued a decree opening up an additional 10 billion dirhams in the State budget for 2023, broken down as follows:

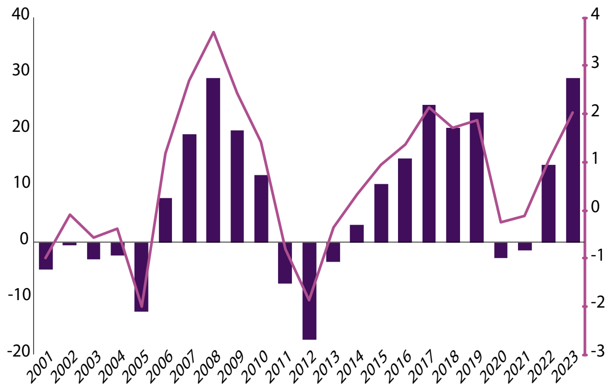
- 4 billion allocated to the ONEE (National office of Electricity and Drinking Water), under the State's engagement for 2023, as part of implementing the memorandum of understanding prior to the 2023-2027 program contract;
- 3.3 billion to mitigate the impact of inflation on household purchasing power;
- 1.5 billion to cover the additional expenditure required to roll out the National Drinking Water Supply and Irrigation Program 2020-2027;
- 1.2 billion to implement the strategic roadmap for the tourism sector 2023-2026.

In the case of the Al Haouz earthquake, spending to support the affected population was financed through the creation of a special allocation account entitled "Fonds spécial de gestion des effets du tremblement de terre" (Special fund for managing the effects of the earthquake), which raised 19.6 billion thanks to contributions from private and public bodies, as well as individual citizens.

In the longer run, a reconstruction and upgrading program for the affected regions was drawn up, at an estimated overall cost of 120 billion over a five-year period (2024-2028). In addition to rehousing those affected, rebuilding houses and rehabilitating infrastructure, the program aims at opening up and developing these areas, accelerating the reduction of social deficits, encouraging economic activity and employment, and promoting local initiatives.

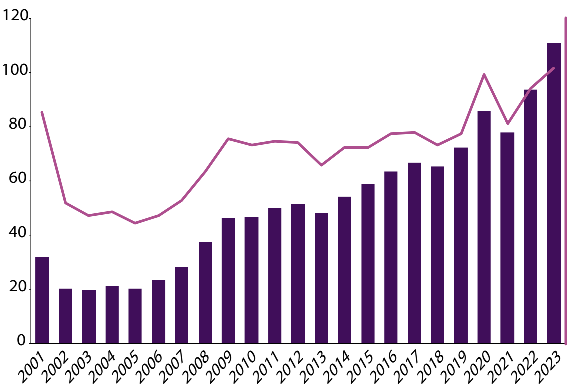
Under these conditions, the current balance showed a surplus of 29.3 billion, compared with 13.8 billion a year earlier, and a deficit of 1.4 billion in 2021. This fiscal savings covered more than a quarter of capital expenditure, which amounted to 110.8 billion dirhams, up by 18.1 percent compared to 2022. By department, the highest investment amounts were reported by the Ministry of Agriculture, Maritime Fishing, Rural Development and Water and Forests with 14.4 billion and the Ministry of Equipment and Water with 13.8 billion. Similarly, the Departments of National Education, Preschool and Sports, as well as Health and Social Protection carried out investments up to 6.4 billion and 5.3 billion respectively, well below their appropriations, with implementation rates at 71 percent and 66 percent respectively.

Chart 1.5.11: Current balance



In billion dirhams (Left axis) *In percent of GDP*

Chart 1.5.12: Capital spending



In billion dirhams (Left axis) *In percent of GDP*

Source: MEF (DTFE).

With regard to the Treasury's special accounts, the year was marked by the creation of the Special Fund for managing the effects of the earthquake in response to the catastrophe that shook the Al Haouz region. This fund raised 19.6 billion dirhams as solidarity contributions from citizens and private and public organizations. Including resources from the Social Protection and Cohesion Support Fund (Fonds d'appui à la protection sociale et à la cohésion sociale), which amounted to 15.8 billion, the surplus of the Treasury's special accounts improved to 17 billion, compared with 8.4 billion in 2022. Under these conditions, the fiscal deficit, excluding proceeds from the sale of State holdings, eased by 7.1 billion to 64.4 billion or 4.4 percent of GDP, instead of the 4.9 percent target set out in the Finance Act and the 5.4 percent reported a year earlier. Taking into account a 9.3 billion reduction in the stock of pending operations, the cash deficit stood virtually unchanged at 73.7 billion.

Chart 1.5.13: Stock of pending operations

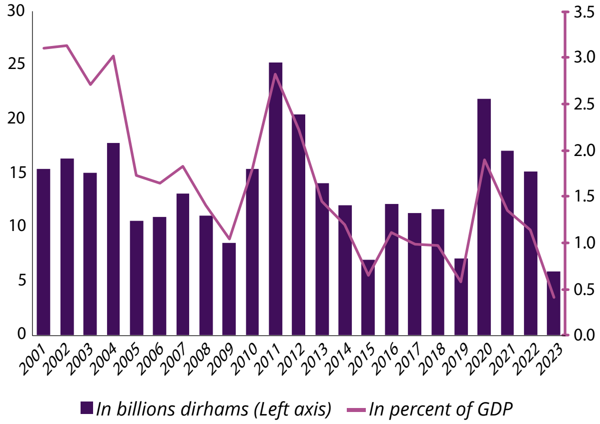
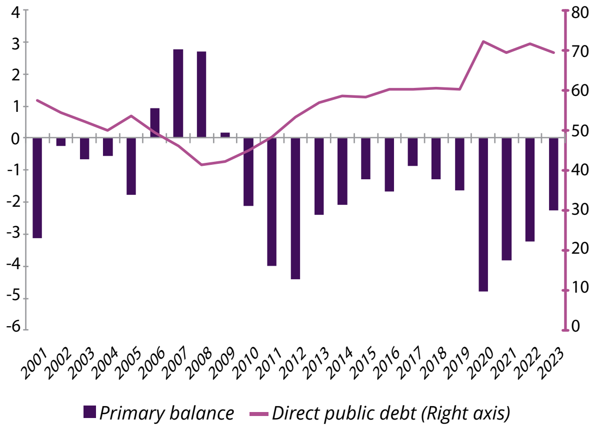


Chart 1.5.14: Primary balance and direct public debt (in % of GDP)



Sources: MEF (DTFE) data and estimations of Bank Al-Maghrib on the basis of annual flows for the stock of pending operations.

1.5.3 Treasury financing

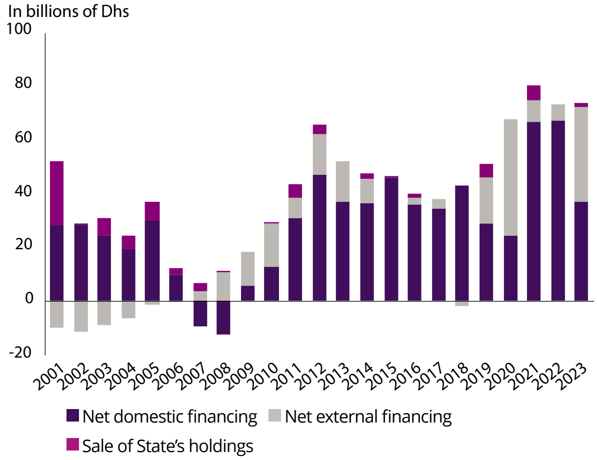
The Treasury's financing requirements for the 2023 fiscal year were covered by net domestic resources up to 37.2 billion dirhams, net external financing of 35 billion and proceeds from a sale operation of State holdings of 1.6 billion[1].

In terms of domestic financing, net subscriptions to Treasury bonds on the primary market stood at 33.6 billion dirhams, compared with 19.1 billion a year earlier. Most of this amount was subscribed by mutual funds (26.5 billion), CDG (5.3 billion) and banks (3.9 billion). On the other hand, insurance, social security and finance companies reduced their holdings of Treasury bills by a total of 2.2 billion.

In terms of external financing, gross drawings totaled 45.5 billion dirhams, compared with 29.7 billion a year earlier. These resources originated mainly from a 26.1 billion dirhams drawdown on the IFM, as well as 7.7 billion dirhams in the form of loans from the World Bank and 3.2 billion from the African Development Bank. At the same time, amortizations amounted to 10.5 billion, compared with 23.6 billion in 2022.

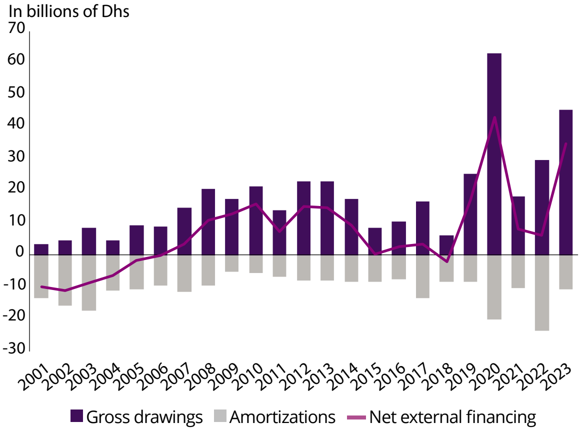
[1] From the sale of the State's entire stake in the «Société d'aménagement et de développement de Mazagan».

Chart 1.5.15: Treasury's net financing



Source: MEF (DTFE).

Chart 1.5.16: Treasury's external financing



1.5.4 Public debt

Outstanding volume of direct public debt at end-2023 increased by 6.8 percent to 1,016.7 billion dirhams, or 69,5 percent of GDP, compared with 71,5 percent a year earlier. Its domestic component rose by 5.6 percent to 763 billion, or 52.1 percent of GDP, compared with 54.3 percent in 2022, while the external component increased by 10.8 percent to 253.6 billion, representing 17,3 percent of GDP as against 17.2 percent a year earlier.

As regards the characteristics of this debt, the average cost[1] of debt fell from 3.5 percent to 3.2 percent for its domestic component and rose from 2.4 percent to 3.6 percent for the external one. The structure of the latter by currency remains dominated by the euro, with a share of 59.2 percent, down 4.6 percentage points, while dollar-denominated debt rose from 31.5 percent to 36 percent.

The external debt of other public borrowers fell by 5 percent to 185.1 billion, equivalent to 12.6 percent of GDP, compared with 14.6 percent in 2022. Overall, public external debt[2] reached 438.7 billion, representing 30 percent of GDP instead of 31.8 percent. Multilateral creditors hold 51.2 percent of this debt, bilateral creditors 20.9 percent, with the remaining 27.9 percent representing outstanding IFM issuances.

[1] Calculated as the ratio of debt interest paid in the year under review to the stock of debt at end-December of the previous year.
[2] External debt of the Treasury and other public borrowers (SOEs, State-owned financial institutions, Territorial authorities and public utility institutions).

Chart 1.5.17: Treasury debt

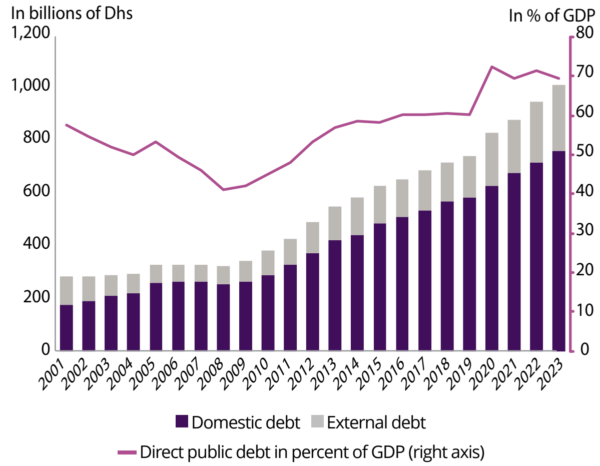
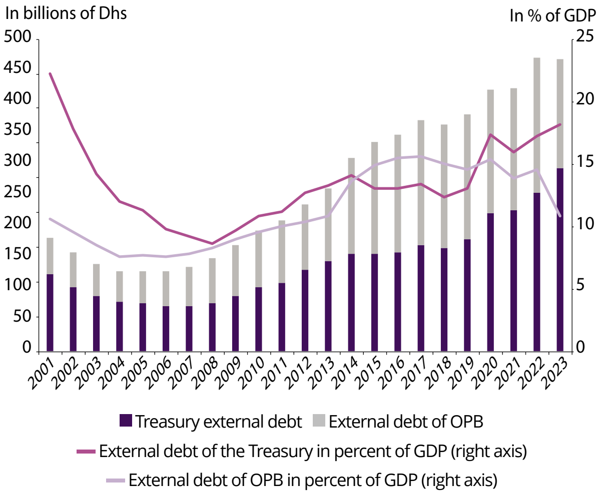


Chart 1.5.18: Public external debt



Source: MEF (DTFE).

Table 1.5.4: Public debt position (in billion dirhams, unless otherwise indicated)

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Domestic Treasury debt (1+2)	**488.4**	**514.7**	**539.1**	**574.6**	**585.7**	**632.9**	**681.5**	**722.9**	**763.0**
In percent of GDP	45.3	47.0	46.9	48.1	47.2	54.9	53.4	54.3	52.1
1- Treasury bond auctions	**470.1**	**490.0**	**516.7**	**546.2**	**557.2**	**600.7**	**646.6**	**665.8**	**699.4**
In percent of GDP	43.6	44.8	45.0	45.7	44.9	52.1	50.7	50.0	47.8
2- Other domestic debt instruments	**18.3**	**24.7**	**22.4**	**28.4**	**28.5**	**32.2**	**34.9**	**57.2**	**63.7**
In percent of GDP	1.7	2.3	2.0	2.4	2.3	2.8	2.7	4.3	4.4
II- External Treasury debt	**140.8**	**142.8**	**153.2**	**148.0**	**161.6**	**199.7**	**203.8**	**228.9**	**253.6**
In percent of GDP	13.1	13.0	13.3	12.4	13.0	17.3	16.0	17.2	17.3
III- Stock of direct debt (I+II)	**629.2**	**657.5**	**692.3**	**722.6**	**747.3**	**832.6**	**885.3**	**951.8**	**1,016.7**
In percent of GDP	58.4	60.1	60.3	60.5	60.3	72.2	69.4	71.5	69.5
IV- External debt of Other Public Borrowers	**160.2**	**170.0**	**180.4**	**179.7**	**180.6**	**178.5**	**177.5**	**194.9**	**185.1**
In percent of GDP	14.9	15.5	15.7	15.0	14.6	15.5	13.9	14.6	12.6
External public debt (II+IV)	**301.0**	**312.8**	**333.6**	**327.7**	**342.1**	**378.2**	**381.3**	**423.7**	**438.7**
In percent of GDP	27.9	28.6	29.0	27.4	27.6	32.8	29.9	31.8	30.0
GDP at current prices	**1,078.1**	**1,094.2**	**1,148.9**	**1,195.2**	**1,239.8**	**1,152.5**	**1,276.6**	**1,330.6**	**1,463.4**

Sources: MEF (DTFE) and HCP for nominal GDP.

Box 1.5.4: The Treasury's external financing strategy

To meet its financing needs, the Treasury has recourse to various sources. The trade-off between these sources is guided primarily by the need to optimize financing conditions and reduce pressure on domestic resources. The implementation of this strategy in recent years has resulted in regular and dominant recourse to domestic resources via the primary market and, since 2019, "innovative financing mechanisms"[1], and to external resources mainly through drawings from multilateral and bilateral creditors and occasionally, when conditions are deemed favorable, issuances on the international financial market (IFM).

Since its first[2] international bond issue in the euro market in 1999 for 138.7 million euros, Morocco has strengthened its presence on the IFM, with a gradual expansion in both the volume and maturity of its issues. While the 2003 issue amounted to 400 million euros over 5 years, the 2007 and 2010 ones were for 500 million euros and 1 billion euros, respectively, with a 10-year maturity. In 2012, in order to further consolidate its position in the IFM by broadening its investor base and attracting major US accounts, Morocco launched its first bond issue in US dollars in two tranches, despite a marked deterioration in fiscal and external balances. The first issue was for an amount of 1 billion dollars with a 10 year maturity and the second was for 500 million over 30 years. These two issues were increased in 2013 by 500 million and 250 million dollars respectively, through the issuance of new securities with the same characteristics. Two additional new issues were made in 2014 and 2019, each for 1 billion euros, with 10 and 12-years maturities, respectively.

In 2020, to meet the financing needs caused by the Covid-19 pandemic, the Treasury made two issues on the IFM, the first composed of two tranches of 500 million euros each and the second, which marked the return to the dollar compartment after a 7-year absence, in three tranches totaling 3 billion dollars. Morocco also drew on the IMF's Precautionary and Liquidity Line for an amount of SDR 2.15 billion, or the equivalent of 3 billion dollars, which was first deposited with Bank Al-Maghrib, of which 1 billion was repaid the same year, and the remainder used by the Treasury in 2022.

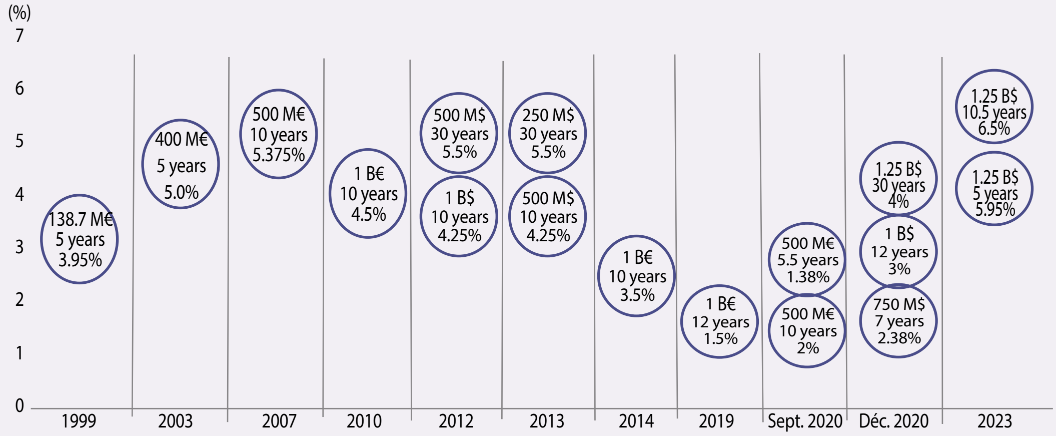
In 2023, Morocco issued a bond for 2.5 billion dollars in two tranches of 1.25 billion each. Such issuance was made in a relatively favorable conditions, similar to those countries rated BBB (Investment-grade category). The first tranche, with a 5-year maturity, had a spread of 195 bp and a coupon of 5.95 percent, and the second, with a 10-year and a half maturity, had a spread of 260 bp and a coupon of 6.50 percent. In the same year, thanks to macroeconomic policies deemed sound by the IMF, Morocco gained access to the Flexible Credit Line with an access level set at 5 billion dollars. It also benefited from the Fund's 1.3 billion dollars Resilience and Sustainability Facility to strengthen its resilience in the face of climate change.

Under these conditions, the Treasury's direct debt is dominated by its domestic component, which accounts for 75.1 percent at end-2023. External debt, with a stock of 253.6 billion dirhams, is contracted with multilateral creditors (52.4 percent) and bilateral creditors (13.5 percent), with the remaining 34.1 percent representing the outstanding issuances on the IFM. Greater mobilization of external resources was facilitated by raising the authorized ceiling in the Finance Acts, from 6.1 billion dirhams in 1999-2000 to 40 billion in 2022 and 60 billion in 2023.

[1] It should be noted that revenues mobilized within the framework of "innovative financing mechanisms" are recorded under non-tax revenues.

[2] It should be reminded that Morocco's first international borrowing was in 1996, for FRF 1.5 billion, with a 6-year maturity at an interest rate of 6.5 percent.

Chart B.1.5.4.1: Treasury bond issuances on the IFM



Source: prepared based on MEF data.

1.6 Balance of payments

In 2023, external accounts witnessed a marked improvement in the current account deficit, which fell from 3.6 percent to 0.6 percent of GDP, its lowest since 2008. This contraction was favored by lower commodity prices, particularly energy, as well as continued strong performance of travel receipts, remittances and some World Crafts of Morocco.

Imports of goods fell by 2.9 percent, mainly driven by a reduction in the energy bill and purchases of semi-finished products. At the same time, exports remained virtually unchanged, mainly reflecting a significant contraction in the value of sales of phosphates and derivatives, driven by the decrease of fertilizer prices, and a significant increase in sales of automotive products. As a result, the trade deficit narrowed to the equivalent of 19.5 percent of GDP, and the coverage rate improved to 60.1 percent.

In addition, travel receipts pursued their strong post-Covid-19 recovery, reaching 104.7 billion dirhams, up by 32.9 percent compared with their 2019 level, while remittances posted a further increase to 115.3 billion dirhams.

In terms of financial operations, after the significant increase recorded in 2022, foreign direct investment (FDI) receipts declined to 34.6 billion dirhams, while Moroccan direct investments abroad continued their upward trend, reaching 25.6 billion. Net portfolio investments liabilities rose by 25.3 billion dirhams, as a result of the Treasury bond issuance in the international financial market of 2.5 billion dollars. The latter contributed to strengthen the official reserve assets ("ORA"), whose stock reached 359.4 billion dirhams, the equivalent of almost 5 months and a half of imports of goods and services, and representing 123 percent of the IMF's adjusted ARA[1] metric.

[1] ARA (Assessing Reserve Adequacy) is an indicator developed by the IMF to assess the adequacy of foreign exchange reserves. It takes into account the risks that may affect the level of reserves and their opportunity cost. Where necessary, this metric is adjusted (adjusted ARA) to take account of restrictions on capital flows. The level of these reserves is considered adequate when it represents between 100 percent and 150 percent of the ARA metric.

Table 1.6.1: Main balance of payments items*
(in percent of GDP, unless otherwise indicated)

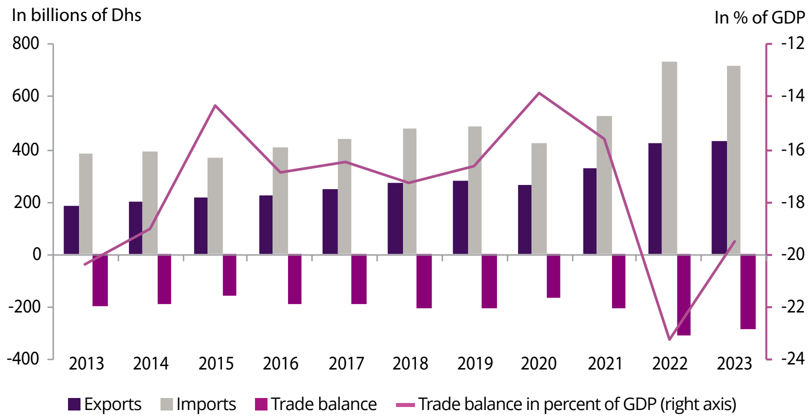
	2018	2019	2020	2021	2022	2023
Current account	**-4.9**	**-3.4**	**-1.2**	**-2.3**	**-3.6**	**-0.6**
Exports (FOB, percent change)	10.7	3.3	-7.5	25.2	30.1	0.4
Imports (CIF, percent change)	9.9	2.0	-13.9	25.0	39.5	-2.9
Trade deficit (FOB-CIF)	17.2	16.7	13.9	15.6	23.2	19.5
Travel receipts (percent change)	1.2	7.8	-53.7	-5.1	171.5	11.5
Remittances (percent change)	-1.5	0.1	4.8	40.1	16.0	4.1
Financial account excluding reserve assets**	**-3.1**	**-4.1**	**-5.8**	**-2.8**	**-1.8**	**-1.2**
FDI receipts	3.9	2.8	2.3	2.5	3.0	2.4
Moroccan direct investment abroad	0.6	0.7	0.4	0.5	0.5	0.6
Portfolio investment	0.6	-0.9	-1.8	0.2	0.8	-1.6
Loans	-0.3	-0.9	-4.1	0.7	-1.6	-0.2
Commercial loans	-0.7	-0.8	-0.9	-0.4	-0.1	0.1
Official reserve assets (in billion dirhams)	**233.7**	**253.4**	**320.6**	**330.8**	**337.6**	**359.4**
Official reserve assets in months of imports	**5.4**	**6.9**	**7.1**	**5.3**	**5.4**	**5.4**

* According to the 6th edition of the Balance of Payments and International Investment Position Manual (BPM6).
** Net flows, except for FDI receipts.
Sources: Foreign Exchange Office, HCP and Bank Al-Maghrib.

1.6.1 Trade balance

After a record widening in 2022, the trade deficit narrowed by 7.5 percent in 2023 to 285.5 billion dirhams, or the equivalent of 19.5 percent of GDP, compared with 23.2 percent a year earlier. This development is attributable to a 2.9 percent drop in imports of goods to 715.8 billion, and to an almost unchanged level of exports to nearly 430 billion. The coverage rate thus improved by 2 percentage points to 60.1 percent.

Chart 1.6.1: Trade balance and its components



Source: Foreign Exchange Office.

Imports' contraction was mainly attributable to a 20.4 percent reduction in the energy bill to 122 billion dirhams. Reflecting a drop in both prices and volumes, purchases of "gas oils and fuel oils" fell by 23.8 percent to 58.2 billion, and those of "coal, coke and similar solid fuels" declined by 31.8 percent to 16.5 billion. On the other hand, boosted by the continued reverse flow of the Maghreb-Europe Gas Pipeline, the volume of acquisitions of "petroleum gas and other hydrocarbons" increased by 155.5 percent but their value fell by 9 percent to 23.9 billion, due to a 64.4 percent drop in prices. Similarly, as a result of lower import prices, purchases of "semi-finished products" were down by 10.5 percent to 151.9 billion, and those of "raw products" by 27.9 percent to 31.9 billion.

Conversely, pursuing their recovery from the health crisis, purchases of "capital goods" rose by 14.4 percent to 161.7 billion, while those of "consumer goods" rose by 11.3 percent to 158 billion, including 53 billion for passenger cars and their parts and components.

Food imports continued to suffer from the effects of successive years of drought and water stress, with sharp rises in purchases of "raw and refined sugar" to 10.1 billion dirhams, and "live animals" destined for slaughter to 2.9 billion dirhams. On the other hand, purchases of cereals fell by 19.4 percent to 29.7 billion, benefiting from the fall in prices. All in all, food imports showed a limited increase of 3.3 percent to 89.6 billion dirhams.

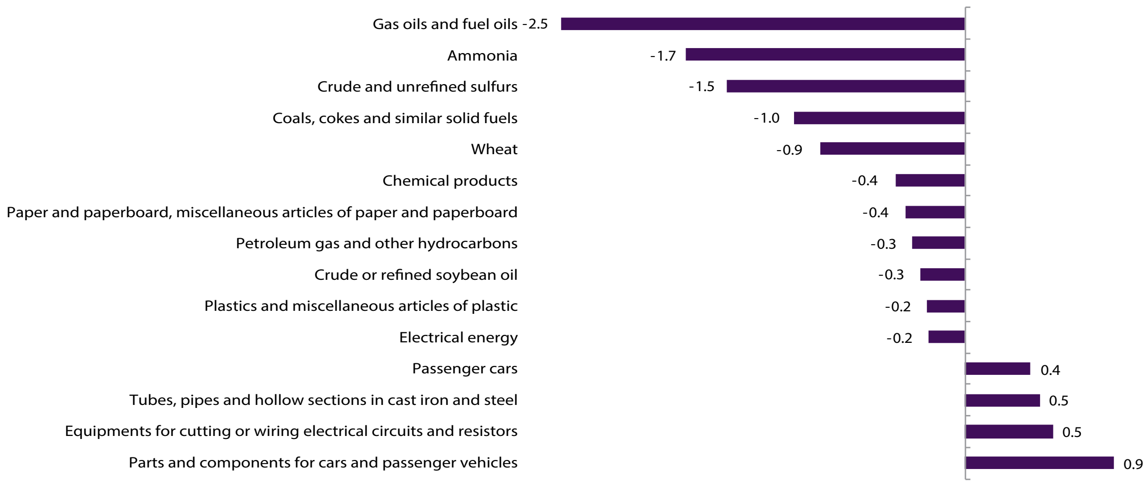
Table 1.6.2: Imports by main products

	In billion dirhams				Change (in percent)	
	2020	2021	2022	2023*	2022/2021	2023/2022
Total imports	**422.9**	**528.6**	**737.4**	**715.8**	**39.5**	**-2.9**
Energy and lubricants	**49.9**	**75.8**	**153.2**	**122.0**	**102.1**	**-20.4**
Gas oils and fuel oils	23.3	36.0	76.4	58.2	112.3	-23.8
Coal, coke and similar solid fuels	7.2	10.6	24.2	16.5	128.3	-31.8
Petroleum gas and other hydrocarbons	11.9	17.4	26.3	23.9	50.9	-9.0
Petroleum oils and lubricants	3.3	4.9	12.9	12.2	163.5	-5.8
Semi-finished products	**93.2**	**115.9**	**169.7**	**151.9**	**46.5**	**-10.5**
Ammonia	4.0	6.9	21.4	8.8	209.3	-58.7
Tubes, pipes and hollow sections in cast iron, iron and steel	1.9	1.3	2.0	5.4	50.1	165.6
Chemical products	9.7	12.5	16.9	13.7	35.0	-18.7
Paper and cardboard, miscellaneous works of paper and cardboard	6.1	6.7	10.0	7.3	48.7	-26.7
Raw products	**19.5**	**29.5**	**44.3**	**31.9**	**49.9**	**-27.9**
Raw and unrefined sulfurs	4.9	10.7	18.8	8.0	74.8	-57.3
Crude or refined soybean oil	3.9	5.8	8.1	6.1	40.6	-24.8
Sunflower oil, crude or refined	0.5	0.6	0.5	1.2	-17.6	140.7
Scrap metal, waste, scrap copper, cast iron, iron, steel and other minerals	1.2	2.0	3.6	4.3	76.2	18.5
Food products	**55.2**	**59.9**	**86.7**	**89.6**	**44.9**	**3.3**
Wheat	13.5	14.3	25.9	19.4	81.2	-25.3
Live animals	0.8	0.8	0.6	2.9	-29.8	409.1
Raw or refined sugar	4.4	5.9	7.9	10.1	33.7	27.4
Oilcakes and other residues	5.3	5.7	7.0	9.0	22.5	28.1
Consumer goods	**96.8**	**128.9**	**142.0**	**158.0**	**10.2**	**11.3**
Parts and components for cars and passenger vehicles	15.8	19.7	24.1	30.8	22.4	27.7
Passenger cars	12.6	18.5	19.2	22.2	3.9	15.4
Miscellaneous plastic articles	5.6	6.1	7.6	8.9	24.9	16.8
Drugs and other pharmaceutical products	7.7	13.1	8.6	9.2	-34.3	6.7
Capital goods	**108.3**	**118.5**	**141.3**	**161.7**	**19.3**	**14.4**
Equipments for cutting or wiring electrical circuits and resistors	8.8	9.3	10.5	14.4	13.2	37.6
Wires, cables and other insulated electrical conductors	7.0	8.0	11.2	13.5	39.0	21.1
Planes and other air or space vehicules	0.6	0.2	0.7	2.7	196.7	314.5
Piston engines, other engines and parts thereof	8.4	10.1	13.2	15.3	31.2	15.7

*Provisional figures.

Source: Foreign Exchange Office.

Chart 1.6.2: Contributions of main products to import developments in 2023 (in percentage points)

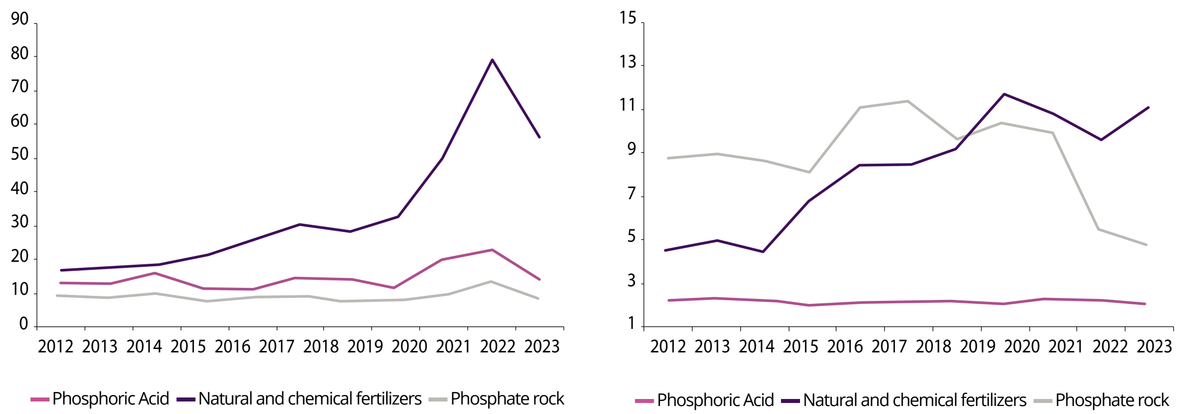


Sources: Foreign Exchange Office and Bank Al-Maghrib calculations.

Against a backdrop of falling prices, exports of phosphates and derivatives fell by 33.6 percent to 76.7 billion dirhams, with declines of 29.3 percent to 56 billion for “natural and chemical fertilizers”, 43.3 percent to 12.9 billion for “phosphoric acid” and 42.2 percent to 7.7 billion for “phosphate rock”. In volumes, fertilizer sales rose by 15 percent. These were mainly shipped to Brazil and India, accounting for 22.6 percent and 9.7 percent respectively, while the United States, which accounted for almost 20 percent in 2019, remained penalized by the countervailing duties imposed on Moroccan fertilizers since 2021, with a share limited to 5.1 percent.

Chart 1.6.3: Exports of phosphates and derivatives

Value (in billion dirhams) **Volume (in millions of tons)**



Source: Foreign Exchange Office.

Sales of agricultural and agri-food sector held steady at almost 83.2 billion dirhams. Exports from the “food industry” contracted by 1.8 percent to 43 billion, while those of agricultural products rose slightly to 37.3 billion, reflecting an 11 percent increase in fresh tomato shipments to 11.6 billion, and a 16.2 percent drop in citrus fruit shipments to 4.6 billion.

Conversely, the automotive industry continued its robust post-Covid-19 momentum maintaining its position as the leading export sector with a 34 percent share. By segment, “construction” sales improved by 22.6 percent to 67.6 billion, reflecting increased production by both Groupe Renault and Stellantis in Kenitra. The number of passenger car exports rose by 17.1 percent to 515,260 units, and the average unit price increased by 4.1 percent after 14.2 percent a year earlier. Europe continues to be the main market for these exports, representing more than 95 percent, with 34 percent going to France, 17 percent to Italy and 11 percent to Spain. The share of the African market remains low, at 1.3 percent versus 5.3 percent in 2022, with Tunisia and Guinea as main client countries.

In other segments, sales rose by 34.4 percent to 50.4 billion dirhams for “wiring”, and by 29.2 percent to 7.7 billion dirhams for “vehicle interiors and seating”, bringing total export sales in the automotive sector to 148.2 billion dirhams, up by 28.4 percent year-on-year.

After two years of steep increases, “textile and leather” industry exports decelerated to 5 percent, a relatively high rate compared to the pre-Covid-19 period. Sales of “ready-made garments” rose to 29.5 billion and “knitwear” to 8.9 billion, while shipments of “footwear” contracted to 3.3 billion dirhams.

In the other main export sectors, “electronics and electricity” continued its strong performance, with a 21 percent improvement to 18.3 billion, while the aeronautics industry posted barely a 3.8 percent rise, following an average annual increase of almost 29 percent over the two previous years. Sales in the latter sector totaled 23 billion, of which 13.9 billion in the “assembly” segment and 9 billion in “electrical wiring interconnection systems”.

Table 1.6.3: Exports by sector

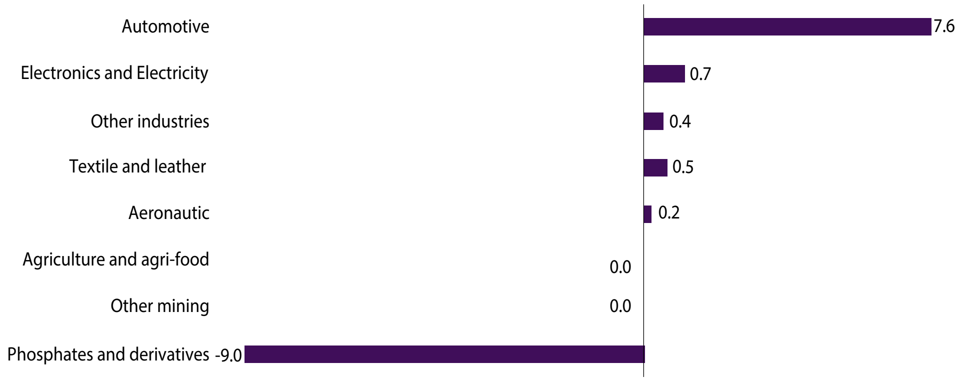
	In billion dirhams				Change in percent	
	2020	2021	2022*	2023**	2022/2021	2023/2022
Total exports	**263.1**	**329.4**	**428.6**	**430.2**	**30.1**	**0.4**
Phosphates and derivatives	**50.9**	**80.3**	**115.5**	**76.7**	**43.9**	**-33.6**
Natural and chemical fertilizers	32.1	51.5	79.3	56.0	53.9	-29.3
Phosphate rock	7.3	8.9	13.4	7.7	49.7	-42.2
Phosphoric acid	11.4	19.8	22.8	12.9	15.2	-43.3
Automotive	**75.1**	**87.1**	**115.4**	**148.2**	**32.5**	**28.4**
Construction	29.2	39.4	55.1	67.6	40.0	22.6
Wiring	31.0	29.9	37.5	50.4	25.3	34.4
Vehicle interiors and seating	4.6	5.2	5.9	7.7	13.8	29.2
Agriculture and agri-food industry	**62.6**	**69.9**	**83.2**	**83.2**	**19.1**	**0.0**
Food industry	32.8	36.6	43.8	43.0	19.8	-1.8
Agriculture, forestry, hunting	28.1	31.4	37.0	37.3	17.9	1.0
Textile and leather	**29.9**	**36.4**	**43.9**	**46.1**	**20.6**	**5.0**
Ready-made garments	18.1	22.6	27.6	29.5	21.9	7.0
knitwear	5.8	7.5	8.5	8.9	12.6	5.5
Footwear	2.4	2.7	3.5	3.3	29.6	-6.2
Aeronautics	**13.4**	**16.4**	**22.2**	**23.0**	**35.0**	**3.8**
Assembling	7.9	10.7	14.6	13.9	36.4	-4.2
Electrical wiring interconnection systems	5.4	5.7	7.5	9.0	32.6	19.4
Electronics and Electricity	**7.7**	**10.6**	**15.1**	**18.3**	**42.4**	**21.0**
Electronic parts	2.8	4.1	6.7	8.4	62.5	26.0
Wires, cables and other insulated conductors for electricity	2.0	3.1	4.6	5.2	48.0	13.7
Other industries	**20.1**	**23.7**	**27.6**	**29.2**	**16.5**	**5.8**
Other mining	**3.4**	**5.0**	**5.6**	**5.4**	**13.4**	**-3.4**

* Revised figures.

** Provisional figures.

Source: Foreign Exchange Office.

Chart 1.6.4: Contributions of main sectors to export growth in 2023 (in percentage points)

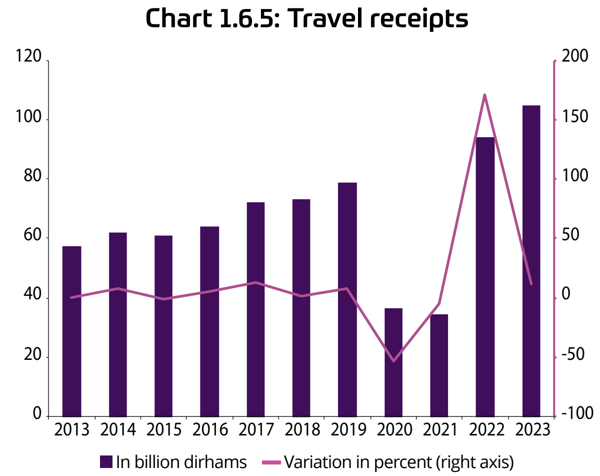


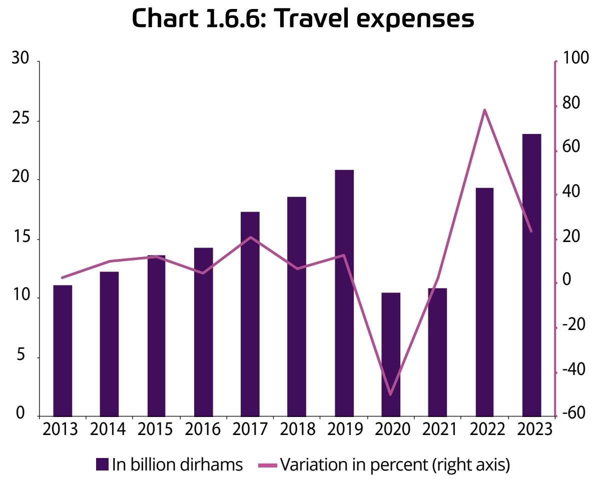
Sources: Foreign Exchange Office and Bank Al-Maghrib calculations.

1.6.2 Balance of services

The surplus balance of trade in services improved by 14.6 percent to 132.6 billion dirhams, as a result of a 14.4 percent increase in exports to 257.7 billion dirhams and a 14.1 percent increase in imports to 125.1 billion dirhams.

Travel receipts continued to grow strongly, ending the year at a record level of 104.7 billion dirhams, up by 11.5 percent year-on-year. Travel expenditures also jumped by 23.4 percent to 23.9 billion, exceeding its 2019 level for the first time. Overall, the surplus on travel services increased by 8.4 percent to 80.8 billion.





Source: Foreign Exchange Office.

Similarly, revenues from "manufacturing services provided on physical inputs held by third parties[1]" rose by 11.4 percent to 21.2 billion, while revenues from "other business services" increased by 24.6 percent to 51.6 billion, including 18 billion from offshoring activities. Meanwhile, revenues from "telecommunications, computing and information services" rose by 11.6 percent to 23.5 billion.

The deficit of the balance for transport services narrowed to 15.1 billion dirhams, as a result of a 2.4 percent increase in expenditure to 55 billion and 10.7 percent rise in revenues to 39.9 billion, including 17.2 billion for air transport and 19.7 billion for maritime transport.

1.6.3 Income balance

In 2023, outflows of income generated by direct investments, consisting mainly of dividends, fell by 9.2 percent to 16.9 billion dirhams, while similar inflows grew by 20 percent to 6.7 billion dirhams, thereby reducing the deficit to 10.2 billion dirhams. At the same time, portfolio investments generated an outflow of income of 5 billion, while interest earned on reserve assets rose by a further 18.1 percent to 3.1 billion dirhams, after 10.1 percent a year earlier.

Secondary revenues continued to perform well during the year, with remittances rising by 4.1 percent to 115.3 billion dirhams. Public transfers showed a positive balance of 2.4 billion dirhams, including 1.8 billion dirhams in grants from the European Union and 784 million dirhams from the Gulf Cooperation Council partners.

[1] They include services for the processing, of goods owned by non-residents, by resident companies without transfer of ownership.

Box 1.6.1: Sustainability analysis of Morocco's current account

Macroeconomic stability is a fundamental prerequisite for sustainable growth. It is often associated internally with controlled inflation and budget deficits, and externally with sustainable levels of debt and current account deficits. In developing countries, the level of foreign exchange reserves is also an important variable that is widely monitored. Studies addressing the issue of external balance sustainability generally focus on the current account, using two main approaches: the first, known as "intertemporal", and the second, known as "structural"[1].

1.Intertemporal approach

Considering that a current account deficit implies an increase in an economy's outstanding external liabilities, this approach focuses on a country's solvency, i.e. its ability to generate sufficient resources to fulfill its current and future commitments.

This approach has been used in several empirical studies. Among them, Trehan & Walsh (1991)[2] focused on the stationarity of the current account as a sufficient condition for its sustainability, while other studies (Hakkio & Rush, 1991[3] and Husted, 1992)[4] introduced the notion of "intertemporal solvency", whereby a country is said to be solvent at a given date if the present value of future surpluses in the balance of trade in goods and services enables it to repay its external debt. Sustainability is thus assessed based on the following equation:

$$X_t = \alpha+\beta * MM_t + \varepsilon_t$$

where X_t stands for exports of goods and services and MM_t for the sum of imports of goods and services, interest on foreign debt and net transfers received from abroad (with a negative sign). The cointegration relationship between X_t and MM_t, with a coefficient (β) close to 1, is interpreted as a sign of sustainability of the current account deficit. More recently, several studies have enhanced the way this equation is estimated, notably by taking into account both the sign and magnitude of shocks affecting the current account (Chen, 2014[5] and Chen & Xie, 2015[6]), or by introducing the possibility of structural breaks (André & al., 2018[7]).

[1] The IMF uses several methods and indicators to assess a country's external position, as part of its regular assessments or to access its financing instruments. These include the External Balance Assessment (EBA) model, the ARA metric for assessing the level of foreign exchange reserves, and the external economic stress index based on a number of country-specific variables.

[2] Trehan, B. & Walsh, C. E. (1991). ***Testing intertemporal budget constraints: Theory and applications to US federal budget and current account deficits***. Journal of Money, Credit and banking, 23(2), 206-223.

[3] Hakkio, C. S., & Rush, M. (1991). ***Is the budget deficit "too large?"***. Economic inquiry, 29(3), 429-445.

[4] Husted, S. (1992). ***The emerging US current account deficit in the 1980s: a cointegration analysis***. The review of Economics and Statistics, 159-166.

[5] Chen, S. W. (2014). ***Smooth transition, non-linearity and current account sustainability: Evidence from the European countries***. Economic Modelling, 38, 541-554.

[6] Chen, S. W., & Xie, Z. (2015). ***Testing for current account sustainability under assumptions of smooth break and nonlinearity***. International Review of Economics & Finance, 38, 142-156.

[7] Andre, C., Balcilar, M., Chang, T., Gil-Alana, L. A., & Gupta, R. (2018). ***Current account sustainability in G7 and BRICS: evidence from a long-memory model with structural breaks***. The Journal of International Trade & Economic Development, 27(6), 638-654

By applying these different variants of the intertemporal approach to the case of Morocco, using quarterly data covering the period from 2004 to 2023, we can conclude that the current account is sustainable, and that its viability has improved somewhat over time. Overall, the change in absolute value of exports has typically been greater than that of imports in the event of a positive shock to the latter, and smaller in the opposite case.

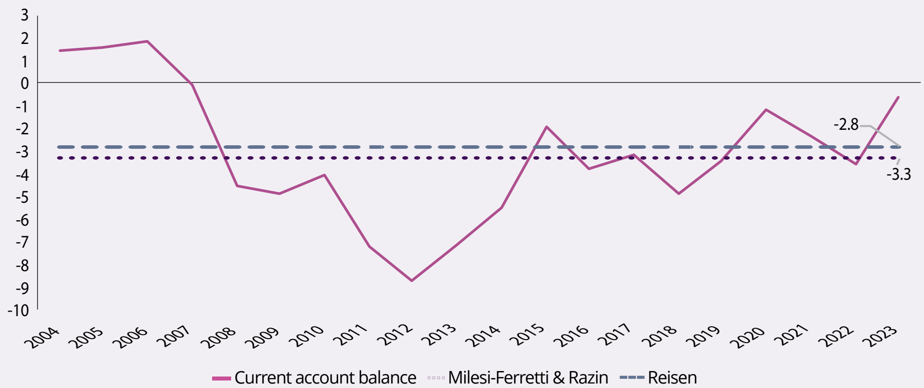
Table B.1.6.1.1: Summary of estimates by intertemporal approach

Approach	Trehan & Walsh (1991)	Hakkio & Rush (1991) Husted (1992)	Chen & Xie (2015)	Andre & al. (2018)
Results	Stationarity of the current account.	Existence of a cointegrating relationship with β equal to 1.	In addition to the confirmation of the cointegrating relationship, the response to positive shocks is greater than the one related to negative shocks.	The existence of the cointegrating relationship is confirmed despite the structural changes observed, and the β coefficient improves over time.

2. Structural approach

The approaches listed above have the drawback of considering only repayment capacity. Even when the value of future trade surpluses is sufficient to cover the country's external debt service payments, decision-makers may prioritize raising domestic spending. With this in mind, Milesi-Ferretti and Razin (1996)[8] set out a framework for analyzing current account sustainability, based on the determination of a sustainability threshold as a function of several macroeconomic variables. These variables are essentially economic growth, interest rate on foreign debt, exchange rate, foreign debt and FDI. In an extended version of this approach, Reisen (1996)[9] also incorporated the dynamics of real imports and foreign exchange reserves (desired level). Applying this assessment framework to Morocco, on the basis of annual data covering the period 2004-2023, reveals signs of current account unsustainability over the period 2011-2014, due to soaring oil prices.

Chart B.1.6.1.1: Current account balance as percentage of GDP



Sources: Foreign exchange office and Bank Al-Maghrib estimates.

[8] Milesi-Ferretti, G. M., & Razin, A. (1996). ***Persistent current account deficits: a warning signal***? International Journal of Finance & Economics, 1(3), 161-181.

[9] Reisen, H. (1998). ***Sustainable and excessive current account deficits***. Empirica, 25, 111-131.

To conclude, despite some improvement, the sustainability of Morocco's current account remains sensitive to exogenous shocks, particularly those relating to energy prices. Admittedly, the development achieved in recent years in World Crafts of Morocco and their ecosystems is helping to strengthen the resilience of the country's external position, notably through the attractiveness of FDI and the dynamism of exports, but the net foreign currency balance of these sectors and their spillover effects on the national economy remain uncertain, while external debt shows resilience to decline.

1.6.4 Financial account

During the year under review, FDI revenues fell to 34.6 billion dirhams, equivalent to 2.4 percent of GDP, instead of 3 percent a year earlier. Conversely, expenditures under the same heading reached a record level of 23.5 billion, including 9.8 billion of debt instruments[1]. Net FDI inflows thus fell by more than half to 11.1 billion dirhams.

The decline in inflows mainly reflects a sharp decline of flows to the chemical industry to 339 million, after an exceptional volume of 6.7 billion in 2022 linked to the acquisition by an American company of 50 percent of an OCP subsidiary. Flows to other sectors showed differentiated developments, with real estate virtually stable at 7.5 billion, tourism at 2.2 billion and wholesale and retail trade at 1.8 billion, and increases to 2.2 billion for "energy and mining" and 1.8 billion for "financial and insurance activities".

By country of origin, investment decline mainly reflects the drop in flows from the USA, which were limited to 1.6 billion. Similarly, investment from the United Arab Emirates and Great Britain dropped to 3.4 billion and 2.6 billion respectively, while investment from France virtually stabilized at 11.3 billion.

[1] Advances on associates' current accounts, related loans, related debt securities and affiliated trade credits.

Chart 1.6.7: FDI receipts by sector (in billion dirhams)

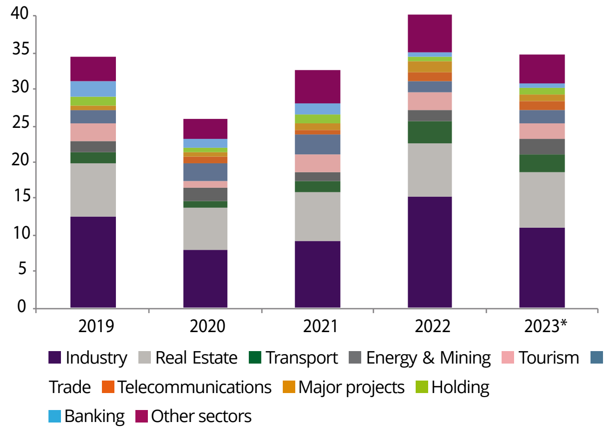
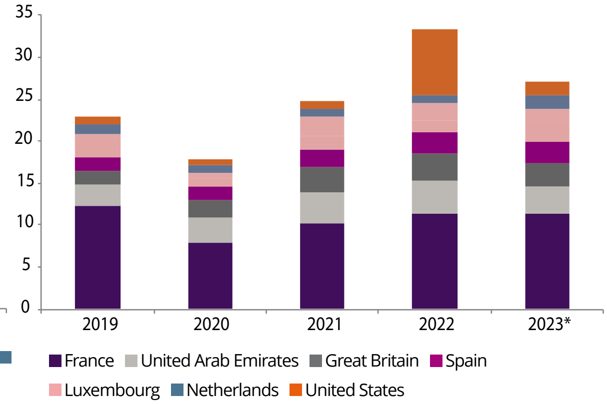


Chart 1.6.8: FDI receipts by main countries of origin (in billion dirhams)



* Provisional figures.

Source: Foreign Exchange Office.

Similarly, Moroccan direct investments abroad have been dominated since the health crisis by debt flows between affiliated companies, which accounted for over 75 percent of both expenditure and income in 2023.

Net investment flows amounted to 8.5 billion dirhams, with outflows of 25.6 billion, compared with 20.5 billion a year earlier, and inflows of 17.1 billion, after 13.9 billion. These flows mainly concerned manufacturing and extractive industries, as well as financial activities. The main recipient countries were the United Arab Emirates, Senegal, France and the United States.

Chart 1.6.9: Net flows of Moroccan direct investment abroad by sector (in billion dirhams)

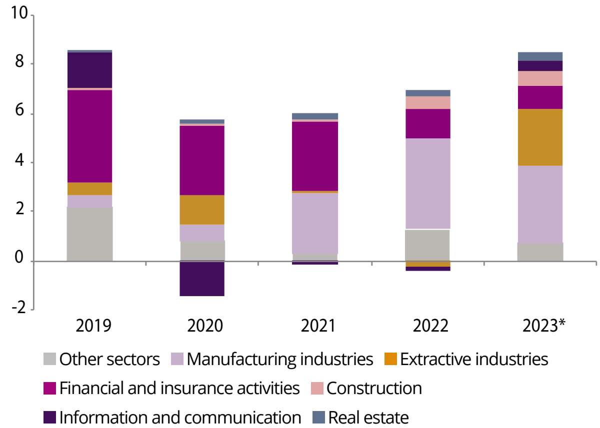
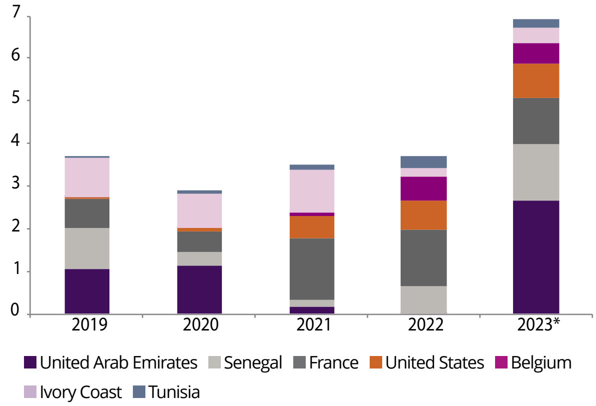


Chart 1.6.10: Moroccan direct investments abroad by main destination countries (in billion dirhams)



* Provisional figures.

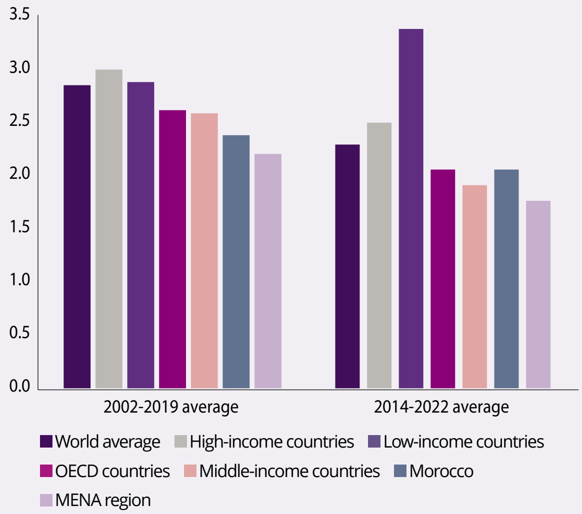
Source: Foreign Exchange Office.

Box 1.6.2: Foreign direct investment in Morocco

Fuelled by the globalization of production and supply chains, foreign direct investment (FDI) flows have surged worldwide since the late 1980s. In 2007, on the eve of the international financial crisis, net outflows peaked at 3,195 billion dollars, equivalent to 5.4 percent of global GDP. Since then, they have fluctuated around $2,000 billion (2.4 percent of GDP) until the health crisis hit in 2020, at which point they plummeted to 1,000 $ billion.

In the case of Morocco[1], whose average net inflow amounted to around 2.4 percent of GDP between 2002 and 2019, its level of FDI attractiveness was above the MENA average (2.2 percent of GDP), but below that of middle-income countries (2.6 percent of GDP) and high-income countries (3 percent of GDP). However, since 2014, and thanks to the various sectoral development strategies, the relative performance of the country has improved (2.1 percent of GDP on average versus 1.9 percent for middle-income countries and 1.8 percent for the MENA region). Moreover, in the 2023 edition of its World Investment Report, UNCTAD ranked Morocco 10th among the main developing economies to receive international investment in the renewable energy sector for the period 2015 to 2022.

Chart B.1.6.2.1: Net foreign direct investment inflows (as % of GDP)



Source: World Bank.

I. Foreign direct investment in Morocco

Analysis of trends in FDI revenues since 2007[2] reveals four main periods:

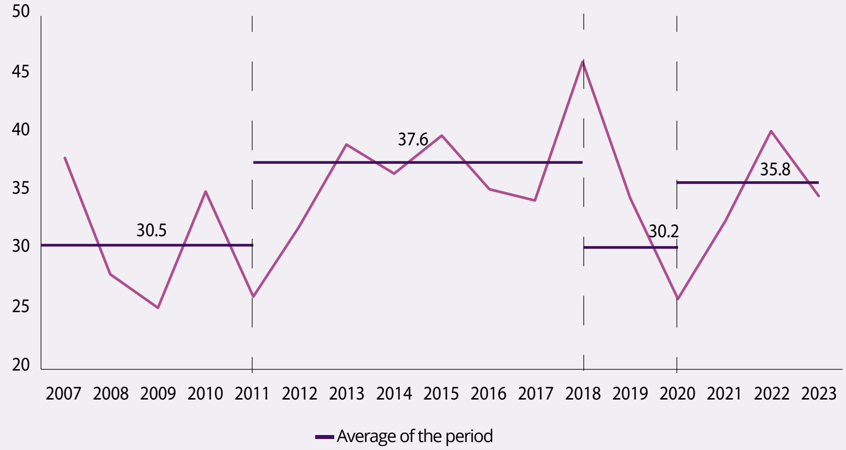
- 2007-2011: against a background marked by the after-effects of the 2008 financial crisis, this phase witnessed an overall downward trend, with an average annual decline of 9 percent. Average revenues over the period came to 30.5 billion dirhams, equivalent to 3.8 percent of GDP;
- 2012-2018: this period, which coincided with the start of the 2014-2020 industrial acceleration plan, recorded average annual growth of 6.2 percent, with average inflows rising to 37.6 billion, equivalent to 3.6 percent of GDP;
- 2019-2020: after a 25 percent decline in 2019, essentially due to a base effect[3] , FDI receipts fell again by 25 percent in 2020 to 26 billion, impacted, like most countries in the world, by the health crisis;
- 2021-2023: revenues totaled 32.5 billion in 2021 and 40.3 billion dirhams in 2022, before reverting in 2023 to a level close to that of 2019.

[1] For the sake of comparability, the first part of the box draws on World Bank data on net flows (revenues less expenditure).

[2] In the remainder of the box, the analysis is based on data from the Foreign Exchange Office and is limited to the post-2007 period, due to the unavailability of detailed information.

[3] The year 2018 saw a record flow of 46.1 billion, mainly due to the international sale of a financial company.

Chart B.1.6.2.2: FDI revenues (in billion dirhams)

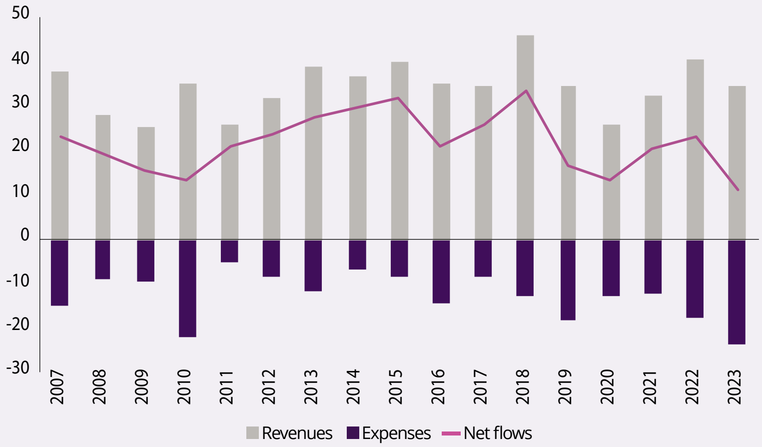


Source: Foreign exchange office.

By type of operation, over the entire period under review, an average of 60 percent of FDI in Morocco consisted of equity investments, 25 percent of debt flows between affiliated companies and 15 percent of reinvestment of profits. By sector of activity, foreign investment was mainly directed towards real estate, with an average share of 27 percent between 2010 and 2017. As of 2018, the latter showed a downward trend, falling back to 20 percent on average, in favor of manufacturing industries whose share rose from 25 percent to 31 percent, driven by investments in the automotive manufacturing sector.

By origin, 60 percent of FDI receipts originated from 4 countries: France accounting for one-third, the United Arab Emirates for 12 percent, and Spain and Great Britain for 6 percent each. FDI expenditure has been on an upward trend since 2011, reaching 23.5 billion dirhams in 2023, an average annual increase of 13.3 percent, reflecting mainly transactions involving debt instruments. Against this backdrop, net FDI inflows were on an upward trend, reaching a peak of 33.4 billion in 2018, before declining to 11.1 billion in 2023.

Chart B.1.6.2.3: Foreign direct investment (in billion dirhams)



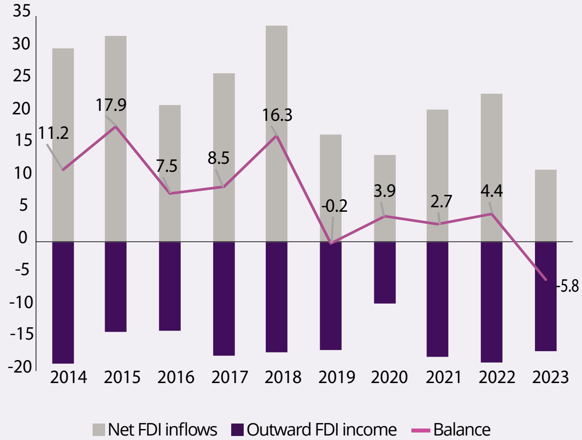
Source: Foreign exchange office.

II. Income from direct investments

Between 2014[4] and 2023, FDI in Morocco generated an average annual outflow of 16.8 billion[5], representing 2.8 percent of the FDI stock at the end of the year. In international comparison, this rate is well below the levels observed, on average, in OECD countries (5.4 percent) and the MENA region (8.1 percent[6]).

Taking all these flows (revenues, expenditures and income) into account, the balance was positive over the entire period, with the exception of 2019 and 2023, but with a downward trend. On average, it fell from 12.3 billion dirhams between 2014 and 2018 to 3.6 billion dirhams between 2020 and 2022.

Chart B.1.6.2.4: Net inflows related to FDI (in billion dirhams)



Source: Foreign exchange office.

[4] The breakdown of revenues by type of investment is only available from 2014, the year when the 6th edition of the balance of payments manual was adopted.
[5] This figure does not take into account 2020, when revenues paid fell by 42.7 percent to 9.6 billion, as a result of the health crisis.
[6] Calculated for 12 MENA countries over the period 2014-2022 for which data is available in the IMF database.

Overall, Morocco has enjoyed a relatively dynamic flow of foreign direct investment over the past few years, which has helped to meet part of its external financing needs.

While the outlook remains favorable, as global value chains are reorganized against a backdrop of increasing geo-economic fragmentation[7], "World Crafts of Morocco" ecosystems continue to develop, and numerous large-scale projects are announced for the coming years, the decline in net inflows is cause for concern. The impact of these FDI flows on the national economy will only be significant if, at the same time, their knock-on effects in terms of job creation, wealth and, above all, local value added in exported products are significant.

[7] Several specialized publications (Bloomberg, Financial Times -FDI Markets-) rank Morocco among the countries that stand to benefit from this reorganization of global value chains.

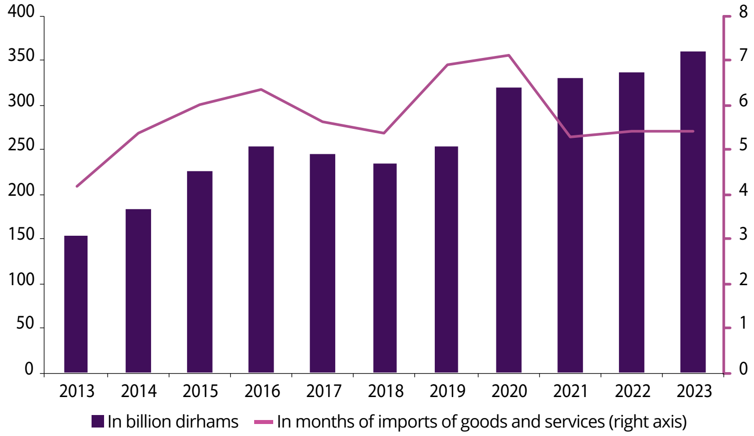
Loans and portfolio investments remain dominated by Treasury transactions. In 2023, these flows featured the Treasury's bond issue on the international financial market, for an amount equivalent to 26.1 billion dirhams, and a limited increase of 3 billion dirhams in loan liabilities, after 20.9 billion a year earlier.

Furthermore, residents' holdings of "cash and deposits[1]" grew by 3.1 billion, mainly due to higher deposits by Moroccan banks abroad and loans granted to non-residents. Net liabilities fell by 6.5 billion, mainly as a result of a 5.6 billion decrease in non-residents' outstanding deposits in Moroccan banks. Flows under this heading resulted in a net outflow of 9.6 billion, following a net outflow of 2 billion a year earlier. At the same time, advances and trade credits granted to Moroccan importers rose by 2.8 billion, while payment facilities granted by domestic exporters to their foreign customers increased by 4.4 billion.

In view of all these factors, the financial account deficit, excluding reserve assets, fell from 24.6 billion dirhams a year earlier to 17 billion dirhams. Overall, Bank Al-Maghrib's official reserve assets increased by 6.4 percent to 359.4 billion, equivalent to 5 months and 13 days of imports of goods and services.

[1] These include loans granted by Moroccan banks to non-residents, residents' deposits in foreign correspondents and residents' accounts abroad. In the liabilities category, they include non-residents' deposits in Moroccan banks - including offshore banks-.

Chart 1.6.11: Official reserve assets

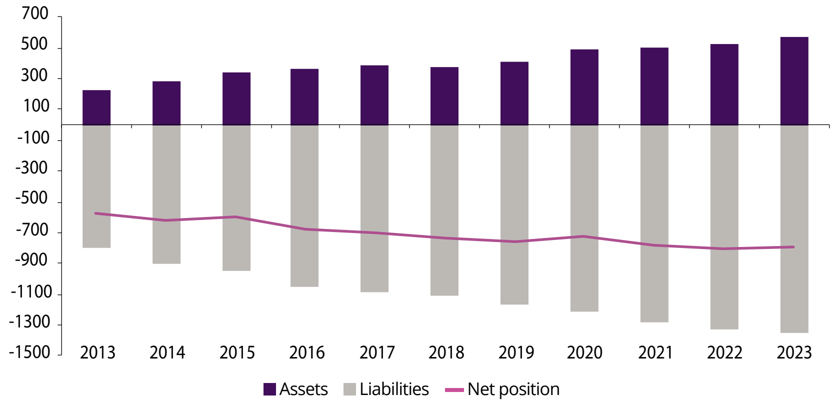


Sources: Bank Al-Maghrib estimates.

1.6.5. International investment position (IIP)[1]

Analysis of the international investment position in 2023 shows a net debit position down by 7.6 billion to 791.6 billion dirhams, reflecting an increase of 36.1 billion in assets and 28.5 billion in liabilities.

Chart 1.6.12: International investment position (in billion dirhams)



Source: Foreign Exchange Office.

[1] The international investment position shows the stock of financial assets and liabilities vis-à-vis the rest of the world on a given date.

Morocco's liabilities towards the rest of the world rose by 2.1 percent to 1,356 billion dirhams. This mainly reflects increases of 3.5 percent to 685.5 billion in direct investments, including 88 percent in the form of equity securities, and of 17.7 percent to 153.7 billion in portfolio investments, including 86.6 billion in debt securities from the general government. Similarly, the outstanding volume of "trade credits and advances" remained virtually stable at 84.5 billion dirhams, while outstanding loans fell to 364.6 billion. The latter reflects a drop in loans to "non-financial companies, households and NPISH[1]" to 164.4 billion, and a rise in loans to the general government to 170.1 billion. "Cash and deposits" liabilities fell to 45.6 billion, of which 43 billion in the form of deposits by non-residents in Moroccan banks.

The strengthening of residents' financial assets affected all assets. The outstanding volume of Moroccan direct investments abroad rose by 8.5 percent to 79.9 billion dirhams, while residents' holdings of foreign securities increased by 11.1 percent to 12.7 billion. Similarly, "cash and deposits" held by deposit-taking institutions[2] rose by 2.1 percent to 60.7 billion dirhams, reflecting higher lending by Moroccan banks to non-residents (26.6 billion dirhams) and deposits by residents abroad (17.4 billion dirhams). The outstanding volume of "trade credits and advances" granted by Moroccan exporters to their trading partners stood at 38.2 billion, up by 13.7 percent compared to 2022. Finally, official reserve assets increased by 21.8 billion to 359.4 billion.

Table 1.6.4: International investment position (in billion dirhams)

	2022			2023		
	Assets	Liabilities	Balance	Assets	Liabilities	Balance
Direct investments	73.6	662.3	- 588.7	79.9	685.5	- 605.7
Portfolio investments	11.4	130.5	- 119.1	12.7	153.7	- 141.0
Financial derivatives (other than reserves)	0.7	0.3	0.3	0.6	0.3	0.3
Other investments, of which	105.4	534.7	- 429.3	112.2	516.9	- 404.7
Cash and deposits	62.9	53.5	9.4	64.1	45.6	18.5
Loans	0.7	374.5	- 373.8	0.6	364.6	- 363.9
Trade credits and advances	33.6	83.8	- 50.2	38.2	84.5	- 46.3
Reserve assets	337.6	-	337.6	359.4	-	359.4
Total assets/liabilities	**528.7**	**1,327.9**	**- 799.1**	**564.8**	**1,356.4**	**- 791.6**

Source: Foreign Exchange Office.

[1] Nonprofit institutions serving households
[2] Excluding the Central Bank

1.7 Monetary conditions

In 2023, monetary conditions were marked by the pursuit of the restrictive stance of monetary policy. Initiated in September 2022, with a 50 basis points (bp) increase in the key rate, the monetary policy tightening was strengthened by increases of similar magnitude during the subsequent two meetings of the Bank's Board. The Bank kept the key rate unchanged during the rest of the year, thus adopting a cautious approach in a context characterized by a gradual deceleration in inflation, but with a high level of uncertainty surrounding its outlook.

The pass-through of key rate hikes to the various markets was gradual and partial. In particular, lending rates continued to rise before stabilizing in the fourth quarter at 5.36 percent, up by 112 bp since the beginning of the tightening cycle. The increase was also heterogeneous, ranging from 61 bp for loans to individuals to 76 bp for VSMEs and 138 bp for large companies.

At the same time, the impact of the key rate hikes on Treasury bills was amplified by investors' expectations of further tightening, with a significant increase in their yield requirements and a concentration of demand on short maturities. Against this background, and in order to restore the smooth functioning of the market, Bank Al-Maghrib injected liquidity during the first three months of the year through purchases of government securities in the secondary market. This led to a lower pressure and a decrease of interest rates, more pronounced from May onwards, as inflation continued to slow down, signaling the end of the monetary policy tightening cycle.

Against this backdrop, and with the amortization of the loans provided under the credit guarantee lines introduced during the pandemic, growth of bank loans to the non-financial sector slowed sharply, falling to 2.7 percent from 7.9 percent a year earlier. At the same time, net claims on the Central Government dropped by 4,7 percent, after a significant expansion in 2022 due to the Treasury's drawdown of the remaining amount of the IMF's Precautionary and Liquidity Line.

After depreciating by 4 percent in 2022, the effective exchange rate rose on average by 0.9 percent in real terms, as a result of a 2.1 percent increase in nominal terms and a domestic inflation that was overall lower compared to partner and competitor countries.

Table 1.7.1: Main Indicators of Monetary Conditions

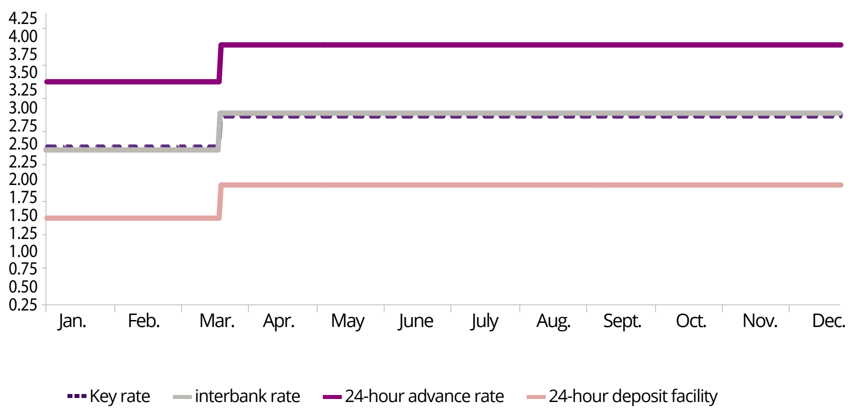
	2021	2022	2023	
Interest rates	**Year average (in percent)**			**Outstanding* (in billion dirhams)**
Interbank rate	1.50	1.65	2.89	-
Weighted average lending rate	4.39	4.33	5.25	-
12-month deposit rate	2.60	2.48	2.79	-
52-week Treasury bill rate	1.56	2.00	3.33	-
Effective exchange rate	**Change (in percent)**			
In nominal terms	3.61	-0.76	2.06	-
In real terms	1.31	-3.96	0.92	-
Monetary aggregates	**Change (in percent)**			
Bank loans	2.6	7.5	5.3	1,114.9
Loans to the non-financial sector	2.9	7.9	2.7	933.1
Official reserve assets	3.2	2.1	6.4	359.4
Net claims on Central Government	14.3	22.3	-4.7	317.6
M3	5.1	8.0	3.9	1,750.8

* At End of-December.

1.7.1 Interest rates

In 2023, in line with Bank Al-Maghrib's policy rate hikes, the weighted average interbank rate, the operational target of monetary policy, hovered around 2.5 percent in the first quarter before jumping to 3 percent and remaining virtually at this level following the March Board meeting.

Chart 1.7.1: Weighted average interbank rate in 2023 (In percent)



The transmission of monetary policy decisions to lending rates continued, while remaining partial. Between the start of the tightening cycle and the fourth quarter of 2023, lending rates rose by 112 bp, compared with a total increase of 150 bp for the key rate. Compared with the average level in 2022, they rose by 92 bp overall, 53 bp for individuals and 110 bp for businesses.

Table 1.7.2: Lending rates (in percent)

	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23	Average	
							2022	2023
Average lending rates	**4.24**	**4.50**	**5.03**	**5.26**	**5.36**	**5.36**	**4.33**	**5.26**
Loans to individuals	**5.33**	**5.72**	**5.63**	**5.93**	**5.94**	**5.94**	**5.33**	**5.85**
Housing	4.19	4.32	4.36	4.64	4.74	4.83	4.22	4.63
Consumption	6.39	6.40	6.95	7.27	7.25	7.18	6.40	7.16
Loans to businesses	**4.04**	**4.30**	**4.98**	**5.22**	**5.32**	**5.30**	**4.10**	**5.21**
By economic purpose								
Cash facilities	3.93	4.19	4.98	5.28	5.31	5.35	3.96	5.24
Equipment	4.14	4.38	4.81	4.72	5.07	4.90	4.34	4.85
Real-estate Development	5.41	5.61	5.37	5.43	5.71	5.49	5.58	5.51
By business size								
VSMEs	4.94	5.04	5.48	5.77	5.75	5.70	4.91	5.68
Large businesses	3.87	4.19	4.79	5.01	5.05	5.25	3.90	5.03
Loans to individual entrepreneurs	**5.21**	**7.49**	**5.86**	**5.28**	**6.15**	**6.19**	**5.64**	**5.75**
Cash facilities	5.88	8.44	6.10	5.19	6.22	6.67	6.19	5.81
Equipment	3.75	5.56	5.61	5.33	6.04	5.55	4.31	5.61
Real-estate Development	5.44	5.70	6.14	6.27	6.42	6.28	6.25	6.28

The increase of deposit rates was limited to 34 bp for 6-month rates to a level of 2.45 percent, and 31 bp for 12-month rates to 2.79 percent. Between September 2022, when the tightening began, and end-2023, the increases totalized 49 bp and 66 bp respectively. The minimum rate applied to passbook savings accounts, indexed to the 52-week T-bills and subject to a six-month review, rose by 110 bp to an average of 2.25 percent in 2023.

Table 1.7.3: Deposit rates* (in percent)

	2019	2020	2021	2022	2023
6-month deposits	2.72	2.56	2.29	2.12	2.45
12-month deposits	3.01	2.87	2.60	2.48	2.79
Passbook savings accounts with banks	1.89	1.77	1.15	1.15	2.25

* Annual arithmetic averages of monthly observations for time deposits and half-yearly averages for passbook savings accounts.

On the sovereign debt market, the year started with temporary disruptions due to investors' increased yield requirements, as they anticipated further monetary policy tightening. In this context, Bank Al-Maghrib conducted, between January 9th and March 27th, five purchase operations of short-term Treasury bills on the secondary market in order to improve its liquidity and ensure its smooth functioning. These operations involved T-bills with an average maturity of 6 months, for a total amount of 16.9 billion dirhams.

Thus, on the primary market, after having continued to rise in january, short-term rates started falling since the second month of the year. Yields on medium- and long-term maturities followed a similar pattern before easing from May onwards, with market expectations pointing to the end of the tightening cycle at the beginning of June.

Against this backdrop, the proportion of medium- and long-term issuances stood at 33.1 percent and 34.4 percent, compared with 40,4 percent and 9,6 percent respectively in 2022, and the overall average rate for these maturities stood at 3,44 percent, compared with 2,02 percent a year earlier. On the secondary market, a similar trend was observed, with a clear upward shift in the yield curve and increases ranging from 115 bp for 13-week T-bills to 188 bp for 20-year ones.

Chart 1.7.2: Weighted average rate of T-bills issues (in percent)

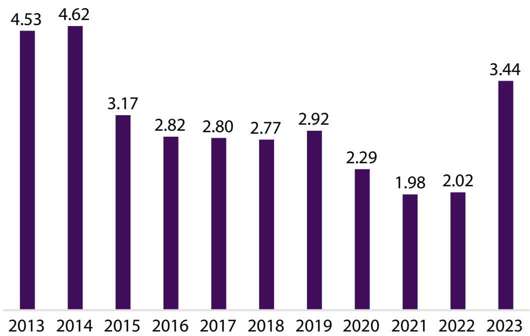
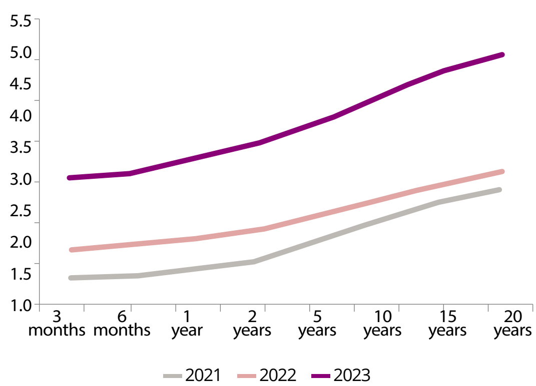


Chart 1.7.3: Secondary market yield curve (in percent)



1.7.2. Bank loans

After rising by 7.9 percent in 2022, mainly due to the expansion of cash facilities to finance energy and food imports in the context of a surge in their prices in international markets, the growth of bank loans to the non-financial sector slowed sharply to 2.7 percent in 2023. Conversely, lending to financial companies accelerated from 5.6 percent to 20.5 percent, and, overall, bank loans growth fell from 7.5 percent to 5.3 percent. Its outstanding amount thus reached 1,114.9 billion dirhams, or 76.2 percent of GDP, compared with 79.6 percent a year earlier.

Chart 1.7.4: Bank loans (year-on-year change, in percent)

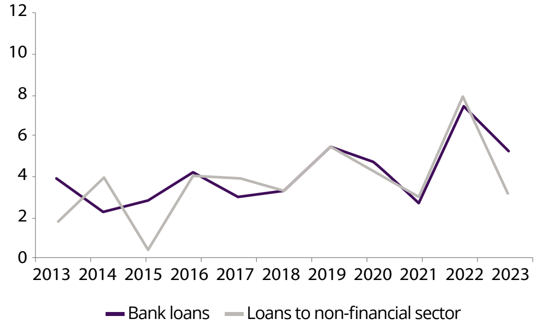
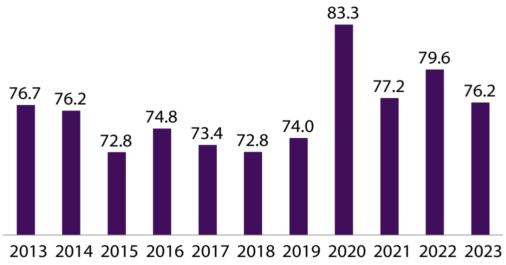


Chart 1.7.5: Bank loans to GDP ratio (in percent)



By institutional sector, data shows that credit growth to the non-financial sector was mainly driven by loans to state-owned businesses which went up 26,6 percent. Meanwhile, for private companies, the falling import prices and the amortization of the loans provided under the guarantee credit lines set up during the pandemic crisis resulted in an 8.4 percent drop in cash facilities. Combined with a 5.5 percent rise in equipment loans, loans to private companies stayed virtually flat, following a 10.4 percent rise in the previous year.

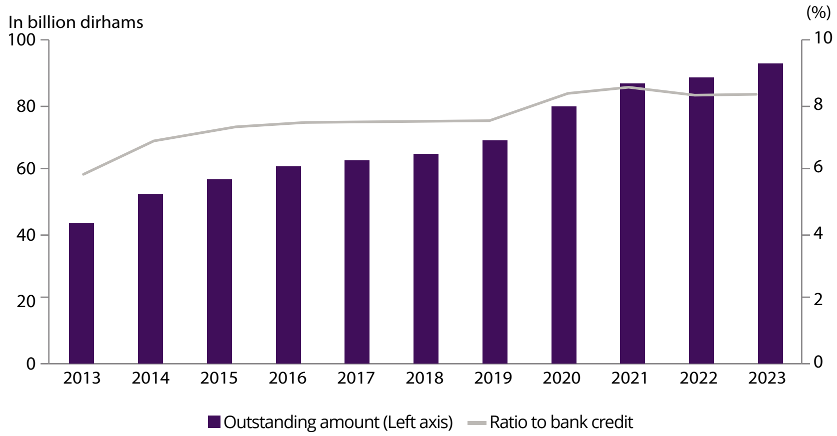
Loans to individuals slowed once again, with limited growth at 2.1 percent. As a result of the wait-and-see behavior regarding the implementation of the direct housing subsidy announced in the 2023 Finance Act, housing loans grew by a modest 1.9 percent. At the same time, after two years of moderate post-pandemic recovery, consumer loans barely rose by 0.6 percent, against a backdrop of persistently high inflation and interest rates.

Table 1.7.4: Bank loans

	2021	2022	2023	
	Change (percent)		Change (percent)	Outstanding (in billion dirhams)
Bank loans	**2.6**	**7.5**	**5.3**	**1,114.9**
Loans to the non-financial sector	**2.9**	**7.9**	**2.7**	**933.1**
Loans to private businesses	**3.1**	**10.4**	**0.2**	**442.8**
Cash facilities	6.4	14.5	-8.4	195.4
Equipment loans	0.8	6.4	5.5	111.4
Real-estate development loans	-6.6	-7.5	-1.5	45.7
Loans to state-owned businesses	**-7.2**	**21.4**	**26.6**	**76.1**
Cash facilities	72.1	111.6	52.5	31.8
Equipment loans	-29.9	11.1	5.2	36.7
Loans to households	**4.1**	**3.6**	**1.8**	**385.0**
Loans to individuals	4.7	3.0	2.1	322.6
Consumer loans	2.9	3.5	0.6	57.0
Housing loans	4.5	3.1	1.9	224.2
Loans to individual entrepreneurs	**-0.6**	**9.8**	**-1.7**	**41.6**
	Ratio to bank loans (percent)			
Non-performing loans	**8.6**	**8.4**		**8.4**
households	9.9	9.7		9.9
Private businesses	12.0	11.7		12.5

Non-performing loans rose by 5.9 percent to 94.1 billion dirhams, while their ratio to outstanding bank loans remained unchanged at 8.4 percent. The increase stood at 4,2 percent for households and 6.9 percent for private companies, thus representing 9.9 percent and 12.5 percent respectively of NPLs.

Chart 1.7.6: Non-performing loans



The slowdown in bank loans reflects, in particular, the contraction in loans to several sectors, with rates ranging from 0,7 percent for “Agriculture and fishing” to 10.7 percent for “Metallurgical, mechanical, electrical and electronic industries”. It also shows the slowdowns registered in “Chemical and para-chemical industries” and “Electricity, gas and water”. At the same time, the pace of bank loans sped-up in “Mining and quarrying” and “Construction”.

In addition, loans provided by financial companies[1] other than banks to the non-financial sector rose by 4.5 percent to 170.3 billion dirhams. In particular, finance companies distributed a total of 137.7 billion dirhams, up 5.7 percent, of which 59.8 billion dirhams went to private companies and 77.9 billion dirhams to households. In turn, loans granted by offshore banks rose by 4.1 percent to 14.2 billion dirhams, and those given by micro-credit associations by 1 percent to 8.8 billion.

Table 1.7.5: Loans provided by major financial companies other than banks

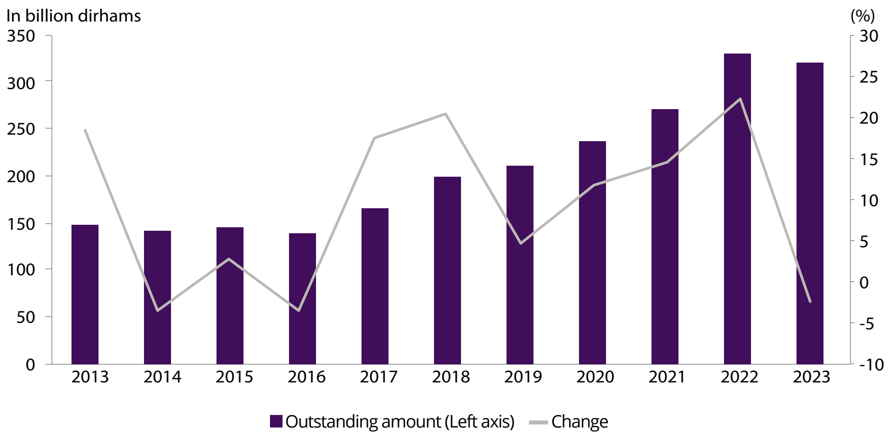
	2021	2022	2023	
	Change (in percent)		Change (in percent)	Oustanding amounts (in billion dirhams)
Finance companies	**3.7**	**6.4**	**5.7**	**137.7**
Private businesses	-0.2	6.8	2.6	59.8
Households	7.0	6.1	8.3	77.9
Offshore banks	**9.9**	**17.5**	**4.1**	**14.2**
Microcredit associations	**2.2**	**4.4**	**1.0**	**8.8**

1.7.3. Other sources of money creation

After expanding by 22.3 percent in 2022, mainly as a result of the on-lending by Bank Al-Maghrib to the Treasury of the remaining part of the IMF’s Precautionary and Liquidity Line, net claims on the Central Government decreased by 4.7 percent to 317.6 billion dirhams in 2023. This change mainly reflects an increase at the end of the year in the balance of the Treasury account at the central bank to 10.9 billion. At the same time, holdings of Treasury bills rose by 3.9 percent for banks and contracted by 31.6 percent for money market UCITS (Undertaking for the collective Investment in transferable securities).

[1] Finance companies, offshore banks, microcredit associations, Deposit and Management Fund and securitization mutual funds.

Chart 1.7.7: Net Claims on the Central Government



Official reserve assets continued to strengthen, rising by 6.4 percent to 359.4 billion dirhams, mainly due to net external borrowings of the Treasury totaling 35 billion dirhams. International reserves represent the equivalent of 5 months and 15 days of imports of goods and Services, and 123 percent of the adjusted ARA[1], i.e., within the 100 percent-150 percent range recommended by the IMF. At the same time, banks' net foreign assets[2] rose by 51.2 percent to 29.7 billion, following a 17 percent drop in 2022.

Chart 1.7.8: Official reserve assets

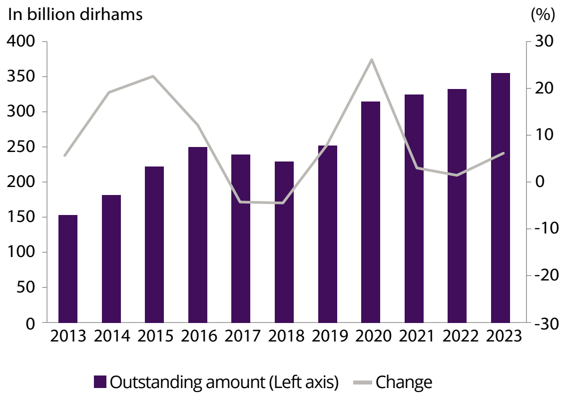
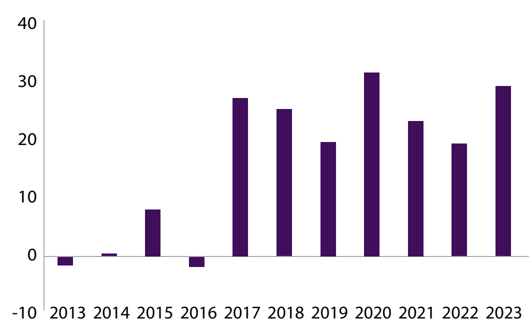


Chart 1.7.9: Banks net foreign assets (in billion dirhams)



[1] ARA "Assessing Reserve Adequacy" is a metric developed by the IMF to determine the degree of foreign exchange reserve adequacy. Its adjusted version is used for countries with restrictions on capital flows.

[2] Banks' claims on non-residents net of their foreign liabilities.

1.7.4 M3 components

In 2023, broad money (M3) rose by 3,9 percent to 1,750.8 billion dirhams. By component, sight deposits with banks increased by 6.8 percent, while time deposits and foreign currency deposits fell by 10.9 percent and 12.7 percent respectively. Similarly, currency in circulation continued its upward trend, rising by a further 10.9 percent to 393.5 billion dirhams. For the other components, money market mutual funds dropped by 7.6 percent, while savings accounts rose by 1.8 percent.

Data by institutional sector show that deposits from individuals[1] rose by 3.6 percent, as a result of increases by 5.4 percent and 1.9 percent respectively in sight and savings deposits, and a 4.3 percent drop in time deposits. Assets of private non-financial companies rose by 8.9 percent, driven by a 12.8 percent increase in their sight deposits, while time deposits fell by 13.5 percent. As for state-owned companies, their sight deposits dropped by 5.4 percent and time deposits by 43.8 percent.

Table 1.7.6: Main components of M3

	Currency in circulation	Sight deposits with banks	Savings accounts with banks	Time deposits with banks	Money market UCITS	M3
	Outstanding amount at end-December (billion dirhams)					
2021	320.1	698.7	174.2	136.5	71.9	1,560.8
2022	354.7	760.5	179.3	129.8	82.6	1,685.1
2023	393.5	812.3	182.5	115.6	76.4	1,750.8
	Share in M3 (percent)					
2021	20.5	44.8	11.2	8.7	4.6	100
2022	21.1	45.1	10.6	7.7	4.9	100
2023	22.5	46.4	10.4	6.6	4.4	100
	Change (percent)					
2021	6.5	7.6	2.8	0.6	12.5	5.1
2022	10.8	8.8	2.9	-4.9	14.9	8.0
2023	10.9	6.8	1.8	-10.9	-7.6	3.9

[1] Including Moroccans living abroad.

Box 1.7.1: Determinants of currency in circulation

Currency in circulation (CC) refers to banknotes and coins issued by the Central Bank. Its change is determined by the demand from economic agents for transaction or hoarding purposes. It is therefore dependent on seasonal factors (religious celebrations, holidays, weekends, etc.), cyclical factors such as economic conditions (level of activity, inflation, interest rates, etc.) and structural factors such as the prevalence of informal activities, the level of financial development (financial inclusion and development of payment systems and means of payment) or even cash usage habits.

In some countries, such as Sweden, CC is very low and limited to an equivalent of 1.1 percent of GDP in 2022, whereas in other advanced economies such as Japan, the ratio is much higher, reaching 23.2 percent. In the MENA region, CC represents 10.1 percent of GDP in Egypt, 13.6 percent in Tunisia, 19.8 percent in Jordan and 27.1 percent in Algeria.

Despite efforts to promote financial inclusion and the development of electronic payments, Morocco stands among countries with the highest level of cash usage in the world. Over the past 20 years, CC grew at an average annual rate of almost 9 percent, well above economic growth. As a result, its ratio to GDP rose steadily, reaching 28 percent in 2022, against 13.3 percent in 2000. CC displays several significant increases, including (i) in 2001 and 2002, in conjunction with the introduction of the euro on January 1st, 2002, which triggered an expansion in remittances from Moroccans living abroad; (ii) in 2006 and 2007, due to significant increases in travel receipts and the advent of Aid Al Adha at end-December; and (iii) in 2020, due to the uncertainty caused by the Covid-19 pandemic and the Tadamon[1] operation, which benefited nearly 5.5 million households.

Chart B.1.7.1.1: Currency in circulation/GDP ratio in 2022 (percent)

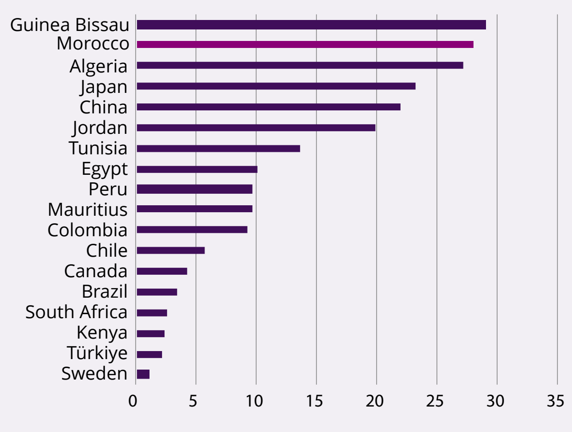
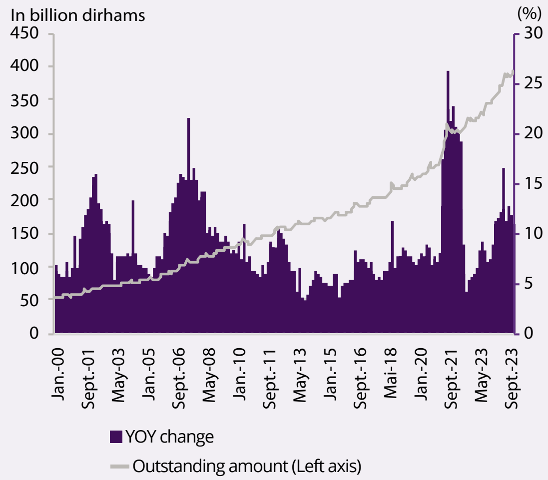


Chart B.1.7.1.2: Currency in circulation in Morocco



Source: IMF.

[1] This operation involved direct transfers to households, depending on their size, of allowances ranging from 800 dirhams to 1,200 dirhams. The aim being to mitigate the impact of restrictions put in place to prevent the spread of the Covid-19 virus.

Monitoring the evolution of CC allows central banks to calibrate the volume of their main money market operations in order to align interbank rate with the key rate and thus facilitate the transmission of monetary policy decisions. It also helps optimize the management of the processes of production and distribution of banknotes. To this end, central banks develop various analysis and forecasting models to identify its determinants and future trends.

To determine the cyclical and structural factors impacting the change in CC in Morocco, a linear regression model with annual data covering the period from 1998 to 2023 was estimated. Six explanatory variables were selected from among the potential determinants: non-agricultural growth and inflation which boost the demand for cash for transaction purposes, the key rate and exchange rate with trends reflecting the opportunity cost of holding cash, and, the tax burden (approximated by tax revenues to GDP), an increase in which would encourage tax evasion thereby strengthening CC. To capture the effect of year 2020, which saw a strong expansion in CC due to direct cash transfers and the rise in uncertainties in the context of the Covid-19 pandemic, a dummy variable was included in the model.

$$\Delta \mathbf{cf}_t = \mathbf{-0.04} \times \Delta \mathbf{td}_t + \mathbf{0.93} \times \Delta \mathbf{PIBna}_t + \mathbf{0.49} \times \Delta \mathbf{tc}_t + \mathbf{0.01} \times \Delta \mathbf{IPC}_t + \mathbf{0.14} \times \mathbf{Tax\ ratio}_t + \mathbf{0.19} \times \mathbf{Covid19}_t + \boldsymbol{\varepsilon}_t$$

(Prob.) (0.0105) (0.0135) (0.0351) (0.1168) (0.1200) (0.0005)

Where: $\Delta \mathbf{cf}_t$: Year-on-year change in average currency in circulation

$\Delta \mathbf{td}_t$: Key rate annual change

$\Delta \mathbf{PIBna}_t$: Growth of non-agricultural GDP

$\Delta \mathbf{tc}_t$: Change in the EURO/MAD exchange rate

$\Delta \mathbf{IPC}_t$: Inflation measured by annual change of the CPI

$\mathbf{Tax\ ratio}_t$: Tax revenues to nominal GDP ratio

Overall, results are in line with expectations. Inflation, depreciation of the national currency and tax burden all contributed to the increase in CC. All other things being equal, increases of one percentage point in fiscal pressure and in the value of the national currency would generate CC increases of 0.14 percent and 0.49 percent respectively. A rise in the key rate would, in turn, contribute significantly to a drop in CC. Inflation, on the other hand, appears to have little impact. Overall, these determinants, taken together, explain roughly 71 percent of the changes in currency in circulation in Morocco, the remainder being related to various factors not included in the model, such as the level of financial development.

1.7.5 Liquid investment aggregates[1]

Following a 12.7 percent drop in 2022, liquid investment (LI) aggregates improved by 13.3 percent, mainly on account of an increase by 24.5 percent in bond UCITS, by 10.2 percent in Treasury bills and by 8.5 percent in equity and diversified UCITS.

Taking these developments into consideration, the liquidity ratio of the economy, measured as the ratio of total LI and M3 to GDP, continued to drop to 179.4 percent from 184.6 percent a year earlier.

Table 1.7.7: Liquid investment aggregates

	2022		2023	
	Outstanding amount (in billion dirhams)	Change in percent	Outstanding amount (in billion dirhams)	Change in percent
LI1 aggregate	**447.8**	**-6.5**	**485.2**	**8.4**
Treasury bonds	418.8	-8.0	461.5	10.2
Finance companies bonds	17.0	-22.6	14.8	-12.8
Commercial paper	0.1	1928.4	0.6	352.3
Contractual UCITS	11.8	645.1	8.3	-29.1
LI2 aggregate	**235.9**	**-22.2**	**293.7**	**24.5**
Bond UCITS	235.9	-22.2	293.7	24.5
LI3 aggregate	**87.8**	**-13.8**	**95.2**	**8.5**
Equity and diversified UCITS	87.8	-13.8	95.2	8.5
Total	**771.4**	**-12.7**	**874.2**	**13.3**

[1] Liquid investment aggregates include financial assets held by units other than deposit-taking institutions. These assets represent a reserve of purchasing power but are not liquid enough to be included in the M3 aggregate.

1.7.6 Foreign exchange market

After a strong appreciation by 12.3 percent on average in 2022, the US dollar depreciated by 2.6 percent against the euro to stand at 1.08 USD/EURO. Against the dollar, this change resulted in a positive basket effect of 1.6 percent for the value of the national currency. Taking into account a negative market effect[1] of 1.3 percent, essentially due to a relatively higher flow of imports than exports, the dirham appreciated by 0.3 percent against the dollar. Throughout the year, the dirham mostly traded slightly above the central rate, while remaining within the ±5 percent fluctuation band.

Chart 1.7.10: Euro/dollar exchange rate in 2023

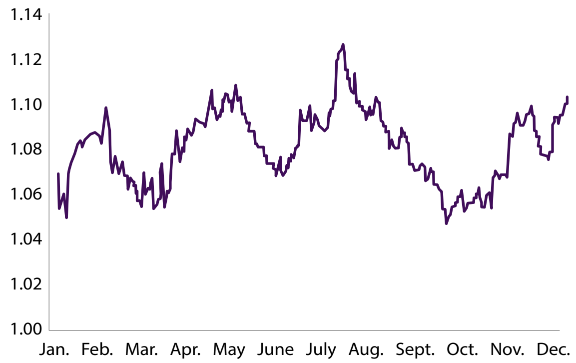
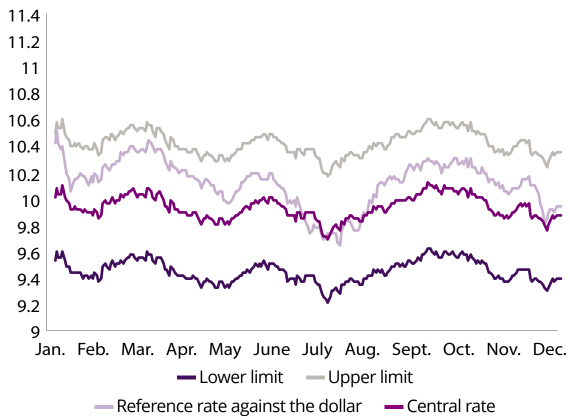


Chart 1.7.11: Reference rate of the dirham against the US dollar in 2023



Compared to other currencies, the dirham depreciated by 2.5 percent against the euro and by 0.5 percent against the pound. Compared to currencies of emerging economies, the dirham rose by 5.4 percent and 39.7 percent respectively against the Chinese yuan and the Turkish lira and fell by 2.8 percent against the Brazilian real.

In view of these developments, the effective exchange rate rose[2] by 2.1 percent in nominal terms and 0.9 percent in real terms, with domestic inflation broadly lower than in partner and competitor countries.

[1] The change in the reference exchange rate is broken down into two effects. The first, resulting from the variation in the central rate under the influence of the change in the euro/dollar parity, is known as the "basket effect", while the second, obtained as the remainder of the overall variation, is known as the "market effect" and reflects the impact of supply and demand forces on the interbank foreign exchange market.

[2] See Bank Al-Maghrib's Annual Report 2021, page 124 for an update of effective exchange rate calculation methodology.

Chart 1.7.12: Effective exchange rate of the dirham (base 100 in 2010)

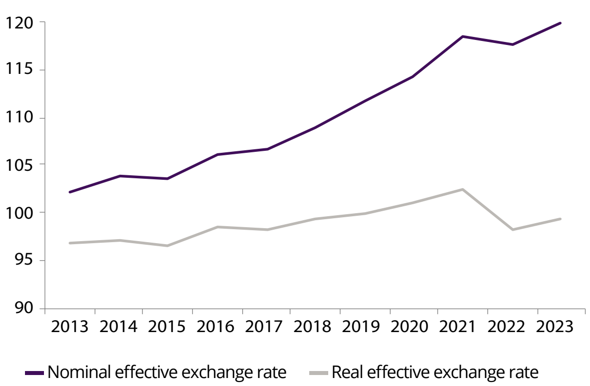
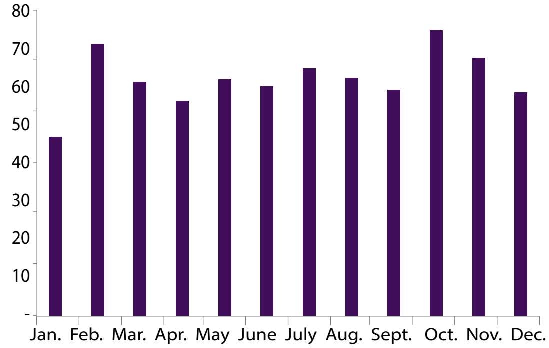


Chart 1.7.13: Interbank foreign exchange trading volume in 2023 (in billion dirhams)



In terms of trading, the interbank market continued to deepen, with a 74.7 percent increase in the average monthly volume of transactions to 62.8 billion dirhams. Similarly, the outstanding volume of transactions between banks and their customers rose by 5.7 percent to 33.7 billion for currency purchases and by 6 percent to 33.2 billion for sales. On the other hand, and against a backdrop of falling commodity prices, particularly energy prices, the average monthly volume of forward transactions dropped by 25.6 percent to 3.5 billion for currency purchases and by 6.2 percent to 18 billion for sales.

Chart 1.7.14: Banks' spot transactions with customers in 2023 (in billion dirhams)

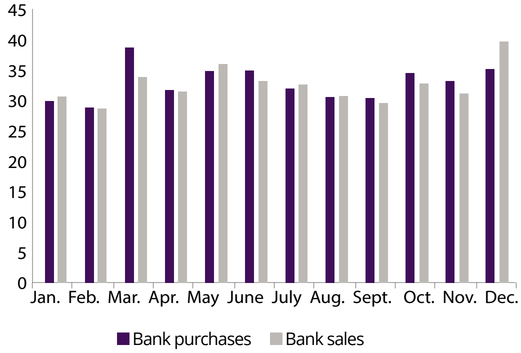
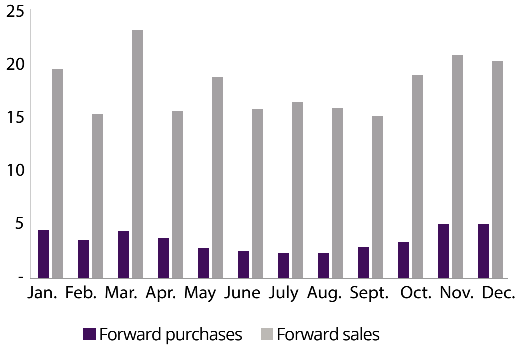


Chart 1.7.15: Hedging operations with customers in 2023 (in billion dirhams)



Box 1.7.2: New methodology for calculating the reference exchange rate of the dirham

The exchange rate, or the value of the national currency against foreign currencies, is a key economic variable. Its fluctuations affect economic activity, inflation, the balance of payments, the value of foreign debt and the level of foreign exchange reserves.

In order to monitor this variable, and to provide a benchmark for the valuation of foreign currency assets and liabilities, central banks regularly publish reference exchange rates. The production of these rates is subject to strict transparency standards, including periodic reviews of the calculation methodology, its scope and usage.

In Morocco, as soon as the reform of the exchange rate regime was launched in 2018, with the widening of the dirham's fluctuation band against the dollar to ±2.5 percent, Bank Al-Maghrib started to set and publish daily reference exchange rates for the dirham. These were published at 12:30 p.m. on each business day, based on the firm quotations posted between 12:12 and 12:17 p.m. by banks having market-maker status.

Following the widening of the fluctuation band to ±5 percent in March 2020 and the gradual deepening of the market, the Bank announced on December 25, 2023[1] the adoption of a new methodology for calculating the reference exchange rate of the dirham. The aim of this reform was to better reflect the situation and liquidity conditions of the market, and thus strengthen the confidence of players, which would ensure better monitoring of the market and encourage the continued reform of the exchange rate regime under appropriate conditions.

The new reference rate for the dirham against the US dollar (USD/MAD) is now based on the average price of interbank transactions carried out by market makers on the electronic trading platform between 8:30 a.m. and 3:30 p.m., provided certain liquidity conditions are met. These are: (i) an overall session volume greater than or equal to $12 million; (ii) a number of transactions processed greater than or equal to 6; and (iii) a number of market makers having carried out transactions greater than or equal to 6. When one of these conditions is not met, the USD/MAD reference rate is calculated based on 5-minute observations of firm quotes (Bid/Ask prices) from market makers over the 8:30 am to 3:30 pm time slot. For each observation, an average price is calculated based on the average of the medians of the bid and ask prices. The USD/MAD reference rate is calculated as the average of the average exchange rates of all observations. Reference exchange rates of the dirham against other currencies are calculated based on the cross rates for the dollar against each currency[2].

All reference exchange rates for the dirham are published at 4.15pm, each business day, on Bank Al-Maghrib website and on the dedicated pages of Bloomberg and LSEG financial information agencies.

[1] Effective January 2nd, 2024.

[2] Recorded at the time of the transaction, if liquidity conditions are met, or based on observations if not.

1.8 Asset markets

In 2023, the Treasury had to satisfy significant redemption requests, notably of short-term T-bills issued a year earlier. Due to its financing needs, its primary market issuances almost doubled, reaching a record level of 255.2 billion dirhams.

The beginning of the year was also marked by persistent pressure on interest rates in the primary market, due to investors' anticipations of further monetary policy tightening. This situation led Bank Al-Maghrib to inject liquidity through securities' purchases on the secondary market, during the months of January and February.

In the private debt market, issuances rose by 36 percent to 86.7 billion, driven by banks' certificates of deposit and commercial paper issued by OCP. Conversely, issuances by private non-financial companies fell sharply to 2.8 billion, in parallel with a virtual stagnation in loans from the banking sector.

With regard to asset management activities, after strong outflows in 2022 due to rising interest rates, net subscriptions jumped to 43.6 billion dirhams, driven mainly by bond funds.

At the Casablanca stock exchange, after a 19.7 percent drop in 2022, the MASI index started an upward trend from May 2023, driven by the prospects of a halt in the monetary policy tightening cycle as inflation slowed. This trend was further reinforced by the optimism generated by the announcement of the hosting of international sporting events, the launch of the post-earthquake reconstruction plan and implementation of the new direct housing assistance program. The market benchmark index thus ended the year up by 12.8 percent, while market capitalization rose by 11.6 percent.

In the real estate market, after five consecutive years of decline, prices picked up slightly by 0.6 percent. The rise stood at 0.1 percent for residential property, 1.5 percent for urban land and 1.7 percent for commercial property. This increase went hand in hand with an 8.2 percent rise in the number of transactions, following a 10.5 percent decline in 2022. Sales rose by 9.5 percent for residential property, 9.1 percent for professional properties and 2.5 percent for urban land.

Table 1.8.1: Key indicators of asset markets
(Changes in percent, unless otherwise indicated)

	2019	2020	2021	2022	2023
Debt Market					
Treasury bill issuances	-9.3	46.2	-5.4	-10.9	98.3
Private debt issuances	25.3	-13.0	-18.7	4.4	36.0
Stock market					
MASI	7.1	-7.3	18.3	-19.7	12.8
Liquidity ratio (Equity central market, in percent)	5.3	6.0	6.4	5.1	5.7
Market capitalization as in percent of GDP	50.5	50.8	54.1	42.2	42.8
Real estate market					
Real Estate Price Index	-0.5	-0.2	-4.2	-0.8	0.6
Number of Transactions	-2.7	-5.3	34.2	-10.5	8.2

[1] The liquidity ratio is measured by dividing the annual trading volume by the average capitalization over the year.
Sources: Bank Al-Maghrib, Ministry of Economy and Finance, Casablanca Stock Exchange, Maroclear and the National Land Conservation, Land Registry and Mapping Agency (ANCFCC).

1.8.1 Debt securities

Treasury bills

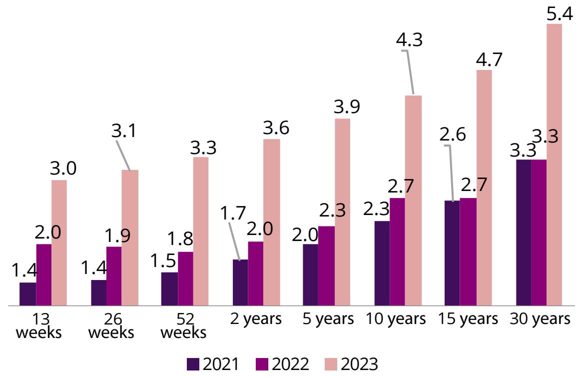
Faced with a steep increase in redemptions which more than doubled year-on-year to reach 221.6 billion dirhams, the Treasury significantly increased its issuances in the primary market in 2023. Accordingly, these jumped by 98.3 percent to 255.2 billion dirhams, and were executed in a context characterized by rising interest rates for all maturities[1], with increases from 1.8 percent to 3.3 percent for the 52-week T-bills, from 2 percent to 3.6 percent for the 2-year bonds and from 2.7 percent to 4.3 percent for the 10-year bonds. By maturity, issuances shifted toward long-term bonds, whose share rose from 10 percent in 2022 to 34 percent in 2023, at the expense of short-term maturities, which accounted for 33 percent instead of 50 percent.

Against this background, the outstanding volume of Treasury bonds rose by 5 percent to 699.4 billion dirhams. Its structure is still dominated by long-term bonds, with a 63 percent share instead of 56 percent a year before, while the share of short and medium-term bonds fell respectively from 37 percent to 32 percent and from 7 percent to 5 percent.

[1] The liquidity ratio is measured by dividing the annual trading volume by the average capitalization over the year.

Chart 1.8.1: Issuances and redemptions of T-bills (in billion dirhams)

Chart 1.8.2: Weighted average T-bill rates on the primary market (in percent)



By holder, the share of mutual funds rose from 36.2 percent to 38.2 percent, and that of CDG from 7.4 percent to 7.8 percent, at the expense of banks and "insurance and social welfare organizations", which fell from 31.2 percent to 30.3 percent and from 17.9 percent to 16.9 percent respectively.

Chart 1.8.3: Structure of outstanding volume of T-bills by holder (in percent)

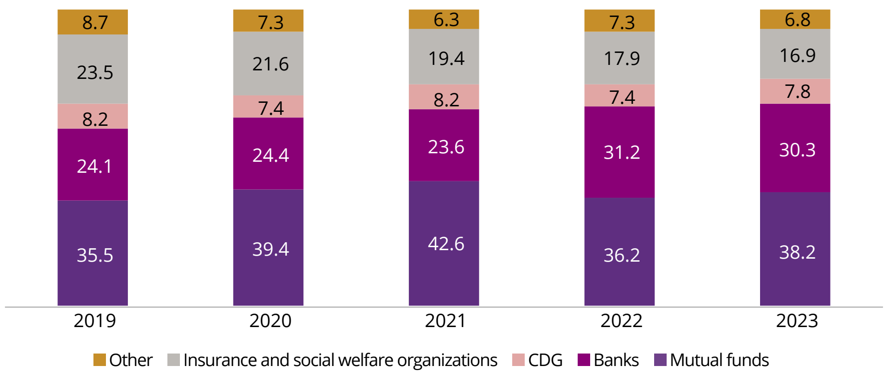


Table 1.8.2: T-bill transactions by maturity (in millions of dirhams)

	2019	2020	2021	2022		2023	
				Amount	Structure in percent	Amount	Structure in percent
Issuances	**104,393**	**152,647**	**144,471**	**128,694**	**100**	**255,249**	**100**
Short term	9,427	47,286	24,579	64,358	50	83,032	33
Medium term	39,796	74,669	83,495	52,035	40	84,387	33
Long term	55,170	30,692	36,396	12,301	10	87,830	34
Redemptions	**93,437**	**109,067**	**98,580**	**109,563**	**100**	**221,631**	**100**
Short term	22,084	25,032	31,734	48,087	44	97,410	44
Medium term	52,662	51,450	50,991	49,362	45	104,757	47
Long term	18,691	32,585	15,854	12,114	11	19,464	9
Outstanding amount	**557,160**	**600,741**	**646,633**	**665,764**	**100**	**699,382**	**100**
Short term	10,571	32,825	25,670	47,474	7	33,096	5
Medium term	193,101	216,320	248,825	245,965	37	225,596	32
Long term	353,489	351,596	372,138	372,325	56	440,691	63

Box 1.8.1: New methodology for calculating the Treasury bond benchmark yield curve

The benchmark yield curve represents the yields on sovereign debt securities for different maturities. It is widely used to value other financial securities, to set interest rates on bank loans and in various economic and financial analyses.

In Morocco, Bank Al-Maghrib calculates and publishes the benchmark yield curve for Treasury bills on a daily basis. However, the methodology used is set up by a dedicated committee[1] created in 2004, which ensures that it accurately reflects prevailing market conditions, thus promoting its efficiency.

On March 21, 2023, after consultation with market players, a new methodology was adopted and came into force. In line with the best international standards, the new yield curve comprises ten segments, calculated, in terms of priority, on the basis of (i) Treasury transactions on the primary and secondary markets; (ii) Bank Al-Maghrib auction-based transactions in the secondary market; (iii) transactions executed in the two B2B and B2C segments of the electronic platform[2] , meeting some conditions[3] ; and (iv) firm quotations from the primary dealers (IVTs).

[1] The Monitoring Committee of the T-Bill benchmark yield curve includes the Treasury and External Finance Department (DTFE), Bank Al-Maghrib and the Moroccan Capital Market Authority (AMMC). The Association of Moroccan Management Companies and Investment Funds (ASGFIM) and the Moroccan Bankers' Association (GPBM) have an observer status in this committee.

[2] Platform composed of two segments: - Business to Business - B2B: reserved exclusively for primary dealers, which have to quote firm prices on a continuous basis for a panel of T-bills selected by the DTFE, and to trade with each other; - Business to Customer - B2C: enables investors to buy and sell T-bills on the basis of quotations made by primary dealers.

[3] B2C transactions must involve the participation of at least four ITS banks and include a minimum nominal amount of 20 million dirhams for T-bills with a residual maturity of less than 12 years, and 10 million dirhams for T-bills with a residual maturity greater than or equal to 12 years.

Each point of the curve is calculated as the average of the yields weighted by the volume of all B2B and B2C transactions, with a spread not exceeding 25 bp compared to the day's of primary dealers. In the absence of a transaction, the calculation is based on the firm quotations of primary dealers, observed at 30-minute intervals between 10:00 a.m. and 02:00 p.m. The Bank may, however, disregard a quotation if it considers that it does not accurately reflect real market conditions, and reproduce the previous business day yield curve in the case of a major event resulting in a change in market structure or a deterioration in the quality of available data.

Private debt securities

Issuances of private debt securities rose by 36 percent to 86.7 billion dirhams, driven mainly by bank borrowings. Aside from 6.6 billion issued as bonds, these were issued mainly in the form of short-term certificates of deposit, up to 75 percent, with an average interest rate of 3.1 percent, and of medium-term certificates of deposit, up to 25 percent, with an average interest rate of 3.6 percent. Other financial companies raised 8.7 billion dirhams, including 6.9 billion in the form of finance company bills.

Issuances by non-financial companies jumped 59.4 percent to 22.2 billion. Those issued by state-owned companies increased from 2.9 billion to 19.4 billion dirhams, of which 13.2 billion dirhams as commercial paper issued exclusively by the OCP, while borrowings of private companies fell by 74.8 percent to 2.8 billion dirhams.

Table 1.8.3: Private debt issuances (In millions of dirhams)

	2019	2020	2021	2022	2023	2023/2022 Change	
						In millions	In percent
Overall	**86,289**	**75,063**	**61,042**	**63,742**	**86,678**	**22,935**	**36.0**
Financial companies	**69,345**	**48,720**	**45,333**	**48,842**	**64,518**	**15,675**	**32.1**
Banks	**57,684**	**38,902**	**33,223**	**42,499**	**55,798**	**13,298**	**31.3**
Certificate of deposit	48,884	32,702	31,523	34,199	49,248	15,048	44.0
Bonds	8,800	6,200	1,700	8,300	6,550	-1,750	-21.1
Other financial companies	**11,661**	**9,818**	**12,110**	**6,343**	**8,720**	**2,377**	**37.5**
Finance companies bills	9,741	7,950	8,710	5,143	6,920	1,777	34.6
Bonds	1,920	1,868	3,400	1,200	1,800	600	50.0
Non-financial companies	**16,943**	**26,343**	**15,710**	**13,900**	**22,160**	**8,260**	**59.4**
Private	**6,793**	**17,843**	**11,760**	**11,050**	**2,780**	**-8,270**	**-74.8**
Commercial papers	3,313	3,941	2,388	2,455	1,440	-1,015	-41.3
Bonds	3,480	13,902	9,372	8,595	1,340	-7,255	-84.4
State-owned	**10,150**	**8,500**	**3,950**	**2,850**	**19,380**	**16,530**	**-**
Commercial papers	-	-	-	1,500	13,180	11,680	-
Bonds	10,150	8,500	3,950	1,350	6,200	4,850	-
Local authorities				**1,000**			**-**

Source: Maroclear.

Taking account of repayments, the outstanding volume of private debt rose by 3.1 percent to 255.9 billion dirhams. By issuer, its structure remains dominated by banks up to 49.5 percent, with the remainder held by non-financial companies up to 38.1 percent and other financial companies holding 12 percent.

Table 1.8.4: Outstanding private debt (in millions of dirhams)

	2019	2020	2021	2022	2023	2023/2022 Change	
						In millions	In percent
Overall	**228,993**	**241,458**	**252,037**	**248,244**	**255,879**	**7,635**	**3.1**
Financial companies	**153,092**	**154,875**	**158,288**	**152,285**	**157,404**	**5,119**	**3.4**
Banks	**121,833**	**120,859**	**120,548**	**121,059**	**126,608**	**5,549**	**4.6**
Certificate of deposit	64,348	57,174	56,163	53,050	55,803	2,753	5.2
Bonds	57,485	63,685	64,385	68,009	70,805	2,796	4.1
Other financial companies	**31,259**	**34,016**	**37,740**	**31,226**	**30,796**	**-430**	**-1.4**
Finance companies bills	25,414	26,884	29,608	22,805	22,205	-600	-2.6
Bonds	5,845	7,132	8,132	8,421	8,591	170	2.0
Non-financial companies	**75,901**	**86,583**	**93,749**	**94,959**	**97,475**	**2,516**	**2.6**
Private	**26,852**	**32,109**	**36,592**	**40,169**	**36,682**	**-3,487**	**-8.7**
Commercial papers	1,934	2,312	1,356	1,798	1,617	-181	-10.1
Bonds	24,918	29,797	35,236	38,371	35,065	-3,306	-8.6
State-owned	**49,049**	**54,474**	**57,157**	**54,790**	**60,793**	**6,003**	**11.0**
Commercial papers	-	-	-	-	1,180	1,180	-
Bonds	49,049	54,474	57,157	54,790	59,613	4,823	8.8
Local authorities	**0**	**0**	**0**	**1,000**	**1,000**	**0**	**-**

Source: Maroclear.

Box 1.8.2: Change in payment deadlines

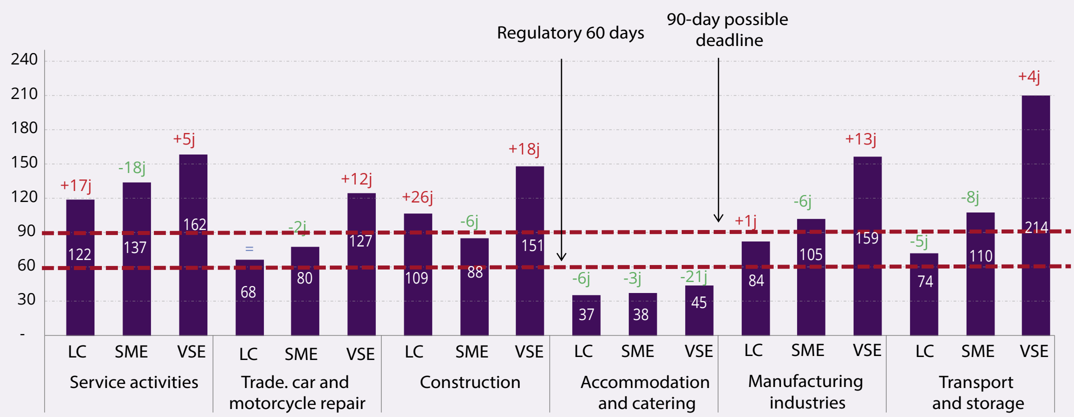
Despite an unfavorable context characterized by strong pressure on companies' cash flow, inter-company payment behavior continued to improve in 2022. In fact, Bank Al-Maghrib's calculations, based on data from a sample of 81,000 private non-financial companies, show a decline in both customer and supplier payment deadlines, although at different rates depending on the business sector and company size..

Table B.1.8.2.1: Change in payment deadlines (percent of businesses)

Indicators	Deadline range	2018	2019	2020	2021	2022
Customer payment deadlines	Below 60 days	51	51	51	55	58
	Between 60 and 90 days	8	8	7	7	7
	Between 90 and 120 days	7	7	6	6	6
	Greater than 120 days	34	34	36	32	29
Supplier payment deadlines	Below 60 days	62	62	59	62	66
	Between 60 and 90 days	8	9	8	8	8
	Between 90 and 120 days	6	6	6	6	6
	Greater than 120 days	24	24	26	24	21

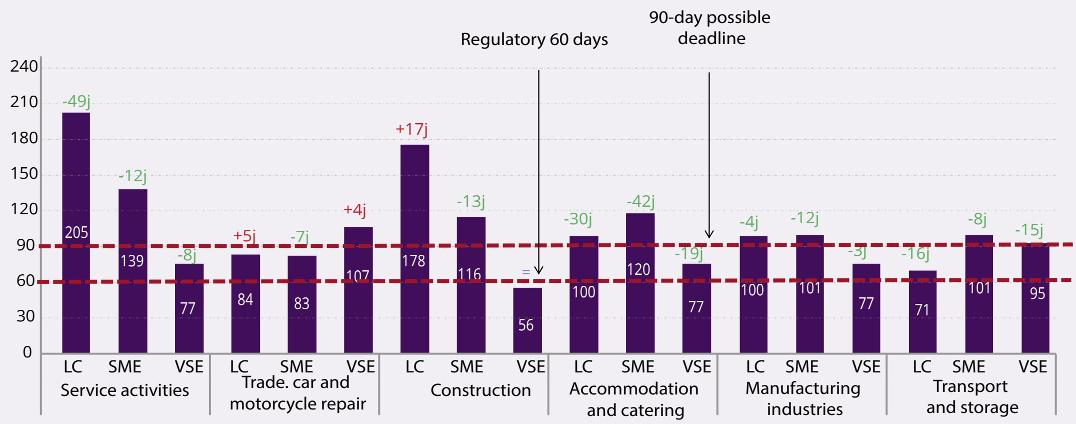
As a result, 58 percent of businesses, instead of 55 percent in 2021, were paid within the regulatory 60-day timeframe. The accommodation and catering sector posted the most significant year-on-year improvements, with payment deadlines falling by 21 days for VSEs and 6 days for large companies (LCs), continuing therefore to post the shortest payment deadlines of all sectors. Meanwhile, in the construction sector, deadlines once again were extended by 18 days for VSEs and 26 days for LCs, the highest increase recorded this year

Chart B.1.8.2.1: Change in customer payment deadlines in 2022 by sector of activity and by business size (in days of sales)



In terms of supplier payment deadlines, 66 percent of companies paid their invoices within the regulatory timeframe, as compared to 62 percent in 2021. The improvement was noticed across all sectors and categories of businesses, with the exception of slight increases for LCs in the construction sector and both LCs and VSEs in the trade sector. The biggest decreases were reported by LCs in the Services sector (-49 days), whose deadlines nevertheless remain high at 205 days, and by accommodation and catering companies, with decreases of 30 days for LCs, 42 days for SMEs and 19 days for VSEs.

Chart B.1.8.2.2: Change in supplier payment deadlines in 2022 by sector of activity and by company size (in days of purchases)



On the regulatory front, the last two years saw the adoption and implementation of Law 69.21 on payment deadlines in the private sector, marking a turning point in the way this issue is tackled. This regulatory framework came into force in July 2023 for large companies with a turnover higher than 50 million dirhams. These companies were due to start filing their declarations in October 2023. To this end, the tax administration published a circular detailing the scope of the new system, the methods for calculating payment deadlines as well as the rate and basis for calculating the pecuniary fine.

1.8.2 Mutual fund securities

Against the backdrop of rising interest rates, asset management activity was characterized by a continued shift from bond to money market mutual funds in 2023.

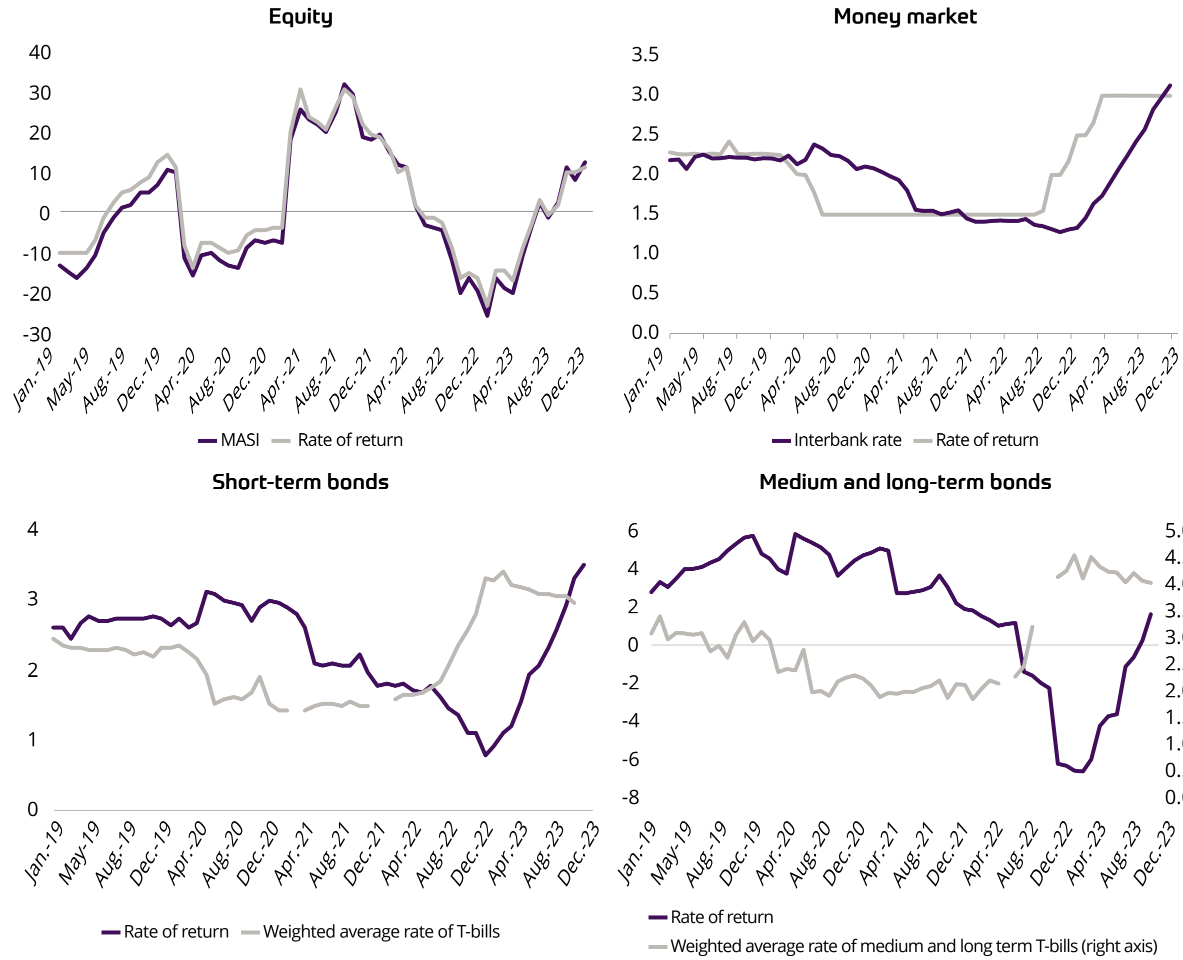
Subscriptions to money market funds therefore rose by 19.1 percent to 602.8 billion dirhams, while those to bond funds fell by 16.6 percent to 233.5 billion dirhams for medium and long-term maturities, and by 1.5 percent to 223.6 billion dirhams for short-term maturities.

In addition, despite the rebound in the Casablanca stock exchange, subscriptions to equity mutual funds fell by 24.1 percent to 6.8 billion, while those to diversified funds dropped by 11.3 percent to 19.5 billion. Conversely, inflows of contractual funds more than doubled to 93 billion.

Overall, subscriptions to mutual funds totaled 1,179.2 billion dirhams, up by 8.3 percent compared to 2022. Taking into account redemptions of 1,135.6 billion dirhams, net inflows stood at 43.6 billion dirhams.

In terms of performance, all funds posted positive results, with yields ranging from 1.6 percent for medium and long-term bonds to 11.3 percent for equity funds which benefited from rising stock prices.

Chart 1.8.4: Mutual Funds Returns (in percent)



Sources: Bank Al-Maghrib and the Moroccan Capital Market Authority.

Against this background, net assets of mutual funds reached 559.8 billion dirhams, up by 11.8 percent. Medium and long-term bond funds grew by 8.2 percent to 278.3 billion, short-term bond funds by 83.1 percent to 85.7 billion, diversified funds by 4.7 percent to 60.8 billion and equity funds by 13.9 percent to 43.2 billion. Conversely, money market and contractual funds fell respectively by 6.5 percent to 83.4 billion and by 28.3 percent to 8.4 billion.

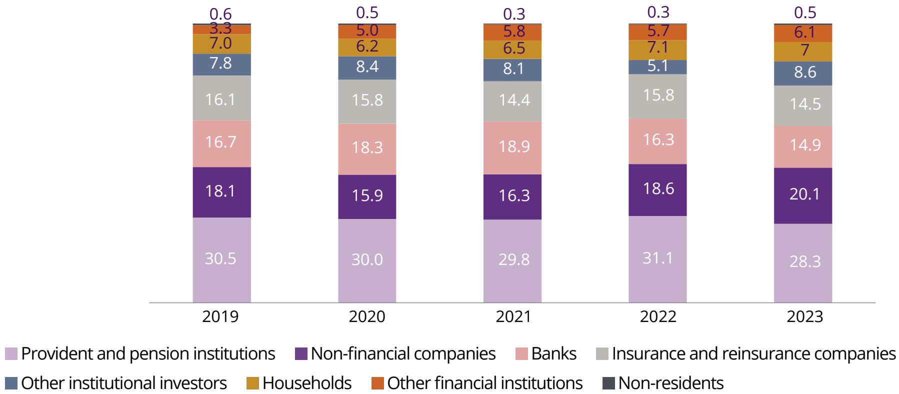
Table 1.8.5: Subscriptions, redemptions and net assets of mutual funds (in billion dirhams)

	2019	2020	2021	2022	2023
Categories			**Subscriptions**		
Equity	7.3	7.2	9.3	9.0	6.8
Contractual	19.8	21.0	16.2	44.5	93.0
Diversified	9.2	10.4	42.7	22.0	19.5
Money-market	353.8	357.8	429.5	506.1	602.8
Short-term bonds	185.5	186.2	246.7	226.9	223.6
Medium and long-term bonds	266.7	357.2	341.2	279.9	233.5
Total	**842.3**	**939.7**	**1085.6**	**1088.5**	**1179.2**
			Redemptions		
Equity	5.4	5.3	6.4	10.2	5.4
Contractual	20.4	19.6	18.2	34.5	96.5
Diversified	10.3	8.7	13.4	19.8	19.1
Money-market	356.5	346.3	421.9	499.0	611.7
Short-term bonds	190.3	180.5	245.1	256.3	187.1
Medium and long-term bonds	246.4	339.0	332.5	342.4	215.7
Total	**829.2**	**899.5**	**1037.5**	**1162.3**	**1135.6**
			Net assets		
Equity	37.4	37.1	47.1	37.9	43.2
Contractual	2.2	3.6	1.7	11.8	8.4
Diversified	28.9	30.8	63.1	58.0	60.8
Money-market	59.5	72.2	81.0	89.2	83.4
Short-term bonds	64.6	72.1	75.3	46.8	85.7
Medium and long-term bonds	277.9	307.4	324.8	257.2	278.3
Total	**470.6**	**523.2**	**592.9**	**500.9**	**559.8**

Source: Moroccan Capital Market Authority.

The change in the structure by holder of assets under management was characterized by a drop in the shares of welfare and pension institutions to 28.3 percent, banks to 14.9 percent and insurance and reinsurance companies to 14.5 percent. Conversely, the shares of non-financial companies, other institutional investors and other financial institutions rose to 20.1 percent, 8.6 percent and 6.1 percent respectively. As for households, their share remained virtually unchanged at 7 percent, while that of non-residents remained at a low level, not exceeding 0.5 percent.

Chart 1.8.5: Structure of Mutual funds' net assets by holder (in percent)



1.8.3 Stock market

After a historic underperformance in 2022, stock market activity continued to be impacted by adverse economic conditions at the start of 2023. With inflationary pressures still high, the market continued to expect further tightening of monetary policy. In this context, and after reaching in early January its lowest level since the COVID-19 pandemic in 2020, the MASI index ended the first quarter down 3.1 percent.

Subsequently, with the gradual easing of inflation, signaling a halt to the restrictive monetary policy stance, stocks entered a bull market which was further strengthened by Bank Al-Maghrib's decisions to keep its key rate unchanged at its June and September Board meetings.

In addition, the announcement of the awarding of the 2030 World Cup reinforced market optimism, with the MASI gaining 5.08 percent during the October 5 trading session. Overall, the stock market ended the year up by 12.8 percent, after dropping by 19.7 percent a year earlier.

Chart 1.8.6: MASI daily changes in 2023

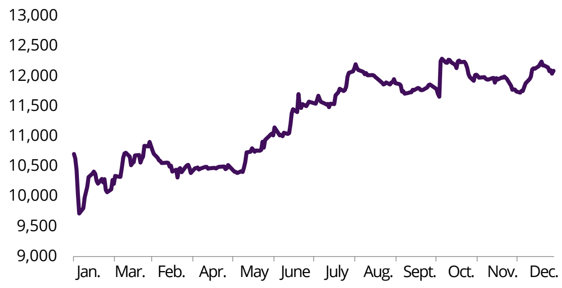
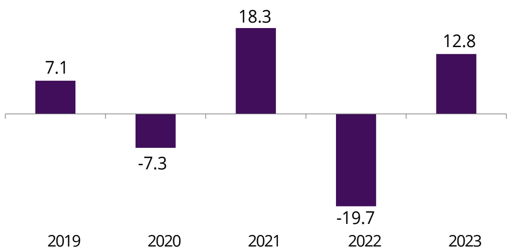


Chart 1.8.7: MASI annual changes (in percent)

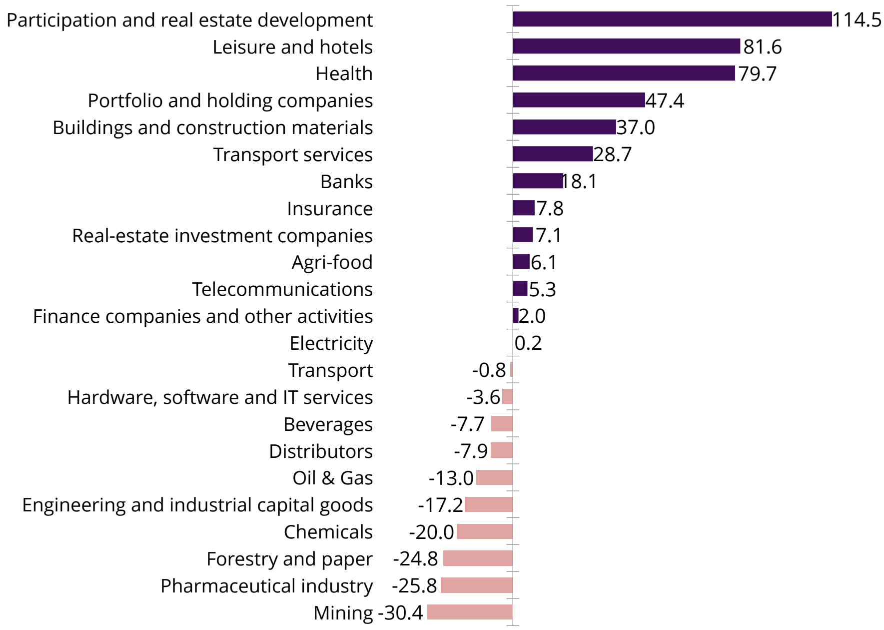


Source: Casablanca Stock Exchange.

At the sectoral level, the year was marked by wide fluctuations in terms of performance. The real estate sector posted an outstanding performance of 114.5 percent, particularly due to the implementation of direct housing subsidies. Similarly, boosted by persistently high level of public investment and the favorable outlook in relation with the numerous, launched or planned, infrastructure projects, the construction sector ended the year with a 37 percent increase. In addition, the banking sector index rose by 18.1 percent, driven by good financial results from listed banks, while the “Leisure and hotel” sector index jumped by 81.6 percent, buoyed by the optimism generated by the strong pickup in tourism.

Conversely, the biggest underperformance was recorded by the mining sector, particularly affected by the drop in international prices and the penalty imposed by the Foreign Exchange Office on a company operating in the sector.

Chart 1.8.8: Changes in sectoral indices in 2023 (in percent)



Source: Casablanca Stock Exchange.

In terms of stock market valuation, the market's PER ratio remained virtually unchanged year-on-year at 18.5, and at high level compared to the main "frontier markets". On the other hand, after a significant increase in 2022, the dividend yield fell to 2.96 percent, driven by a 10.9 percent drop in the distributed dividends at 18.6 billion.

Table 1.8.6: PER and dividend yield of major emerging markets (EM) and frontier markets (FM)

Country	Weight in MSCI Index		PER		Dividend yield (in percent)	
	Category	Weight	2022	2023	2022	2023
Vietnam	27.84	11.3	12.9	2.16	1.8	1.8
Morocco	**10.08**	**18.50**	**18.50**	**3.76**	**2.96**	**2.96**
Romania FM	11.80	4.3	9	5.9	3.81	3.81
China	26.53	8.7	6.8	3.94	4.6	4.6
India	16.73	24.3	23.8	1.44	1.27	1.27
Brazil	5.8	8	9.2	9.31	5.33	5.33

* On December 29, 2023.
Source: Thomson Eikon Reuters.

Trading volume improved to 65 billion dirhams from 57.7 billion in 2022. Transactions on the central market totaled 33.4 billion dirhams, those on the OTC market stood at 20.1 billion dirhams, and the remainder mainly concerned two operations of contribution of securities.

Table 1.8.7: Transaction volume (in millions of dirhams)

	2019	2020	2021	2022	2023
I-Equity	**74,864**	**55,309**	**74,557**	**57,354**	**64,874**
1-Central market	31,199	33,001	40,781	32,275	33,372
2-OTC market	26,676	15,837	23,474	20,821	20,092
Total of the secondary market (1+2)	**57,876**	**48,838**	**64,255**	**53,096**	**53,464**
3-New listings	-	600	600	1,372	600
4-Securities contributions	4,135	2,096	6,778	64	10,322
5-Public offerings	2,383	0	28	1,056	2
6-Transfers	622	1,368	503	391	430
7-Capital increases	9,848	2,406	2,393	1,376	56
Total of other markets (3+4+5+6+7)	**16,988**	**6,470**	**10,302**	**4,258**	**11,410**
II-Bonds	**531**	**468**	**186**	**325**	**172**
8-Central market	3	-	36	149	58
9-OTC market	527	187	130	175	114
Total of secondary market (8+9)	**531**	**187**	**166**	**325**	**172**
10-New listings	-	-	20	-	-
11-Securities contributions	-	281	-	-	-
12-Transfers	-	-	-	-	-
Total of other markets (10+11+12)	**-**	**281**	**20**	**-**	**-**
Overall Total (I+II)	**75,395**	**55,777**	**74,743**	**57,679**	**65,046**

Source: Casablanca Stock Exchange.

The year 2023 was marked by CFG Bank's IPO on November 23 through a capital increase. The operation involved the issuance of 5,454,545 shares, at a price of 110 dirhams per share, including 20 dirhams in nominal value and 90 dirhams in issue premium. Drawing interest from investors of 40 different nationalities, the IPO was oversubscribed 34.73 times. The new shares were allocated up to 26.5 percent to institutional investors while 73.5 percent went to non-institutional investors, mainly resident Moroccan individuals. The number of banks listed on the Casablanca stock exchange thus rose to 7, bringing the total number of companies to 77. At end-December, CFG Bank's share price stood at 141.5 dirhams, up by 28.6 percent since its first quotation.

Under these conditions, market capitalization increased by 11.6 percent to 626.1 billion, and its ratio to GDP rose from 42.2 percent to 42.8 percent year-on-year. Similarly, free floating capitalization increased by 15.1 percent to 162.5 billion dirhams, and the liquidity ratio of the equity central market rose from 5.1 percent to 5.7 percent.

To enhance the attractiveness of the market, the Moroccan Capital Market Authority, the Casablanca Stock Exchange and the General Confederation of Moroccan Enterprises adopted on November 28 a joint roadmap to boost the stock market. According to these stakeholders, this comes as part of the efforts to achieve the ambition of boasting 300 listed companies and a market capitalization equal to 70 percent of GDP by 2035.

Chart 1.8.9: Change in market capitalization

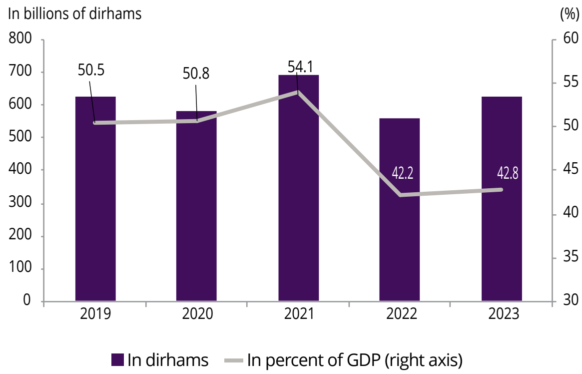
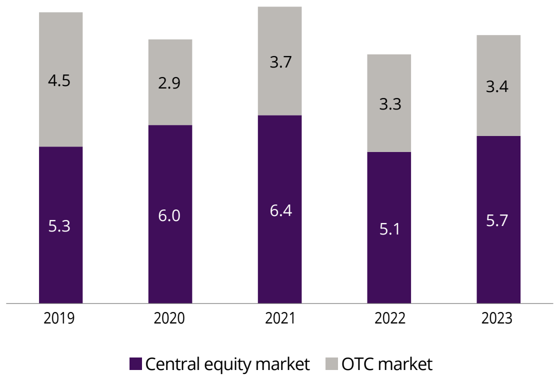


Chart 1.8.10: Equity market liquidity ratio (in percent)



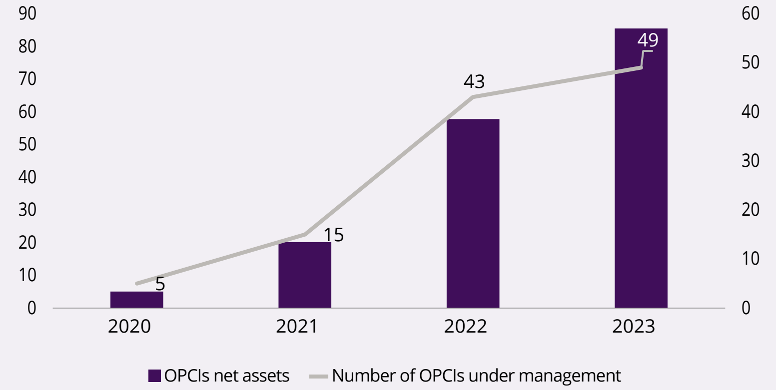
Sources: Casablanca Stock Market Data and BAM.

Box 1.8.3: Real estate mutual funds (OPCIs)

OPCIs activity has grown significantly since its launch on June 11, 2019. The introduction of this new instrument is part of the actions undertaken by public authorities to mobilize long-term savings to finance investment.

For investors, OPCIs represent a mean of diversifying their portfolios, and for companies a mechanism for reducing their balance sheets and diversifying their sources of financing. By the end of 2023, the number of OPCIs stood at 49, with net assets worth 85.5 billion dirhams, representing 2.6 percent of the total assets of all financial companies.

Chart B.1.8.3.1: Change in OPCIs net assets (In billion dirhams)



Source: Moroccan Capital Market Authority.

Almost half (49.7 percent) of OPCIs property assets are composed of buildings for education or training purposes, 17 percent for healthcare institutions, 15.5 percent for administrative purposes, and the remainder for offices and commercial premises. This structure shows the predominance of public property in OPCI assets, reflecting the Treasury's extensive use of this innovative financing mechanism.

The latter is essentially based on the sale of public buildings by the State to OPCIs owned by institutional investors, who in turn lease them back to the State on a long-term basis in return for rental income. This mechanism is expected to have generated revenues for the Treasury of 25.4 billion dirhams in 2023, and of 72 billion dirhams since its inception in 2019.

Subscriptions to OPCIs are thus dominated by insurance companies and welfare and pension institutions, with a 44.5 percent share of net assets, and banks with 25.5 percent. In equal shares, CDG and non-financial companies hold 11.9 and 11.4 percent respectively, while the rest is divided between other financial companies (5.2 percent), mutual funds (1.1 percent) and households (0.3 percent).

Although OPCIs have enjoyed remarkable growth since their launch, their concentration in the acquisition of public assets, and the fact that they are mainly held by institutional investors, have put them at arm's length from their primary objective of mobilizing public savings for investment.

1.8.4 Real estate assets

After five consecutive years of decline, the real estate market registered a rise in 2023. The Real Estate Price Index edged up 0.6 percent, following drops by 0.8 percent in 2022 and 4.2 percent in 2021. All categories were impacted, with increases of 0.1 percent for residential property, 1.5 percent for urban land and 1.7 percent for property for professional use.

Transaction volume increased by 8.2 percent, after a 10.5 percent drop in the previous year. The rise in sales stood at 9.5 percent for residential property, 9.1 percent for property for professional use and 2.5 percent for urban land.

Table 1.8.8: Real Estate Price Index (REPI) and number of transactions (Changes in percent)

	REPI					Transactions				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Overall	**-0.5**	**-0.2**	**-4.2**	**-0.8**	**0.6**	**-2.7**	**-5.3**	**34.2**	**-10.5**	**8.2**
Residential	**-0.2**	**-0.2**	**-4.9**	**-1.2**	**0.1**	**-0.5**	**-7.3**	**29.1**	**-9.6**	**9.5**
Apartment	-0.1	-0.1	-5.9	-1.7	0.1	-0.1	-6.5	28.3	-10.3	10.3
House	-0.9	-1.9	-0.6	0.2	0.6	-2.9	-22.4	49.3	-0.5	-1.4
Villa	-0.1	4.1	-7.5	-0.1	-0.4	-12.1	-5.9	21.1	5.2	5.7
Property	**-1.2**	**0.0**	**-2.8**	**0.5**	**1.5**	**-11.3**	**-0.7**	**50.8**	**-15.8**	**2.5**
Professional	**0.3**	**-0.8**	**-4.8**	**-1.5**	**1.7**	**-3.4**	**3.2**	**43.4**	**-6.3**	**9.1**
Commercial premises	-0.2	-0.8	-4.4	-0.9	1.6	-5.5	4.5	40.7	-5.9	7.0
Offices	2.1	-0.6	-6.9	-2.5	1.5	9.8	-3.6	58.9	-8.2	20.1

Sources: Bank Al-Maghrib and ANCFCC.

In major cities, price increases were widespread, ranging from 0.1 percent in Tangier to 2.2 percent in Rabat. In terms of transactions, except for Meknes, Kenitra and Oujda, which posted declines, the other cities posted increases ranging from 0.1 percent in El Jadida to 20.4 percent in Marrakech.

Table 1.8.9: Real Estate Price Index and number of transactions by major cities (Changes in percent)

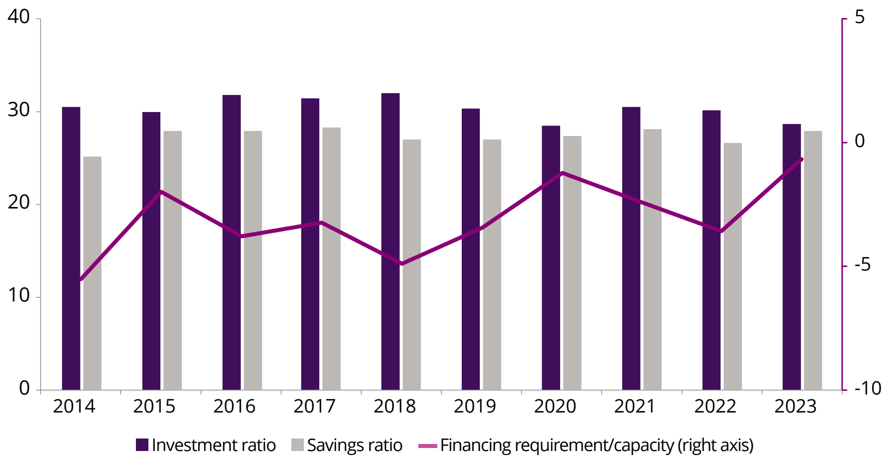
	REPI					Transactions				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Agadir	-1.0	0.7	-5.0	0.1	1.4	-11.1	0.1	44.2	18.4	9.5
Casablanca	-0.8	-0.9	-4.0	-1.5	0.3	2.6	-4.4	15.4	-9.8	7.8
El Jadida	0.1	0.4	-6.1	-3.0	1.0	-11.5	-21.4	62.5	-15.6	0.1
Fez	-0.5	-1.3	-4.6	-2.6	1.4	-5.7	-0.9	22.7	-11.3	2.9
Kenitra	0.8	-2.7	-3.1	-0.5	0.3	-2.5	-0.3	37.3	-7.1	-3.6
Marrakech	-2.8	0.2	-5.0	0.1	0.8	-13.6	5.6	26.8	-13.7	20.4
Meknes	0.5	-1.8	-4.2	-0.4	0.2	-5.2	-9.0	47.3	-9.4	-8.7
Oujda	-1.2	-1.1	-0.2	-1.5	2.1	-13.8	-16.0	37.6	-8.0	-2.4
Rabat	-1.3	0.5	-4.4	-0.3	2.2	-11.4	-10.2	40.9	-23.1	13.4
Tangier	0.1	1.7	-6.8	-1.2	0.1	-5.6	-17.1	36.1	-1.0	6.2
Overall	**-0.5**	**-0.2**	**-4.2**	**-0.8**	**0.6**	**-2.7**	**-5.3**	**34.2**	**-10.5**	**8.2**

Sources: Bank Al-Maghrib and ANCFCC.

1.9 Financing the economy[1]

In 2023, the domestic economy's financing requirement eased significantly, falling from 47.3 billion dirhams a year earlier to 9 billion dirhams, its lowest level since 2008. This trend was driven by a 4.6 percent increase in investment to 421.7 billion dirhams, or 28.8 percent of GDP, while national savings rose by 16 percent to 412.7 billion, equivalent to 26.2 percent of gross national disposable income (GNDI).

Chart 1.9.1: Financing requirement (in percent of GDP)



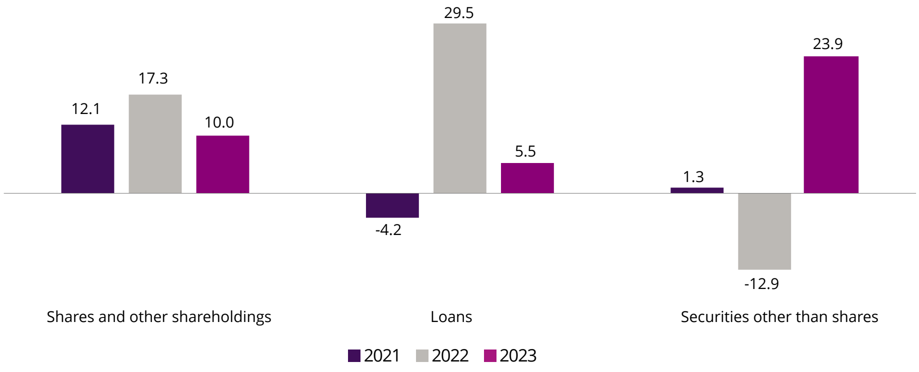
Source: HCP.

1.9.1 Financial flows with the rest of the world

The economy's financing need was mainly covered by debt securities issuances for 23.9 billion dirhams, equity investments in resident corporations for 10 billions, and external loans for 5.5 billion dirhams.

[1] This chapter is compiled based on several data sources, including monetary statistics issued by Bank Al-Maghrib, the balance of payments and international investment position established by the Foreign Exchange Office, as well as the national accounts of institutional sectors prepared by the HCP.

Chart 1.9.2: Main external financing sources (Net flows in billion dirhams)



Sources: Foreign Exchange Office data and Bank Al-Maghrib processing.

By economic unit, net external liabilities[1] of the general government increased by 33.8 billion dirhams, with their issuance of securities other than shares rising to 24.1 billion dirhams and their borrowings falling to 9.7 billion dirhams. In particular, the Treasury raised 45.5 billion dirhams, compared with 29.7 billion dirhams a year earlier, mainly from the international financial market (26.1 billion), the World Bank (7.7 billion) and the African Development Bank (3.2 billion).

With regard to non-financial corporations, their external liabilities showed a limited increase of 7.5 billion as against 27.4 billion dirhams a year earlier, reflecting a drop in FDI flows. Indeed, outstanding foreign equity investments rose by 8.8 billion, after an increase of 17.6 billion, and external borrowings fell by 3.9 billion dirhams after a 10.2 billion rise. Trade loans increased by 2.8 billion after 0.9 billion.

As for residents' external assets, they improved by 36.1 billion dirhams instead of 10 billion in 2022. In particular, Bank Al-Maghrib's official reserve assets strengthened by 21.8 billion dirhams and net foreign assets of other deposit-taking institutions by 10.1 billion. Assets of non-financial corporations increased by 11.4 billion dirhams, mainly as a result of expansions of 4.4 billion dirhams in trade loans and 4.3 billion in their outstanding borrowings.

[1] Balance of inflows and outflows.

Table 1.9.1: Financial flows with the rest of the world (in billion dirhams)

	2022				2023			
	Total	GG[1]	NFC[1]	FC[1]	Total	GG	NFC	FC
Residents' assets with the rest of the world[2]	**10.0**	**0.1**	**4.9**	**5.1**	**36.1**	**0.1**	**11.4**	**24.5**
Gold and SDR	1.0			1.0				
Cash and deposits	2.0		-0.3	2.3	-5.7		-0.8	-4.9
Shares and other shareholdings	5.0	0.1	3.1	1.8	5.3	0.1	3.5	1.6
Securities other than shares	3.1			3.1	30.1			30.1
Loans	2.6		2.1	0.5	4.8		4.3	0.5
Trade loans	-0.1		-0.1		4.4		4.4	
Other accounts payable								
Financial derivatives	-3.7			-3.7	-2.9			-2.9
Residents' liabilities to the rest of the world[2]	**29.4**	**8.0**	**27.4**	**-6.0**	**32.6**	**33.8**	**7.5**	**-8.6**
Deposits	-1.3			-1.3	-6.5			-6.5
Securities other than shares	-12.9	-11.7	-1.3		23.9	24.1	-0.2	
Shares and other shareholdings	17.3		17.6	-0.2	10.0		8.8	1.2
Loans	29.5	19.6	10.2	-0.4	5.5	9.7	-3.9	-0.3
Financial derivatives	-4.1			-4.1	-3.0			-3.0
Trade loans	0.9		0.9		2.8		2.8	
Other accounts payable								

[1] GG: General government; NFC: Non-financial corporations; FC: Financial corporations.
[2] Errors and omissions excluded.
Sources: Foreign Exchange Office data and Bank Al-Maghrib estimates..

1.9.2 Financial flows between resident sectors

In 2023, financial flows between resident sectors were characterized by an increase in the liabilities of general government, an easing in those of non-financial corporations and a decrease in the financial assets of households.

1.9.2.1 General government financial flows

General government financial liabilities toward residents were characterized by an increase in net issuances of Treasury bills to 33.6 billion dirhams from 19.1 billion a year earlier, and by a decline in net borrowings to 7.4 billion dirhams from 19.3 billion. As to deposits with the Treasury, they went up by 13.7 billion dirhams, following an increase by 10.3 billion.

Table 1.9.2: Main financial flows of general government (in billion dirhams)

	2022	2023
Net acquisitions of financial assets	**-17.3**	**20.7**
Deposits	8.5	23.9
Negotiable debt securities	1.6	1.2
Treasury bills	-8.9	-4.8
Real Estate Collective Investment Undertakings (RECIU)	10.5	8.8
UCITS	-18.5	0.4
Net liabilities flows	**39.4**	**52.7**
Deposits with the Treasury	10.3	13.7
Treasury bills	19.1	33.6
Borrowings	19.3	7.4
Other accounts payable / receivable	-9.3	-2.0

Sources: Bank Al-Maghrib, MCMA and Maroclear.

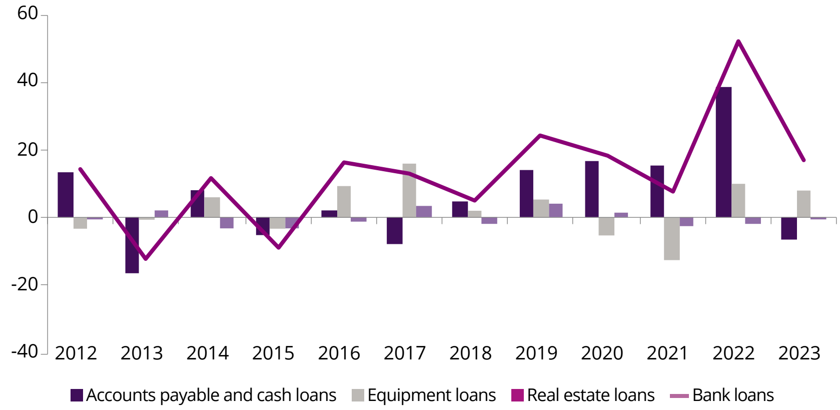
With regard to their financial assets, composed mainly of investments by the compulsory pension and welfare funds, their net flows increased by 20.7 billion dirhams, driven by a 23.9 billion increase in their deposits. Their holdings of UCITS securities increased by 400 million dirhams, following a decline of 18.5 billion in 2022. In terms of their equity investments, net subscriptions to RECIU amounted to 8.8 billion in 2023, compared with 10.5 billion a year earlier.

1.9.2.2 Financial flows of non-financial corporations

Liabilities of non-financial corporations[1] rose by 24.4 billion as against 69.1 billion, due to a 5.5 billion increase in their net issuance of debt securities and a 19 billion increase in their borrowings from financial corporations. In particular, outstanding bank loans saw a limited increase of 16.8 billion, driven mainly by loans to state-owned businesses. Conversely, loans to private non-financial corporations remained virtually unchanged, with a decline in cash facilities against a backdrop of a return of import prices to their normal level and the amortization of loans given under guarantee lines initiated during the pandemic crisis.

[1] Excluding trade loans and shares for which data is not available.

Chart 1.9.3: Flows of bank loans to non-financial corporations (in billion dirhams)



As regards the financial assets of non-financial corporations, their net flows fell from 41.9 billion dirhams in 2022 to 27.3 billion in 2023, reflecting a 10.4 billion drop in net subscriptions to securities other than shares, after an 11.9 billion increase, and a rise by 17.6 billion in deposits, following a 32.9 billion increase. As for their net subscriptions to mutual funds, they increased by 19.6 billion after a 3.3 billion drop.

Table 1.9.3: Main financial flows of non-financial corporations (in billion dirhams)

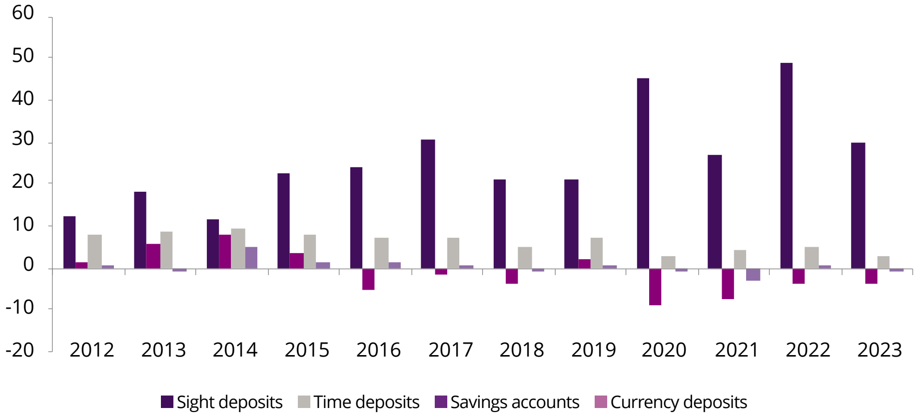
	2022	2023
Net financial assets acquisitions (excluding trade loans and shares)	**41.9**	**27.3**
Deposits	32.9	17.6
Securities other than shares	11.9	-10.4
Treasury bills	-0.4	2.8
UCITS	-3.3	19.6
Insurance technical reserves	0.4	0.5
Net liabilities (excluding trade loans and shares)	**69.1**	**24.4**
Securities other than shares	10.7	5.5
Loans from financial institutions	58.4	19.0

Sources: Bank Al-Maghrib, MCMA and Maroclear.

1.9.2.3 Household financial flows

Household financial assets[1] would have increased by 98 billion dirhams from 104.5 billion in 2022, mainly reflecting an increase in deposits of 35.5 billion dirhams after 54.8 billion, with in particular a slowdown from 9.3 percent to 5.4 percent in the growth of their sight deposits. On the other hand, their holdings of UCITS improved by 4.7 billion after a fall of 3 billion, and those in negotiable debt securities by 3.7 billion after an increase of 1.7 billion. In the same vein, outstanding currency in circulation, held mainly by households, rose by 38.4 billion[2], following an increase of 34.5 billion, to stand at 28.2 percent of GDP.

Chart 1.9.4: Flows of household deposits with banks (in billion dirhams)



In terms of liabilities, loans from financial corporations rose by 12.4 billion, after 17.4 billion in the previous year. Bank loans rose by 6.8 billion from 13.1 billion, with housing loans in particular increasing by 4.8 billion from 6.6 billion. Loans granted to households by financial corporations other than banks increased by 6 billion compared with 4.2 billion in 2022. In particular, loans extended by finance companies increased by 6 billion, of which 2.1 billion as consumer loans and 2.6 billion as leasing.

[1] Excluding trade loans and shares.
[2] This figure also includes cash from other sectors.

Table 1.9.4: Main household financial flows (in billion dirhams)

	2022	2023
Net acquisitions of financial assets (excluding shares and trade loans)	**104.5**	**98.0**
Cash	34.5	38.4
Deposits	54.8	35.5
Negotiable debt securities	1.7	3.7
UCITS	-3.0	4.7
Insurance technical reserves	16.6	15.7
Net liabilities (excluding trade loans)	**17.4**	**12.4**
Loans	17.4	12.4

Sources: Bank Al-Maghrib, MCMA and Maroclear.

Box 1.9.1: Contribution of finance companies to private sector financing

Finance companies (FCs) are non-banking financial institutions that focus on the following activities: Consumer loans, leasing, factoring and mortgages. They are governed by Banking Act No.103-12 on credit institutions and similar organizations, and fall under the remit of Bank Al-Maghrib. Their number stands at 29 by 2022, 19 of which were subsidiaries of banking groups. Their activity, as measured by their assets, saw an average annual growth of 3.5 percent over the last 5 years to 148.2 billion. 51.2 percent of these assets are held by consumer loan companies and 41 percent by leasing companies[1].

Between 2019 and 2023, FCs accounted for an average of 13.3 percent of total loans to the private sector, and 15 percent of loans to households and 11.8 percent of loans to non-financial corporations. By object, FCs' loans to households were aimed up to 46.1 percent on average for consumption and 30.2 percent for leasing. Loans to non-financial corporations were dominated up to 85 percent by leasing, followed by factoring (9 percent).

Chart B.1.9.1.1: Structure of loans granted to the private sector (in percent)

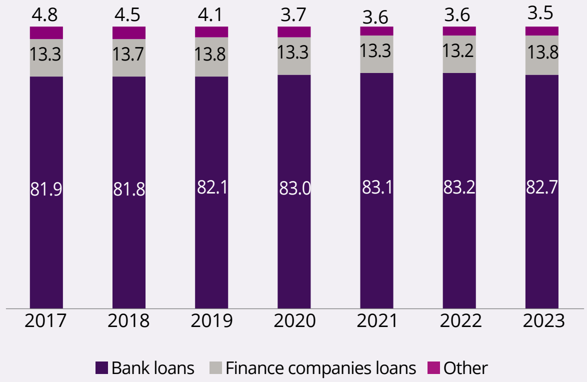
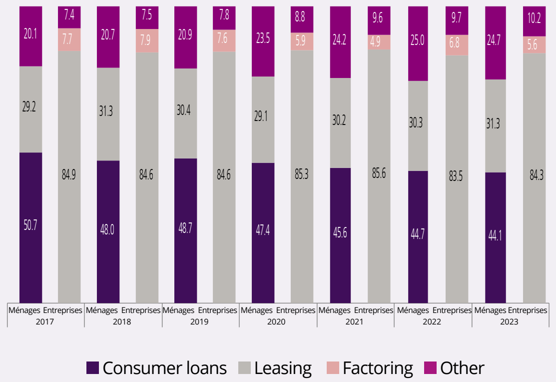


Chart B.1.9.1.2: Structure of financing granted by FCs (in percent)



Regarding FCs liabilities at end-2023, 45.6 percent are composed of borrowings from the banking sector and 17.6 percent of debt securities and bonds, with the remaining 7.7 percent in the form of guarantee and factoring deposits.

[1] Data from the Professional Association of Finance Companies for 2022.

Governance and Achievement of the Bank's missions

Part 2

HIGHLIGHTS OF THE YEAR

As the final year of the implementation of the Bank's 2019-2023 strategic plan, 2023 was marked by numerous achievements related to the bank's missions and activities, its contribution to both the organization and proceedings of the IMF and World Bank annual meetings in Marrakech, and the preparation of its seventh strategic plan covering the period 2024-2028.

In a context of relative easing of inflationary pressures, economic recovery and persistent uncertainty, Bank Al-Maghrib adopted a cautious approach with regard to monetary policy. Its aim is to keep inflation expectations firmly anchored, thereby favoring a return to levels in line with the price stability objective, while limiting the impact of the monetary tightening, initiated a year earlier, on the economic activity. Thus, after raising the policy rate by an additional 50 basis points during March meeting, the Board kept it unchanged at 3 percent for the rest of the year. At the same time, the Bank continued its policy of satisfying all banks' liquidity demand.

Reform of the exchange rate regime continues to unfold smoothly. Throughout the year, the dirham traded within the fluctuation band with no intervention, and the quarterly assessments of the Bank's departments indicated that the value of the national currency remained broadly in line with the fundamentals. At the same time, the foreign exchange market continued to deepen, with an increase in the volume traded on the interbank market and greater use of hedging instruments by market operators.

In terms of banking regulation, Bank Al-Maghrib further strengthened the micro-prudential framework with a view of enhancing the resilience of the banking system. It urged all banks to maintain a prudent approach to dividend distribution, closely monitored the evolution of credit risk in bank portfolios and improved its supervisory tools. At the same time, the Bank worked with international partners to gain a better understanding of the potential impact of climate change-related risks and stepped up its efforts to promote the digitalization of financial Services. In terms of consumer protection, it pursued its efforts to improve the quality of bank-customer relations.

As regards macroprudential supervision, Bank Al-Maghrib continued to closely monitor the risks weighing on the Moroccan financial sector, through the work of the Systemic Risk Coordination and Supervision Committee (CCSRS). Analytically, it enhanced and improved the methodology used to conduct its half-yearly macro stress tests of the banking sector, expanded the mapping of systemic risks and included macroprudential instruments relating to the real estate market and systemically important banks to its macroprudential framework .

Regarding cash management, the Bank was able to statisfy the needs of the national economy, issuing 651 million new banknotes and 87 million coins. It produced new series of banknotes and coins and satisfied on time all requests for the production of secure identity and utility documents.

With a view to developing and modernizing payment systems, the instant interbank transfer became operational on June 1, 2023, and efforts were stepped up to encourage and promote the use of digital financial Services. Meanwhile, the supervision of payment means has been consolidated by strengthening interoperability between mobile payment players and supporting the market in its efforts to comply with regulatory requirements.

Work carried out as part of the National Financial Inclusion Strategy focused on continuing to implement the national initiative aimed at fostering the economic empowerment of rural women, assessing customer interaction with credit institutions and setting up a financial capacity barometer in partnership with other players.

Upon assessment of the country's compliance with international standards relating to the fight against money laundering and terrorism financing, the Financial Action Task Force unanimously excluded Morocco from the enhanced surveillance process in 2023. As a member of the National Financial Intelligence Authority (ANRF), Bank Al-Maghrib has contributed, with stakeholders, to the definition of the strategic orientations following the country's exit from the grey list, enabling it to maintain the same momentum.

On another front, after a long preparatory process during which Bank Al-Maghrib played a central role as a member of the National Organizing Committee and Chairman of the Scientific Committee, our country hosted the Annual Meetings of the IMF and the World Bank in Marrakech in October 2023. In this context, the Bank took part in several high-level panels, held numerous bilateral meetings and drafted, jointly with the World Bank, the IMF and the Ministry of Economy and Finance, the Marrakech Declaration laying down the principles for enhanced global cooperation.

As a corporate entity committed to the importance and value of human capital, the Bank has constantly taken steps to enhance career development opportunities and skills offered to its employees. It thus introduced new career paths, improved well-being in the workplace, diversified the range of its training courses, and promoted professional equality between men and women.

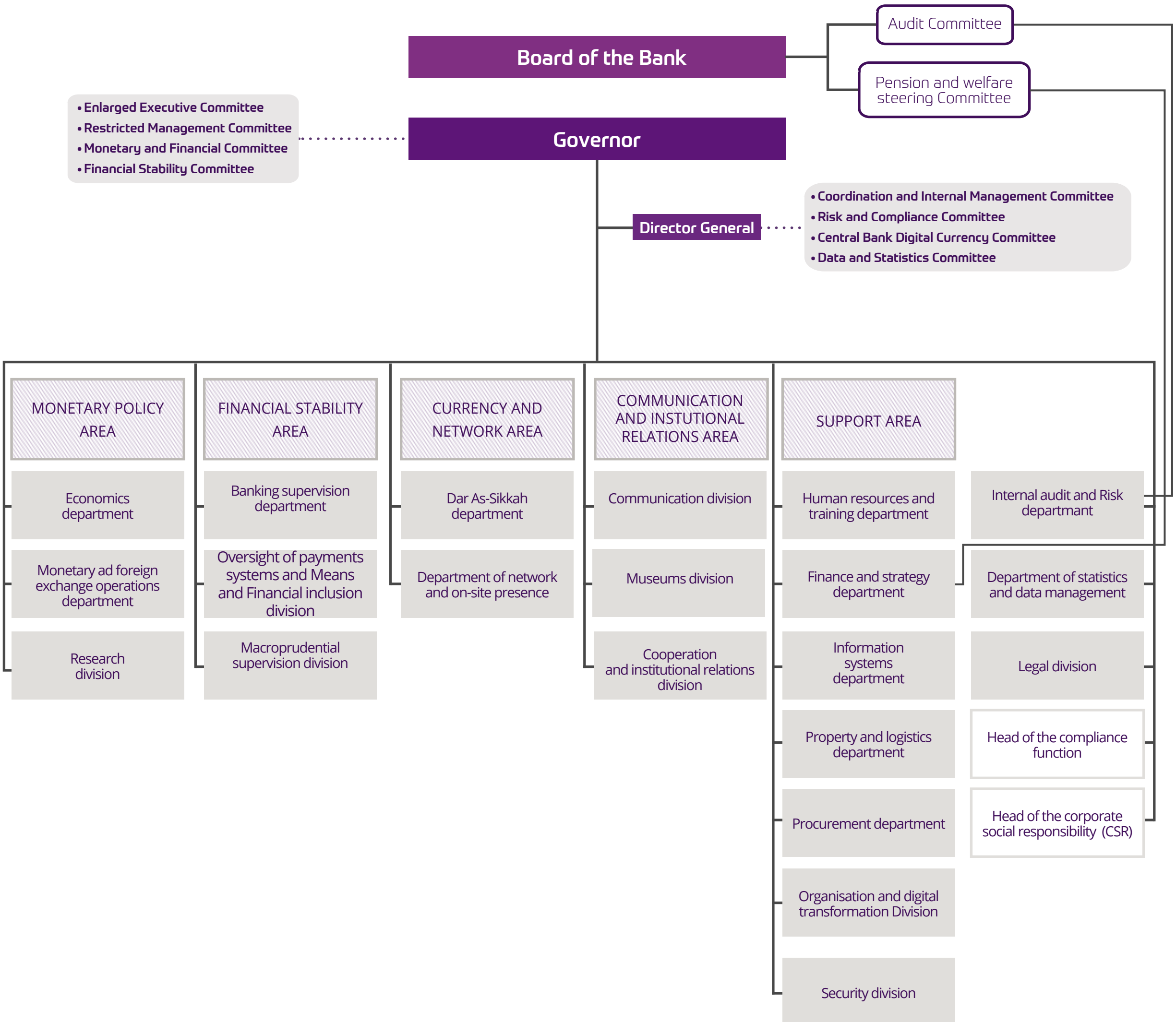
Building on these advances, and mindful of the magnitude of the challenges and stakes it faces in an increasingly complex and uncertain environment, Bank Al-Maghrib resolutely plans for the next five years to become "a committed and innovative Central Bank, dedicated to serving the economy and the citizen".

2.1 Governance and strategy

2.1.1 Organizational and Governance Structures

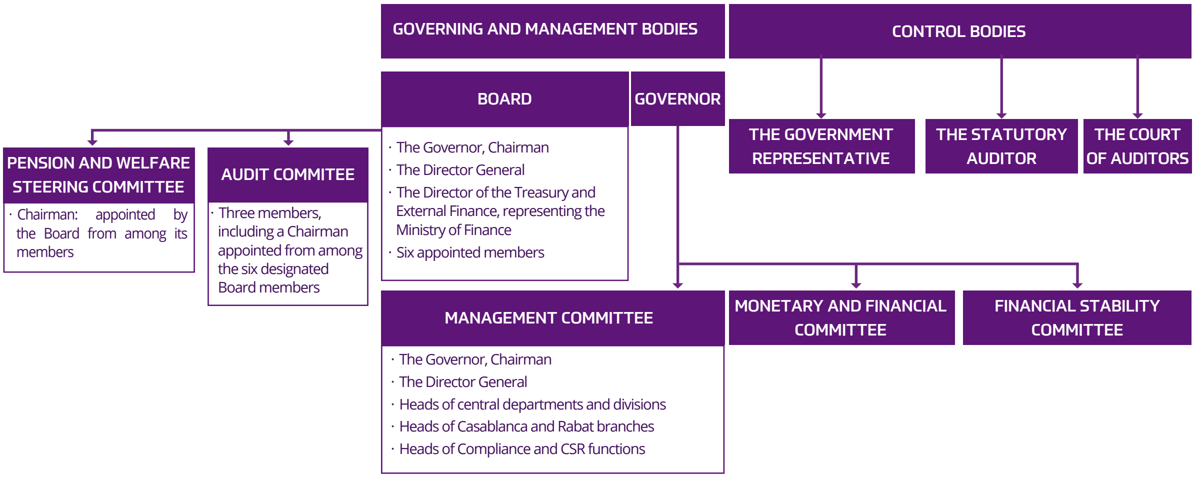
The organizational structure of Bank Al-Maghrib, established after the implementation of its 2019-2023 strategic plan, comprises 21 entities, a compliance function, and a Corporate Social Responsibility (CSR) function, as well as seven permanent governance bodies, each of which is involved in one or more areas of activity.

Diagram 2.1.1: Bank Al-Maghrib organization chart



The governing and management bodies of Bank Al-Maghrib consist of the Board, the Governor and the Management Committee. Supervision of the Bank is entrusted to three bodies: the Government representative, the statutory auditor and the Court of Auditors.

Diagram 2.1.2: Bank Al-Maghrib governance bodies



Administrative and management bodies

The Bank Board is composed of the Governor, as Chairman, the Director General and six members appointed by the Head of Government, among persons known for their integrity and competence in monetary, financial or economic matters, who do not hold any public elective office nor any position of responsibility in public or private companies or public administration. The Governor and the Minister of Finance propose each three of these members, respectively. Upon the renewal of the Board in 2020, the appointment criteria, as provided for by the law establishing the Bank's statutes, were further specified, particularly with regard to the individual and collective competencies of these members, the diversity of their profiles and the gender balance. The biographies of the appointed members are published on the Bank's website.

These members are appointed for a non-renewable period of six years. The Director of the Treasury and External Finance, reporting to the Ministry in charge of Finance, sits in the Board as an ex-officio member, but does not have the right to vote on decisions relating to monetary policy.

The Board, which meets at least each quarter according to a pre-established and publicly announced schedule, defines the monetary policy stance based on analyses and projections prepared by the Bank's staff. At the end of each meeting, a press release is immediately issued, explaining the Board's decisions and their rationale. In addition, the Governor holds a press conference, broadcast live. The Board Internal Rules of Procedure specify the modalities according to which monetary policy decisions are communicated to the public. They are published on the Bank's website.

The Board decides on the strategic allocation of foreign exchange reserves and monitors the results of their management. It also determines the characteristics of the banknotes and coins issued by the Bank and decides on their circulation and withdrawal in accordance with the relevant regulations. The Board is also responsible for the administration of the Bank, particularly for aspects relating to general policy, financial management and accounting as well as organization. The Board can also decide on all measures to be implemented in exceptional or emergency situations and determine any other instrument of intervention in the money or foreign exchange market other than those provided for by law.

Two Committees were set up from among the Board members:

- **The Audit Committee,** which examines and advises on matters relating to accounting information, internal and external audit, internal control and risk control. This committee is composed of three members, chosen from among the six designated members of the Board and meets four times a year, 10 days before the Board meetings. A Board-approved charter defines the roles, responsibilities and operating procedures of the Audit Committee. These are set out in internal regulations. The members appointed in 2020 are Mr. Mustapha Moussaoui, Chairman, Mrs. Mouna Cherkaoui and Mr. Fathallah Oualalou. The Internal Audit and Risk Management Department provides the secretariat for the Committee.
- **Pension and Welfare Steering Committee,** responsible for managing the Bank's internal pension and health insurance plans and monitoring their technical and financial management. It is chaired by a member of the Board and is composed of the heads of entities in charge of financial management, human resources and monetary and foreign exchange operations, as well as of two staff representatives. Its operating procedures are laid down in a charter approved by the Board. Mrs. Najat El Mekkaoui has been chairing the Committee since 2020, while the head of the Finance and Strategy Department serves as the Committee's secretary.

In compliance with the good governance practices, the Board of the Bank undertakes a self-assessment of its operations every two years, as stipulated in its internal regulations adopted in 2015 and amended in 2021. The next self-assessment is scheduled for 2024.

The Governor manages and runs the Bank. He is particularly responsible for ensuring compliance with the statutory provisions and regulations, and implementing the Board's decisions. The Director General assists the Governor and performs, under his authority, all the tasks that he assigns to him. The Director General also represents the Governor in the event of his absence or of an impediment.

The Management Committee helps the Governor manage the Bank's business. Headed by the Governor, it is composed of the Director General, the heads of central departments and divisions, heads of the Conformity and CSR functions, and the heads of Rabat and Casablanca branches of the Bank. This Committee holds monthly meetings according to a pre-established schedule. It meets each quarter, in restricted composition, to monitor the implementation of the digital strategy, the main projects included in the strategic plan, and cyber security aspects.

The Governor is also assisted by:

- **The Monetary and Financial Committee (MFC)** in areas related to monetary policy, foreign exchange policy, reserves management, banking supervision, financial stability, systems and means of payment, financial inclusion, and research. The MFC meets once a month according to a pre-established schedule after its preparatory meeting headed by the Director General, which convenes not only to prepare for the MFC meetings, but also to conduct an initial assessment of the Bank's macro-economic projections. The forecasting team of the Economics Department takes part in the Board meetings, as well as in the MFC and pre-MFC meetings.
- **The Financial Stability Committee (FSC)** meets twice a year, based on a pre-established schedule. Its responsabilities include assessing risks and threats to financial stability, and examining measures to mitigate them. The FSC holds its meetings prior to those of the Systemic Risk Coordination and Monitoring Committee, established by Law no. 103-12 on credit institutions and similar bodies.

The Bank has also set up four committees, chaired by the Director General, to address specific areas of activity. Their decisions are submitted to the Governor for approval:

- **The Internal Management and Coordination Committee (IMCC)** is tasked with reviewing policies, projects, and internal management issues that require inter-entity coordination, mainly with regard to strategy, area-specific policies, projects portfolio, budget and resources.
- **The Risk and Compliance Committee (RCC)** is in charge of reviewing and validating risk management policies as well as the information security, cyber security, business continuity, crisis management, ethics and compliance systems. In addition, the Committee establishes

the following bodies from among its members: an Ethics Committee, an advisory committee on procurement compliance, a committee for the prevention of money laundering, and a tax committee.

- **The Central Bank Digital Currency Committee (CBDCC)** is responsible for examining issues related to CBDC and other digital assets in order to further explore the subject matter. It is mainly tasked with identifying and analyzing the contributions, benefits, and risks of a CBDC and other digital assets for the national economy; analyzing the implications of the introduction of a CBDC and the use of other digital assets in terms of monetary policy, financial stability and consumer protection, as well as examining and contributing to the legal framework related to the CBDC and other digital assets.
- **The Data and Statistics Committee (DSC)** is in charge of reviewing and approving decisions related to the Data and Statistics strategy of the Bank and monitoring the implementation of the related roadmap. It is also tasked with examining and approving opportunities of new data projects, data collection and production requirements, as well as data mining and Data Analytics projects.

Control bodies

The Government Commissioner shall, on behalf of the State and in the name of the Minister in charge of Finance, control the regularity of the Bank's financial operations with regard to the legal and regulatory provisions applicable to them. He attends the Board meetings in an advisory capacity and makes any proposals deemed useful.

The Bank's accounts are, in accordance with article 43 of Law 40-17 establishing its Statutes, subject to an annual audit carried out under the responsibility of the statutory auditor. The latter certifies the summary statements, assesses its internal control system and presents its report to the Board. The latter appoints the external auditor following a review by the Audit Committee of the selection process and sets the auditor's term of office. The statutory audit is carried out pursuant to the standards of the profession in Morocco, which are largely based on the International Standards on Auditing (ISA).

The external audit is regulated by an internal instruction, which defines the following selection criteria: (i) the auditor must not be in a situation of self-audit, in compliance with the regulations of the accounting profession (OEC[1] Morocco and IFAC[2] 2009); (ii) the auditor must belong to a renowned international financial audit network; (iii) should have conducted auditing missions within central banks either directly or through its international network; (iv) must be financially stable; and (v) independent from Bank Al-Maghrib. Moreover, the external auditor's team must be multi-disciplinary, have the required qualifications and demonstrate a convincing experience in the banking and financial fields.

[1] Order of certified accountants (Ordre des experts comptables).
[2] International Federation of Accountants.

Additionally, the internal instruction lays down the following criteria to ensure the auditor's independence: (i) the auditor is prohibited from providing consultancy Services on behalf of the Bank; (ii) the size of the auditor's fees as compared to its total turnover; (iii) the auditor has no subordination or interest of any kind with Bank Al-Maghrib or any kinship or alliance relationship with the members of its Board of Directors and its executives.

Deloitte has been the statutory auditor of the Bank since 2021, for a non-renewable six-year term.

The Bank is subject to the control of the Court of Auditors. Each year, it submits to the Court of Auditors its accounting documents and those of the social security organizations for its staff, in accordance with the legislation in force. It also forwards to the Court extracts from the minutes of the Board meetings relating to its budget and assets, together with copies of the external auditors' reports.

Lastly, the Governor may be interviewed by the parliamentary standing committees responsible for finance, at their initiative, on the Bank's missions, in accordance with the principle of accountability enshrined in the Constitution.

Audit Committee

During 2023, the Audit Committee held four meetings. It examined the Bank's annual financial statements for the year ended December 31, 2022, and advised the Board of Directors on their approval. It also ensured the independence of the Statutory Auditor in accordance with the regulatory provisions in force, and reviewed the latter's audit plan for the 2023 financial year. To this end, the Committee inquired about the approach to auditing taken by the statutory auditor, the scope of his work and his ability to grasp the challenges associated with the Bank's activities, as well as the coordination arrangements with the internal audit department.

The Committee also reviewed the main conclusions of the report on the Bank's Internal Control System (ICS) for the year 2022, particularly the assessment of its level of maturity and its various components. It also considered the draft amendment to the Global Risk Management Policy prior to its submission to the Bank's Board for approval.

In addition, the Committee reviewed the results of the operational, reputational, financial and strategic risk management systems for 2023, the audit vision for the 2024-2028 cycle, and issued its opinion on the annual internal audit program for 2024, prior to its approval by the Bank's Board. It also reviewed the state of progress of its recommendations, which mainly concerned the risk management system, the annual financial statements, the ICS report and internal audit. Out of a total of fourteen recommendations, eight have been implemented for 2023 and six are currently being finalized.

Steering Committee for the Bank's pension and welfare schemes

In accordance with the Instruction on the charter for the steering pension and welfare schemes, the Steering Committee, chaired by a member of the Bank Board, met with the external asset managers to review the achievements of the funds dedicated to the Staff Retirement Fund and the Mutual Fund for the 2023 financial year, validated the actuarial balance sheet for these two schemes and submitted the conclusions of the annual report on the social funds and the proposed decisions for approval by the Bank Board at its March 2024 meeting. Meanwhile, the independent actuary, at the end of his audit of the actuarial balance sheet of Bank Al-Maghrib's pension and welfare schemes, raised no observations likely to call into question the data, assumptions, commitments, viability horizon of the two schemes and regulatory commitments.

In addition, in response to the orientations of the Bank Board, an Instruction on the pension and welfare fund management charter was drawn up, incorporating the new requirements set out in the ACAPS prudential regulations, the procedures for annual certification of the actuarial balance sheet, as well as the reinforcement of diversification and the integration, in the investment policy, of the principles of Corporate Social Responsibility.

The Bank's transparency framework

In line with its strategic guidelines aimed at bringing its transparency system up to the best standards and practices of central banks, Bank Al-Maghrib pursued the implementation of the recommendations arising from the review of its transparency framework, carried out in 2022, with reference to the IMF's Central Bank Transparency Code (CBT).

The recommendations implemented involve (i) creating a section dedicated to foreign exchange reserve management on the Bank's Internet portal, (ii) issuing additional educational information or explanations to enhance understanding of that available on the portal, in particularly on the role of the Bank's governance bodies and their interaction with the Audit Committee, (iii) risk management (financial and non-financial) and crisis management, (iv) internal and external audit, (v) the Bank's financial statements and budgetary rules, (vi) the methodological and analytical framework relating to financial stability and stress tests, and (vii) access to information held by the Bank.

2.1.2 Strategy

Since 2004, Bank Al-Maghrib's activities have been governed by strategic plans setting out the guidelines to be followed for the corresponding period, based on a clear vision and broken down into objectives and structuring projects. The 2019-2023 plan has enabled significant progress in all areas, despite a difficult and uncertain context, characterized by a succession of shocks induced by the pandemic crisis, the war in Ukraine and rising inflation.

Table 2.1.1: Major achievements of the 2019-2023 plan

Monetary policy domain	
Reform of the exchange regime	**Policy analysis and forecasting frameworks**
• Transitioning to the second phase of the exchange rate reform on March 9, 2020. • Carrying out measures to deepen the foreign exchange market. • Implementing measures to support economic operators and stakeholders.	• Adapting the quarterly macroeconomic projection model and the annual policy simulation model. • Refining the parameters underlying the inflation targeting reference framework. • Improving communication on monetary policy.
Research activities	**Data and statistics**
• Publishing 19 working papers. • Disseminating five research letters. • Introducing the "visiting researchers" program and strengthening partnerships with the academic world. • Launching in 2022 the first edition of Bank Al-Maghrib Prize for Economic and Financial Research.	• Setting up a dedicated structure that centralizes the management of the Bank's data and statistics and upgrades its infrastructure and processes (Statistics and Data Management Department). • Rolling-out the first phase of the Data & Statistics strategy roadmap.
Financial stability, banking supervision and financial inclusion domain	
Regulation and prudential supervision	**Economic financing and financial inclusion**
• Strengthening legal and regulatory frameworks. • Issuing in 2021 a directive on the management system of climate change-related financial risks and signing a memorandum with the GPBM and EBRD. • Contributing to the work of the Central Banks and Supervisors Network for Greening the Financial System. • Starting in 2021 the work to establish a secondary market for non-performing loans. • Improving banking supervision tools. • Strengthening cooperation in cross-border supervision. • Contributing to the roll-out of actions arising from the recommendations of the MENAFATF mission. • Supporting the digitalization of financial services. • Drafting and publishing in 2021 the strategic framework of macroprudential policy and improving the process of analysing and assessing systemic risks. • Integrating supervision instruments of risks from real-estate and households into the system of macroprudential tools. • Defining mechanisms for calibrating capital surcharge and its implementation on systemically important banks. • Improving the approach of conducting macro-stress testing and cross-border contagion.	• Adopting in 2019 the national financial inclusion strategy by the National Council of Financial Inclusion. • Contributing to Finance Week editions for children and young people. • Rolling-out the "Greenback" initiative in 2021 and organizing several "City Tours" across the Kingdom. • Contributing to the development of an action plan for the rural population. • Completing a study on the socio-economic status of rural women. • Conducting a survey of "Mystery Customers" in 2022. • Implementing actions aimed at the emergence of Fintech, namely setting up a "One Stop Shop Fintech" within the Bank, sector mapping, concluding partnerships in this area with regulators and digital stakeholders. • Implementing consumer protection measures, including a review of the rules governing banking mobility and the opening and closing of accounts, greater transparency in financial services pricing, and the strengthening of synergies with the Moroccan Banking Mediation Center. • Establishing in 2020 a cooperation agreement with the Competition Council. • Adopting in 2023 a charter facilitating access to and use of banking products and services for people with disabilities.

Payment systems and means
• Supporting financial market infrastructures ("FMIs") in setting up instant transfers and implementing the central counterparty clearing house for the futures market. • Developing a draft law on MFI supervision and issuers of payment means, as well as initiating consultation actions with the concerned stakeholders. • Conducting regularly, since 2020, stress tests to assess the resilience of the Moroccan Gross Settlement System (SRBM), taking into account the requirements of the Bank for International Settlements. • Improving the operational framework for FMI supervision and means of payment. • Implementing initiatives aimed at accelerating the adoption of the national mobile payment solution, in particular the roll-out of the institutional communication strategy, awareness-raising among traders and local agents and adaptation of technical and pricing conditions. • Implementing measures to dematerialize payments related to social benefits, and more generally, the flows between the state and the user. • Conducting research and analysis for implementing a global strategy to develop cashless payments, covering payment habits, costs of payment means and acceptance of electronic payments in the national market. • Establishing in 2021 a CBDC Committee and ad-hoc working groups, mandated in particular to examine issues relating to Central Bank Digital Currency and other digital assets and enlightening Bank Al-Maghrib's decisions in this area.
Bank network, fiduciary and secure documents domain
• Ongoing adaptation of the regulatory framework on the processing and recycling of fiat money through including new entities, the introduction of regulatory deadlines in line with Law No. 55-19 and the implementation of penalties in the event of non-compliance in accordance with Article 62 of Law No. 40-17 on the statutes of Bank Al-Maghrib. • Continued transformation and upgrading of Cash Cycle management, through a review of the various types of cash packaging to ensure better control of operational risks, the renewal and reinforcement of equipment to keep pace with the growing volume of business, and implementation of information systems to ensure traceability of cash movements. • Setting up a production unit for driving licenses and vehicle registration documents, as well as a minting unit for medals and commemorative coins. • Obtaining 2023 Excellence Award for the best "environmental sustainability" project. • Strengthening knowledge management and industrial expertise systems.
Governance domain
• Adapting in 2019 the Bank's organization and conducting a self-assessment of the roles and functioning of its governance committees, namely the Board, Management Committee, Monetary and Financial Committee, as well as Coordination and Internal Management Committee. • Reviewing the codes of ethics, implementing the anti-corruption management system, obtaining ISO 37001 certification, and rolling-out the ethics and anti-corruption convention. • Complying with the law on cybersecurity and conducting a sector-wide cyber-risk simulation exercise in 2021. • IMF assessment in 2022 of the Bank's transparency framework, highlighting that its governance framework's transparency practices are robust, and that those relating to monetary policy and financial stability are "broad and comprehensive", enabling it to "gain the noteworthy trust of the stakeholders". • Completing the integration of the Bank's Management Systems and enhancing the agility of its risk, audit, and control systems. • Defining and implementing roadmaps for the Bank's CSR and Compliance policies. • Strengthening the Bank's institutional relationships.

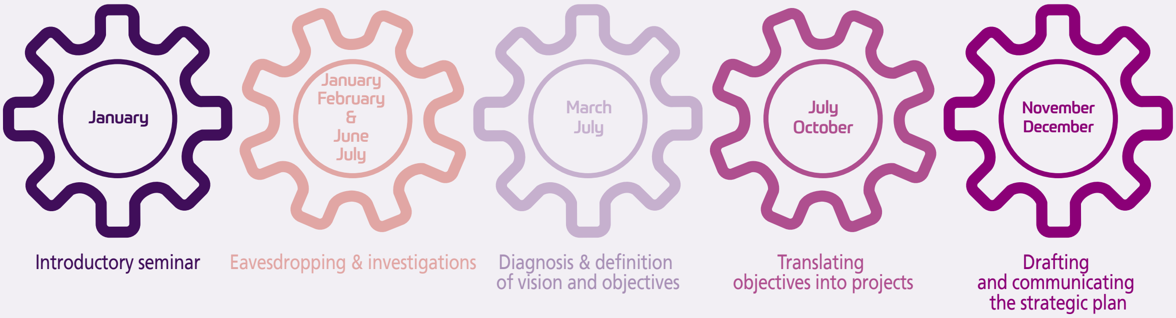
- Contributing to the organization of the IMF and World Bank annual meetings in Marrakech in October 2023, on the sidelines of which Bank Al-Maghrib co-organized with the Bank of Spain a high-level conference on gender approach in central banks, hosted the 38th G30 international banking seminar, participated in several thematic panels and held bilateral meetings with central bank Governors and senior officials from international institutions.
- Adapting the Bank's internal communications, particularly by setting up more user-friendly digital mediums, systematically disseminating all press releases to staff and enriching its intranet website.
- Strengthening external communication, notably by disseminating educational videos on the Bank's missions, providing trainings for journalists, and holding focus groups with audiovisual press correspondents, as well as launching communication campaigns on social networks.

Resources domain	
HR, training, and well-being	**Information system and digital transformation**
• Strengthening Bank Al-Maghrib's employer brand by setting up a new digital recruitment platform, taking part in new specialized forums, developing exchanges with renowned universities and schools, and broadcasting promotional videos on the Bank's business lines. • Introducing new levers for professional development, focusing on advanced and certifying trainings, teaching methods based on digital learning, and partnerships with various international institutions. • Drawing up succession management plans to create pools of potential candidates. • Implementing measures to improve well-being at work, including the provision of multifunctional business cards and pension and social security fund membership cards, the creation of a support unit for active employees, retirees and beneficiaries, the organization of web conferences on health & wellbeing and benevolent management, and the adoption of measures to support parenthood. • Implementing in 2020 a charter for gender equality at work and rolling-out an awareness-raising campaign on gender stereotypes.	• Reinforcing the Bank's IT infrastructure and cyber defense system. • Defining the Bank's cloud policy and adopting an IT hosting strategy to strengthen resilience and ensure continued operation of the Bank's business and support processes. • Achieving CERT (Computer Emergency Response Team) accreditation in 2019, enabling the Bank's Operations and Security Center to become recognized by peers and join international cybersecurity expert communities. • Conducting several experiments based on Blockchain, Machine Learning and Artificial Intelligence technologies and operating new IT products based on these disruptive technologies. • Rolling-out the change management plan accompanying the Bank's digital strategy. • Implementing the projects planned under the Digital Workplace program.

Building on this progress, and taking into account lessons learned from its own experience as well as from the practices of central banks in terms of strategic planning, Bank Al-Maghrib started work in 2023 on its seventh plan covering the period 2024-2028. The plan is based on a participatory approach combining "Top Down" global orientations and "Bottom Up" operational initiatives and includes a listening mechanism to gather stakeholder expectations.

Box 2.1.1: Process for drawing up the 2024-2028 strategic plan

The development of the 2024-2028 strategic plan started in early 2023 and followed the below stages



- **Introductory seminar**

The plan development process was initiated by the organization of a seminar designed to provide input for strategic thinking, and to mobilize all parties involved. Hosted by an international expert, this event focused on several topical issues of concern to central banks, and was attended by members of the Executive Committee, strategy correspondents from the various entities and Bank executives.

- **Feedback and surveys**

The year was marked by the roll-out of a listening and survey system, through in-house focus groups with strategy correspondents and a staff survey, the integration of several central banks' best practices on strategy development and steering, and the conduct of listening actions with national stakeholders, in particular financial system regulators and some local banks, representatives of academia and civil society, as well as a number of ministerial departments.

- **Diagnosis and definition of vision and objectives**

The feedback and survey results fed into the strategic diagnosis, which served as an opportunity to take stock of the previous plan, identify the main challenges posed by the Bank's internal and external environment, and set priorities for the future. As a result of this work, the Bank's new vision was defined, along with the resulting strategic and operational objectives.

- **Converting objectives into projects**

Once validated, the objectives were translated into projects and actions for implementation.

- **Drafting and communication of the plan**

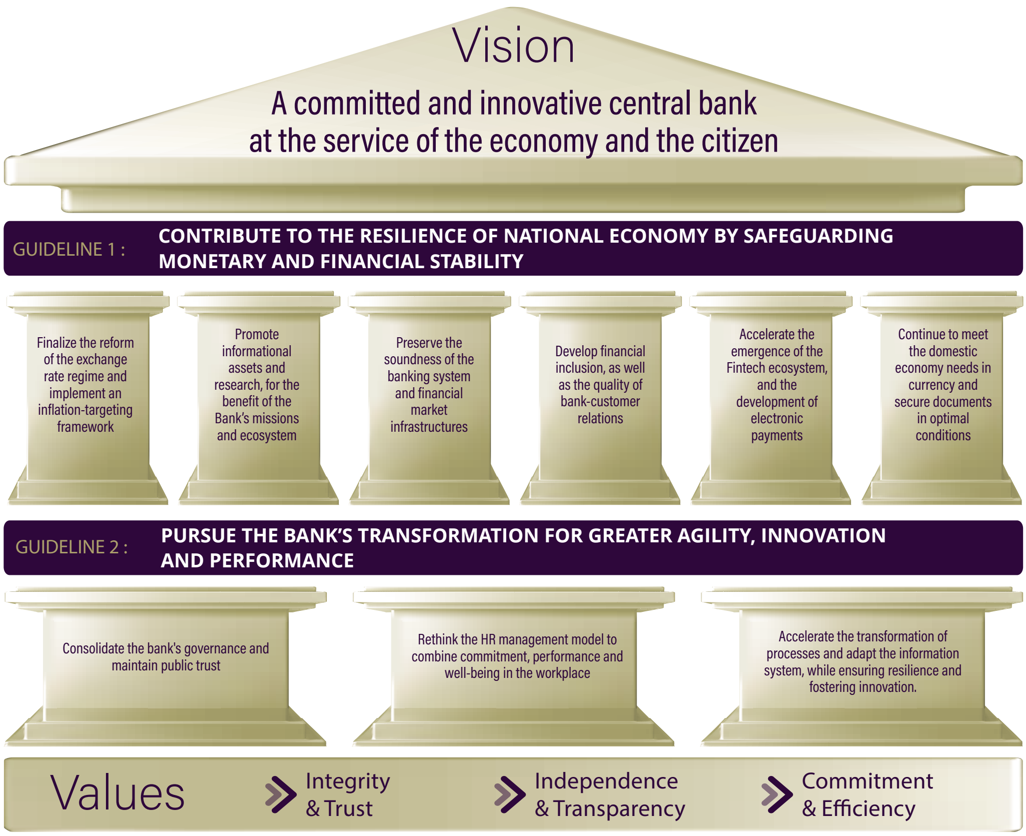
Upon completion of the drafting process, the Bank's strategic plan was submitted to the Board of Directors for approval at its December 2023 session.

The various stages in the development of the plan were monitored throughout the year by the Bank's Government and Management Committee. They were accompanied by communication actions in the form of videos and newsletters aimed at informing the Bank's staff of the progress made and the associated results.

For the five years to come, Bank Al-Maghrib has set itself a vision of being "a committed and innovative central bank, at the service of the economy and the citizen", which it plans to achieve through two fundamental guidelines:

- Contribute to the resilience of national economy by safeguarding monetary and financial stability ;
- Pursue the bank's transformation for greater agility, innovation and performance.

Strategic map 2024-2028



The Bank's new strategy map is made up of nine strategic objectives, covering both its core missions as well as internal levers for adapting its governance arrangements, human resources management model, processes and information system. Their implementation will rely on around twenty operational objectives, some fifty structuring initiatives and a new value system designed to guide the individual and collective behaviour of our staff.

2.1.3 Internal control, audit, risk management and ethics

Internal control system

The Bank's Internal Control System (ICS), derived from the COSO[1] framework, is subject to an annual review for all its components[2]. This review is prepared based on the results of the entities' self-assessment of their control systems, the overall mapping of operational risks and the conclusions and recommendations resulting from internal and external audit assignments as well as those of the Audit Committee.

The overall maturity of the ICS has improved over the previous year, enabling four components to reach the target maturity level that corresponds to a suitable level of operation, in line with the requirements. This improvement reflects a positive trend in the maturity of the "Information & Communication" component, due largely to the strengthening of the Bank's transparency framework and the deployment of structuring actions aimed at reinforcing the Bank's resilience and its cyber security system. The "Control Environment", "Risk Management" and "Steering" components continued to operate effectively and efficiently, as in the previous year.

Internal audit

Bank Al-Maghrib's internal audit is an independent activity entrusted with the mission of providing assurance to the main stakeholders (Board, Audit Committee and Governor's office) as regards controlling the risks to which the Bank is exposed. It aims to help the Bank achieve its objectives by assessing, through a systematic and methodical approach, its risk control, internal control and corporate governance processes.

As such, it plans and carries out its assignments according to a risk-based approach, focusing on an audit scope that encompasses all the Bank's entities, processes and activities. In addition to risk analysis, the annual planning of assignments takes into account strategic issues, the complementarity of the work with that of the statutory auditor, the criterion of cyclicality and the expectations of the aforementioned stakeholders. The audit missions particularly aim to assess the compliance of the Bank's activities with the laws, regulations and procedures in force, their effectiveness and efficiency with regard to the objectives assigned to them, as well as the reliability and security of the information.

[1] Committee of Sponsoring Organizations of the Treadway Commission (COSO).
[2] Control environment, risk assessment, control activities, financial and non-financial information, and steering.

The year 2023, which coincided with the completion of the 2019-2023 strategic plan, offered an opportunity to take stock of the audit cycle and draw up the new audit plan for the five-year period 2024-2028.

Table 2.1.2: Major processes audited in 2023

Management	Core missions	Support
• Risks and internal control • Information security and soundness of activities	• Fiduciary activities • Secured documents	• Human resources • Information Systems • Financial information • Procurement • Security • Legal compliance and support

In addition, international and national cooperation continued with an external evaluation of the internal audit structure of the Bank of Central African States (BEAC) as part of a technical assistance program, and with participation in the Conference of internal audit officials from central banks of French-speaking countries, for which Bank Al-Maghrib acts as secretariat.

Risk management

Strategic risks[1]

In 2023, the Bank conducted an analysis of the main risks associated with the implementation of the main projects included in the 2019-2023 strategic plan. According to this analysis, the key risks identified are mainly related to the coordination of external stakeholders and the quality of service provided by some service providers. The Bank has therefore defined and deployed actions to improve coverage of these risks.

[1] At the Bank's level, strategic risks fall into two categories: (i) risks that may hinder the achievement of its strategic objectives, and (ii) risks that may result from the implementation of these objectives..

Operational risks

Operational risks are managed through a structured methodological approach that differentiates between human, organizational and operational risks, as well as those related to the information system or to external factors. In terms of organization, a Risk Manager is designated at each entity to assess the risks inherent in the processes and activities of their entity and ensuring the implementation of measures aimed at controlling them. A central risk management structure provides methodological monitoring, support and consolidated reporting on risks.

In 2023, operational risk mapping was enhanced to include specific risks linked to management systems, notably health, safety at work and the environment, anti-corruption and information security. Meanwhile, changes in operational risks assessed as high were monitored throughout the year, especially those linked to cybersecurity in view of the heightened cyber threat, and to macroeconomic forecasting affected by persistent uncertainties.

Financial risks

Financial risks include credit risk, market risk, liquidity risk, as well as risks relating to the management of corporate funds and the use of the Bank's own funds. A committee set up by the CMF is responsible for regularly examining the indicators defined to monitor these risks, and for following up actions to control them.

Reputational risk

Reputational risk arises from a negative opinion or perception held by external or internal stakeholders as to the Bank's effectiveness in carrying out its missions. It can also result from inadequate management of strategic, operational or financial risks.

Over the course of 2023, the components of reputational risk have been analysed with a view to identifying measures to enhance control, including (i) monitoring of the Bank's image score in the media, (ii) an awareness-raising campaign on corruption targeting those involved in the procurement process, (iii) monitoring of the implementation of the recommendations arising from the review of the Bank's transparency framework, and (iv) evaluation of the customer feedback system. In addition, as part of the continuous improvement of our risk management system, an external peer review was carried out jointly by the Federal Reserve Bank of Philadelphia and the Bank of Spain.

Business continuity and information security

With the end of the Covid-19 pandemic, the Bank declared itself out of the health crisis situation, activated in March 2020, in line with the Crisis Management Plan. Nevertheless, epidemiological surveillance was maintained, and the lessons learned from this crisis and the war in Ukraine were consolidated in the Business Continuity Plans (BCP). In addition, the business continuity exercises organized to test business continuity procedures have become more complex, and have consequently been carried out on an unannounced basis. Furthermore, following the earthquake that struck the Al Haouz region in September 2023, the Bank reviewed the Business Continuity Plan (BCP) procedure for the "Earthquake" scenario.

With the aim of ensuring effective coordination between the Bank's BCP and those of other financial market players, and to help strengthen the resilience of the financial sector, Bank Al-Maghrib carried out the first cyber crisis simulation exercise in 2023, based on a scenario featuring a prolonged shutdown of a critical financial market information system. In line with the objectives set, this exercise served to put into practice the market's crisis coordination system and to train participants in this process, while validating the operation of the backup mode for the targeted processes.

With regard to information security, and amidst an upsurge in cyber-attacks, the Bank continued its efforts to strengthen its information security system by speeding up implementation of the cyber-attack risk management plan, carrying out security compliance checks and rolling out a new cyber-threat awareness campaign. Additionally, cyber-risk-related control missions were pursued, notably in connection with vulnerability and incident management. As regards compliance with Law 05-20 on cybersecurity and its implementing decree, the Bank has put in place an action plan aimed at complying with the provisions of the new National Directive on Information Systems Security.

Ethics

The Bank's ethics mechanism consists of two codes of ethics (one applicable to the Board members, the other to Governor's office and the staff), along with specific variations applicable to some highly ethically sensitive functions (especially those involved in the procurement process, internal auditors, external service providers and suppliers). In addition, an ethics alert mechanism is in place to provide employees and external partners of the Bank with a formal and secure framework for reporting any behaviour that are not aligned with the Bank's rules of good behaviour. In 2019, the Bank enhanced its ethics mechanism by implementing an anti-corruption management system certified to the ISO 37001 standard.

In 2023, instructions relating to the “Procurement Ethics Commission” and the “Conditions for the exercise by staff of activities outside the Bank” were reviewed, with a view to adapting them to changes in the Bank’s regulatory environment and best practices. To raise awareness of the critical nature of the ethical risks involved in the procurement process, a training program was organized for all staff involved.

Management systems

In 2023, an audit-consulting assignment was conducted following completion of the project to integrate Management Systems (MS) and their synergy with cross-functional activities[1]. At the same time, actions to maintain the effectiveness and conformity of these systems were carried out to prepare for the renewal of their certification[2]. To this end, for the first time, the Bank carried out an integrated campaign of internal MS audits, covering 20 processes, 13 entities and 18 branches and agencies.

On a sectoral level, implementation of the Anti-Corruption Cooperation Agreement in the Financial Sector[3] was pursued through an awareness-raising campaign concerning corruption risk management mechanisms, particularly for the benefit of partner entities[4].

2.1.4 Compliance

In the area of anti-money laundering and combating the financing of terrorism (AML/CFT), after the country’s removal in 2023 from the FATF’s grey list of “jurisdictions subject to enhanced supervision” and the EU’s grey list of “third countries posing a threat to the European financial system due to strategic AML/CFT deficiencies”, Morocco has requested a review of the ratings already attributed to six FATF Technical Recommendations with a “partially compliant” or “non-compliant” rating. This request should be discussed at the FATF plenary meeting scheduled for May 2024.

Considering the constant evolution of its ecosystem and the risks associated with certain operations intrinsic to its status as a central bank, the Bank has launched several reform projects covering both legal and technological aspects.

[1] Cross-functional systems cover risk management, permanent control and archive management.
[2] The standards concerned are as follows: ISO 9001, ISO 14001, ISO 27001, ISO 37001 and ISO 45001.
[3] Agreement signed in November 2019, between the three financial sector regulators (Bank Al-Maghrib, BAM, Autorité Marocaine du Marché des Capitaux, AMMC, Autorité de Contrôle des Assurances et de la Prévoyance Sociale, ACAPS) and Instance Nationale de la Probité, de la Prévention et de la Lutte contre la Corruption, INPPLC.
[4] Company managing the Deposit Guarantee Funds, Banking Mediator Center, Observatory of Very Small and Medium Enterprises, Moroccan Foundation for Financial Education.

On the legal front, the Bank revised its internal procedural framework to reflect the new mechanisms introduced by Act no. 12-18 amending and supplementing the Criminal Code and Law no. 43-05 on the fight against money laundering, leading to a reconfiguration of its external contacts. The National Financial Reporting Authority (ANRF) has been relieved of all responsibility for monitoring updates to the so-called "black" lists, in favour of the National Commission in charge of implementing the sanctions provided for in the United Nations Security Council Resolutions on terrorism, arms proliferation and their financing.

Furthermore, the Bank proceeded to clarify the rules relating to the identification of the beneficial owners of legal entities established in Morocco, following the production of the national register. At the same time, it has made available to the relevant public prosecutors' offices a computerized platform for the secure exchange of data aimed at identifying assets in bank accounts and freezing or seizing them as appropriate.

In the technical pillar, the Bank has finished upgrading its profiling and filtering tools and calibrating them according to the risk-based approach, with a view to maximizing their performance at operational level, taking into account the nature and size of the Bank's activities and the associated risks. It also sent two unsollicited declarations to the National Authority for Financial Intelligence, pursuant to Article 22 of the aforementioned Law n° 43-05, considering the results of the analysis of a complaint and a denunciation addressed to the Bank, the facts of which could de designated as money laundering predicate offences, as defined by Article 574-2 of the Criminal Code.

In terms of overall performance, the periodic measurement system covering the relevant indicators underpinning the architecture of the internal AML/CFT system achieved an overall performance rate of 92 percent, while the remainder depends on the full dematerialization of the system supporting law enforcement authorities in the identification of assets generated by criminal activities, in view of the significant increase in the number of requisitions processed, which reached 2,718.

To consolidate its internal privacy protection system, the Bank initiated work in 2023 on developing a digitized privacy management solution, designed to enable close monitoring of all the system's components and indicators. To quantify this, 41 products and Services supporting the Bank's activities and operations have been studied and analysed to assess their compliance with the privacy protection system. As a result of this work, measures have been taken to ensure compliance, thus confirming the principle of "privacy by design".

Concerning the right of access to information, the Bank continued to roll out its action plan, with a focus on proactive publication via its corporate website, alongside the full processing of requests for information received, the number of which reached 68 requests in 2023. These requests concerned, by importance, banking regulations, Bank publications and bank account information. Almost all requests were processed within an average of 15 days, except for some complex requests. The Bank has deployed all available methods of deposit, i.e. physical deposit, post and e-mail, while guaranteeing multilingual access.

To comply with organic law no. 26-16 “setting out the process for implementing the official nature of Amazigh, as well as the modalities for its integration in education and in priority areas of public life”, the Bank launched the actions outlined in the roadmap drawn up to comply with the provisions of this law. As such, the Amazigh language has been incorporated into several communication and information tools for the public, such as dynamic display screens, communication and awareness-raising media, the interactive voice server and the integration of the Tifinagh character into the logos of the Bank and its museum.

2.1.5 Corporate responsibility

As part of the ongoing implementation of its CSR program, Bank Al-Maghrib carried out a range of legal and ethical actions to strengthen its transparency framework, consolidate its cyber-risk management system and ensure that CSR issues relating to anti-corruption, financial security, cyber-security and consumer protection are more effectively taken into account within the financial ecosystem.

Regarding its economic responsibility, the Bank pursued its efforts to promote its return to levels that are consistent with its price stability objective, continued to roll out the roadmap of the National Strategy of financial inclusion and launched several initiatives to improve access to digital financial Services. In the field of economic and financial education, actions carried out have targeted the academic sphere, entrepreneurs and children.

In terms of social responsibility, the Bank launched new initiatives to diversify career opportunities for its employees, improve well-being in the workplace, develop the skills of its human capital and promote gender equality.

In terms of environmental responsibility, the Group pursued its efforts to enhance climate risk management within the banking sector, and mobilized to make progress on projects promoting the development of sustainable financing. Internally, efforts were directed towards implementing programs for the responsible management of water and the reduction of greenhouse gas emissions, as well as the organization of awareness-raising workshops on climate change.

Box 2.1.2: Main actions of the "Water Program" adopted by Bank Al-Maghrib

- Progressive connection of green space sites to the network for distribution of treated wastewater.
- Redevelopment of green spaces to improve water efficiency.
- Upgrading drinking water networks and water equipment on former sites.
- Incorporate requirements for water-efficient solutions into new construction projects.
- Raising awareness and promoting responsible water management: organization in March 2023, in collaboration with the Moroccan Coalition for Wtaer, of the Round Table entitled «Quelle Gouvernance de l'eau dans un contexte de rareté ("Water governance in a context of scarcity?"), scientific workshops on water for employees' children, organization of visits to Marrakech Water Museum for employees and their families, screening and debate around the documentary film "Maroc, les maîtres de l'Eau du Tafilalet.»

On the social front, the Bank rolled out its skills sponsorship scheme, enabling employees to contribute to projects of general interest. The missions of the pilot phase were identified in collaboration with associations serving the rural world and others offering support to disabled people.

2.1.6 Budget rules

At the budgetary level, Bank Al-Maghrib adopted an integrated approach that involves strategic planning, providing the operational basis for drawing up budgets and establishing reports to monitor the objectives and implement corrective action to be taken in the event of any deviation.

The budget preparation and execution is governed by a charter defining the roles and responsibilities of the various actors involved in this process and setting out the principles and rules, such as alignment with strategy, sound financial management, failure to clear expenses and income, annuality, specialization of financial years and fungibility. When preparing its budget, the Bank ensures compliance with the following rules: (i) financing the resources needed to achieve its objectives and carry out its missions; (ii) optimizing expenses, adapting resources to strategic priorities and meeting efficiency and compliance requirements; and (iii) identifying its investments with a view to rationalizing and improving efficiency.

In accordance with the budgetary schedule, activities begin in June with the scoping phase, which sets the projected rate of change for the Bank's operating budget. During October, the Internal Management and Coordination Committee (IMCC) validates the timeliness of operating expenses. With regard to the investment budget, the Ad Hoc Committees prioritize projects and examine the suitability of all new investments before submitting them to the IMCC. In November, the Investment

Committee validates the budgets for new investments and their annual allocations. At the end of this process, the Bank Board approves the Bank's annual budget and any in-year changes thereto at its December meeting, in accordance with the Bank's statutes.

As part of the drive to improve the budgeting process, the year 2023 saw a review of the Bank's project prioritization approach, with a view to simplifying the criteria, tools and deployment procedures. At the same time, the governance mechanism covering the investment budget was strengthened by the creation of a multi-disciplinary operational committee in charge of examining the integrity of documents relating to new investments, prior to the holding of the Ad hoc committee and the CCGI Investissements. At the same time, a fixed asset management charter has been drawn up, specifying the rules for classifying the Bank's expenditure as expenses or fixed assets.

2.2 Bank's missions

2.2.1 Monetary policy

In 2023, Bank al-Maghrib implemented monetary policy in a context of easing inflationary pressures, economic recovery and high uncertainty surrounding the outlook amidst the changing international environment and successive drought years.

In these conditions, Bank Al-Maghrib adopted a cautious approach aiming at keeping inflation expectations well anchored and support the return of inflation close to levels in line with its price stability objective, while at the same time limiting the impact of the monetary policy tightening, initiated a year earlier, on the economic activity.

Thus, after raising the key rate by an additional 50 basis points (bp) during its March meeting, the Board of Bank Al-Maghrib decided to pause the tightening cycle in June, in order to better assess the transmission of its latest decisions and the impact of the various measures introduced by the Government to support the purchasing power of households and some specific economic activities. During the rest of the year, in view of a faster-than-initially-expected deceleration in inflation over the forecast horizon, and considering the national context affected by the earthquake that shook the region of Al Haouz, the Board kept the key rate unchanged at 3 percent.

Regarding the implementation of monetary policy, Bank Al-Maghrib continued, during the year, to meet all banks' demand for liquidity in its weekly auctions, while maintaining at the same time its longer-term refinancing operations. The total amount of its interventions reached a weekly average of 96.8 billion dirhams.

In the foreign exchange market, the dirham evolved within the fluctuation band with no intervention from the Central Bank. The market further deepened, with a sharp rise in the volume of interbank transactions and a significant recourse by market operators to hedging instruments. The quarterly assessments carried out by Bank Al-Maghrib indicated that the value of the national currency remained broadly in line with the fundamentals.

Monetary policy decisions

The macroeconomic projections underlying the Board's decision during its first meeting of the year were established in the context of continuing inflation acceleration. The impact of easing external inflationary pressures was largely offset by domestic supply shocks on food prices.

Against this backdrop, BAM adjusted upwards its inflation forecast for 2023 to an average of 5.5 percent, following 6.6 percent observed in 2022, its highest level since 1992. Core inflation was expected at 6.2 percent, mainly reflecting the continued surge in food prices it includes. It was expected at 2.3 percent in 2024, but the start of the phasing out of subsidies, as planned in the 2023-2025 medium-term fiscal plan, was expected to maintain headline inflation at a higher level of 3.9 percent.

Regarding the economic activity, after a sluggish 1.2 percent in 2022, growth was expected to improve remaining limited at 2.6 percent in 2023, constrained by a weak household consumption. Non-agricultural growth was forecast to decelerate to 2.7 percent, while value added of agricultural sector was expected to increase by 1.6 percent, considering a cereal production estimated by BAM at 55 million quintals (MQs). For 2024, growth was forecast at 3.5 percent, with growth rates of 3.2 percent for non-agricultural activities and 6.9 percent for agricultural value added, assuming a return to an average cereal harvest of 75 MQs.

Regarding macroeconomic balances, the current account deficit was expected to narrow to 2.8 percent of GDP in 2023, and 2.6 percent in 2024, mainly under the effect of the anticipated downturn of energy prices, the continued good performance of some of world's crafts of Morocco and the sustained high levels of remittances and travel receipts. Taking into account the planned external financing of the Treasury, official reserve assets were set to cover almost 5 months and 25 days of imports of goods and Services over the forecast horizon. Concerning public finances, the fiscal deficit was set to narrow further, thanks to a sharp drop in subsidies and extensive use of the "innovative financing mechanisms". The deficit was thus projected to narrow from 5 percent of GDP in 2022 to 4.7 percent in 2023, and 4.3 percent in 2024.

Regarding monetary conditions, the average lending rate increased by 26 bp in the fourth quarter of 2022 to 4.50 percent, while deposit rates increased by 17 bp for 6-month deposits and 18 bp for one-year deposits, after a 50 bp increase in the key rate over the same period. Bank lending to the non-financial sector, which rebounded by 7.9 percent in 2022 due to the significant expansion of corporate cash flow requirements, was expected to increase by 4 percent in 2023 and 4.6 percent in 2024.

In view of the information above and following the two increases of the key rate in September and December 2022, the Board decided to raise the rate again in March 2023, by 50 bp to 3 percent, to prevent inflationary spirals, strengthen the anchoring of inflation expectations, and thereby foster the return to levels that are consistent with the price stability objective.

Table 2.2.1: Inflation forecast in 2023 (in percent)

	Board meetings			
	March 21st	June 20th	September 26th	December 19th
Average over the 8-quarter horizon	4,7	4,2	3,0	2,6
2023	5,5	6,2	6,0	6,1
2024	3,9	3,8	2,6	2,4
2025	-	-	-	2,4

Incoming data during the following months showed a greater-than-expected impact of supply shocks on volatile food prices, which rose by 32.2 percent year-on-year in February, driving inflation in the same month to 10.1 percent, a record level since August 1986. In light of these new developments, Bank Al-Maghrib updated its June forecast to 6.2 percent for 2023, while maintaining its expectation of a marked deceleration over the rest of the forecasting horizon.

In addition, considering the slightly less favourable growth prospect, the Board decided to pause its monetary policy tightening cycle after three successive increases of the key rate totalling 150 bp. This decision was intended to allow for an in-depth and up-to-date assessment of the cumulative effects of these increases, as well as the impact of the various measures implemented by the Government to support household purchasing power and some specific economic activities.

Box 2.2.1: Estimation of natural rate of interest for Morocco

The concept of natural rate of interest can be traced back at least to Wicksell (1898)[1], who described it as the interest rate that would equalize saving and investment and be compatible with price stability. Along these lines, the natural rate is generally defined as the level of the real interest rate that would prevail in the absence of economic cycle fluctuations, and when output is at its potential, savings equivalent to investment and inflation is stable. It is an indicator for assessing the stance of monetary policy, deemed expansionary when the natural rate exceeds the real policy rate, and restrictive when it is lower.

The natural rate is generally determined by real forces that structurally affect the balance between real and potential output, or equivalently between saving and investment, including potential growth, demographic trends, inequality, shifts in savers' and investors' risk aversion and fiscal policy.

However, its use for monetary policy decision-making raises several concerns mainly related to its estimation. Indeed, this indicator is not directly observable, and there is no consensus regarding the most appropriate method for assessing it. The empirical approaches adopted for this are based on a wide range of tools, including structural models such as DSGE, semi-structural and SVAR models.

For Morocco, several studies have been conducted to estimate the natural rate, particularly the one by Bank Al-Maghrib in 2016 on the basis of a semi-structural model (Laubach and Williams, 2003)[2], and the one published by the IMF in 2021[3].

After the various shocks that hit the Moroccan economy in recent years, and their impact on economic structures and relations between macroeconomic aggregates, Bank Al-Maghrib considered that it is appropriate to review its approach of assessing the natural rate. For this, the Bank chose the Holston-Laubach-Williams (2023)[4] model, which includes the effects of the pandemic, by allowing a time-varying volatility of shocks to output gap and inflation (over the period 2020-2022) as well as a persistent supply shock over the period 2020-2024. The latter is assessed through an index measuring the severity of restrictions imposed to contain the pandemic[5].

The model comprises two basic equations: an IS curve (aggregate demand) and a Phillips curve (aggregate supply) and uses a multivariate Kalman filter to assess unobservable variables. The variables used are the real non-agricultural GDP, core inflation, inflation expectations, the nominal interbank rate, as short-term rate, and the restrictions index calculated for Morocco. The frequency of data used is quarterly over the period of Q1 2003 - Q4 2023.

[1] Wicksell Knut, 1898, "Interest and prices: a study of the causes regulating the value of money".

[2] Thomas Laubach and John C.Williams, 2003, "Measuring the Natural Rate of Interest," Review of Economics and Statistics 85.

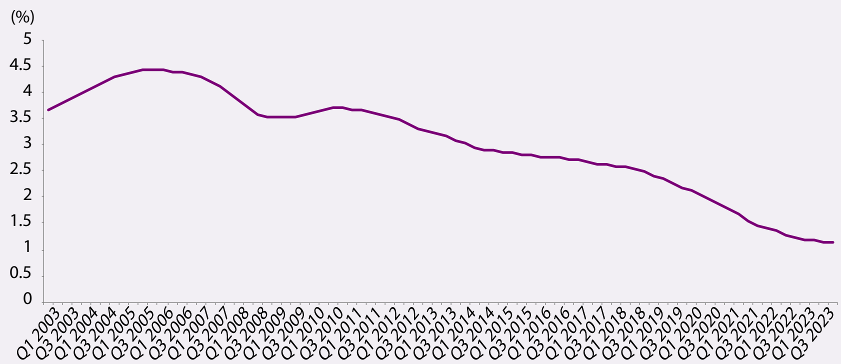
[3] Maximilien Queyranne, Daniel Baksa, Vassili Bazinas and Azhin Abdulkarim, 2021, "Morocco's Monetary Policy Transmission in the Wake of the Covid-19 Pandemic", IMF Working Paper No. 2021/249.

[4] Kathryn Holston, Thomas Laubach, and John C.Williams, 2023, "Measuring the Natural Rate of Interest after Covid-19", Federal Reserve Bank of New York Staff Reports, no. 1063.

[5] This index (The Covid-19 Stringency Index) measures the severity of restrictions put in place by the authorities to contain the spread of the Covid-19 virus, based on information gathered by the Oxford Covid-19 government response tracker. It is based on nine metrics, namely: (i) school closures; (ii) workplace closures; (iii) cancellation of public events; (iv) restrictions on public gatherings; (v) closures of public transport; (vi) stay-at-home requirements (vii) public information campaigns; as well as restrictions on (viii) internal movements; and (ix) international travel controls. The index is scored on a scale from 0 to 100, with a higher value corresponding to the strictest response.

Estimation results show a downward trend in the natural rate of interest since the international financial crisis of 2007-2009, similar to that observed in most advanced and emerging countries. The results are in line with those of the IMF 2022 Article IV consultation report[6], suggesting a natural rate of interest ranging from 1 to 2 percent. By comparing these estimates with the actual policy rate[7], Bank Al-Maghrib's monetary policy is likely to have remained accommodative, despite the three increases implemented between September 2022 and March 2023.

Chart B.2.2.1.1: Change in the natural rate of interest in Morocco



[6] International monetary fund, 2023, "Morocco: 2022 Article IV Consultation-Press Release and Staff Report".

[7] Calculated based on 8-quarter inflation expectations derived from BAM's survey of inflation expectations among financial sector experts.

Starting September, the violent earthquake in the region of Al Haouz shaped domestic conditions. The disaster took a heavy toll on human lives but had limited impact on the economic activity, as revealed by the various assessments made in this regard.

In this context, the Bank maintained its growth forecasts almost unchanged during the last two Board meetings of the year. However, considering updated data for the medium term fiscal plan and especially subsidies, inflation projections were revised significantly downwards for 2024 to 2.6 percent in September and 2.4 percent in December. In 2025, inflation was expected to be maintained at this level.

Available data suggested that the transmission of previous monetary policy decision continued, while remaining partial, particularly with a 112 bp rise of the average lending rate to 5.36 percent in the third quarter since the start of the tightening cycle. At the same time, medium-term inflation expectations, as reflected in BAM's quarterly survey of financial sector experts, started to decline from the third quarter. In view of these developments, the Board decided at its last two meetings of the year to keep the key rate unchanged at 3 percent.

Table 2.2.2: Monetary policy decisions since 2014*

Date	KEY RATE	RESERVE REQUIREMENT RATIO	OTHER DECISIONS
March 25, 2014		Decrease from 4 percent to 2 percent	
September 23, 2014	Decrease from 3 percent to 2.75 percent		
December 16, 2014	Decrease from 2,75 percent to 2,50 percent		
July 1, 2015			New allotment rule for 7-day refinancing operations, based on each bank's efforts to supply credit to the real economy and the level of interest rate pass-through.
March 22, 2016	Decrease from 2.50 percent to 2.25 percent		
June 21, 2016		Increase from 2 percent to 5 percent	Introduction of remuneration of bank reserves for those making greater efforts to lend.
September 24, 2019		Decrease from 4 percent to 2 percent	
December 17, 2019			- Introduction of an unlimited refinancing mechanism for bank loans granted to groups targeted by the Integrated Business Support and Financing Program. - Application of an interest rate of 1.25 percent for refinancing loans granted under this program.
March 17, 2020	Decrease from 2.25 percent to 2 percent		
April 15, 2020			- Extension of the list of assets eligible as collateral for refinancing operations to include debt securities issued by Public Institutions and Enterprises (PIEs) or by securitization collective investment funds (Fonds de Placements Collectifs en Titrisation), as well as instruments representing claims on the State or on PIEs. - Easing of refinancing conditions for banks under the program set up in 2013 to support VSME financing by (i) extending refinancing to operating loans in addition to investment loans and (ii) raising its frequency from quarterly to monthly.
June 16, 2020	Decrease from 2 percent to 1.5 percent	Decrease from 2 percent to 0 percent	- Setting up a refinancing line for new loans and rescheduled loans granted by banks to micro-credit associations. - Introducing a refinancing line for "Wakala Bil Istithmar" concluded by conventional banks with participatory banks.
September 27, 2022	Increase from 1,5 percent to 2 percent		
December 20, 2022	Increase from 2 percent to 2.5 percent		
March 21, 2023	Increase from 2.5 percent to 3 percent		

* For the key rate and the reserve requirement ratio, the table only includes decisions involving a level change.

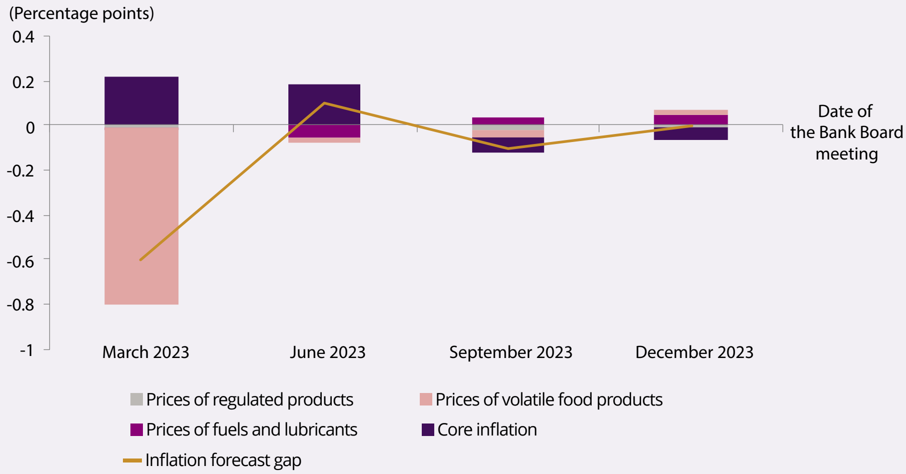
Box 2.2.2: Assessment of inflation and growth forecasts

As part of its ongoing efforts to improve its macroeconomic analysis and forecasting tools, Bank Al-Maghrib conducts an annual assessment of its projections, produced each quarter during its Board meetings. In line with the Bank transparency policy, this box summarizes the results of inflation and growth forecasts review for 2023.

In 2023, the forecasting exercises were carried out in an international backdrop of persistently high, albeit decelerating inflation, despite falling energy and food prices. In this environment, monetary policy tightening continued to weigh on economic activity, raising concerns of a recession, particularly in the euro area. Domestically, the drought and worsening water scarcity continued for another year, affecting the supply of some specific fresh food products, added to the violent earthquake that shook the region of Al Haouz in September.

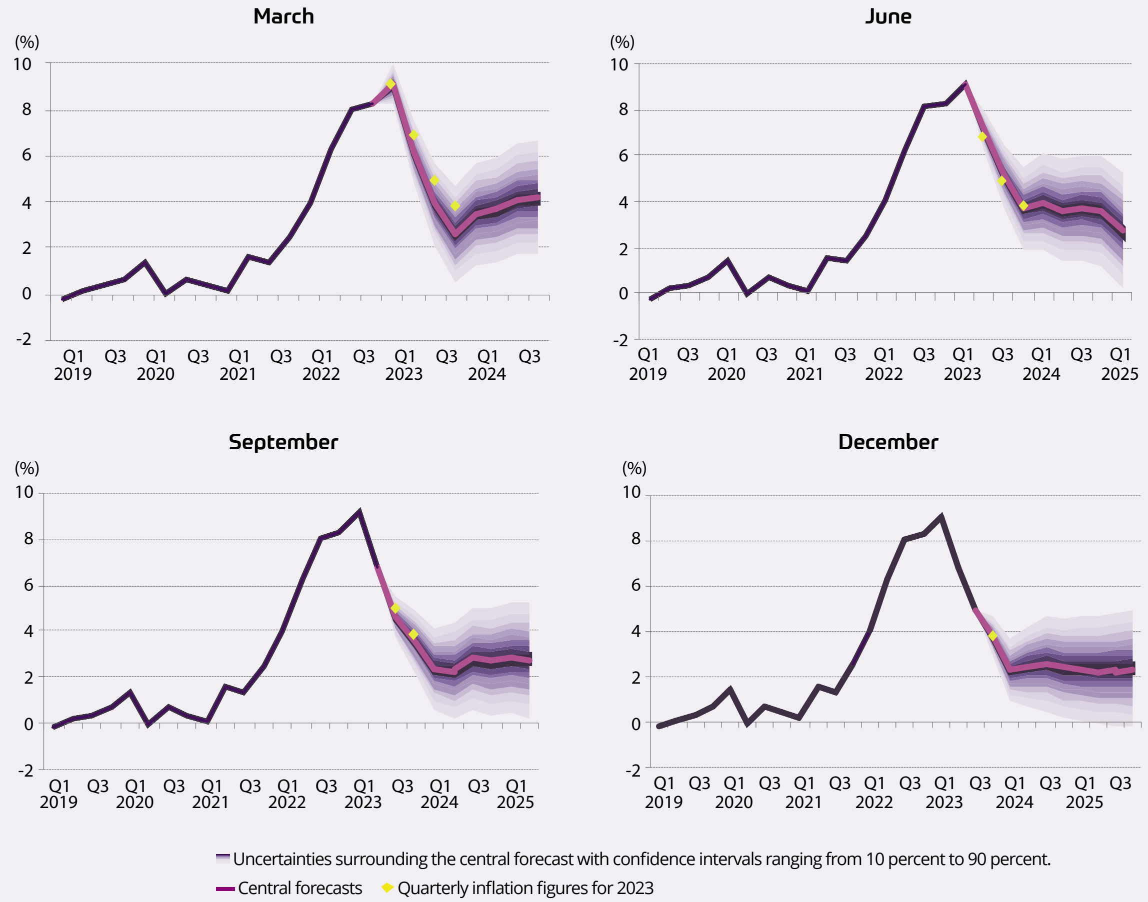
BAM's projections for 2023 assumed an inflation rate of 5.5 percent during March Board meeting and, incorporating the greater-than-expected impact of supply shocks on food products, were adjusted to levels slightly above 6 percent in subsequent forecasts. The actual figure being 6.1 percent, the forecast deviation fell from 0.6 percentage points (pp) in March to 0.1 pp on average over the forecast period. The projection for core inflation was based on a rate of 6.2 percent in March, which was then gradually adjusted to 5.6 percent in December, a rate identical to the actual rate for the year.

Chart B.2.2.2.1: Inflation forecast Gap for 2023



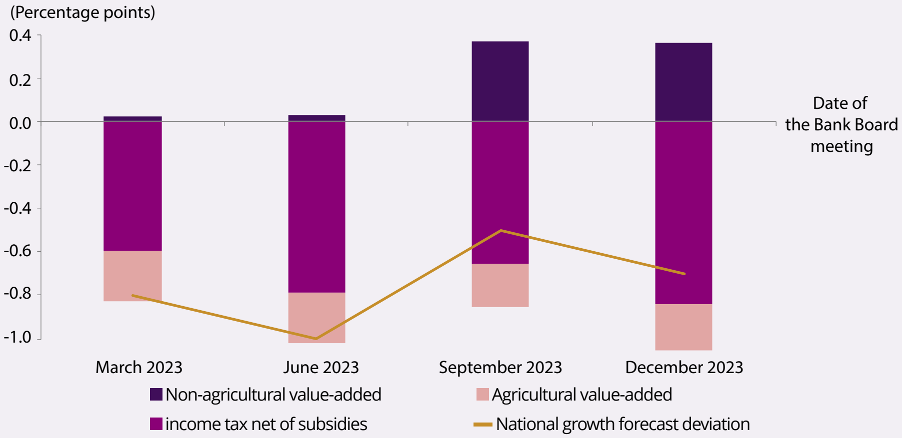
The review of the quarterly forecasts' fan charts, which capture uncertainties surrounding the projections, shows that inflation rates observed were within the 90 percent confidence interval in all four forecasts and were broadly close to the central projections.

Chart B.2.2.2.2: Fan charts of inflation forecast by Board meeting date in 2023



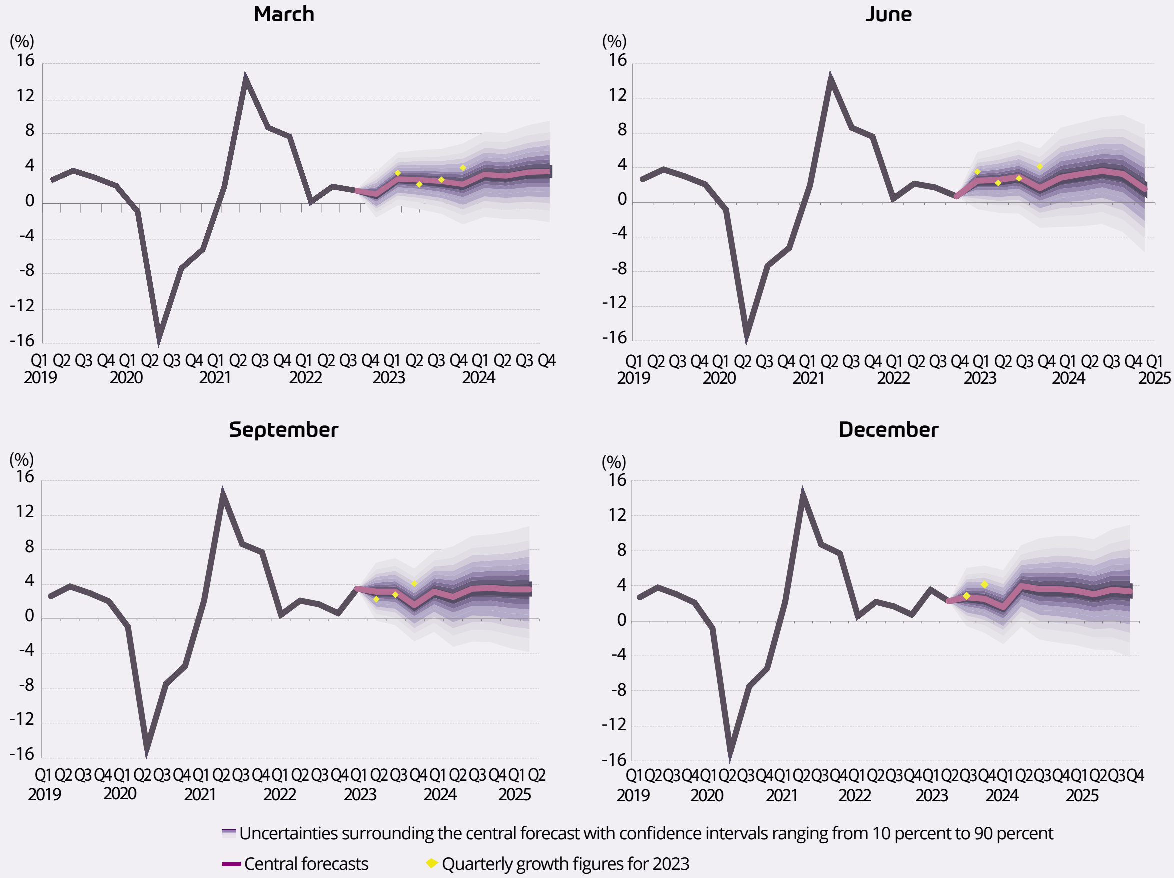
Following a deceleration to 1.5 percent in 2022, growth stood at 3.4 percent in 2023, compared with forecasts ranging from 2.4 percent in June forecast to 2.9 percent in September. The underestimation of forecasts is mainly due to the underestimation of growth forecasts of non-agricultural value added, with a mean absolute error of 0.9 percentage points (pp), while forecasts of agricultural value added were almost identical to actual figures in the first forecasting exercises of the year, and overestimated by 3.6 pp in the September and December 2023 forecasting exercises.

Chart B.2.2.2.3: Growth forecast gap for 2023



The fan charts for growth forecast show that quarterly realizations for 2023 lie within the 90 percent confidence interval and are overall close to the central projection.

Chart B.2.2.2.4: Fan charts of growth forecast by date of Board meeting in 2023

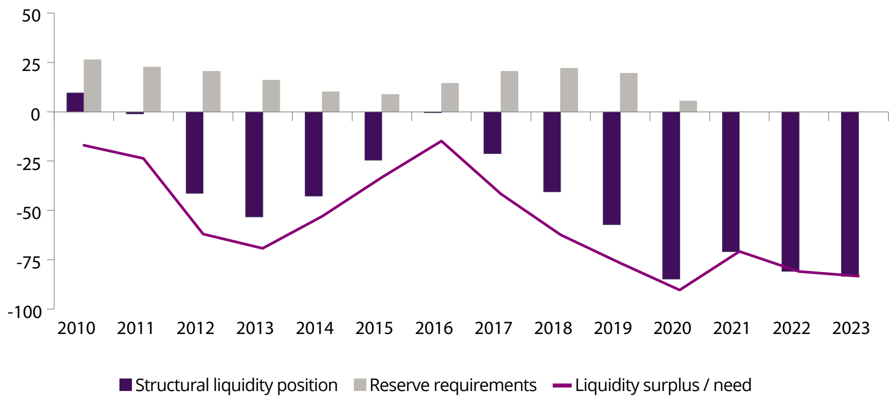


Monetary policy implementation

Money market interventions

In 2023, banks' liquidity needs increased to a weekly average of 83.2 billion dirhams, compared to 80.9 billion a year earlier. This was mainly due to the strong increase of the currency in circulation and accumulation of foreign assets.

Chart 2.2.1: Structural liquidity position of Banks[1] and reserve requirements (in billion dirhams, end-week averages)



At the same time, Bank Al-Maghrib continued its policy of fulfilling all banks' demand for liquidity. As a result, the outstanding amount of its liquidity injection increased to a weekly average of 96.8 billion dirhams, compared to 93.5 billion dirhams a year earlier. By instrument, the volume of 7-day refinancing operations increased from 42 billion to 40.8 billion and that of 1- and 3-month operations from 37.7 billion to 39.4 billion. The outstanding volume of refinancing operations conducted under programs[2] to support the financing of the economy increased from 13.7 billion to 16.6 billion. The Bank also conducted foreign exchange swap operations involving 100 million dirhams and received three requests for overnight liquidity injections totalling 5 billion. Against this backdrop, the average duration of BAM's operations rose from 46 days to 50.4 days.

[1] The structural liquidity position of banks is the sum of BAM net foreign assets, the net position of the Treasury at the central bank and other items net, less the currency in circulation.

[2] Program to support the financing of VSMEs, Program to support the financing of participatory banks, Program to support the financing of micro-credit associations, and Integrated Enterprise Support and Financing Program.

Chart 2.2.2: Banks' liquidity position in 2023 (in billion dirhams, end-week averages)

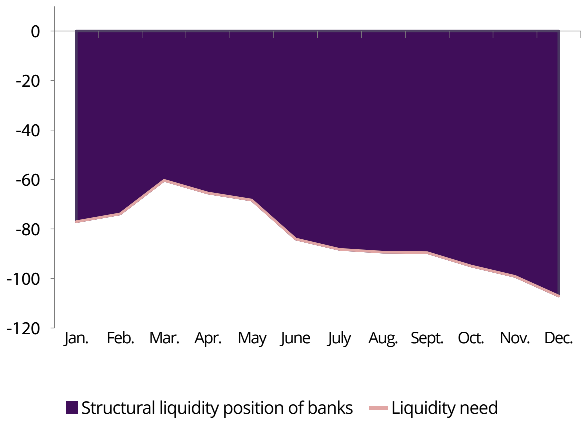
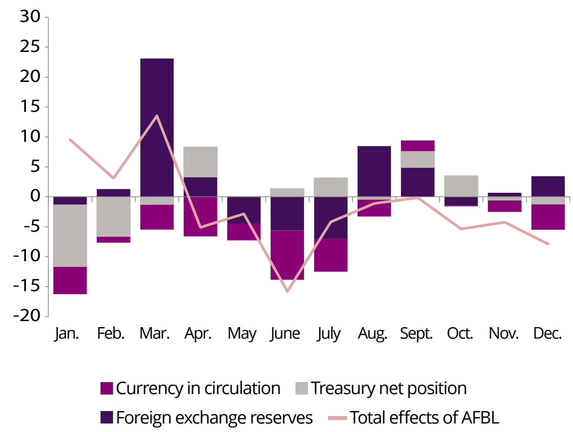
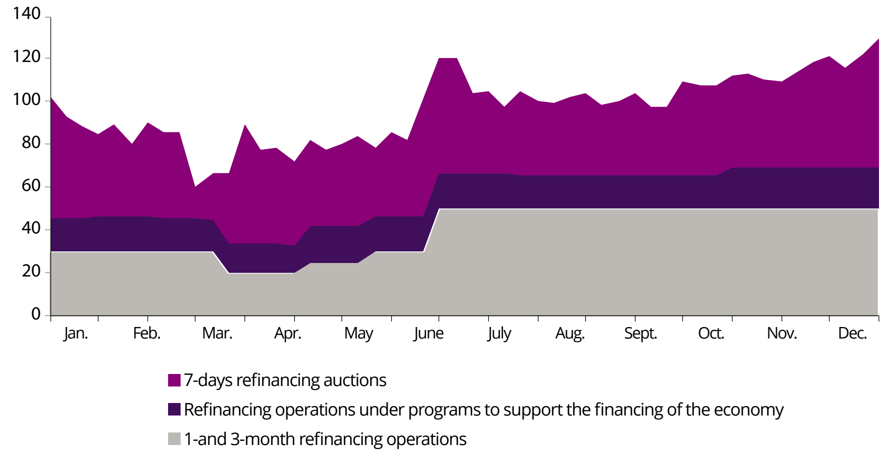


Chart 2.2.3: Contributions of autonomous factors to changes in liquidity needs in 2023 (in billion dirhams, end-week averages)



The infra-annual analysis shows that banks' liquidity needs eased from a weekly average of 77 billion dirhams in January to 60.3 billion dirhams in March, reflecting mainly the expansive effect of foreign exchange reserves. Over the rest of the year, the liquidity deficit widened gradually, reaching 107.1 billion dirhams in December, mainly under the effect of increasing currency in circulation.

Chart 2.2.4: Interventions of Bank Al-Maghrib in 2023 (in billion dirhams, end-week averages)



Under these conditions, the interbank market weighted average rate, which is the operational target of monetary policy, remained in line with the policy rate throughout the year, and the average daily trading volume fell from 3.9 billion dirhams in 2022 to 3.5 billion in 2023.

Chart 2.2.5: Interbank market average trading volume in 2023 (in billion dirhams)

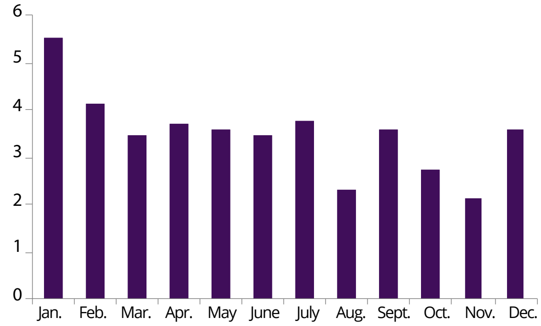
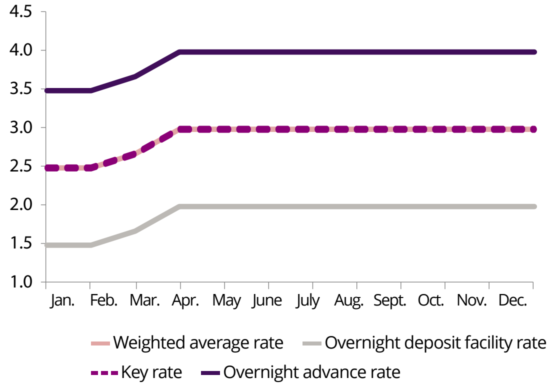


Chart 2.2.6: Interbank market weighted average rate in 2023 (monthly averages)

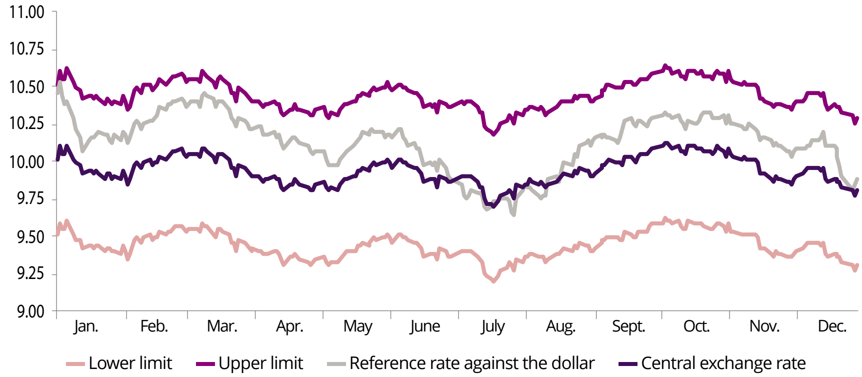


Interventions in the foreign exchange market

After its sharp appreciation in 2022, the US dollar ended the year losing 3.5 percent against the euro at 1.11 USD/EURO. Against this backdrop, and taking into account a favourable market effect[1], the dirham ended the year up by 5.6 percent against the US dollar and 2 percent against the euro. During the year, the dirham moved within its fluctuation band without any intervention by the Central Bank. BAM's quarterly assessments indicated that the value of the domestic currency remained broadly in line with the fundamentals.

[1] Exchange rate variations can be broken down into two parts: a basket effect resulting from changes in the euro/dollar parity, and a market effect resulting from deviations of the exchange rate from its value calculated on the basis of the basket.

Chart 2.2.7: Exchange rate of the dirham against the US dollar in 2023



Meanwhile, the foreign exchange market further deepened, with trading volumes in the interbank market up 74.7 percent to 754 billion dirhams, and a significant increase in the use of hedging instruments. The latter totalled 258 billion dirhams, down 10 percent compared to previous year, reflecting primarily the drop in international energy prices.

The transition to a more flexible exchange rate regime, initiated in January 2018, thus continued to unfold in good conditions, and Bank Al-Maghrib included its completion as well as the inflation targeting framework in its 2024-2028 strategic plan.

2.2.2 Research

In 2023, research activity at Bank Al-Maghrib culminated in the publication of four working papers, on "Long-term transmission of exchange rate variations to prices in Morocco", "Estimation of non-transactional cash in Morocco", "Impact of the Basel III reform on Moroccan banks" and "Short-term financing, long-term effects: theory and empirical lessons for Morocco".

At the same time, the Bank organized, in conjunction with the World Bank and the Regional Network of Central Banks, the third annual conference on "Labor markets and structural transformation". Several internal seminars were also organized during 2023, hosted by:

- Ms Louise Paul-Delvaux, PhD student at Harvard, who presented the results of JPAL's recent work on the needs and challenges facing employers in Morocco.
- Mr. Michel Juillard, Senior Advisor at the Banque de France, on the use of Dynare software in macroeconomic modelling;
- Ms Laura Hospido, Bank of Spain, on uncertainty and individual heterogeneity in income.
- Mr. Abdelkhalek Touhami and Ms. Dorothée Boccanfuso from Université Mohammed VI Polytechnique, on the impact of tax reforms in Morocco and tax progressivity.

2.2.3 Statistical activities and data management

In 2023, the Bank continued to implement the first phase of its Data and Statistic strategy, which involves laying the foundations for DATA transformation. In the area of data governance, once the organizational model and related framework had been defined, the latter was deployed in the priority areas identified, namely granular credit data and regulatory reporting for banking supervision.

Several projects were carried out to standardize and harmonize data management and statistics production processes, including the deployment of the process for identifying data and statistics requirements. Similarly, efforts have focused on defining a process for opening up data to researchers, and on drawing up and publishing a charter for the dissemination of data and statistics.

With respect to survey systems, regional meetings were held with the panel of respondents, in a drive for improvement, and the inflation expectations survey was extended to companies in collaboration with the CGEM.

In terms of data analysis development, efforts were pursued to build the capacity of the Bank's resources in the use of new technologies, as well as the production of use cases and the development of dashboards.

The Bank has extended its collaboration with the ecosystem to include new partners such as the Ministry of Transport, ONCF and the Fisheries Department of the Ministry of Agriculture, Maritime Fishing, Rural Development and Water and Forests.

2.2.4 Reserves management

Foreign exchange reserve management framework

Bank Al-Maghrib holds and manages the country's foreign exchange reserves. These are held to meet balance of payments financing requirements, to contain external vulnerability by maintaining liquid and adequate foreign exchange reserves, and to intervene in the foreign exchange market whenever necessary.

Foreign exchange reserves (Official Reserve Assets - ORA) consist of foreign currency investments (deposits and securities), gold holdings, SDR holdings, foreign currencies (foreign banknotes) and the IMF reserve position.

They are managed in accordance with four principles, ranked by priority: security, liquidity, yield and sustainability. The principle of security aims to minimize the risk of capital loss, by keeping a diversified portfolio of high credit quality. For liquidity, the aim is to invest in assets that can be sold quickly with minimum loss of value. The yield principle aims to achieve the best possible return while complying with security and liquidity objectives. Finally, the principle of sustainability aims to prioritize investments of a sustainable and responsible nature (ESG) when the first three principles are respected.

To this end, the Bank defines an annual strategic allocation, subject to revision where necessary, which determines the breakdown of reserves into tranches, asset classes and currencies, in compliance with the aforementioned management principles. This strategic allocation is examined by the MFC prior to approval by the Bank Board.

Accordingly, reserves are divided into two tranches, each serving a specific purpose. The "precautionary reserves" tranche, designed to meet one-year foreign currency requirements, includes portfolios booked at market value and invested over a short time horizon. Meanwhile, the "excess reserves" tranche, designed to finance medium and long-term currency requirements, is made up of portfolios booked at market value and others booked at historical value (investment portfolios made up of securities held to maturity), which are invested over a medium to long-term horizon.

In the context of the strategic allocation process, Bank Al-Maghrib also seeks advice from strategists and portfolio managers of international financial institutions to help determine the market parameter scenarios (interest rates, exchange rates, etc.) used to optimize the selection of benchmark indices across the various portfolios making up the reserve tranches.

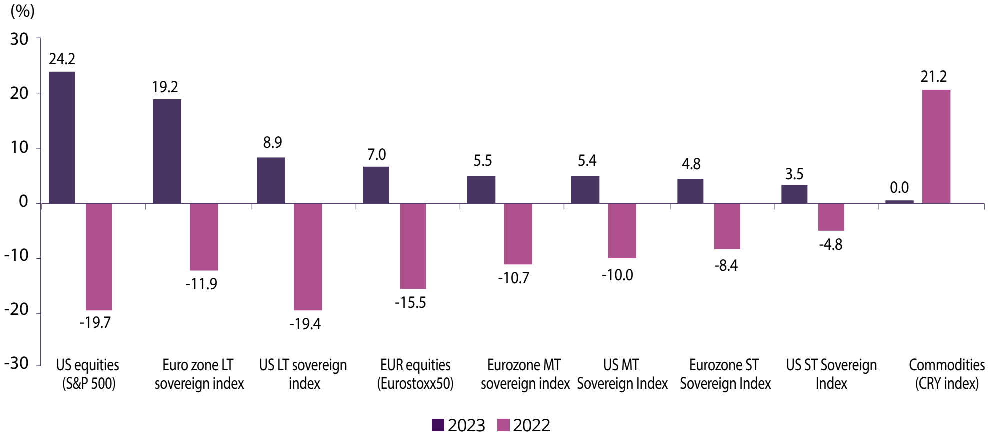
Foreign exchange reserve context and management for 2023

In 2023, financial markets continued to face uncertainty and high levels of volatility. Meanwhile, the banking sectors were severely tested by the collapse of Silicon Valley Bank (SVB) and the difficulties encountered by Crédit Suisse.

In response to persistent inflationary pressures, main central banks continued to tighten their monetary policies, raising their key rates more sharply than expected. On the bond markets, US and European sovereign yields continued to increase, reaching their highest levels since many years. This trend eased towards the end of the year as inflation decelerated more sharply than expected on both sides of the Atlantic.

After historically negative performances across all asset classes in 2022, the latter rebounded in 2023, including euro and dollar-denominated bond indices, which posted an average performance of +5.8 percent versus -11.5 percent a year earlier.

Chart 2.2.8: Annual performance of main asset classes



CT: 1-3 ans ; MT: 3-5 ans; LT: 7-10 ans

Source: Bloomberg.

In this environment, the Bank's management strategy focused on preserving capital and strengthening the credit quality of assets held, while capitalizing on high interest-rate levels. Accordingly, the Bank reduced the duration of investment portfolios (valued at market value) thereby minimizing exposure to interest-rate risk, while allowing these portfolios to gradually converge towards their new benchmarks so as not to crystallize unrealized capital losses. At the same time, the Bank strengthened the credit profile of foreign reserves by investing in higher-quality assets whose yields have improved significantly. It also continued to strengthen its investment portfolios (valued at historical values) against a background of higher yields.

Furthermore, the Bank maintained its overweighting (up to 5 percent) of dollar-denominated assets which offer more attractive yields, at the expense of those denominated in euros. It also increased the proportion of sustainable and responsible assets (ESG), which rose from 4.8 percent to 6.3 percent of foreign exchange reserves year-on-year.

This cautious and adaptive strategy allowed most of the previous year's impairment provisions to be reversed, resulting in a positive performance of +3.88 percent for the investment portfolios, which more than offset the losses recorded a year earlier (-2.34 percent). Overall performance, including investment portfolios, was +2.50 percent in 2023, compared with -0.45 percent in 2022.

2.2.5 Banking supervision

Microprudential supervision

In 2023, Bank Al-Maghrib supervised a total of 88 credit institutions and similar organizations, including 19 conventional banks[1], 5 participatory banks, 29 finance companies, 6 offshore banks, 11 microcredit associations, 16 payment institutions, the Caisse de Dépôt et de Gestion and the Société Nationale de Garantie et du Financement de l'Entreprise[2]. Cross-border, the banking groups operate 51 subsidiaries and 23 branches in 36 countries, including 27 in Africa, 7 in Europe and 2 in Asia.

In an uncertain environment marked by persistently high inflation and slow recovery in economic growth, Bank Al-Maghrib renewed recommandation of being cautious with dividends distribution. It particularly monitored developments of credit risk in banks' portfolios, induced by the economic outlook, and carried out checks on practices for downgrading non-performing loans and provisioning. It also closely monitored the effects of macro-financial risks and interest rate variations on banks' balance sheets, and their implications for risk positions and profitability.

In the field of prudential regulation, the Bank continued to transpose the Basel III standards, finalizing the regulatory texts required to introduce a minimum Net Stable Funding Ratio (NSFR) ratio for banks, and to set up an internal process for assessing the adequacy of their liquidity. In addition, the regulations applicable to participatory banks and windows were tightened when the High Council of Ulemas (Conseil Supérieur des Ouléma) approved the regulation governing the obligation to conduct external compliance audits of the activities of these institutions. The Bank also issued implementing circulars for law no. 50-20 on microfinance, which aims to give fresh impetus to this sector by introducing new non-associative operators and extending its scope of activity to include micro-savings and micro-insurance.

With a view to improving its supervisory tools, the Bank continued to roll out a new prudential assessment system called "SREP". This system, which has been tested on a selection of systemically important banks and others of significant size, is based on a forward-looking approach to assess their economic viability and resilience in the face of observed and anticipated risks.

Amid rising geopolitical tensions and increasing sovereign risk in some of the countries where Moroccan banks operate on the African continent, cross-border risks were closely monitored. Economic and financial developments in the jurisdictions and regions of presence were reviewed by the Africa Committee, composed of Bank Al-Maghrib and three pan-African Moroccan banking groups. The Bank also organized, in Casablanca, the annual meetings of the supervisors of these three banking groups to review their prudential situation and risk profile.

[1] 3 of which have participatory banking windows.
[2] Includes a window dedicated to guaranteeing participatory financing.

In parallel, Bank Al-Maghrib carried out on-site audits to delve deeper into subjects requiring more in-depth verification. These covered thematic missions concerning the downgrading and provisioning of non-performing receivables, the management and control of IT and cyber risks, the preparation of corporate and consolidated financial statements, the compliance of procedures for closing bank accounts and issuing releases on guarantees, as well as procedures for combating money laundering and the financing of terrorism.

Green finance and climate risk management

With technical support from the World Bank, the Bank has conducted an assessment of climate-related financial risks for the banking sector, with a view to identifying the main channels through which these risks are passed on to banks' balance sheets and studying their vulnerability to potential shock scenarios adapted to the Moroccan context. It also carried out capacity-building initiatives for the banking sector in the fields of governance and climate risk management.

Internationally, Bank Al-Maghrib took part in the work carried out by the networks of Central Banks for the Greening of the Financial System (NGFS), Sustainable Banks and Financial Systems (SBFN) and the Alliance for Financial Inclusion (AFI) in the fields of climate risk supervision and the promotion of green and sustainable finance.

Customer protection

Enhancing the quality of bank-customer relations continued to rank among the Bank's top priorities. The year 2023 was marked by the launch of a platform for comparing bank rates and value dates, the adoption of an interbank charter in favor of disabled people, the introduction of measures to protect users of digital financial Services, and the strengthening of the role of the Moroccan Banking Mediation Center in the friendly settlement of disputes.

2.2.6 Macro-prudential supervision

Against a backdrop marked by the stalemate of the war in Ukraine, escalating geopolitical tensions and persistently high domestic inflation, Bank Al-Maghrib closely monitored the risks weighing on the Moroccan financial sector, particularly those linked to rising interest rates on the money and bond markets, as part of the work conducted by the Systemic Risk Coordination and Monitoring Committee (CCSRS).

At the analytical level, the Bank improved its methodology for conducting its biannual macro-stress tests of the banking sector, particularly as regards the development of macroeconomic shock scenarios. At the same time, the Bank contributed, in collaboration with other members of the CCSRS, to the drafting of the Financial Stability Roadmap 2022-2024, and conducted a pilot survey on systemic risks among main local banks, with the aim of assessing their risk perceptions and confidence level in the stability of the domestic financial system.

Meanwhile, Bank Al-Maghrib continued its work to strengthen and complete its macroprudential models and adapt its systemic risk mapping, focusing in particular on risks linked to climate change and cybersecurity.

The Bank's macroprudential policy instruments have included those relating to real estate market and households, notably through the "loan-to-value" and "debt service to household income" ratios. In line with international standards, the Bank also introduced specific capital instruments for systemically important banks. As part of its role as lender of last resort, the Bank has worked with the Ministry of Finance to finalize the decree granting the State guarantee to cover emergency liquidity, and to publish it in the Official Bulletin in November 2023.

2.2.7 Systems and means of payment

In line with its statutory missions, Bank Al-Maghrib continued to monitor MFIs and follow up on the implementation of the recommendations emerging from its various on-site monitoring missions.

As part of the ongoing work to make the Central Counterparty Clearing House (CCP) operational, the general regulations of the CCP and the Futures Market Management Company (SGMAT), as well as the decrees setting the minimum capital of the CCP, SGMAT and futures market members, have been published in the Official Bulletin.

The instant interbank transfer, which has been operational in Morocco since June 2023, has extended the range of payment methods available to the public and enabled secure real-time settlement for end-users. Following its launch, the new platform has been closely monitored to ensure its smooth operation.

With regard to monitoring payment methods, the Bank continued to work towards greater interoperability between mobile payment players, and to support the market in complying with regulatory requirements. In addition, the Bank continued its monitoring activities, introducing new payment activity indicators, carrying out on-site inspections and following up on the recommendations made during these inspections. Furthermore, it instituted the “Payment Fraud Coordination Committee “(CCFMP), which serves as a platform for exchange between the regulator and local players concerning situations of fraud detected in the area of payment means.

With regard to the development of payment methods, the Bank stepped up its efforts to encourage the growth of digital financial Services. A number of measures have been adopted to this end, including the simplification of regulations applicable to merchant payment accounts, the de-capping of payment accounts receiving direct aid or CNSS reimbursements, the conclusion of partnerships for the use of the national trusted third-party system, and the introduction of a global vision to strengthen their security.

Through its one-stop shop, the Bank continued to support and assist innovative fintech in their development. With the support of the World Bank, and with the participation of all market players, the Bank carried out a study to analyse the fintech ecosystem.

2.2.8 Financial inclusion

As part of its efforts to promote financial inclusion, Bank Al-Maghrib has carried out the first phase 2019-2023 of the National Strategy for Financial Inclusion (SNIF) and prepared the groundwork for the second phase. In this vein, the Bank conducted a “mystery customer” study to assess the experience of a sample of customers during their interactions with credit institutions. The findings helped to identify areas for improvement in strengthening the relationship between banks, payment institutions and micro-credit associations and their customers, particularly those from populations targeted by financial inclusion policies.

At the same time, a financial capability barometer has been set up by the Bank in collaboration with other financial sector regulators and the Moroccan Foundation for Financial Education. This new tool designed as part of the SNIF's monitoring and evaluation system is intended to measure the financial knowledge, skills, attitudes and behaviours of individuals and micro-entrepreneurs, by area of analysis, and thereby guide efforts in the field of financial education.

To help rural women overcome the challenges they face, Bank Al-Maghrib continued to steer the national initiative for their economic empowerment. To this end, a dedicated roadmap was adopted by public and private players, leading to the launch of the first pilot experiment, which focused on the development of a holistic support framework for 100 rural women entrepreneurs.

2.2.9 Currency

In 2023, Bank Al-Maghrib launched a new series of banknotes and coins designed exclusively by in-house experts. The main features of these new issues are presented in the box below.

Box 2.2.3: Bank Al-Maghrib puts into circulation new banknote and coin series

In November 2023, the Bank put into circulation a new 100 dirham banknote as well as coins of 10 centimes, 20 centimes, half dirham, 1 dirham, 5 dirhams, and 10 dirhams.

The new 100 dirham banknote highlights the cultural heritage of the Moroccan Sahara, its socio-economic development, and its openness to Africa. The front features the portrait of His Majesty King Mohammed VI, the Kingdom's coat of arms, the architectural details inspired from Moroccan portals, as well as the stylized arcades of "Hassan II" mosque in Casablanca. As for the reverse, it shows a stylized view of the "Mechouar Place" in Laayoune, Tiznit-Dakhla expressway, and a depiction of the traditional festivities of Tan-Tan "Moussem".

The New Series

Of Moroccan Banknotes

100 Dirhams Banknote

GENERAL DESCRIPTION

Technical features

Measurements : 144 x 70 mm

Watermark :

Portrait of His Majesty King Mohammed and the number « 100 »

Windowed security thread :

Color-shifting with dynamic effect

Artistic features

The banknote illustrates the cultural heritage of the Moroccan Sahara, its socio-economic development, and its openness to Africa

Theme :

The Sahara and its openness to Africa

Dominant color : Brown

Obverse of the Banknote

- Portrait of His Majesty King Mohammed VI
- Armorial bearings of the Kingdom
- Architectural detail inspired from Moroccan doors
- Stylized arcades of Hassan II Mosque in Casablanca

Reverse of the Banknote

- Stylized view of « Place of Mechouar » in Laayoune and Tiznit Dakhla expressway, being symbols of Morocco's southern provinces infrastructure development and the openness to Africa
- TAN-TAN Moussem traditional festivities

MAIN SECURITY FEATURES

WINDOWED SECURITY THREAD

Color-changing with dynamic effect of the inscriptions « 100 » and « DH » in rotation and the five-pointed star in addition to the number « 100 » demetallized

WATERMARK

Portrait of His Majesty King Mohammed VI and the number « 100 »

COLOR-CHANGING INK

The number « 100 » features five-pointed stars printed with optically variable magnetic ink that changes the color depending on the angle at which the banknote is viewed

OBVERSE OF THE BANKNOTE

TYPOGRAPHY

Typography printed with special ink

RAISED PRINTING

- Portrait of His Majesty King Mohammed VI
- The inscription « بنك المغرب »
- The number « 100 » in numbers and in arabic letters
- Armorial bearings of the Kingdom

LATENT PICTURE

Viewed from a grazing angle, the apparent star tilts to the hidden number « 100 »

MOTIF FOR THE VISUALLY IMPAIRED

Three five-pointed stars printed in intaglio with a tactile relief to help the visually impaired identify the banknote

OBVERSE/REVERSE DETECTION MOTIF

When the banknote is held against the light, the incomplete elements of the banknote's value printed on both sides complement each other perfectly to form the entire value

MICRO-TEXTS

Micro-texts are printed on several areas of the banknote, visible with a magnifying device

REVERSE OF THE BANKNOTE

For the new coin series, the themes selected are as follows:

- Agriculture for the 10 centime coin,
- Sustainable development and environment for the 20 centime coin,
- Cultural diversity for the half dirham coin,
- National sovereignty for the 1 dirham coin,
- Moroccan Sahara's development for the 5 dirham coin,
- Development and infrastructure for the 10 dirham coin.

THE NEW SERIES OF MOROCCAN COINS

1 Dirham

NATIONAL SOVEREIGNTY

Diameter	: 24 mm
Thickness	: 1,9 mm / Weight: 6gr
Edge	: Grooved
Alloy	: Nickel-plated steel

10 Centimes

AGRICULTURE

Diameter	: 20 mm
Thickness	: 1,4 mm / Weight: 3gr
Edge	: Grooved
Alloy	: Brass-plated steel

5 Dirhams

THE DEVELOPMENT OF THE MOROCCAN SAHARA

Diameter	: 25 mm
Thickness	: 2 mm / Weight: 7,5 gr
Edge	: Thin and thick grooves
Alloy	: • Outer ring : Cupro-Nickel • Core : Nordic gold

20 Centimes

SUSTAINABLE DEVELOPMENT AND ENVIRONMENT

Diameter	: 23 mm
Thickness	: 1,5 mm / Weight: 4gr
Edge	: Grooved
Alloy	: Brass-plated steel

10 Dirhams

DEVELOPMENT AND INFRASTRUCTURE

Diameter	: 27 mm
Thickness	: 2,1 mm / Weight: 9g
Edge	: Grooves with engraved stars
Alloy	: • Outer ring : Nordic gold • Core : Cupro-Nickel

1/2 Dirham

CULTURAL DIVERSITY

Diameter	: 21 mm
Thickness	: 1,7 mm / Weight: 4gr
Edge	: Grooved
Alloy	: Nickel-plated steel

Currency in circulation rose by 11 percent to reach 412.8 billion dirhams by the end of 2023. Analysis by denomination shows that the volume of banknotes rose by 10 percent to 2.7 billion denominations, representing outstandings of 408 billion dirhams, while the number of coins in circulation increased by 2.9 percent to 3.2 billion units. The structure of banknotes was still dominated by the 200 dirham denomination, with a 56.8 percent share, and that of coins by the 1 dirham coin, with a 29 percent share.

Chart 2.2.9: Structure of banknotes in circulation (in percent of volume)

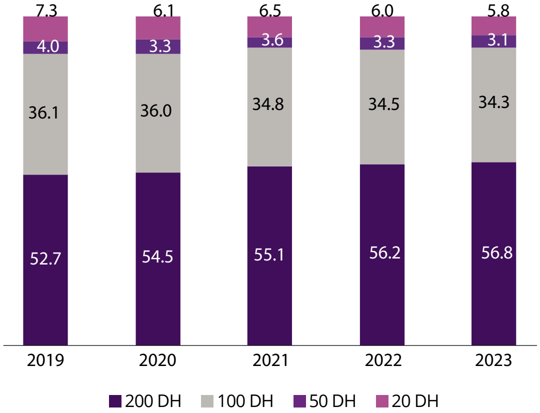
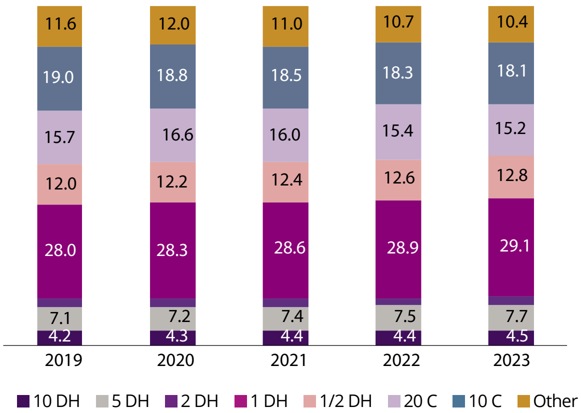


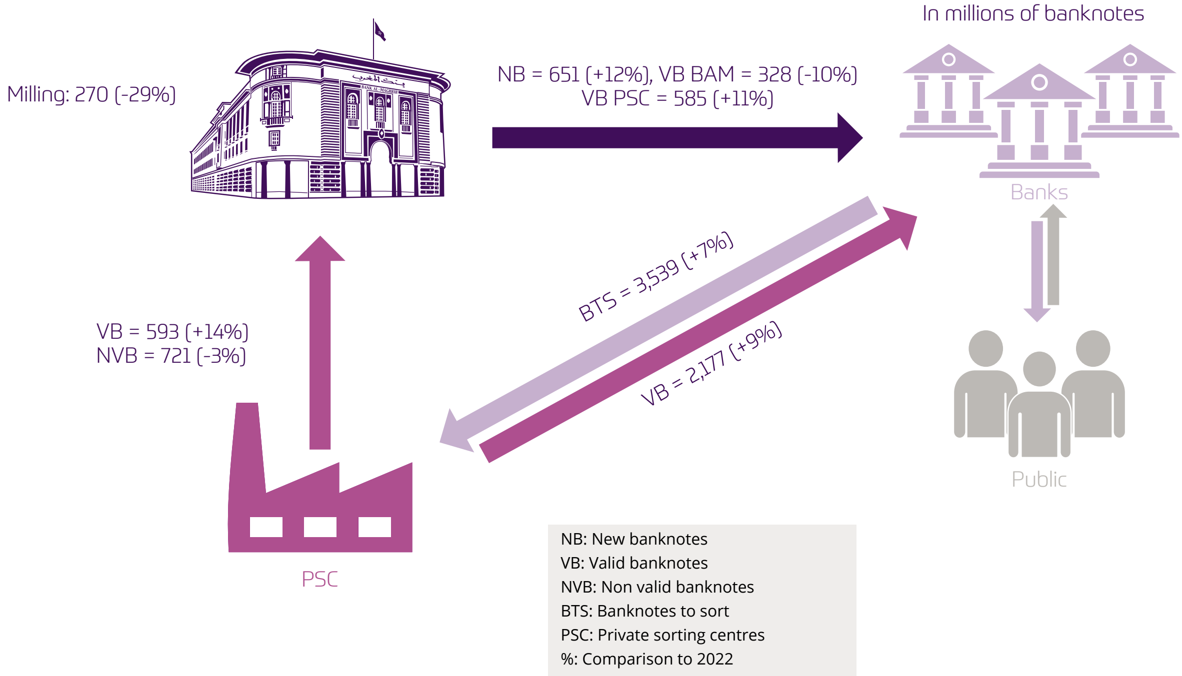
Chart 2.2.10: Structure of coins in circulation (in percent of volume)



Other: Commemorative coins and coins to be withdrawn from circulation

To meet the significant demand for cash, Bank Al-Maghrib and Private Sorting Centers (CPT) provided economic agents with 3.7 billion banknotes, up by 8 percent. This evolution reflects, on the one hand, the higher volume of new banknotes served at the Bank's counters (651 million denominations) and, on the other hand, the higher number of recycled banknotes (3.1 billion units), 81 percent of which were produced by the CPTs.

Diagram 2.2.1: Key figures for currency activities in 2023



On another front, the counterfeiting ratio continued its downward trend, dropping to 2.3 counterfeits for every million banknotes in circulation, compared with 2.9 in 2022 and 5.2 in 2019. The number of counterfeit bills detected stood at 6,290, representing the equivalent of 837,000 dirhams, with the 200-dirham denomination continuing to dominate, at 54 percent.

In terms of secure identity and utility documents, all requests were met, with 2 million biometric passports, 2.2 million electronic driving licenses and electronic registration certificates, 70,000 firearms permits and 75 million different stamps and tax stickers.

Box 2.2.4: Commemorative coins and medals issued in 2023

60th Birthday of His Majesty King Mohammed VI (Gold coins)

24th anniversary of the enthronement
of His Majesty King Mohammed VI (Gold and silver coins)

70th Anniversary of the Revolution of the King and the People (Silver and gold coins)

Sixtieth anniversary of the founding of the Parliament of the Kingdom of Morocco (silver and gold coins)

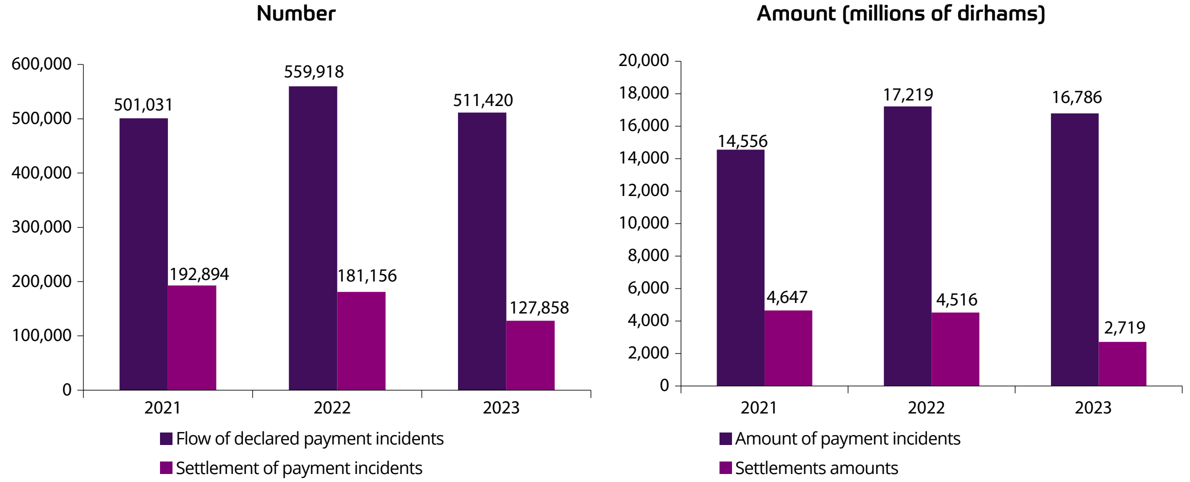
World Bank and IMF Annual Meetings (Silver and Gold medals)

75th Anniversary of the Universal Declaration of Human Rights (Silver coins)

2.2.10 Activities of central information registries

The Central Registry of Payment Incidents on Cheques recorded 511,420 incidents reported in 2023, down by 8.7 percent compared to previous year. The value of these incidents fell by 2.5 percent to 16.8 billion dirhams. Meanwhile, settlement transactions were down by 29.4 percent in number and 39.8 percent in volume, to 127,858 and 2.72 billion respectively.

Chart 2.2.11: Cheque payment incidents and settlements evolution



Unpaid bills of exchange decreased by 0.8 percent to 585,983. Settlements came to 27,149, up 1.6 percent.

At the end of 2023, the credit registry recorded 5.7 million active credit contracts, down by 3.3 percent. These contracts were allocated to 3.2 million customers, 95 percent of whom are individuals, and granted by banks (69 percent) and finance companies and microcredit associations (equal shares of 15 percent).

The Centralization Service for Irregular Cheques covered more than 16.5 million RIBs affected by irregularities, including 14.5 million closed accounts, 2 million accounts subject to a banking or legal ban, 426,000 unavailable accounts and 325,000 blocked accounts. Consultations carried out by users of this service revealed that for every 100 cheques checked, 7 were irregular.

2.3 Communication and outreach

In 2023, Bank Al-Maghrib continued developing its communication tools to enhance its proximity to its various target audiences and improve understanding of its missions and decisions. To meet the public needs, the Bank enriched the content of its social media accounts and website, while integrating the Amazigh language. The year was also marked by the distribution, for the first time, throughout the Bank's network, of several information guides in Braille language, intended for visually impaired people. Meanwhile, the Bank continued to improve its customer service by developing the digital channel to better handle questions from the public.

As part of its efforts to promote the country's cultural heritage, the Museum of Bank Al-Maghrib pursued its editorial policy, focused on diversifying its collections and targeting a wide and varied audience. Three art catalogues were published: the catalogue of the Bank's art collection, offering a panorama of its diversity and scope; the catalogue of the "Four exhibitions for 2,000 years of history and art" tour, organized to mark the Museum's twentieth anniversary, which offers a reading of the Kingdom's history through the prism of art and money; and a publication entitled "L'errance d'Aïssa Ikken", which explores the career and world of this artist. In addition to the Museum's permanent exhibitions, the cultural program has been enriched by a wide-ranging program of conferences on themes ranging from Ancient Morocco to the issues of well-being and sustainability, book presentation ceremonies, themed events and an educational offer aimed at school groups.

On the international level, Morocco hosted the Annual Meetings of the IMF and the World Bank in 2023, diversified its cooperation partnerships and stepped-up exchanges of experience with central banks, as well as participation in a number of meetings and events.

The Bank held 37 cooperation events, including eight videoconferences with the Central Banks of Hungary, Austria, England and Mexico, eleven videoconferences with several Central Banks (BCEAO, Mauritania, Comoros, Congo and Peru), nine study visits with partner Central Banks (Comoros, Mauritania, Tunisia, Madagascar, BEAC and BCEAO), three technical assistance activities for the Central Banks of Iraq and Congo, two study visits to the Banque de France and the Bank of Mexico, two workshops provided by the Central Bank of Hungary and two technical assistance activities provided by the Bank of England.

In addition, the Bank strengthened its cooperation by organizing five regional seminars on timely topics such as the development of fintech, cyber resilience and foreign exchange policy. These initiatives, designed to raise the Bank's profile in the MENA region and sub-Saharan Africa, drew 209 participants from several central banks and partner financial institutions.

At the same time, Bank Al-Maghrib strived to strengthen its relations with national, international and multilateral institutions by taking part in several events, including:

- Bimonthly high-level meetings, the Annual General Meeting and the Bank for International Settlements (BIS) thematic conferences on “Climate transition in the real economy: what should central banks know about it?” (May 31 and June 1) and “Central bank digital currencies in Africa” (June 25);
- Events organized by the Association of African Central Banks (AACB), notably the North African Technical Committee Meeting (February 5 and 6 in Libya), the continental seminar on “The impact of climate change on food security and inflation in Africa: role of the financial sector in financing agriculture and the green economy” (May 15 to 17 in Cameroon), the forty-fifth Annual Ordinary Meeting of the Association and the Governors’ Symposium (August 3 and 4 in Zambia) and the meeting on activating the Peer Review Mechanism (October 17 and 18 in South Africa);
- Meetings organized by the Arab Monetary Fund (AMF), including the seventh Fiscal Forum in Arab Countries (February 12 in the United Arab Emirates), the meeting of the Board of Governors of Arab Central Banks and Monetary Institutions (September 17-18 in Algeria) and the eighteenth high-level meeting on financial stability and regulatory and supervisory priorities (December 6-7 in the United Arab Emirates);
- Meeting of the African Caucus (July 6 to 8 in the Republic of Cape Verde);
- The General Assembly of the Arab Trade Finance Program (April 6 in the United Arab Emirates).

Box 2.3.1: Marrakech hosts IMF and World Bank Annual Meetings

After two delays in 2021 and 2022 on account of the Covid-19 pandemic, the IMF and World Bank Annual Meetings were held in Marrakech from October 9 to 15, 2023, thereby marking their return to Africa, 50 years after the meetings held in Kenya in 1973, and to the MENA region, 20 years after those held in Dubai in 2003. Nearly a month after the earthquake that struck the country, the hosting of this global event, hailed by participants for its excellent organization, bears witness to the confidence of the international community and Morocco's resilience.

After a thorough preparation process, during which Bank Al-Maghrib took on a central role as a member of the National Organizing Committee and Chairman of the Scientific Committee, the Bank took part in these Assemblies with a large delegation, participated in several high-level panels including the inaugural event to launch the IMF's book on Morocco and the seminar on financial inclusion, held bilateral meetings with several Central Banks and various International Institutions, and took part in a great number of media events held in conjunction with the event.

One of the key messages of this year's event was that Africa has great potential, in view of its young population and abundant natural resources.

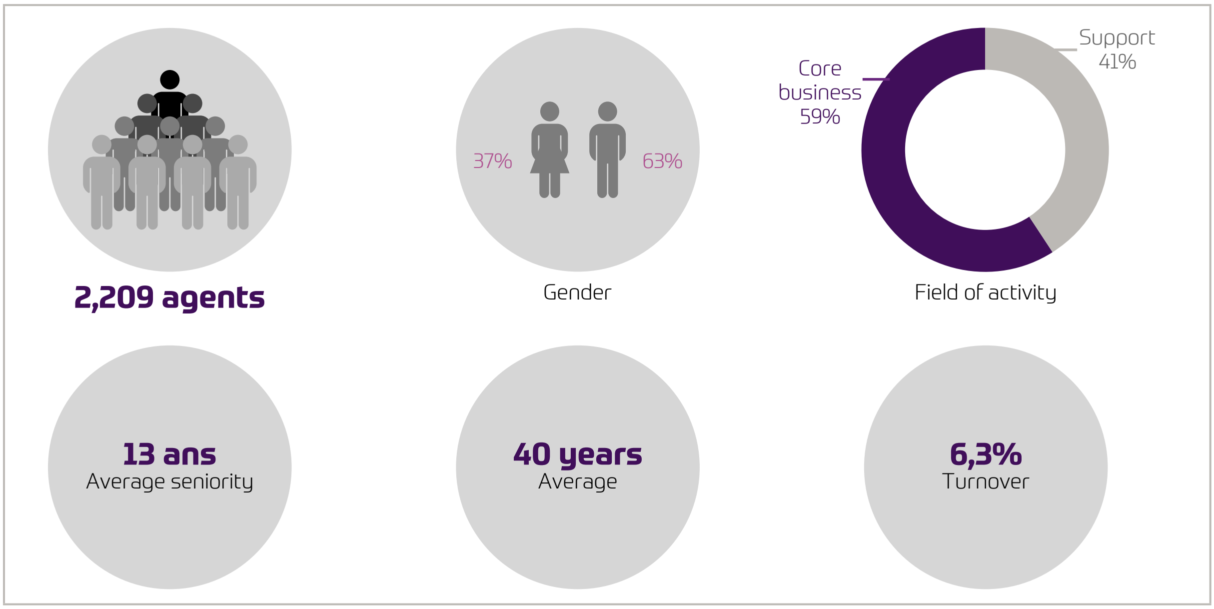
During the week, the spotlight fell on international cooperation in a context of geo-economic fragmentation. Accordingly, the Marrakech Declaration, formulated jointly by the President of the World Bank, the Managing Director of the IMF, the Moroccan Minister of Economy and Finance and the Governor of Bank Al-Maghrib, set out the principles for greater global cooperation aimed at harnessing multilateralism for the benefit of all, in order to build resilience and generate more opportunities for a better future.

On the sidelines of the Assemblies, Bank Al-Maghrib co-hosted a high-level conference with the Central Bank of Spain to discuss the gender approach in central banking on October 13 and hosted the 38th G30 international banking seminar on October 14.

2.4 Ressources

2.4.1 Human resources

Diagram 2.4.1: The Bank's human capital in figures



In 2023, the Bank has embarked on a series of structural HR projects aimed at diversifying career development opportunities and strengthening its policy of well-being in the workplace. To this end, a new pilot scheme was introduced to multiply career paths and develop the levers needed to access them. The purpose of this scheme is to provide management with the tools they need to support their employees in planning and developing their careers. In terms of well-being at work, five holistic pillars have been highlighted, capitalizing on existing Services while introducing new programs and Services, namely "physical well-being", "emotional well-being", "social & relational well-being", "intellectual & professional well-being" and "financial well-being".

In addition, in line with the Bank's strategic and operational priorities and the development needs of its employees, the training offer covered more than 300 topics, delivered in 380 sessions to 58 percent of employees. Training courses to develop behavioral and leadership skills were also organized for 150 candidates. In addition, the Bank organized interactive webconferences on topics related to physical health, mental health and professional effectiveness, for a total of 300 participants.

To attract new talent, the Bank pursued its efforts to promote its employer brand through specific content aimed at increasing its visibility on social networks and by taking part in talent forums, which resulted in 140 new agents joining its teams.

Internally, 142 employees gained the opportunity to diversify their career paths and enhance their skills portfolios through mobility.

With regard to gender equality in the workplace, the Bank continued its efforts to promote an inclusive working environment by pursuing its awareness-raising initiatives, raising employees' awareness of gender stereotypes and discriminatory behavior, and providing managers with information on practices conducive to gender equality. Furthermore, by monitoring the comparative situation of women and men, the Bank has achieved equal treatment right from the recruitment stage, and in all career-related processes. By way of illustration, women account for 40 percent of the Executive Committee in 2023 and 38 percent of management positions.

2.4.2 Information systems

In 2023, the Bank achieved several major milestones in the area of information systems, such as the operationalization of local instant transfers, the introduction of a financial inclusion mapping system, the implementation of a budget forecasting solution known as "MIZANIYA", and the development of an alternative SRBM system based on Blockchain technology.

Technically speaking, the Bank continued to implement projects aimed at strengthening its IT infrastructure and security by upgrading its SAN (Storage Area Network) platform, overhauling the firewalls protecting its datacenters, implementing a data leakage prevention solution and implementing an in-house Anti-DDOS solution (against distributed denial-of-service attacks from the Internet) to back up the solutions provided by telecoms operators.

In terms of cybersecurity, given the growing complexity and sophistication of cyberattacks, the Bank has worked towards improving the resilience of its Information System by strengthening its cyberdefense system, while consolidating the cooperation of its CERT with international communities working in this field. At the same time, the Bank has put the national cybersecurity community of banks and MFIs into action, to improve coordination in the management and prevention of cybersecurity incidents.

2.4.3 Digital transformation

In 2023, the Bank continued its digital transformation journey and made significant progress on several fronts. Thus, in the course of experimenting with new technologies, the "Innovation Lab" proceeded to formalize the methodology for framing experiments, which was applied to four use cases. These include testing the MDBC program, using Artificial Intelligence (AI) technology to improve the regulatory monitoring and drafting process, exploring Quantum Computing using Post Quantum Cryptography to secure data exchanges, and exploring the use of AI to improve the approval management process.

Meanwhile, the roll-out of the change management plan involved more than 500 executives in webinars aimed at laying the foundations for understanding the challenges and opportunities of Digital Transformation and the development of the Agile Mindset. Topics covered included understanding Generative AI, the quantum computer and the role of Blockchain in the digital transformation of the public sector.

In the Central Bank Digital Currency (CBDC) area, efforts centered on conducting a study on the impact of the CBDC on financial inclusion and the use of cash in Morocco, finalizing preparatory work with a view to initiating consultation with priority stakeholders, producing the first PoC (Proof of Concept) and reflecting on the financial integrity required. Concomitantly, the work carried out within the GTNCA (Groupe de Travail National sur les Cryptoactifs - National Working Group on Cryptoassets), with the assistance of the World Bank, saw progress made in the drafting of a bill relating to Cryptoassets, as well as the completion of a general public survey on the use of Cryptoassets and a national assessment of BC/FT risks relating to Crypto assets.

Financial statements of the Bank

Part 3

In this part of the report, figures are rounded to the nearest thousand dirhams. Therefore, totals and sub-totals do not always correspond to the sum of the relevant rounded off figures.

3.1 Overview of the financial position for fiscal year 2023[1]

3.1.1 Balance sheet

At end-2023, the Bank's **total assets** showed an annual increase of 6 percent to 529,313,584 KDH. On the assets side, this change was mainly due to the consolidation of assets and investments in foreign currencies (+5 percent) and loans to banks (+13 percent). On the liabilities side, it reflects the combined effect of growth in banknotes in circulation (+11 percent) and the Bank's income (>100 percent), as well as the decline in both the foreign exchange reserve valuation account (-37 percent) and current accounts with Moroccan banks (-30 percent).

Chart 3.1.1: Balance sheet structure

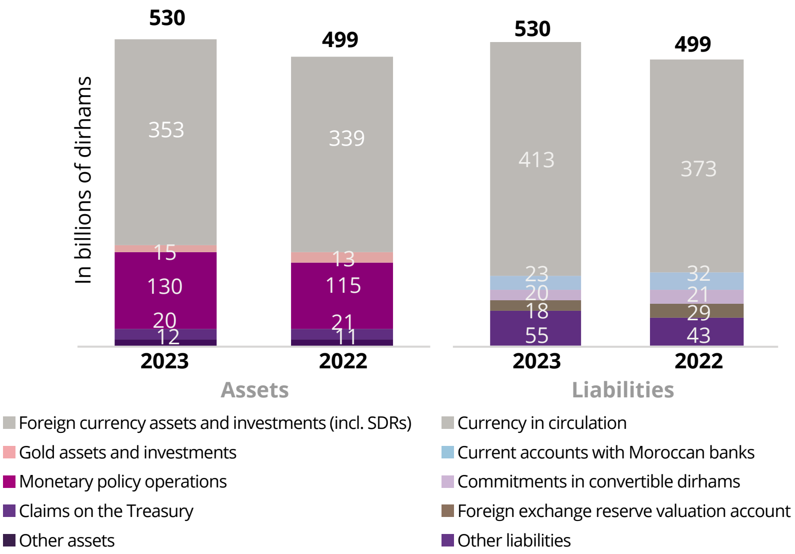


Table 3.1.1: Balance sheet by transaction type

In thousands of dirhams	2023	2022	Change (in percent)
(of which)			
Currency in circulation	412,752,041	372,786,283	11
Foreign operations	-306,984,216	-278,004,179	10
Transactions with the State	-8,960,079	-16,682,686	-46
Net position of credit institutions	-107,335,840	-82,219,314	-31
Patrimonial transactions	5,559,196[2]	700,727	>100

[1] The changes in balance sheet and profit and loss items are discussed in more detail in the comments on the summary statements. For purposes of analysis, balance sheet and income statement items have been combined in this part of the report.
[2] Considering net income before appropriation.

Currency in circulation rose by 11 percent to 412,752,041 KDH, driven by strong growth in demand for cash.

Foreign transactions recorded an annual increase of 10 percent to -306,984,216 KDH, mainly due to the growth of foreign currency assets and investments, resulting from higher foreign exchange reserves and exchange rate trends.

Between 2022 and 2023, the balance of **transactions with the State** fell from -16,682,686 KDH to -8,960,079 KDH, mainly reflecting higher cash balances on the Treasury's current account (+6,791,599 KDH).

The **net position of credit institutions** rose from -82,219,314 KDH to -107,335,840 KDH, mirroring the Bank's increased intervention in the money market, alongside a tightening of bank cash balances.

The balance on **patrimonial transactions** rose sharply year-on-year, from 700,727 KDH to 5,559,196 KDH, mainly due to the +5,518,525 KDH increase in the Bank's net income to 5,105,675 KDH.

3.1.2 Income

At the end of the 2023 financial year, the Bank recorded a **profit** of 5,105,675 KDH, as opposed to a loss of 412,850 KDH a year earlier.

The +5,518,525 KDH year-on-year change in net income is primarily attributable to the sharp rise in income from foreign exchange reserve management operations (>100 percent) and monetary policy operations (+99 percent), mitigated by the decline in non-recurring income (<-100 percent) following the award of a 1-billion-dirham grant to the Special Fund for managing the effects of the El Haouz earthquake, and by the rise in income tax (>100 percent).

Table 3.1.2: Net income of the financial year

In thousands of dirhams	2023	2022	Change (in percent)
Net income from foreign exchange reserve management	7,472,579	-1,231,118	>100
Net income from monetary policy operations	3,107,026	1,561,971	99
Net income from other operations	1,283,422	1,337,652	-4
Operating net income	**11,863,028**	**1,668,505**	**>100**
General operating expenses	-2,090,748	-2,010,592	4
Gross operating income	**9,772,280**	**-342,087**	**>100**
Non-recurring income	-996,696	-43,751	<-100
Income tax	-3,669,909	-27,012	>100
Net income	**5,105,675**	**-412,850**	**>100**

The rise in **income from foreign exchange reserve management operations** to 7,472,579 KDH (+8,703,696 KDH) is mainly due to the increase in net bond income (+6,904,785 KDH), primarily reflecting the rise in net reversals of provisions for impairment in value of investment securities (net reversal of 1,810,714 KDH in 2023 vs. net allocation of 2,882,174 KDH in 2022), and in interest generated by money-market and bond investments (+2,362,155 KDH), particularly reflecting improved yields on assets denominated in dollars and euros.

The higher **income from monetary policy operations**, reaching 3,107,026 KDH (1,545,055 KDH), is essentially attributable to increases in the key interest rate, and to the rise in the average outstanding amount of money-market loans to banks as a result of the worsening liquidity deficit.

The decline in **income from other operations** to 1,283,422 KDH (-54,229 KDH) mainly reflects the drop in net commissions from foreign exchange transactions to 982,160 KDH, associated with the lower volume of sales of foreign banknotes, and the increase in interest on customer accounts. This decline was partially offset by the 57,396 KDH contribution to on-site inspection costs[1]. Sales of secure documents remained virtually stable at 376,826 KDH.

[1] For institutions subject to the Bank's supervision, control and oversight, in accordance with regulatory provisions, in particular Article 73 of Law No. 40-17 establishing the statutes of Bank Al-Maghrib, instituted in 2019.

The growth in **general operating expenses** to 2,090,748 KDH (+80,156 KDH), reflects the combined effect of higher net depreciation, amortization and provisions for liabilities and charges (+140,183 KDH) and lower operating expenses (-60,027 KDH).

The decline in **non-recurring income**[1] to -996,696 KDH (-952,945 KDH), is linked to the granting by the Bank of 1 billion dirhams to the special fund for managing the effects of the earthquake.

[1] Includes non-recurring income and income from prior years.

3.2 Summary Statements and Related Notes

3.2.1 Balance sheet (Assets)

Table 3.2.1: Assets as at December 31, 2023

In thousands of dirhams	Notes	2023	2022
Assets and investments in gold	**1**	**14,532,787**	**13,498,946**
Assets and investments in foreign currency	**2**	**333,341,042**	**318,867,128**
- Holdings and investments held in foreign banks		44,481,551	52,900,450
- Foreign Treasury bills and similar securities		279,618,315	257,366,426
- Other holdings in foreign currency		9,241,175	8,600,252
Assets with international financial institutions	**3**	**22,101,677**	**22,770,832**
- IMF subscription-Reserve tranche		2,146,416	2,248,490
- Special Drawings Rights holdings		19,553,046	20,100,998
- Subscription to the Arab Monetary Fund		402,216	421,344
Lending to the Government	**4**	**19,906,860**	**20,853,545**
Claims on Moroccan credit institutions and similar bodies	**5**	**129,943,781**	**114,602,736**
- Securities received under repurchase agreements		42,194,039	21,533,559
- Advances to banks		87,408,014	92,886,621
- Other facilities		341,728	182,557
Treasury bills - Open market operations		**-**	**-**
Other assets	**6**	**4,823,925**	**3,706,864**
Fixed assets	**7**	**4,663,512**	**4,678,426**
Total assets		**529,313,584**	**498,978,477**

3.2.2 Balance sheet (Liabilities)

Table 3.2.2: Liabilities as at December 31, 2023

In thousands of dirhams	Notes	2023	2022
Banknotes and coins in circulation	**8**	**412,752,041**	**372,786,283**
- Banknotes in circulation		408,599,194	368,820,223
- Coins in circulation		4,152,848	3,966,060
Commitments in gold and foreign currency	**9**	**5,524,282**	**6,742,577**
- Commitments in gold		-	-
- Commitments in foreign currency		5,524,282	6,742,577
Commitments in convertible dirhams	**10**	**20,222,140**	**21,230,274**
- Commitments to international financial institutions		20,201,079	21,212,432
- Other liabilities		21,060	17,842
Deposits and commitments in dirhams	**11**	**38,000,970**	**42,444,609**
- Current account of the Treasury		10,878,799	4,087,201
- Deposits and commitments in dirhams to Moroccan banks		22,607,941	32,383,423
- Current accounts		22,607,941	32,383,423
- Liquidity-withdrawal accounts		-	-
- Deposit facility accounts		-	-
- Deposits of general government and public institutions		1,252,740	1,331,794
- Other accounts		3,261,490	4,642,191
Other liabilities	**12**	**23,761,499**	**30,670,166**
Special Drawing Rights allocations	**3**	**18,829,944**	**19,725,415**
Equity capital and the like	**13**	**5,117,032**	**5,792,002**
- Capital		500,000	500,000
- Reserves		5,001,340	5,263,461
- Retained earnings		-384,308	28,542
- Other equity capital		-	-
Net income of the fiscal year		**5,105,675**	**-412,850**
Total liabilities		**529,313,584**	**498,978,477**

3.2.3 Off-balance sheet

Table 3.2.3: Off-balance sheet as at December 31, 2023

In thousands of dirhams	Notes	2023	2022
Spot foreign exchange transactions			
Spot delivery of currencies		-	-
Spot purchase of dirhams		-	-
Forward foreign exchange transactions	**14**		
Foreign currencies receivable		5,025,367	4,834,546
Foreign currencies deliverable		5,077,338	4,851,467
Foreign exchange transactions-currency deposits	**14**	**9,850,050**	**9,265,794**
Foreign exchange transactions-arbitrage operations	**14**		
Foreign currencies receivable		5,304	-
Foreign currencies deliverable		5,267	-
Off-balance currency adjustment		**-**	**-**
Commitments on derivatives		**-**	**-**
Commitments on securities	**15**		
Securities received on advances granted		107,969,056	95,487,149
Securities received on advances to be granted		12,298,400	11,492,600
Other guarantees received on advances granted		30,750,502	29,789,531
Advances to be granted		11,683,480	10,917,970
Foreign securities receivable		-	-
Foreign securities deliverable		-	-
Other liabilities	**16**		
Received market guarantees		130,505	100,424
Guarantees commitments received for staff loans		904,446	922,152
Financing commitments granted to the staff		9,400	13,188
Other granted commitments		1,000	1,000

3.2.4 Profit and loss account

Table 3.2.4: Profit and loss account as at December 31, 2023

In thousands of dirhams	Notes	2023	2022
Revenues		**13,863,998**	**6,876,041**
Interests earned on holdings and investments in gold and in foreign currency	17	6,109,045	3,340,653
Interests earned on claims on credit institutions and similar bodies	18	3,002,226	1,562,197
Other interests earned	19	9,689	9,758
Commissions earned	20	1,135,349	1,121,250
Other financial revenues	21	1,183,547	295,166
Sales of produced goods and Services	22	490,118	382,028
Miscellaneous revenues	23	32,712	47,049
Reversal of depreciation		-	-
Reversal of provisions	24	1,887,286	111,191
Noncurrent revenues	25	14,026	6,748
Expenses		**8,758,323**	**7,288,891**
Interests paid on commitments in gold and in foreign currency	26	726,952	282,269
Interests paid on deposits and commitments in dirhams	27	379,467	200,982
Commissions paid	28	33,985	30,810
Other financial expenses	29	767,408	1,673,613
Staff expenses	30	850,114	898,809
Purchases of materials and supplies	31	343,563	370,771
Other external expenses	32	416,771	370,044
Depreciation and provision endowments	33	561,965	3,323,110
Noncurrent expenses	34	1,008,188	111,468
Income tax	35	3,669,909	27,012
Net income		**5,105,675**	**-412,850**

3.2.5 Cash flow statement

Table 3.2.5: Cash flow as at December 31, 2023

In thousands of dirhams	2023	2022
Cash and foreign currency deposits at the beginning of the year	**36,713,644**	**58,108,674**
Cash flow from operating activities	**27,120,078**	**-40,289,051**
Interests received	8,439,261	3,721,084
Commissions on banking transactions received	1,135,349	1,121,250
Other products received	679,484	301,398
Interests and commissions paid	-1,137,947	-510,307
Staff expenses paid	-840,699	-754,750
Taxes paid	-143,735	-490,346
Other expenses paid	-1,674,907	-969,121
+/- Change in Treasury deposits in Dirhams	6,791,599	-1,170,833
+/- Change in deposits with Moroccan banks in Dirhams	-9,776,280	3,898,726
+/- Change in other customer deposits in Dirhams and in foreign currencies	-2,279,777	2,195,281
+/- Change in foreign-currency-denominated investment securities	18,951,289	940,432
+/- Change in foreign currency trading securities	-	-
+/- Change in advances to banks	-15,181,874	-23,196,076
+/- Change in other liabilities	22,781,453	-25,196,422
+/- Change in other assets	-623,138	-179,368
Cash flow from investment activities	**-49,623,163**	**-46,526,366**
+/- Change in foreign investment securities in foreign currencies	-48,998,387	-44,042,968
+/- Change in IMF subscription-Reserve branch	-	-
+/- Change in SDR holdings	-382,634	-2,337,566
+/- Change in gold assets and investments	-	-
+/- Change in deposits with the IMF	-	-
+/- Change in AMF subscription	-	-
+/- Change in SDR allocations	-	-
Acquisition of fixed assets	-255,967	-139,798
Proceeds from sale of fixed assets	13,825	-6,034
Cash flows from financing activities	**39,965,758**	**35,075,708**
+/- change in banknotes and currency in circulation	39,965,758	35,075,708
Revaluation of cash and foreign currency deposits	**-2,288,768**	**30,344,679**
Cash and foreign currency deposits at end of year	**51,887,549**	**36,713,644**

3.2.6 Table of changes in shareholders' equity

Table 3.2.6: Change in shareholders' equity at December 31, 2023

In thousands of dirhams	2023 Opening balance	Appropriation of 2022 income	Restitution reserve for exchange loss	2023 Income	Capital transactions (+incr. / -decr.)	2023 closing balance
Equity	500,000					500,000
Carry forward	28,542	-412,850				-384,308
Reserves	5,263,461		-262,120			5,001,340
Income for the year	-412,850	412,850		5,105,675		5,105,675
Income pending allocation						
Total	**5,379,152**	**0**	**-262,120**	**5,105,675**	**0**	**10,222,707**

3.2.7 Main accounting rules and evaluation methods

3.2.7.1 Legal framework

The financial statements are developed and presented in conformity with BAM's chart of accounts, approved by the National Accounting Board in May 2007.

The Bank applies the accounting requirements specified in the General Accounting Standard for issues common to companies, particularly with regard to inventories and fixed assets' assessments.

The financial statements, as cited under Article 47 of Law No.40-17 bearing Statutes of Bank Al-Maghrib, include the balance sheet, the profit and loss account (PLA) and additional information statement (AIS).

Concurrently, the Bank prepares an annual off-balance sheet statement, the cash-flow statement and the statement of changes in shareholders' equity.

3.2.7.2 Evaluation methods

Assets and liabilities in gold and foreign currency

Foreign exchange transactions

Foreign exchange transactions include spot and forward purchases and sales of foreign currencies that entail:

- either a change in an asset or liability in a foreign currency and a change in a liability or asset in dirhams;
- or a change in an asset or liability in one currency and a change in an asset or liability in another currency.

These transactions are entered in the corresponding off-balance sheet accounts on the commitment date, then recorded in the balance sheet accounts on the value or delivery date.

Revaluation of gold and foreign currency assets

Assets and liabilities in gold, precious metals, and foreign currencies, including SDRs, are valued at the exchange rates prevailing on the last business day of the financial year.

Table 3.2.7: Trends in exchange rates*

En DH	2023	2022	Change (in percent)
XAU	20,439.00	18,985.00	7.7
USD	9.89	10.45	-5.3
EUR	10.94	11.16	-1.9
XDR	13.27	13.90	-4.5

* Year-end reference course.

Profits and losses resulting from this operation are entered in the "foreign exchange reserve valuation account" on the liabilities of the Bank's balance sheet, in accordance with the new agreement governing this account, concluded between Bank Al-Maghrib and the State on November 1st, 2022, superseding the provisions of the agreement signed on December 29th, 2006.

By virtue of this agreement, the "foreign exchange reserve valuation account" must be kept positive at 2.5 percent minimum of the Bank's net foreign assets at the year-end. In case a currency loss causes the balance of this account to fall below this threshold, the difference shall be deducted from the Bank's profit and loss account for the year in question, up to a limit of 10 percent of the net profit for that year, entered in a "foreign exchange loss reserve" account, and carried as a liability on the Bank's balance sheet.

If the "foreign exchange reserve valuation account" indicates a negative balance, the latter is entered as an asset on the Bank's balance sheet, and no provision is made for risks and charges.

If the "foreign exchange reserve valuation account" shows a debit balance not covered by the balance of the "foreign exchange loss reserve" account, the foreign exchange loss reserve will be replenished from the Bank's net profit up to a limit of 20 percent.

Securities

The securities acquired as part of the exchange reserves management are sorted on the basis of the purpose for which they are held, either in the portfolio of transaction, of securities held for sale, or of investment.

Transaction portfolio consists of securities purchased with the initial intention of reselling them in the short term. They are recorded at their purchase price, including costs and, if need be, accrued coupons. Gains and losses resulting from the daily evaluation of such securities at the market price are entered in the corresponding income accounts.

Investment portfolio consists of securities acquired with the intention of being held until maturity. They are entered according to the rules below:

- They are recorded at their purchase price, excluding costs and, where necessary, accrued coupons.
- Unrealized gains on these securities are not recorded.
- Unrealized losses on these securities are recorded only when the Bank judges that the security showing an unrealised loss is likely to be resold in the following year and where there is a probable risk of default by the issuer.
- The differences between securities' prices of purchase and redemption (discounts or premiums) are amortized using an actuarial method over the remaining life of the securities.

  As of January 1st, 2020, in order to comply with international best practices, the Bank switched from the straight-line method to the actuarial method for spreading discounts/surcharges on investment securities. This method, just like the straight-line method, is accepted by the accounting plan of Bank Al-Maghrib as approved by the PLA.

As at December 31st, 2023, no provision has been recorded for this portfolio.

Portfolio of securities held for sale consists of securities other than those recorded as transaction or investment securities. Their recognition is governed by the following rules:

- Entries into the portfolio are recorded in the balance sheet at their purchase price, excluding costs and, if need be, accrued coupons.
- The differences between the securities' purchase price and redemption price (discounts or premiums) are not amortized over the duration for these securities' holding.
- Unrealized losses resulting from the difference between the book value and the market value of these securities are recorded as depreciation provisions on a daily basis. Conversely, unrealized gains are not included.

Discounted interest securities are entered at their redemption price. The discounted interests are spread over the life of the securities and recorded in the profit or loss accounts on the daily basis.

Other foreign assets

The Bank holds a portfolio of securities denominated in US dollars. The management of this portfolio is delegated to the World Bank by virtue of delegation contracts.

These securities are initially entered at their purchase price. The unrealized gains or losses are entered in the appropriate profit and loss accounts, based on the net asset values reported by the managing agent.

Receivables from the Treasury

As part of the agreement signed between Bank Al –Maghrib and the State in November 2022, setting out the terms and conditions governing the use by the State of funds available under the IMF's Precautionary and Liquidity Line, this operation has been entered in the Bank's accounts as a receivable from the State, as recommended in the IMF manual.

This claim is periodically revalued at the exchange rate prevailing at the closing date.

In its balance sheet presentation of assets, Bank Al-Maghrib's accounting plan only includes the item "Financial assistance to the State" for its relations with the State. However, although this PLL retrocession operation is reported as a claim on the State, it cannot be considered as a financial assistance to the State, as the Bank is merely acting as an intermediary between the IMF and the State.

As a result, and in compliance with the principle of true and fair view, we have:

- changed the heading of "Financial assistance to the State" to "Receivables from the Treasury";
- inserted a dedicated item "Receivables related to the use of the PLL by the State";
- maintained the item "Financial assistance to the State".

Tangible and intangible fixed assets

Tangible and intangible fixed assets are recorded at their purchase cost. They are posted on the assets side of the balance sheet at a net value representing their acquisition cost minus accumulated depreciations.

Fixed assets, including incidental expenses, are amortized according to the straight-line method, depending on the probable useful life of the asset, by applying the current amortization rates.

Below are the amortization periods that have been adopted for each type of fixed assets:

Table 3.2.8: Amortization periods of fixed assets

Buildings	20 years
Fittings, fixtures, and installations	5 years
Dar As-Sikkah equipment	10 years
Office equipment, computer hardware and software, vehicles, and other equipment	5 years
Office furniture	10 years
Smartphones and tablets	3 years and 4 months

Financial fixed assets

Shareholdings in Moroccan and foreign financial institutions are entered in the assets side of the balance sheet at their net book value representing their acquisition cost minus the possible provisions set up at the closing date. Meanwhile, the value of foreign holdings is converted into dirhams at the historical rate of the currency.

Non-fully paid-up securities are recorded as assets at their total value, including the remaining amount to be paid up. The share not yet paid up is recorded as a counterpart to a debt account on the liabilities side of the balance sheet.

The possible provisions for depreciation of these unlisted securities are evaluated at the end of the financial year following the net asset value method, based on the last financial statements available.

Inventories

Inventories are mainly composed of:

- Consumable materials and supplies.
- Raw materials needed for manufacturing banknotes, coins, and secured documents and identity cards (paper, inks, blanks, chips, cards, etc.).
- Finished goods and in-process inventory (secured documents, and miscellaneous);
- Commemorative coins.

Consumable materials and supplies are recorded in the balance sheet at their purchase price, minus any provision for their depreciation at the closing date.

Raw materials are recorded in the balance sheet at their purchase price plus the handling costs, and minus any provision for their depreciation.

Finished goods and in-process inventory are recorded in the balance sheet at their production cost, minus any provision for their depreciation.

Distributable income

Distributable income comprises net income for the year, less the previous loss for 2022, plus retained earnings from preceding years.

3.2.8 Mechanism for managing the financial risks associated with foreign exchange reserve management

Definition of financial risks

Financial risks facing the Bank in the management of foreign exchange reserves are:

- The **credit risk**, defined as:
  - First, the payment default risk (counterparty risk) which refers to the inability of a counterparty to fulfil its obligations.
  - Second, the risk of lowering the credit rating of a counterparty by one or more rating agencies.
- The **market risk**, referring to the risk of loss arising from adverse changes in market factors. It concerns, inter alia, risks related to movements in interest or foreign exchange rates.
- The **liquidity risk**, which refers the inability of meeting immediate commitments of the country, by mobilizing assets, without any significant impact on their price.

Governance framework

As part of its mission relating to foreign exchange reserve management, the Bank has set up a financial risk management system, which allows for the identification, monitoring, and mitigation of the risks inherent in foreign exchange reserve management operations, namely credit, market and liquidity risks.

To achieve this goal, the risk management function at Bank Al-Maghrib is based on a clear and well-structured governance framework.

Each year, the **Bank Board** validates the foreign exchange reserve investment policy and risk tolerances. It also approves the investment sphere and the strategic asset allocation. The **Monetary and Financial Committee (MFC)** oversees the implementation of the strategic allocation and validates the management of foreign exchange reserves. It also examines trends in the financial risk indicators inherent in reserve management. Finally, the **Audit Committee** examines the annual trends in the Bank's financial and operational risks.

The purpose behind reserves holding and management, the investment principles, the limits by asset class, and the rules defining the issuer and counterparty eligibility and concentration are all set out in an investment directive, while portfolio benchmarks and management are defined under the strategic allocation approved by the Bank Board.

From an operational point of view, all the Bank's foreign currency exposures are controlled and monitored on a daily basis to ensure compliance with the investment directive and with the strategic allocation.

In this context, these exposures are the subject of in-depth analyses in reports drawn up on a regular basis and communicated to the Bank's various governance bodies, especially the Monetary and Financial Committee.

Financial risks' management

Credit risk

The Bank manages credit risk by setting eligibility criteria for both issuers and counterparties, while keeping investments in line with security and liquidity principles.

The minimum criteria are distinguished based on the credit risk incurred by the different instruments. These are higher for transactions with direct credit risk, such as unsecured deposits, than for transactions processed in a delivery-versus-payment system. At present, the minimum average credit rating is "A-" for money market investments with bank counterparties, and "BBB-" for bond investments.

In addition to the eligibility criteria, the Bank sets limits to avoid excessive risk-taking and concentration. These include limits on exposure by issuer, counterparty, asset class, country and credit rating.

In order to ensure that the overall credit risk exposure is assessed, the Bank daily calculates and monitors the average credit rating of the portfolios under management as well as the 99 percent Credit VaR, which assesses the potential losses over a one-year horizon, associated with a credit event (a rating downgrade or a default).

At end-2023, the average credit rating of foreign exchange reserves improved by one notch from "AA-" to "AA", driven by increased exposure to very high credit quality assets.

Chart 3.2.1: Breakdown of portfolio exposures by region

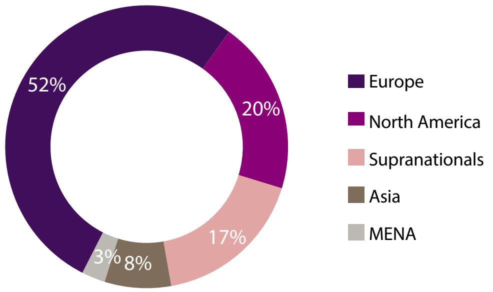


Chart 3.2.2: Breakdown of portfolio exposure by asset class

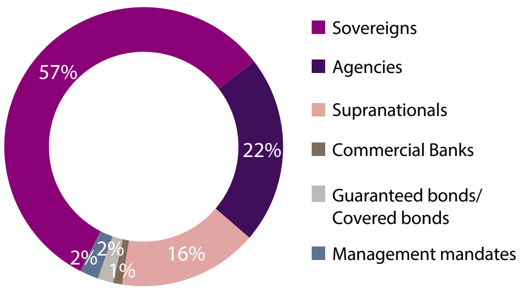
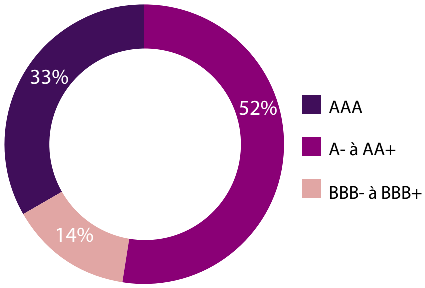


Chart 3.2.3: Breakdown of bond portfolios by rating



Market risks

The market risk associated with foreign exchange reserves management mainly arises from interest rate risk and foreign exchange risk.

- **Interest rate risk**

The Bank manages interest rate risks through benchmark indices for all portfolios and duration spreads allowed within the strategic allocation against these indices.

Exposure to interest rate risk is measured through various indicators, namely maximum potential loss (VaR), duration and volatility of performance against the benchmark indices (Tracking Error).

At end-2023, the overall duration of the foreign exchange reserves stood on average at 1.9 years, as against 2.1 years at end-2022.

- **Foreign exchange risk**

The foreign exchange risk arises from the fluctuation of foreign exchange rates against the Moroccan dirham. This risk stems from the gap between the currency composition of foreign exchange reserves and the weighting of the dirham basket, which is 60 percent for the euro and 40 percent for the US dollar (defined through a maximum deviation limit of 5 percent set by the strategic allocation). The risk also arises from the variation in the gap between the reference rate and the central rate of the fluctuation band.

Liquidity risk

The Bank manages the liquidity risk by building up liquid portfolios within the foreign exchange reserves:

- Precautionary reserves: made up of available and liquid assets that allow financing short-term needs of the Bank. As end-2023, precautionary reserves reached 57 billion dirhams.
- Excess reserve portfolios recorded at market value made up of liquid assets that can be mobilised in the event of exhaustion of the "precautionary reserves" tranche. The value of these portfolios reached 34 billion dirhams at end-2023.

Liquidity risk is also framed, with regard to the above-mentioned liquid portfolios, through minimum size and maximum leverage ratio rules for bond issues.

3.2.9 Comments on the balance sheet items

Assets

By virtue of Article 12 of its Statutes, Bank Al-Maghrib holds and manages foreign exchange reserves, which consist of gold, foreign currency and SDRs.

Note 1: Assets and investments in gold

This item contains the dirham equivalent of gold assets deposited in Morocco and with foreign depositors, as well as investments in gold made with foreign counterparties. Since the end of 2006, these assets are evaluated at market prices. Gains and losses resulting from this operation are allocated to the re-evaluation account of foreign exchange reserves, in accordance with the agreement governing this account signed on November 1st, 2022, between Bank Al-Maghrib and the of Ministry of Economy and Finance.

At the end of 2023, the equivalent value of gold assets stood at 14,532,787 KDH, up 8 percent (compared with 12 percent in 2022), under the combined effect of the rise in the price of gold (expressed in USD) and the dirham against the USD.

The quantity of gold ounces remained stable, from one year to the next, at 711,032 ounces (equal to 22 tons).

Table 3.2.9: Assets and investments in gold

	2023	2022
Quantity of gold ounces[1]	20,439	18,985
Quantity of gold ounces	711,032	711,032
Morocco	4,855	4,855
Abroad	706,177	706,177
Market value[2]	**14,532,787**	**13,498,946**
Gold stock (in tons)	**22.12**	**22.12**

[1] Price of Gold/MAD.

[2] In thousand of dirhams.

Note 2: Assets and investments in foreign currency

This item includes the equivalent in dirhams of assets in convertible foreign currencies, held in the form of money deposits (time and demand deposits) and foreign bond securities.

Foreign currency assets and investments stood at 333,341,042 KDH at the end of 2023, up 5 percent attributable to higher foreign exchange reserves and exchange rate trends. The upward trend has been observed since the beginning of this year, following the Treasury's issuance in March of a $2.5 billion bond on the international financial market.

Table 3.2.10: Breakdown by type of investment

In thousands of dirhams	2023	Part		2022	Part	
Current accounts	32,038,072	10%		14,950,449	5%	
Term accounts	3,701,951	1%		20,036,244	6%	
Securities held for sale[1]	48,301,534	14%		68,150,160	21%	
Investment securities[2]	231,316,781	69%	84%	189,216,267	59%	80%
Transaction securities	-	-		-	-	
Others[3]	17,982,704	5%		26,514,010	8%	
Total	**333,341,042**	**100%**		**318,867,128**	**100%**	

[1] Taking into account provisions for depreciation. The market price valuation of securities held for sale at December 31st, 2023 amonted to 48,354,688 KDH.

[2] In line with accounting rules, no provision has been recorded for this portfolio.

[3] Including accrued interests, management mandates and foreign banknotes.

Foreign currencies represent 63 percent of the Bank's assets, instead of 64 percent in 2022, and are invested for 84 percent in bonds (+9 percent). Within this category, the portfolio of investment securities rose by 22 percent to 231,316,781 KDH, following this year's increase in the size of HTM portfolios, mainly in EUR. By contrast, the investment securities portfolio fell by 29 percent to 48,301,534 KDH.

Monetary deposits and investments, which account for 11 percent of foreign currency assets and investments, rose by 2 percent to 35,740,023 KDH, reflecting higher deposits, notably with central banks.

Table 3.2.11: Breakdown by currency

In thousands of dirhams	2023	2022	Change (%)
EUR	194,438,287	180,047,841	8
USD	135,824,332	136,424,149	-0.4
Other currencies	3,078,422	2,395,138	29
Total	**333,341,042**	**318,867,128**	**5**

Table 3.2.12: Breakdown by residual maturity*

	2023	2022
≤1 year	24%	23%
> 1 year	76%	77%
Total	**100%**	**100%**

(*) Securities held in internally-managed portfolios, including certificates of deposit.

Note 3: Assets with international financial institutions

This item, which includes positions with the IMF and the AMF, fell by 3 percent to 22,101,677 KDH, largely due to the drop in the SDR assets driven by the fall in the SDR exchange rate (-5 percent).

Position avec le FMI

On the assets side:

- <u>IMF subscription - Reserve tranche</u>, which composes the fraction (18.4 percent) covered by Bank Al-Maghrib as Morocco's quota subscription in the IMF. It is composed of:

  - **The available tranche**: 150.08 million SDRs (1,992,079 KDH), representing Bank Al-Maghrib's contribution to the IMF in foreign currency, of which the Bank's last subscription amounted to 76.55 million SDRs.
  - **The mobilized tranche**: 14.36 million SDR (154,337 KDH) corresponding to Morocco's quota at the IMF, subscribed by Bank Al-Maghrib in national currency and registered in "Account n°1" opened on its books.

Table 3.2.13: Position with the IMF

In thousands of dirhams	2023	2022	Change (%)
ASSETS			
IMF subscription - Reserve tranche	2,146,416	2,248,490	-5
SDR holdings	19,553,046	20,100,998	-3
Total	**21,699,461**	**22,349,488**	**-3**
LIABILITIES			
SDR allocations	18,829,944	19,725,415	-5
Comptes n°1 et 2 (*)	20,183,015	21,169,525	-5
Total	**39,012,959**	**40,894,940**	**-5**

(*) Taking into account the revaluation of dirham-denominated assets at the SDR exchange rate on the last business day of the year.

  At the end of December 2023, revaluation of the mobilized reserve tranche resulted in an adjustment of -3,498 KDH, compared with +15,784 KDH a year earlier.

  This year's transfer to IMF accounts 1 and 2 led to an adjustment of the reserve tranche of 2.7 million SDRs, equivalent to 37,096 KDH.

- <u>SDR holdings:</u> represent the equivalent of Bank Al-Maghrib's assets with the IMF. This account records, in the debit side, SDRs purchased by the Bank and the remunerations paid by the IMF, while in the credit side, it records quarterly payments of commissions on SDR allocations as well as loans reimbursements by Morocco. These assets were strengthened in 2021, after the IMF issued a general SDR allocation to member countries worth SDR 456 billion, of which 857.2 million SDRs (equivalent to 10.9 billion dirhams[1]) represented Morocco's share of this allocation.

At the end of 2023, their equivalent value in dirhams fell back to 19,553,046 KDH, down 3 percent on 2022, as a result of the decline in the SDR exchange rate against the dirham (-5 percent) and the deduction from SDR holdings of financial charges under the precautionary and liquidity line amounting to 68.8 million SDRs (925,766 KDH) and the commission on the flexible credit line[2] of 9.6 million SDRs (132,607 KDH). This decrease was, however, mitigated by the acquisition by the Bank in 2023 of 100 million SDRs (1,361,809 KDH).

[1] Impacting SDR holdings on the assets side and SDR allocations on the liabilities side.
[2] On April 3, 2023, the Executive Board of the IMF approved a two-year arrangement for Morocco under the Flexible Credit Line, in an amount equivalent to 3.73 billion SDRs.

On the liabilities side:

The liabilities side include the "Special Drawing Rights Allocations", which corresponds to the value, in dirhams, of SDR allocations granted by the IMF to Morocco as a member country. In 2009, this account was credited with 5.7 billion dirhams in 2009, representing Morocco's share of the general and special allocations (475.8 million SDRs)[1] granted by the IMF to member countries, and with 10.9 billion dirhams in 2021 covering Morocco's share of the general allocation (857.2 million SDRs) made by the IMF in August of this year.

At the end of 2023, this item fell by 5 percent (-895,471 KDH) to 18,829,944 KDH, mainly due to the depreciation of the SDR exchange rate against the dirham (-5 percent).

AMF subscription

This account represents the share paid by the Bank for the paid-in subscription in the capital of the AMF. Morocco's participation in this institution amounts to 41.33 million Arab dinars, divided between Bank Al-Maghrib and the Treasury as follows:

- 200,000 Arab dinars paid in national currency and deposited in the AMF account open in Bank Al-Maghrib books. The share paid by BAM amounts to 150,000 Arab dinars (6,257 KDH).
- 21.69 million Arab dinars, subscribed in foreign currency, of which 10.10 million Arab dinars subscribed by the Bank (402,216 KDH) remained unchanged since the last capital increase in 2018.
- 19.44 million Arab dinars, of which 9.10 million were paid by Bank Al-Maghrib under the AMF capital increase by incorporation of reserves, which took place in 2005 (5.88 million Arab dinars) and in 2013 (3.23 million Arab dinars).

Note 4: Claims on the Treasury

This item includes the receivable linked to the use by the Treasury in 2022 of the equivalent value in dirhams of the availabilities arising from the drawdown on the PLL in April 2020, amounting to 1,499.8 million SDRs, in accordance with the provisions of the agreement concluded in this respect in November 2022 between Bank Al-Maghrib and the MEF.

At the end of December 2023, this item declined by 946,684 KDH to 19,906,860 KDH, due to the change in the SDR exchange rate following the revaluation of this claim against the State.

[1] Of which 436 million SDRs under the general allocation corresponding to 74.13 percent of Morocco's quota in 2009 (588.2 million SDRs) and 39.7 million SDRs relating to the special allocation granted in accordance with the IMF's fourth amendment.

Note 5: Claims on Moroccan credit institutions and similar entities

This item covers refinancing operations of credit institutions made as part of the monetary policy conduct, in conformity with Article 7 of the Bank's Statutes.

In 2023, Bank Al-Maghrib has pursued a tight monetary policy to ensure that inflation returns to levels in line with the objective of price stability. In March, it raised its key rate by 50 bps to 3.00 percent, following two hikes in 2022 (50 bps in September and 50 bps in December).

Against the backdrop of a widening liquidity deficit, the Bank raised the volume of its interventions on the banking market to a weekly average of 98 billion dirhams, from 93.5 billion dirhams in 2022.

At December 31, 2023, loans to banks totalled 129,602,053 KDH, of which:

- 60,054,014 KDH through 7-day advances following a call for tenders, granted at the key rate.
- 42,194,039 KDH corresponding to repurchase agreements (1 and 3 months), granted at the key rate.
- 27,354,000 KDH corresponding to guaranteed loan operations, including 7,809,000 KDH at 1 and 3 months, and 19,525,000 KDH under programs designed to support the financing of the economy[1] (VSMEs, the Integrated Program of Business Support and Financing (IPSF), participatory banks, and microcredit associations).

Furthermore, in January and February 2023, the Bank activated structural Open Market operations, resulting in an injection of 16.8 billion dirhams (see Box 3.2.1 below).

Table 3.2.14: Structure of loans to banks by instrument

In thousands of dirhams	2023	2022	Change (%)
Repo type operations	**102,248,053**	**90,618,180**	**13**
7-day advances	60,054,014	69,084,621	-13
Repurchase agreements	42,194,039	21,533,559	96
Secured loans (*)	**27,354,000**	**23,802,000**	**15**
Total	**129,602,053**	**114,420,180**	**13**

(*) 1 month, 3 months and 1 year.

Table 3.2.15: Breakdown of loans to banks by maturity (*)

In thousands of dirhams	2023	2022	Change (%)
7 days	60,054,014	69,084,621	-13
1 month	20,001,328	10,001,938	100
3 month	30,001,712	20,001,621	50
6 month	-	679,000	-
1 year	19,545,000	14,653,000	33
Total	**129,602,053**	**114,420,180**	**-13**

(*) Initial maturity.

[1] 16,229,000 KDH for 'VSMEs', 1,686,000 KDH at a 1.25 percent rate for 'IPSF' and 1,630,000 KDH for the program of 'Participatory banks'.

Box 3.2.1: Open Market transactions

In 2023, the Bank carried out five structural transactions to purchase Treasury bills on the secondary market from Moroccan banks. The T-bills purchased totalled MAD 16.8 billion, with an average maturity of 4.5 months.

Details of these transactions are shown in the table below:

Tender date	Amount	Average maturity of T-bills (in months)	Average yield
09/01/2023	15,000,000,000	6.5	3.34%
16/01/2023	1,400,000,000	3	3.16%
23/01/2023	200,000,000	6	3.27%
30/01/2023	228,000,000	4	3.06%
06/02/2023	200,000,000	3	3.12%

These transactions have been recorded on the assets' item of the Bank, maturing in November 2023. They generated a net income of 288.509 KDH (see notes 18, 21 and 29 of the PLA).

Note 6: Other assets

This item includes, inter alia, cash accounts and equalization accounts, which are mainly composed of expenses to be spread out over many fiscal years, prepaid expenses, and accrued revenues, and any other debit amount pending equalization.

Other assets rose from 3,706,864 KDH to 4,823,925 KDH, up 30 percent year-on-year. This change is mainly due to the recognition in deferred charges of 4/5 of the Bank's contribution to the fund dedicated to managing the effects of the earthquake, amounting to 800,000 KDH[1].

[1] To comply with the provisions of article 247 bis of the General Tax Code concerning the 5-year tax deferral of all gifts and bequests on behalf of the State.

Note 7: Net fixed assets

Table 3.2.16: Net fixed assets

In thousands of dirhams	2023	2022	Change (%)
(of which)			
Fixed loans	749,198	777,326	-4
Equity securities and the like	1,960,319	1,942,407	1
Tangible and intangible fixed assets	8,087,827	7,885,307	3
Gross fixed assets	**10,797,647**	**10,605,343**	**2**
Depreciation and provision endowments	-6,134,136	-5,926,917	3
Net fixed assets	**4,663,512**	**4,678,426**	**-0.3**

The Bank's net fixed assets fell slightly by 14,914 KDH to 4,663,512 KDH, due to a greater increase in depreciation (+207,218 KDH) than in investments (+202,520 KDH).

Equity securities and the like

The gross value of Bank Al-Maghrib's equity portfolio rose from 1,942,407 KDH at the end of 2022 to 1,960,319 KDH at the end of 2023, following the payment this year by the Bank to CFCA of a shareholder current account advance of 17,500 KDH, pursuant to a decision by the Board and in application of the regulatory provisions governing this operation.

Table 3.2.17: Equity securities and the like[1]

In thousands of dirhams	2023						2022 Gross book value	change (%)(3)
	Type of activity	Net book value	Gross book value(1)	Accounting net situation(2)	Number of shares held	Quote-part (%)		
Securities held in Moroccan institutions and the like (including)		**74,324**	**71,239**				**56,824**	**31**
Dar Ad-Damane	Financier	1,265	0		5,058	1.69	1,265	-
Maroclear	Financier	4,000	4,000	321,348	4,000	20.00	4,000	-
Casablanca Finance City Authority	Financier	50,000	49,680	496,800	500,000	10.00	50,000	-
The Moroccan Deposit Insurance corporation	Financier	59	59	10,212	2,008	4,59	59	-
Receivables attached to equity (5)		17,500	17,500				-	-
Securities held in foreign financial institutions		**1,885,995**	**1,872,258**				**1,885,583**	**0.02**
Ubac Curaçao	Financier	23,228	23,228	82,614 USD	353,913	6.85	23,228	-
Swift	Financier	519	519	664,092 EUR	21	0.02	519	-
Arab Monetary Fund	Financier	6,257	6,257	1,400,733 DA[6]	3	0.02	5,845	7
Arab Trade Financing Program	Financier	16,856	16,856	1,166,315 USD	546	0.28	16,856	-
Africa50-Project Finance	Financier	175,142	175,142	437,672 USD	18,000	4.31(7)	175,142	-
Africa50-Project Development	Financier	19,460	5,722	13,335 USD	2,000	4.34(7)	19,460	-
Bank for International Settlements	Financier	1,644,533	1,644,533	25,103,200 SDR[8]	3,000	0.50	1,644,533	-
Gross total of equity securities and the like		**1,960,319**	**1,943,497**				**1,942,407**	**1**

[1] Net of provisions for depreciation of the Bank's investments.

[2] Net position of bodies in which the Bank holds equity interests (in thousands), calculated using the net book value method on the basis of the 2022 financial statements.

[3] Change in gross accounting value between 2022 and 2023.

[4] Company in liquidation.

[5] Advance on shareholder's current account in favour of CFCA.

[6] Arab dinars.

[7] Share capital increase through contributions from 8 African countries for a total amount of 15.3 million US dollars. As a result, Bank Al-Maghrib's share has been reduced to 4.31 percent for Africa50 - Project financing (AFP) and 4.34 percent for Africa50 - Project development (ADP), compared with 4.46 percent and 4.49 percent respectively in 2022.

[8] SDR: Special Drawing Rights.

[1] The figures provided in this table are listed in thousands of dirhams, with the exception of the net position of foreign holdings, which is presented in foreign currencies.

Tangible and intangible fixed assets

Table 3.2.18: Tangible and intangible fixed assets

In thousands of dirhams	Montant brut 2022	Augmentation	Diminution	Montant brut 2023
Operating real estate properties	2,316,104	15,476		2,331,580
Operating furniture and equipment	2,893,255	146,651	53,771	2,986,135
Other operating tangible fixed assets	1,102,275	41,769	4,080	1,139,965
Non-operating tangible fixed assets	771,255	4,305	-	775,560
Intangible fixed assets	802,417	52,171	-	854,588
Total	**7,885,307**	**260,372**	**57,851**	**8,087,827**

At end-2023, the gross value of tangible and intangible fixed assets posted an annual growth of 202,520 KDH to reach 8,087,827 KDH. The main investments made this year are broken down as follows:

- 58 percent corresponding in particular to the modernization and reinforcement of the IT infrastructure, the upgrading of Dar As-Sikkah's production equipment, the renewal of various items of equipment (furniture and equipment, handling, maintenance and upkeep, kitchens and canteens), and the upgrading of equipment at social sites.
- 22 percent for upgrading electrical and security installations, renewing fittings and fixtures, and reinforcing security systems at the bank's sites.
- 20 percent for upgrading and enhancing some information systems, and for the acquisition of computer licenses.

Disposals mainly concern the acquisition of a banknote quality control machine and a packaging module, as part of the project to renew and upgrade the banknote manufacturing equipment at Dar As-Sikkah, the sale of the Bank's scrap equipment and furniture, and the sale of a plot of bare land owned by the Bank.

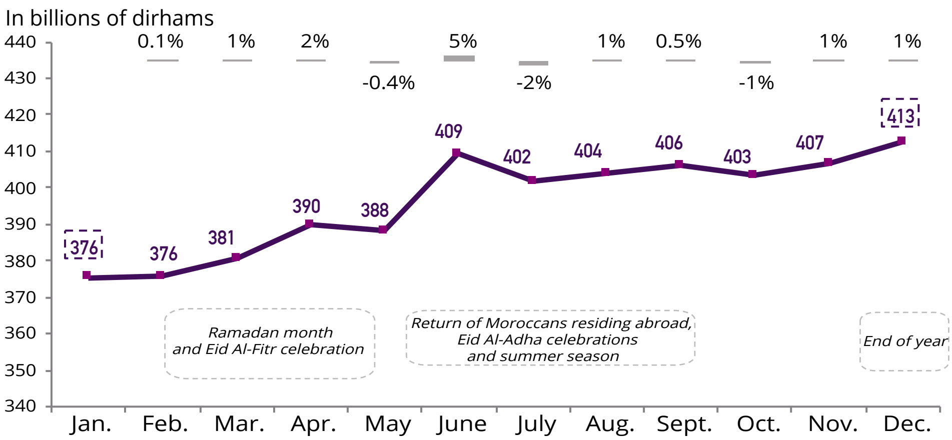
Liabilities

Note 8: Banknotes and coins in circulation

In accordance with Article 5 of its Statutes, Bank Al-Maghrib shall issue banknotes and coins. The amount of this item corresponds to the difference between the banknotes and coins issued and those held in the Bank's vaults.

Representing the Bank's largest liability item (78 percent), currency in circulation continued its upward trend, rising from 372,786,283 KDH to 412,752,041 KDH from one year-end to the next, up 11 percent (versus +10 percent a year earlier). In line with its seasonal profile, sales peaked during the June-September period, which saw a concentration of events with high cash demand (summer period, Eid Al-Adha celebrations and the new school year) and at the end of the year.

Chart 3.2.4: Banknotes and coins in circulation in 2023



Note 9: Commitments in gold and in foreign currency

These liabilities consist mainly of foreign currency deposits from foreign banks and non-residents. They amounted to 5,524,282 KDH, down 18 percent on the previous year, following the drop exclusively posted in the Bank's commitments in foreign currencies.

It should be noted that these commitments include the unpaid portion of the Bank's subscription to the capital of the BIS, amounting to 11.3 million SDRs (equivalent to 149,321 KDH).

Note 10: Commitments in convertible dirhams

This item includes the Bank's commitments in convertible dirhams towards foreign banks, international financial institutions (IMF, IBRD) and non-residents.

Table 3.2.19: Commitments in convertible dirhams

In thousands of dirhams	2023	2022	Change (%)
Commitments to international financial institutions	**20,201,079**	**21,212,432**	**-5**
Commitments to foreign banks	6,437	42,684	-85
Current accounts of international financial institutions	20,194,642	21,169,747	-5
Other commitments	**21,060**	**17,842**	**18**
Total	**20,222,140**	**21,230,274**	**-5**

Account No.1 of the IMF represents the major component of this item. Its assets, as well as those of "Account No.2" of the IMF, are readjusted each year[1] to take into consideration the parity of the dirham against SDRs. At end-2023, they showed a 5 percent decrease to 20,183,015 KDH (21,169,525 KDH in 2022), following the revaluation of the IMF's holdings of dirhams for the year ending April 30, 2023 by 212,614 KDH, compared with 957,719 KDH in 2022. This amount was adjusted at the end of December 2023 by -457,398 KDH (715,672 KDH in 2022) at the exchange rate prevailing on the last business day of the year.

The year-on-year change in the Bank's liabilities in convertible dirhams of -1,008,134 KDH is primarily attributable to liabilities to international financial institutions (-975,105 KDH).

Note 11: Deposits and liabilities in dirhams

This item mainly includes:

- The current account of the Treasury, held by Bank Al-Maghrib by virtue of Article 16 of its Statutes. It is remunerated according to the requirements below, in accordance with the agreement signed between the Ministry of Economy and Finance and Bank Al-Maghrib on July 28th, 2009:
  - The tranche lower than or equal to 2 billion dirhams is remunerated at the rate of 7-day advances minus fifty basis points.
  - The tranche above 2 billion dirhams up to 3 billion dirhams is remunerated at the rate of 7-day advances minus one-hundred basis points;
  - The tranche exceeding 3 billion dirhams is not remunerated.

[1] Yearly revaluation introduced in 2022 to neutralize the impact of the claim revaluation related to the Treasury's use of PLL cash balances.

- Accounts of Moroccan banks, held mainly to meet their commitments regarding the reserve requirement, established by virtue of Article 25 and 66 of the above-mentioned Statutes, were totally released to the banks by decision of the Bank Board on June 16th, 2020;
- Deposits of public administrations and institutions, including the account of Hassan II Fund for Economic and Social Development.

This item can also includes, in a context of excess liquidity:

- 7-day liquidity withdrawals as unsecured deposits by tenders, remunerated at the key rate minus fifty basis points.
- 24-hour deposit facilities allowing banks to place, on their own initiative, a cash surplus. The remuneration applied to these deposits equals the key rate minus one-hundred basis points.

Table 3.2.20: Deposits and liabilities in dirhams

In thousands of dirhams	2023	2022	Change (%)
Public Treasury current account	10,878,799	4,087,201	>100
Moroccan banks' current account	22,607,941	32,383,423	-30
Liquidity withdrawals	-	-	-
Deposit facilities	-	-	-
Deposits of general government and public institutions	1,252,740	1,331,794	-6
Other accounts	3,261,490	4,642,191	-30
Total	**38,000,970**	**42,444,609**	**-10**

At end-2023, deposits and commitments in dirhams fell to 38,000,970 KDH, or 4,443,639 KDH below 2022 levels, due in particular to the combined effect of the decline in Moroccan banks' assets (-9,775,481 KDH) and the increase in cash on the Treasury's current account (+6,791,599 KDH).

Note 12: Other liabilities

Table 3.2.21: Other liabilities

In thousands of dirhams	2023	2022	Change (%)
Other securities transactions	361	361	-
Miscallaneous creditors	3,610,944	583,006	>100
Equalization accounts	277,336	233,179	19
Amounts claimable after receipt of payment	198,947	173,226	15
Provisions for risks and expenses	1,258,986	245,934	>100
Revaluation account of foreign exchange reserves	18,414,925	29,434,461	-37
Total	**23,761,499**	**30,670,166**	**-23**

Other liabilities particularly include:

- Miscellaneous creditors, consisting mainly of withholding taxes, including corporate income tax payable of 2,908,792 KDH, other amounts due to the State and third parties, and contributions to social security bodies and funds pending settlement.

  At the end of 2023, they amounted to 3,610,944 KDH, of which 585,427 KDH corresponded to payables to suppliers. At December 31st, 2023, breakdown of these debts by due date comes as follows:

Table 3.2.22: Breakdown of trade payables by due date

In thousands of dirhams	Amount of suppliers' debt at the end of the fiscal year	Amount of unmatured debts	Amount of debts due			
Closing dates			Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	More than 90 days
Fiscal Year 2022	431,768	431,704	-	-	-	64
Fiscal Year 2023	585,427	585,374	-	-	-	53

- The equalization accounts, mainly composed of intersystem transactions, accruals, deferred income and any other debtor amount pending settlement, rose from 233,179 KDH to 277,336 KDH between 2022 and 2023.
- Amounts claimable after receipt of payment, whose accounts make up the counterpart of securities presented for payment, rose to 198,947 KDH at the end of 2023 compared to 173,226 KDH a year earlier.
- Provisions for risks and charges, which are intended to cover a risk or a charge that will generate a probable outflow of resources to a third party, without at least equivalent consideration, and whose occurrence is made plausible by an event that has happened or is ongoing, amounted to 1,258,986 KDH at the end of 2023, compared with 245,934 KDH a year earlier. This includes the provisions set aside for the donation to the Earthquake Relief Fund and the provision of 240,000 KDH for social fund commitments (see table 3.2.39 in note 33 of the PLA).
- The foreign exchange reserves valuation account, which reflects changes in exchange values resulting from the valuation of assets and liabilities in gold, precious metals and foreign currencies, including SDRs, on the basis of the exchange rates prevailing on the last business day of the year, in compliance with the agreement between Bank Al-Maghrib and the MEF[1] pertaining to this account.

[1] See section on the main accounting policies and valuation methods.

In 2023, after peaking at 27,204,373 KDH at the end of February, the foreign exchange reserve valuation account followed a downward trend, with the dirham appreciating against foreign currencies to 13,357,372 KDH at the end of July and ending the year with a credit balance of 18,414,925 KDH, down (-11,019,537 KDH) on 2022. This trend can particularly be explained by the depreciation of the US dollar (-5 percent) and the euro (-2 percent), and by the appreciation of the ounce of gold (+8 percent).

Table 3.2.23: Change in foreign exchange valuation account

In thousands of dirhams	2023	2022
(of which)		
Gold	1,033,841	1,490,323
USD	-7,803,370	15,164,109
EUR	-3,582,652	9,836,450

At the end of December 2023, this balance amounted to 5.7 percent of the Bank's net foreign assets (321.9 billion dirhams), compared with 9.9 percent a year earlier.

Note 13: Equity capital and the like

Under Article 2 of the Bank's Statutes, the capital is set at 500,000 KDH, fully paid-up and held by the State. The capital may be increased by incorporation of reserves by decision of the Bank board, after consulting the government commissioner, up to a maximum of fifty percent of the capital.

The general reserve fund was established in accordance with Article 48 of the above-mentioned Statutes, by deducting 10 percent from the net profit until it reaches the amount of the capital.

The special reserve funds were built up, pursuant to Article 48 above, by allocating part of the profits. They have amounted to 4,501,340 KDH since 2006.

In 2023, in accordance with the provisions of the agreement signed between Bank Al-Maghrib and the Ministry of the Economy and Finance relating to the foreign exchange reserve valuation account, the foreign exchange loss reserve of 262,120 KDH was repaid in full to the Treasury. This reserve was set aside in 2021 and 2022 by allocating 10 percent of net profit for the years 2020 and 2021, in accordance with the provisions of the company's articles of association and the agreement governing the operating arrangements of the foreign exchange reserve valuation account.

Table 3.2.24: Equity capital and the like

In thousands of dirhams	2023	2022	Change (%)
Equity	**500,000**	**500,000**	**-**
Reserves	**5,001,340**	**5,263,461**	**-5**
General reserve funds	500,000	500,000	-
Special reserve funds	4,501,340	4,501,340	-
Foreign exchange loss reserve	0	262,120	-100
Retained earnings	**-384,308**	**28,542**	**<-100**
Total	**5,117,032**	**5,792,002**	**-12**

3.2.10 Comments on off-balance sheet items

Off-balance sheet items reflect commitments given and received, which cannot be accounted for in the balance sheet accounts:

- Purchases and sales of securities and currencies made between the trade date (commitment date) and the delivery and/or settlement date (value date);
- Currency swap transactions carried out between the trade date (commitment date) and the maturity date (maturity date).
- Guarantees received by the Bank as part of its monetary policy conduct and lending facilities.
- Bank refinancing commitments.
- Guarantees given or received by the Bank (contracts).

Note 14: Foreign exchange operations

This item records foreign exchange swap transactions in foreign currencies carried out, in particular, in the context of monetary regulation, as well as of currency transitional arbitrage operations.

Table 3.2.25: Foreign exchange operations

In thousands of dirhams	2023	2022
Forward foreign exchange transactions		
Forward currencies receivable	5,025,367	4,834,546
Forward currencies to be delivered	5,077,338	4,851,467
Foreign exchange transactions- currency deposits	**9,850,050**	**9,265,794**
Foreign exchange transactions-arbitrage operations		
Foreign currencies receivable	5,304	-
Foreign currencies deliverable	5,267	-

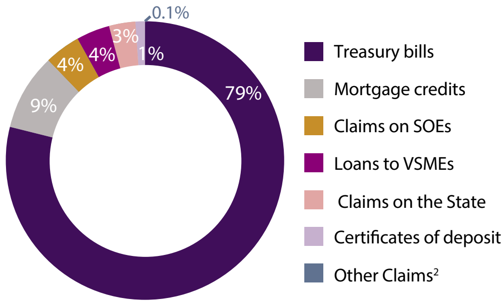
Note 15: Commitments on securities

This heading mainly covers securities pledged to Bank Al-Maghrib to secure various refinancing operations to banks as well as advances to the participants in the Moroccan Gross Settlement System -SRBM (advance options). As part of the easing measures introduced in 2020 in response to the Covid-19 crisis, the Bank expanded the list of assets eligible as collateral to include banks' refinancing operations.

Table 3.2.26: Commitments on securities

In thousands of dirhams	2023	2022
Securities received on advances granted	107,969,056	95,487,149
Securities received on advances to be granted	12,298,400	11,492,600
Other guarantees received on advances granted	30,750,502	29,789,531
Advances to be granted	11,683,480	10,917,970
Foreign securities receivable	-	-
Foreign securities deliverable	-	-

Chart 3.2.5: Structure of commitments on securities[1]



[1] Collateral received on the advances granted by the Bank as part of the monetary policy implementation.
[2] Wakala Bil Istitmar.

Note 16: Other commitments

Table 3.2.27: Other commitments

In thousands of dirhams	2023	2022
Received market guarantees	130,505	100,424
Guarantees liabilities received for staff loans	904,446	922,152
Financing liabilities granted to the staff	9,400	13,188
Other granted liabilities	1,000	1,000

3.2.11 Comments on profit and loss account items

Note 17: Interests earned on holdings and investments in gold and in foreign currency

This item is highly correlated with levels of foreign exchange reserves and interest rates. It includes interest earned on investment operations in gold, SDR and foreign currency, as shown below:

- Bond market investments (portfolios of investment, transaction and of securities held for sale);
- Investments in the international money market and in other Moroccan commercial banks (Treasury portfolio);
- SDR holdings and the reserve tranche available with the IMF;
- Foreign securities lending;
- Gold loans.

Table 3.2.28: Interests earned on holdings and investments in gold and in foreign currency

In thousands of dirhams	2023	2022	Change (%)
Investments in gold	14,730	4,208	>100
Bond investments	4,218,851	2,702,879	56
Money market investments	1,000,737	326,676	>100
Claims on the IMF	813,571	262,239	>100
Other interests (*)	61,157	44,650	37
Total	**6,109,045**	**3,340,653**	**83**

(*) Mainly include interests on foreign securities loans.

Interests from foreign currency investment operations rose by 83 percent to 6,109,045 KDH over 2022, mainly reflecting improved rates of return.

Interests on bond investments, which accounted for 69 percent, rose by more than half (+56 percent) to 4,218,851 KDH, broken down as follows:

- 3,381,449 KDH generated by the investment portfolio (+54 percent or +1,178,927 KDH), as a result of the increased size of HTM portfolios acquired at higher rates;

- 837,402 KDH from the investment portfolio (+67 percent or +337,045 KDH), mainly driven by the euro liquidity portfolio, which benefited from higher yields.

Money-market investments generated revenues of 1,000,737 KDH, up 674,061 KDH on 2022, in line with the improved deposit rates and the growth in outstanding investments, mainly in dollars.

Interests on SDR-denominated assets amounted to 813,571 KDH, up +551,331 KDH, mainly reflecting the 262 basis points rise in the average SDR rate to 3.81 percent (versus 1.19 percent in 2022, 0.05 percent in 2021 and 0.20 percent in 2020).

Interests on gold investments amounted to 14,730 KDH at end-2023, up from 4,208 KDH a year earlier, due to improved interest rates.

Note 18: Interests earned on claims on credit institutions and similar bodies

This item records interests received on various advances to credit institutions as part of the monetary policy conduct (for payment conditions, see Note 5 of the balance sheet for remuneration conditions).

Interests amounted to 3,002,226 KDH, marking a further increase of 1,440,029 KDH, mainly as a result of the Bank's interest rate hikes. They are composed of:

- 1,201,341 KDH from 7-day advances, which improved by 69 percent to an average outstanding of 41,527,276 KDH;
- 961,447 KDH from 1 and 3-month repurchase agreements, which more than doubled (+105 percent), to an average outstanding amount of 32,912,315 KDH;
- 653,394 KDH relating to secured loan transactions (1 month, 3 months and 1 year), which increased by 71 percent to an average outstanding amount of 23,666,697 KDH;
- 183,231 KDH corresponding to structural transactions to purchase T-Bills (Open Market) on the secondary market.

Table 3.2.29: Interests received on loans to credit institutions

In thousands of dirhams	2023	2022	Change (%)
(of which)			
7-day advances	1,201,341	710,172	69
24-hour advances	2,300	46	>100
Repurchase agreements	961,447	470,036	>100
Secured loans	653,394	381,692	71
Open Market	183,231	-	-
Total	**3,002,226**	**1,562,197**	**92**

Note 19: Other interests earned

This item mainly covers interests due to the Bank under loans granted to its staff for housing purchase and/or construction. These interests totalled 9,689 KDH at the end of 2023, as against 9,758 KDH one year earlier.

Note 20: Commissions earned

Commissions are charged on banking operations carried out on behalf of customers, and which mostly cover foreign exchange operations and the centralization of the Treasury's auction operations.

Table 3.2.30: Commissions earned

In thousands of dirhams	2023	2022	Change (%)
Foreign exchange commissions	994,646	1,051,880	-5
Intermediation margin	169	3,527	-95
Management of Treasury bonds	115,609	49,433	>100
Treasury bill investments	13,284	3,035	>100
Other commissions	11,641	13,375	-13
Total	**1,135,349**	**1,121,250**	**1**

Commissions received increased by 1 percent at the end of 2023. Commissions on foreign exchange transactions, notably on foreign banknotes, fell by 5 percent to 994,646 KDH, reflecting the decline in sales of foreign banknotes.

Fees charged by the Bank for centralizing Treasury bill auctions rose by +66,176 KDH to 115,609 KDH, on the back of a sharp increase in Treasury issues (255 billion dirhams in 2023 versus 129 billion in 2022).

Similarly, commissions received on investments in T-bills rose sharply in 2023, to 13,284 KDH against 3,035 KDH at end 2022, linked to the increase in the Treasury's outstanding money market investments (27 billion dirhams, on a daily average, in 2023 against 6 billion in 2022).

Note 21: Other financial revenues

The other financial revenues item mainly covers gains generated from foreign currency transactions, deferral of discounts on investment securities and profits from foreign currency swaps.

Table 3.2.31: Other financial revenues

In thousands of dirhams	2023	2022	Change in %
Capital gains on sales of marketable securities	14,717	85,966	-83
Spreading of discounts on foreign securities	642,097	175,642	>100
Capital gains on management mandates	353,114	-	-
Capital gains on Open Market transactions	109,042	-	-
Gains on foreign exchange swap transactions (monetary policy)	35	162	-78
Gains on foreign exchange swap transactions (premium/discount)	48,144	15,705	>100
Dividends on equity securities	11,827	11,471	3
Other revenues	4,569	6,221	-27
Total	**1,183,547**	**295,166**	**>100**

At the end of 2023, this income rose substantially by +888,380 KDH to reach 1,183,547 KDH, mainly due to the sharp increase in the write-downs on investment securities (+466,455 KDH) and capital gains on management mandates (+353,114 KDH) as opposed to the capital losses recorded in 2022 (-627,014 KDH), as well as to capital gains realized on Open Market operations for 109,042 KDH.

Capital gains on marketable securities in 2023 amounted to 14,717 KDH, versus 85,966 KDH in 2022. Gains on foreign exchange swap transactions with foreign counterparties rose year-on-year from 15,705 KDH to 48,144 KDH, reflecting higher yields.

The dividends received by the Bank in 2023 on its equity interest in certain foreign entities amount to 11,827 KDH. The dividend paid by BIS was 11,288 KDH compared with 11,194 KDH in 2022, assuming a unit dividend of 285 SDRs decided by its Board of Directors on June 25th, 2023, and the dividend received by ATFP in 2023 was 539 KDH compared with 277 KDH in 2022, as decided by its Board of Directors on April 06th, 2023.

Note 22: Sales of Services and produced goods

This item mainly comprises (i) sales of goods produced by the Bank covering secure documents, which include the biometric passport and secure identity cards, for which the selling price is set, in particular, on the basis of the cost price derived from the Bank's cost accounting system, (ii) the contribution to on-site inspection costs incurred by establishments subject to the Bank's supervision, and (iii) changes in inventories of finished goods, work-in-progress and commemorative coins.

Sales of goods and Services amounted to 490,118 KDH, up 108,090 KDH on 2022. This change results from the contribution made this year of 57,396 KDH for on-site inspection costs, and the increase in inventories of finished and semi-finished products (+49,761 KDH). Sales of secure documents remained virtually stable at 376,826 KDH, including 228,624 KDH for biometric passports and 125,184 KDH for secure identity cards[1].

Note 23: Miscellaneous revenues

Miscellaneous revenues essentially comprise bank participation in the SRBM billing system. Between end-2022 and end-2023, these revenues fell from 47,049 KDH to 32,712 KDH, of which 18,866 KDH concerned revenues from the SRBM billing system.

Note 24: Reversal of provisions

At the end of 2023, this item posted a balance of 1,887,286 KDH, essentially covering reversals of provisions for impairment in value of foreign investment securities set aside in 2022 amounting to 1,830,052 KDH as against 58,023 KDH a year earlier, and reversals of provisions for liabilities and charges amounting to 39,818 KDH (see Table 3.2.39 in note 33 of the PLA).

Notes 25: Noncurrent revenues

This item, which includes exceptional and non-recurring revenues, rose from 6,748 KDH to 14,026 KDH between 2022 and 2023, reflecting this year's proceeds from the sale of a plot of land owned by the Bank (11,220 KDH).

Note 26: Interests paid on commitments in gold and in foreign currency

This interest rose by +444,682 KDH to 726,952 KDH, attributable to the higher commissions paid on SDR allocations (+489,230 KDH) following the sharp rise in the average SDR interest rate (3.81 percent in 2023 as against 1.19 percent in 2022), offset by the lower interest on money-market investments (-44,548 KDH), mainly due to changes in interest rates.

Note 27: Interests paid on deposits and commitments in dirhams

This item includes interests paid by the Bank, mainly for cash in the Treasury's current account and for remuneration of the monetary reserve (for conditions of remuneration of the above-mentioned accounts, see Note 11 of the balance sheet). It can also include, in a context of liquidity excess, interests paid by the Bank under 7-day liquidity withdrawals, overnight deposits facilities and swap of dirhams against currencies.

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[1] This includes the driver's license and the electronic registration certificate.

In 2023, this interest rose by 89 percent to 379,467 KDH, due to the higher remuneration of customers' accounts of Bank Al-Maghrib.

Table 3.2.32: Interests paid on commitments in dirhams

In thousands of dirhams	2023	2022	Change (%)
(of which)			
Monetary reserve accounts	-	-	-
Other accounts (including)	301,357	199,328	51
Treasury account	66,001	28,689	>100
Total	**379,467**	**200,982**	**89**

Note 28: Commissions paid

This item includes commissions paid in exchange for financial Services provided to the Bank as well as the negative intermediation margin[1] on foreign exchange transactions carried out with authorised intermediaries.

Table 3.2.33: Commissions paid

In thousands of dirhams	2023	2022	Change (%)
Commissions de change	5,520	4,219	31
Marge d'intermédiation	7,135	4,385	63
Garde de titres à l'étranger	18,271	19,631	-7
Autres commissions	3,059	2,576	19
Total	**33,985**	**30,810**	**10**

At the end of 2023, these commissions amounted to 33,985 KDH, up 10 percent on the previous year (30,810 KDH). This increase was mainly due to a higher negative intermediation margin on foreign exchange transactions with authorized intermediaries (+2,751 KDH). As a result, the net intermediation margin stood at -6,966 KDH at the end of 2023, as opposed to -858 KDH at the end of 2022.

Note 29: Other financial expenses

This item covers losses on foreign currency transactions, mainly losses on the sales of investment securities and deferral of premiums on investment securities.

[1] The negative intermediation margin is calculated as the negative difference between the negotiated exchange rate and the reference rate for foreign exchange transfer transactions with Moroccan banks, used for asset valuation.

Table 3.2.34: Other financial expenses

In thousands of dirhams	2023	2022	Change (%)
Losses in investment securities held for sale (*)	146,774	152,785	-4
Deferral of premiums on foreign securities	602,493	769,626	-22
Negative interest rates paid on investment securities	3,099	114,166	-97
Losses on foreign exchange swap transactions	-	627,014	-100
Capital gains on Open Market operations	3,764	-	-
Losses on foreign exchange swap transactions (premium/ discount)	7,459	1,066	>100
Other expenses	3,820	8,957	-57
Total	**767,408**	**1,673,613**	**-54**

(*) The difference between the book value and the sale price.

These expenses dropped by half (-54 percent) to KDH 767,408, mainly as a result of capital gains on management mandates realized in 2023 (against a capital loss of 627,014 KDH a year earlier). They also reflect the decline in both premiums on investment securities (-167,133 KDH) and negative interest on investment securities (-111,066 KDH), in line with the trend in bond yields.

Capital losses on marketable securities fell from 152,785 KDH to 146,774 KDH from one year-end to the next.

Note 30: Staff expenses

This item includes the salaries and wages, allowances and bonuses paid to the Bank staff, employer contributions to Bank Al-Maghrib Staff Pension Fund and contributions to the Mutual Fund, various staff insurance premiums and vocational training expenses.

Personnel costs came to 850,114 KDH, down 5 percent year-on-year. This trend is attributable to the recognition in 2022 of the last instalment of the special employer's contribution paid by the Bank to the CRP, following the expiry during the year of the financing plan for the gradual transition to the TV 88-90 mortality table.

Table 3.2.35: Staff expenses

In thousands of dirhams	2023	2022	Change (%)
Staff salaries	676,206	679,773	-1
Social expenses	141,248	196,913	-28
Training expenses	12,650	5,480	>100
Other expenses	20,010	16,643	20
Total	**850,114**	**898,809**	**-5**

Note 31: Purchase of materials and supplies

This entry includes fees of raw materials (paper, inks, coin blanks, electronic chips, and precious metals) used in the manufacturing of coins and banknotes, secured documents and commemorative coins. It also includes changes in inventories of raw materials and supplies as well as rebates, discounts and payment deductions obtained on purchases, and granted to the Bank by its suppliers.

This item fell by 7 percent to 343,563 KDH, driven by the rise in purchases of materials and supplies for the manufacture of secure identity cards, biometric passports and commemorative coins, reflecting the production program and increased demand, mitigated by the higher inventories of raw materials and supplies, leading to variations of -94,343 KDH at the end of 2023 against -27,910 KDH at the end of 2022.

Table 3.2.36: Purchase of materials and supplies

In thousands of dirhams	2023	2022	Change (%)
Purchase of raw materials	215,511	178,513	21
Purchase of consumable materials and supplies	70,977	140,674	-50
Other purchases	57,076	51,585	11
Total	**343,563**	**370,771**	**-7**

Note 32: Other external expenses

This item includes Bank overheads and current expenditure covering, inter alia, computer maintenance, building upkeep, rental, water and electricity consumption, donations, and grants as well as various taxes and duties.

Other external expenses increased by 46,727 KDH, rising from 370,044 KDH to 416,771 KDH.

This change is mainly due to the new maintenance contracts for software and IT and production equipment, as well as to higher travel expenses and software rental costs following the renewal of certain contracts and the switch to subscription mode for other existing contracts.

Table 3.2.37: Other external expenses

In thousands of dirhams	2023	2022	Change (%)
Maintenance and repair of fixed assets	134,491	127,444	6
Rents	45,362	43,454	4
Water, electricity and fuel costs	30,811	29,845	3
Transportation, travel, mission and reception expenses	24,033	21,700	11
Postal and telecommunication costs	51,253	49,928	3
Taxes and duties	21,086	21,333	-1
Other expenses	109,735	76,340	44
Total	**416,771**	**370,044**	**13**

Note 33: Depreciations and provisions

Depreciations

Table 3.2.38: Depreciations

In thousands of dirhams	2023	2022	Change (%)
(of which)			
Depreciations of tangible and intangible fixed assets	**247,986**	**265,228**	**-7**
Properties (1)	124,653	121,457	3
Furniture and equipment	97,054	114,431	-15
Other tangible fixed assets	-	-	-
Intangible fixed assets	26,279	29,340	-10
Depreciations of other costs to be spread out over many fiscal years	**9,681**	**10,080**	**-4**
Total	**272,675**	**283,535**	**-4**

[1] Including fixtures, fittings and facilities.

Provisions

Provisions for impairment in value of marketable securities ended the year 2023 at 19,338 KDH against 2,940,197 KDH in 2022, mirroring the higher value of this portfolio in view of the improved yields on US and euro area bonds.

Table 3.2.39: Provisions

In thousands of dirhams	Outstanding amount 31/12/2022	Allocations	Reversals	Other variations	Outstanding amount 31/12/2023
Provisions for depreciation					
Foreign treasury bonds and similar securities	3,412,971	19,338	1,830,052	-11	1,602,247
Miscellaneous stocks and values	12,180	11,888	12,180		11,888
Moroccan equity securities	3,075	10			3,085
Foreign equity securities	11,790	1,948			13,738
Other provisions[2]	11,345	3,235	5,236		9,344
Provisions for risks and expenses posted under liabilities (of which)	**245,546**	**1,052,871**	**39,818**		**1,258,598**
Pension liability	180,000	240,000			420,000
Provisions for risks and charges[3]	56,088	801,608	30,360		827,335
Late payment penalty	36		36		
Other provisions	389				389
Total		**1,089,290**	**1,887,286[4]**		

[2] Includes, in particular, provisions for receivables from customers presenting a default risk.

[3] Includes the amount of the provision set aside for the donation to "The fund for the management of the effects of the earthquake", in order to comply with the provisions of article 247 bis of the General Tax Code concerning the 5-year tax deferral of any donation or bequest on behalf of the State.

[4] Corresponds to the amount posted under "Reversal of provisions" in the profit and loss account (PLA).

Note 34: Non-current expenses

Non-current expenses totalled 1,008,188 KDH at the end of 2023, versus 111,468 KDH at the end of 2022, up 896,720 KDH following the Bank's grant in 2023 of 1 billion dirhams to the "Special fund for managing the effects of the earthquake".

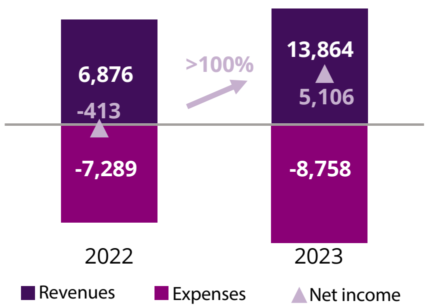
It should be noted that the social solidarity contribution on profits was not set up in 2023 in view of the loss incurred in 2022, when a contribution of 96,463 KDH was calculated at a rate of 3.5 percent on the net income for 2021, in accordance with regulatory provisions.

Note 35: Income tax

Pursuant to the provisions of the General Tax Code, the tax rate applied to Bank Al-Maghrib for the 2023 financial year was set at 37.75 percent[1].

Income tax at the end of 2023 therefore amounted to 3,669,909 KDH, as opposed to a minimum contribution of 27,012 KDH at the end of 2022, applied to negative income at a rate of 0.40 percent.

Chart 3.2.6: Evolution of revenues, expenses and net income (in MDH)



[1] The corporate income tax rate provided for in the General Tax Code is 40 percent, based on a progressive approach over a four-year period. The difference between the initial rate of 37 percent and the target rate of 40 percent is progressively spread over the period from January 1st, 2023 to December 31st, 2026.

3.3 Five-year evolution in financial statements

3.3.1 Assets

Table 3.3.1: Change in assets

In thousands of dirhams	2023	2022	2021	2020	2019
Assets and investments in gold	**14,532,787**	**13,498,946**	**12,008,623**	**11,989,425**	**10,386,758**
Assets and investments in foreign currency	**333,341,042**	**318,867,128**	**298,416,554**	**297,853,278**	**233,532,384**
- Holdings and investments held in foreign banks	44,481,551	52,900,450	50,752,727	88,485,179	38,555,629
- Foreign Treasury bills and similar securities	279,618,315	257,366,426	239,508,275	205,947,284	191,386,500
- Other holdings in foreign currency	9,241,175	8,600,252	8,155,552	3,420,815	3,590,255
Assets with international financial institutions	**22,101,677**	**22,770,832**	**21,596,724**	**9,188,280**	**9,785,191**
- IMF subscription-Reserve tranche	2,146,416	2,248,490	2,097,811	2,084,098	2,146,798
- Special Drawings Rights holdings	19,553,046	20,100,998	19,105,311	6,715,532	7,236,397
- Subscription to the Arab Monetary Fund	402,216	421,344	393,602	388,650	401,997
Lending to the Government	**19,906,860**	**20,853,545**	**-**	**243,839**	**-**
Claims on Moroccan credit institutions and similar bodies	**129,943,781**	**114,602,736**	**91,359,926**	**84,356,146**	**67,383,292**
- Securities received under repurchase agreements	42,194,039	21,533,559	22,749,736	15,280,279	-
- Advances to banks	87,408,014	92,886,621	68,474,368	68,955,288	67,303,319
- Other facilities	341,728	182,557	135,822	120,579	79,973
Treasury bills - Open market operations	**-**	**-**	**-**	**-**	**-**
Other assets	**4,823,925**	**3,706,864**	**3,988,298**	**4,329,415**	**6,976,082**
Fixed assets	**4,663,512**	**4,678,426**	**4,773,927**	**4,840,082**	**3,123,873**
Total assets	**529,313,584**	**498,978,477**	**432,144,052**	**412,800,465**	**331,187,580**

3.3.2 Liabilities

Table 3.3.2: Change in liabilities

In thousands of dirhams	2023	2022	2021	2020	2019
Banknotes and coins in circulation	**412,752,041**	**372,786,283**	**337,710,576**	**319,282,169**	**266,771,075**
- Banknotes in circulation	408,599,194	368,820,223	333,902,150	315,640,803	263,254,622
- Coins in circulation	4,152,848	3,966,060	3,808,426	3,641,365	3,516,453
Commitments in gold and foreign currency	**5,524,282**	**6,742,577**	**5,102,421**	**8,387,871**	**9,340,911**
- Commitments in gold	-	-	-	-	-
- Commitments in foreign currency	5,524,282	6,742,577	5,102,421	8,387,871	9,340,911
Commitments in convertible dirhams	**20,222,140**	**21,230,274**	**19,566,060**	**29,434,460**	**210,500**
- Commitments to international financial institutions	20,201,079	21,212,432	19,554,414	29,421,299	201,537
- Other liabilities	21,060	17,842	11,646	13,161	8,963
Deposits and commitments in dirhams	**38,000,970**	**42,444,609**	**38,967,531**	**35,974,495**	**29,789,757**
Current account of the Treasury	10,878,799	4,087,201	5,258,034	6,242,051	2,057,416
Deposits and commitments in dirhams to Moroccan banks	22,607,941	32,383,423	28,484,675	24,819,013	21,716,369
- Current accounts	22,607,941	32,383,423	28,484,675	24,819,013	21,716,369
- Liquidity-withdrawal accounts	-	-	-	-	-
- Deposit facility accounts	-	-	-	-	-
Deposits of general government and public institutions	1,252,740	1,331,794	1,176,044	973,357	1,159,281
Other accounts	3,261,490	4,642,191	4,048,778	3,940,073	4,856,691
Other liabilities	**23,761,499**	**30,670,166**	**5,735,780**	**5,308,085**	**10,430,843**
Special Drawing Rights allocations	**18,829,944**	**19,725,415**	**18,426,682**	**7,200,415**	**7,447,693**
Equity capital and the like	**5,117,032**	**5,792,002**	**5,697,969**	**5,528,801**	**5,528,673**
- Capital	500,000	500,000	500,000	500,000	500,000
- Reserves*	5,001,340	5,263,461	5,169,757	5,001,340	5,001,340
- Retained earnings	-384,308	28,542	28,212	27,460	27,333
- Other equity capital	-	-	-	-	-
Net income of the fiscal year	**5,105,675**	**-412,850**	**937,033**	**1,684,169**	**1,668,127**
Total liabilities	**529,313,584**	**498,978,477**	**432,144,052**	**412,800,465**	**331,187,580**

* Including the foreign exchange loss reserve set aside in 2021 and 2022.

3.3.3 Profit and loss account

Table 3.3.3: Change in the PLA

In thousands of dirhams	2023	2022	2021	2020	2019
Revenues	**13,863,998**	**6,876,041**	**5,282,811**	**5,961,582**	**6,138,883**
Interests earned on holdings and investments in gold and in foreign currency	6,109,045	3,340,653	2,418,155	2,623,873	2,785,084
Interests earned on claims on credit institutions and similar bodies	3,002,226	1,562,197	1,244,143	1,627,045	1,744,558
Other interests earned	9,689	9,758	12,610	13,384	12,591
Commissions earned	1,135,349	1,121,250	651,047	611,277	664,105
Other financial revenues	1,183,547	295,166	569,062	813,906	535,274
Sales of produced goods and Services	490,118	382,028	310,627	204,829	131,409
Miscellaneous revenues	32,712	47,049	16,011	15,786	19,045
Reversal of depreciation	-	-	-	-	-
Reversal of provisions	1,887,286	111,191	60,699	50,359	243,576
Noncurrent revenues	14,026	6,748	458	1,123	3,243
Expenses	**8,758,323**	**7,288,891**	**4,345,777**	**4,277,414**	**4,470,756**
Interests paid on commitments in gold and in foreign currency	726,952	282,269	108,708	132,119	179,768
Interests paid on deposits and commitments in dirhams	379,467	200,982	153,540	174,404	340,159
Commissions paid	33,985	30,810	28,856	15,667	16,386
Other financial expenses	767,408	1,673,613	769,534	754,764	986,330
Staff expenses	850,114	898,809	880,452	878,935	863,391
Purchases of materials and supplies	343,563	370,771	313,924	285,073	236,625
Other external expenses	416,771	370,044	357,299	354,619	356,045
Depreciation and provision endowments	561,965	3,323,110	896,435	474,870	364,132
Noncurrent expenses	1,008,188	111,468	123,205	76,461	41,941
Income tax	3,669,909	27,012	713,824	1,130,502	1,085,978
Net income	**5,105,675**	**-412,850**	**937,033**	**1,684,169**	**1,668,127**

3.4 Commitments to social funds

The Bank's staff is covered by two internal pension and medical insurance schemes called, respectively, "Caisse de Retraite du Personnel de Bank Al-Maghrib- CRP-BAM (Bank Al-Maghrib's staff pension fund)" and the "Fonds Mutuel-FM (Mutual Fund)".

The CRP-BAM provides the Bank's staff members or their dependants with a retirement pension, an invalidity pension, a dependants' pension and a mixed capital-pension allowance. Meanwhile, the FM ensures reimbursement of medical and prescription expenses for the Bank staff and eligible family members.

In line with the provisions of Article 78 of the Bank's Statutes, the activities and operations of the above-mentioned Funds are subject to separate accounting.

The governing bodies of these schemes are regulated by law 40-17 establishing the statutes of Bank Al-Maghrib, and by Instruction of the Governor No. 3/W/2023 on the charter for the management of pension and social security schemes. This legal framework has allowed us to set up a governance system based on the following bodies:

- The Bank Board, which oversees the implementation of all instruments designed to ensure compliance with the founding principles and balance of the schemes.
- The Governor, who decides on all proposals from the Social Funds Steering Committee before they are approved by the Bank Board of Directors.
- The Social Funds Steering Committee, set up by a decision of the Bank's Board of Directors on March 25, 2008 and chaired by a member of the Board, which meets once a year and whenever necessary to monitor the technical and financial management of the two schemes.

Table 3.4.1: Commitment and financing of social funds

In thousands of dirhams	Pension Fund of BAM staff		Mutual Fund	
	2023	2022	2023	2022
Gross commitment	4,000,753	3,933,697	667,598	645,752
hedging assests	3,358,711	3,321,428	470,138	453,433
Net commitement (*)	-642,042	-612,269	-197,460	-192,319

(*) Net liability of social funds partially provisioned at end 2023 for an amount of 420,000 KDH (see Note 12 of the balance sheet).

Commitments for pensions and health care are calculated in accordance with actuarial standards, using the projected unit credit method which takes into account salary trends, pension revaluations and the probability of receiving the benefit[1].

[1] Linked to the probability of presence at the retirement date, mainly taking into account the risks of resignation and death.

The data and assumptions used in actuarial valuations, as well as retirement and health commitments, are validated by an independent actuary.

Social security fund assets are managed within the framework of a strategic asset allocation policy, which specifies an optimal distribution by asset class, considering the objectives of the pension and health insurance plans, in terms of return and risk.

In accordance with the provisions of the Instruction on the Steering Charter for the pension and health insurance schemes, an annual report is drawn up outlining, on the one hand, the conclusions of the actuarial assessment carried out internally, duly validated and certified by the independent actuary and, on the other hand, the achievements of the financial management of the plan assets. This report is forwarded to the Social Funds Steering Committee for review and validation, before the resulting decisions are submitted to the Bank's Board of Directors for approval.

3.5 Statutory Audit Report

STATUTORY AUDITOR'S REPORT YEAR ENDED DECEMBER 31, 2023
AUDIT OF STATUTORY FINANCIAL STATEMENTS

Opinion

In accordance with the terms of our appointment by the Bank's Board, we have audited the accompanying financial statements of BANK AL MAGHRIB including the balance sheet as of December 31st, 2023, the profit and loss statement and the additional disclosures (ETIC). These financial statements show a net equity of 10 222 707 KMAD including a net profit of 5 105 675 KMAD.

We certify that the financial statements referred to in the first paragraph above are regular, sincere and give, in all material aspects, a true and fair view of the result of operations of the past fiscal year as well as the financial situation and the assets of BANK AL MAGHRIB on December 31st, 2023, in accordance with the accounting principles generally accepted in Morocco.

Basis for opinion

We conducted our audit in accordance with Moroccan auditing standards. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Morocco, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Moroccan accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Moroccan auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Moroccan auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Specific verifications

We ensured that the information contained in the Management board's report is consistent with the Bank's financial statements.

Casablanca, March 20, 2024

The Statutory Auditor

Deloitte Audit

Sakina Bensouda Korachi
Partner

3.6 Approval by the Bank Board

Pursuant to Article 47 of Law No. 40-17, bearing Statutes of Bank Al-Maghrib, the Governor of the Bank submits the financial statements to the Bank Board for approval.

At its March 19th, 2024 meeting, the Board approved the financial statements, after reviewing the auditor's opinion on their sincerity and on their consistency with the information given in the Bank's management report, as well as the net income allocation for the fiscal year 2023.

Statistical appendices

Table A1 Main economic indicators

	2021*	2022*	2023**
World Economy [1]			
Economic growth (in %)			
World	6.5	3.5	3.2
Euro area	5.9	3.4	0.4
United States	5.8	1.9	2.5
United Kingdom	8.7	4.3	0.1
Brazil	4.8	3.0	2.9
China	8.5	3.0	5.2
Inflation (in %)			
World	4.7	8.7	6.8
Euro area	2.6	8.4	5.4
United States	4.7	8.0	4.1
United Kingdom	2.6	9.1	7.3
Brazil	8.3	9.3	4.6
China	0.9	2.0	0.2
Unemployment (in %)			
Euro area	7.7	6.7	6.5
United States	5.4	3.6	3.6
United Kingdom	4.6	3.9	4.0
Brazil	13.2	9.3	8.0
China	5.1	5.5	5.2
Moroccan Economy [2]			
National accounts			
At previous year prices (change in %)			
Gross domestic product	8.2	1.5	3.4
Non-agricultural gross domestic product	6.9	3.2	3.6
Non-agricultural value added	6.4	3.4	3.5
Taxes on products net of subsidies	10.3	1.2	4.9
Agricultural value added	19.5	-11.3	1.4
Household final consumption	6.8	0.0	3.7
General government final consumption	7.2	3.0	4.1
Investment	14.5	-6.0	1.5
At current prices (in billions of dirhams)			
Gross domestic product	1 276.6	1 330.6	1 463.4
Gross national disposable income	1 364.7	1 436.4	1 575.6
Gross national saving (in % of GDP)	28.3	26.7	28.2
Investment rate (in % of GDP)	30.7	30.3	28.8
Financing requirement or capacity	-29.9	-47.3	-9.0
Financing requirement (in % of GDP)	-2.3	-3.6	-0.6

(*) Revised.
(**) Provisional.
(1) Source: World economic outlook, IMF April 2024.
(2) Source : High Commission for Planning.

TABLE A1 Main economic indicators (continued)

	2021*	2022*	2023**
Moroccan Economy			
Employment and unemployment			
Participation rate (in %)	45.3	44.3	43.6
Employment rate (in %)	39.7	39.1	38.0
Net job creations (in thousands)	230	-24	-157
Unemployment rate (in %)	12.3	11.8	13.0
Apparent labor productivity in non-agricultural sectors (variation in %)	**4.0**	**0.8**	**2.9**
Prices (change in %)			
Inflation	1.4	6.6	6.1
Core inflation	1.7	6.6	5.6
External accounts			
Exports FOB (in billions of DH)	329.4	428.6	430.2
Imports CIF (in billions of DH)	528.6	737.4	715.8
Trade balance (in % of GDP)	-15.6	-23.2	-19.5
Travel receipts (in billions of DH)	34.6	93.9	104.7
Remittances (in billions of DH)	95.5	110.8	115.3
Current account balance (in % of GDP)	-2.3	-3.6	-0.6
Foreign direct investment receipts (in % of GDP)	2.5	3.0	2.4
Public finance (in % of GDP)			
Overall budget balance (1)	-5.9	-5.4	-4.4
Total treasury debt (Direct debt)	69.4	71.5	69.5
Domestic treasury debt	53.4	54.3	52.1
External treasury debt	16.0	17.2	17.3
Public external debt	29.9	31.8	30.0
Money and monetary conditions			
Surplus or need of banking liquidity (in billions of dirhams)	-70.8	-80.9	-83.2
Key rate (2) (in %)	1.50	2.50	3.00
Lending rate (3) (in %)	4.44	4.50	5.36
Interbank rate (3) (in %)	1.50	2.50	3.00
Official reserve assets (in billions of dirhams) (2)	330.8	337.6	359.4
Official reserve assets in months of imports (2)	5.3	5.4	5.4
Bank loans (change in %)	2.6	7.5	5.3
Bank loans to the non financial sector (change in %)	2.9	7.9	2.7
Rate of non-performing loans (in %)	8.6	8.4	8.4
Money supply (M3) (in billions of dirhams)	1 560.8	1 685.1	1 750.8
Real effective exchange rate (annual change)	1.31	-3.96	0.92

(*) Revised for the sections of : public finance and money and monetary conditions.
(**) Provisional for the sections of: external accounts, public finance and money and monetary conditions.
(1) Excluding the proceeds from the sale of state holdings.
(2) At end-December.
(3) Weighted average rates.
Sources : High Commission for Planning, Foreign Exchange Control Office, Ministry of Economy and Finance and Bank Al-Maghrib.

Table A2.1 Gross domestic product at previous year prices

(Changes in %)

	2019	2020	2021*	2022*	2023**
Gross domestic product	**2.9**	**-7.2**	**8.2**	**1.5**	**3.4**
Primary sector	**-3.9**	**-7.1**	**19.0**	**-11.8**	**1.6**
Agriculture and forestry	-5.0	-8.1	19.5	-11.3	1.4
Fishing and aquaculture	13.8	12.2	9.9	-20.8	7.0
Secondary sector	**4.1**	**-5.2**	**7.8**	**-2.7**	**1.3**
Extraction industry	2.3	2.6	7.3	-23.0	-2.7
Manufacturing industries	3.4	-7.4	9.0	0.6	2.7
Electricity and gas distribution - Water distribution, sewerage system, waste treatment	14.7	-1.3	7.5	-4.4	0.7
Construction	0.5	-4.1	4.7	-3.7	-0.4
Tertiary sector	**3.9**	**-7.9**	**5.7**	**6.8**	**4.4**
Wholesale and retail trade, repair of motor vehicles and motorcycles	2.1	-6.6	8.2	-0.6	1.5
Transport and storage	5.5	-28.5	10.5	3.9	5.9
Accommodation and catering activities	3.6	-54.6	15.4	68.0	23.5
Information and communication	2.5	5.1	-1.5	3.8	3.5
Financial activities and insurance	5.3	0.6	3.6	10.2	5.0
Real estate activities	1.8	-0.8	2.9	0.0	3.0
Research and development and services to companies	8.3	-13.4	9.6	10.8	5.1
Public administration, compulsory social security	6.6	5.3	5.1	5.0	2.2
Education, health and social action activities	2.0	0.8	3.6	6.5	3.4
Other services	0.2	-23.2	5.0	6.4	4.6
Global value added	**3.0**	**-7.0**	**7.9**	**1.6**	**3.2**
Non-agricultural GDP	**3.8**	**-7.1**	**6.9**	**3.2**	**3.6**
Non-agricultural value added	**4.0**	**-6.9**	**6.4**	**3.4**	**3.5**
Taxes on products net of subsidies	**2.3**	**-8.3**	**10.3**	**1.2**	**4.9**

(*) Revised.
(**) Provisional.
Source : High Commission for Planning.

Table A2.2 Gross domestic product at current prices by branch of activity

(In millions of dirhams)

	2019	2020	2021*	2022*	2023**
Gross domestic product	**1 239 836**	**1 152 477**	**1 276 563**	**1 330 558**	**1 463 358**
Primary sector	**134 428**	**122 896**	**152 906**	**130 636**	**161 915**
Agriculture and forestry	127 851	117 094	143 963	124 326	154 386
Fishing and aquaculture	6 577	5 802	8 943	6 310	7 529
Secondary sector	**313 058**	**300 147**	**331 318**	**344 765**	**359 376**
Extraction industry	20 392	16 659	24 282	34 121	29 853
Manufacturing industries	183 041	174 916	194 493	208 665	212 059
Electricity and gas distribution - Water distribution, sewerage system, waste treatment	42 938	44 343	45 360	26 220	35 803
Construction	66 687	64 229	67 183	75 759	81 661
Tertiary sector	**663 041**	**613 006**	**661 109**	**726 884**	**794 277**
Wholesale and retail trade, repair of motor vehicles and motorcycles	122 214	111 643	129 974	145 892	156 309
Transport and storage	43 097	33 754	37 263	38 544	47 467
Accommodation and catering activities	50 617	23 416	26 500	45 083	60 207
Information and communication	31 249	32 727	32 110	32 851	34 463
Financial activities and insurance	52 094	51 956	55 961	60 677	68 109
Real estate activities	86 344	86 599	89 957	90 383	94 683
Research and development and services to companies	59 112	51 623	56 918	66 856	76 872
Public administration, compulsory social security	112 999	119 152	126 029	133 166	137 020
Education, health and social action activities	86 816	87 739	91 216	97 283	101 784
Other services	18 499	14 397	15 181	16 149	17 363
Global value added	**1 110 527**	**1 036 049**	**1 145 333**	**1 202 285**	**1 315 568**
Non-agricultural GDP	**1 111 985**	**1 035 383**	**1 132 600**	**1 206 232**	**1 308 972**
Non-agricultural value added	**982 676**	**918 955**	**1 001 370**	**1 077 959**	**1 161 182**
Taxes on products net of subsidies	**129 309**	**116 428**	**131 230**	**128 273**	**147 790**

(*) Revised.
(**) Provisional.
Source : High Commission for Planning.

Table A2.3 Goods and services account at current prices

(In millions of dirhams)

	2019	2020	2021*	2022*	2023**	Changes in % 2022*/2021	Changes in % 2023**/2022
RESOURCES							
Gross domestic product	1 239 836	1 152 477	1 276 563	1 330 558	1 463 358	4.2	10.0
Imports of goods and services	519 554	438 514	541 101	749 378	746 888	38.5	-0.3
EXPENDITURES							
Households final consumption	723 177	672 606	750 896	816 029	885 262	8.7	8.5
General government final consumption	225 389	223 638	242 213	253 591	264 959	4.7	4.5
Final national consumption of NPIs(1)	8 799	8 204	9 949	10 913	12 684	9.7	16.2
Gross fixed capital formation	337 145	302 245	335 583	354 939	371 966	5.8	4.8
Changes in stocks	40 024	27 596	53 931	45 909	47 450	-14.9	3.4
Acquisitions - cessions of valuables	2 158	1 807	2 089	2 308	2 309	10.5	0.0
Exports of goods and services	422 698	354 895	423 003	596 247	625 616	41.0	4.9

(*) Revised.
(**) Provisional.
(1) Non-profit institutions.
Source : High Commission for Planning.

Table A2.4 Gross national disposable income at current prices

(In millions of dirhams)

	2019	2020	2021*	2022*	2023**	Changes in % 2022*/2021	Changes in % 2023**/2022
Gross domestic product	1 239 836	1 152 477	1 276 563	1 330 558	1 463 358	4.2	10.0
Net income of property from outside	-18 673	-11 018	-17 606	-19 451	-20 904	10.5	7.5
Gross national income	1 221 163	1 141 459	1 258 957	1 311 107	1 442 454	4.1	10.0
Net current transfers from outside	73 111	81 200	105 776	125 253	133 131	18.4	6.3
Gross national disposable income	1 294 274	1 222 659	1 364 733	1 436 360	1 575 585	5.2	9.7
Final national consumption	957 365	904 448	1 003 058	1 080 533	1 162 905	7.7	7.6
Households	723 177	672 606	750 896	816 029	885 262	8.7	8.5
General government	225 389	223 638	242 213	253 591	264 959	4.7	4.5
NPIs	8 799	8 204	9 949	10 913	12 684	9.7	16.2
Gross national saving	336 909	318 211	361 675	355 827	412 680	-1.6	16.0

(*) Revised.
(**) Provisional.
Source : High Commission for Planning.

Table A2.5 Investment and savings at current prices

(In millions of dirhams)

	2019	2020	2021*	2022*	2023**	Changes in % 2022*/2021	Changes in % 2023**/2022
RESOURCES							
Gross national saving	336 909	318 211	361 675	355 827	412 680	-1.6	16.0
Net capital transfers received	0	3	0	23	0	-	-
EXPENDITURES							
Gross fixed capital formation	337 145	302 245	335 583	354 939	371 966	5.8	4.8
Changes in stocks	40 024	27 596	53 931	45 909	47 450	-14.9	3.4
Acquisitions - cessions of valuables	2 158	1 807	2 089	2 308	2 309	10.5	0.0
Financing requirement or capacity	-42 418	-13 434	-29 928	-47 306	-9 045	58.1	-80.9

(*) Revised.
(**) Provisional.
Source : High Commission for Planning.

Table A2.6 Agriculture

(Area in thousands of hectars / production in millions of quintals / yield in quintals/ha)

	Agricultural campaign 2021-2022			Agricultural campaign 2022-2023		
	Area	Production	Yield	Area	Production	Yield
Principal cereals	**3 574**	**34**	**10**	**3 674**	**55**	**15**
Soft wheat	1 602	19	12	1 603	30	19
Hard wheat	834	8	10	831	12	14
Barley	1 137	7	6	1 240	13	11
Pulse crops	**224**	**1**	**4**	**204**	**1**	**6**
Market garden crops	**228**	**75**	**328**	**243**	**74**	**305**

Source : Ministry of Agriculture, Fisheries, Rural Development, Water and Forests.

Table A2.7 Electricity production

(In GWh)

	2020	2021	2022	2023*	Changes in % 2023*/2022
Net local production (1)	**38 755**	**41 260**	**41 420**	**42 409**	**2.4**
Thermal	31 045	32 866	33 669	32 996	-2.0
Hydraulic	1 290	1 213	679	516	-24.1
Wind	4 516	5 024	5 292	6 481	22.5
Solar	1 546	1 839	1 452	2 149	48.0
Electricity trade balance **	**232**	**-163**	**1 397**	**1 849**	**-**

(1) The difference between net local production and the total by the source of production represents the contribution of national third parties.
(*) Provisional.
(**) The difference between imports and exports.
Source : The National Office of Electricity and Drinking Water.

Table A2.8 Industrial, energy and mining production index

(Base 100 in 2015)

Sector and Branch	2022	2023	Changes in % 2023/2022
Extractive Industries	**115.2**	**109.1**	**-5.3**
Extraction of metal ores	103.6	103.7	0.1
Other extractive industries	115.8	109.4	-5.5
Manufacturing industries excluding oil refining	**114.1**	**116.4**	**2.0**
Food Industries	131.4	127.6	-2.9
Beverage manufacturing	103.2	106.6	3.3
Manufacture of tobacco products	106.7	95.1	-10.9
Manufacture of textiles	90.1	85.4	-5.2
Clothing industry	97.9	96.7	-1.2
Manufacture of leather and footwear (except leather clothing)	75.4	72.6	-3.7
Woodworking and manufacture of articles of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	86.7	82.1	-5.3
Paper and cardboard industry	115.4	118.2	2.4
Printing and reproduction of recordings	128.0	130.1	1.6
Chemical industry	135.4	136.0	0.4
Pharmaceutical industry	128.6	143.9	11.9
Manufacture of rubber and plastic products	122.1	132.2	8.3
Other non-metallic mineral product manufacturing	92.2	94.5	2.5
Metallurgy	100.4	96.8	-3.6
Manufacture of fabricated metal products, except machinery and equipment	90.1	91.5	1.6
Manufacture of computer, electronic and optical products	88.7	100.6	13.4
Manufacture of electrical equipment	115.2	130.3	13.1
Manufacture of machinery and equipment n.c.e	113.9	110.8	-2.7
Automotive Industry	124.7	141.1	13.2
Manufacture of other transport equipment	117.3	148.8	26.9
Furniture manufacturing	92.6	97.7	5.5
Other manufacturing industries	86.5	83.7	-3.2
Repair and installation of machinery and equipment	94.9	98.2	3.5
Electricity production and distribution	**132.0**	**133.9**	**1.4**

Source : High Commission for Planning.

Table A2.9 Tourism

		In thousands			Changes (In %)	
		2019	2022	2023	2023/2022	2023/2019
Total of tourist arrivals		**12 932**	**10 869**	**14 525**	**33.6**	**12.3**
Foreign tourists		**7 043**	**5 065**	**7 150**	**41.2**	**1.5**
European	France	1 991	1 505	1 999	32.8	0.4
	Spain	881	902	1 304	44.7	48.1
	Italy	352	240	335	39.7	-4.8
	Germany	413	171	281	64.0	-32.1
	United Kingdom	551	482	679	41.0	23.2
	Ireland	26	30	43	45.3	66.8
	Russia	40	18	33	80.9	-16.9
North America	United States	347	231	332	43.5	-4.4
	Canada	131	72	108	50.2	-18.1
Africa	Tunisia	58	36	48	32.5	-17.9
	Algeria	117	35	47	34.5	-59.6
	Mauritania	49	44	61	37.0	24.6
	Senegal	58	57	69	20.4	19.6
Asia	China	141	28	60	113.4	-57.7
	India	17	13	29	119.8	73.7
Moroccans resident abroad		**5 889**	**5 804**	**7 375**	**27.1**	**25.2**

Source : Ministry of Tourism, Handicrafts, Social and Solidarity Economy.

Table A3.1 Labor force, employment and unemployment

(Population in thousands and rates in percentage)

	2021	2022	2023
Working age population	**27 127**	**27 502**	**27 888**
Labor force	**12 280**	**12 191**	**12 171**
Urban	7 511	7 591	7 731
Rural	4 770	4 599	4 441
Labor force participation rate	**45.3**	**44.3**	**43.6**
Urban	42.3	41.9	41.8
Rural	50.9	49.1	47.3
Employment rate	**39.7**	**39.1**	**38.0**
Urban	35.1	35.3	34.8
Rural	48.4	46.5	44.3
Unemployment rate	**12.3**	**11.8**	**13.0**
By place of residence			
Urban	16.9	15.8	16.8
Rural	5.0	5.2	6.3
By gender			
Men	10.9	10.3	11.5
Women	16.8	17.2	18.3
By group of age			
15 to 24 years	31.8	32.7	35.8
25 to 34 years	19.6	19.2	20.6
35 to 44 years	7.0	6.4	7.4
45 years and over	3.8	3.3	3.7
By diploma			
Without any diploma	4.6	4.2	4.9
With diploma	19.6	18.6	19.7

Source : High Commission for Planning.

Table A3.2 Sectorial structure of employment (1)

	Structure in %		Changes in percentage point	Job creation (in thousands)
	2022	2023		
Total (in thousands)	**10 749**	**10 591**	**-**	**-157**
Agriculture, forestry and fishing	29.3	27.8	-1.5	-202
Industries including craft	12	12.2	0.2	7
Construction and public works	11.2	11.6	0.4	19
Services	47.4	48.3	0.9	15

(1) Persons aged 15 years and above.
Source : High Commission for Planning.

Table A3.3 Labor force participation, employment and unemployment rates by region

(in %)

Region	Year	Labor force participation ratio			Employment ratio			Unemployment ratio		
		Urban	Rural	National	Urban	Rural	National	Urban	Rural	National
Tangier-Tetouan-Al Hoceima	2022	45.6	58.2	50.1	39.1	56.2	45.2	14.1	3.4	9.7
	2023	44.8	55.7	48.7	38.5	53.3	43.7	14.1	4.2	10.1
Oriental	2022	40.8	45.4	42.0	32.9	39.8	34.7	19.4	12.4	17.4
	2023	38.9	43.5	40.1	30.6	36.9	32.2	21.3	15.2	19.6
Fez-Meknes	2022	39.1	48.3	42.2	31.8	45.7	36.5	18.7	5.3	13.5
	2023	39.4	46.5	41.8	31.8	43.9	35.8	19.3	5.5	14.2
Rabat-Sale-Kenitra	2022	42.2	50.6	44.3	36.4	48.5	39.5	13.8	4.2	11.0
	2023	42.1	49.9	44.0	36.0	47.8	38.9	14.5	4.3	11.6
Beni Mellal-Khenifra	2022	36.8	48.6	42.2	31.2	45.5	37.8	15.3	6.3	10.5
	2023	35.5	45.4	40.0	29.2	41.7	34.9	17.7	8.2	12.8
Casablanca-Settat	2022	44.2	56.2	46.7	36.8	53.4	40.3	16.7	5.0	13.8
	2023	44.3	52.9	46.1	36.5	49.7	39.2	17.8	6.1	15.0
Marrakech-Safi	2022	41.4	48.2	45.0	36.5	46.7	41.9	11.8	3.2	6.9
	2023	41.7	46.0	44.0	36.6	44.1	40.6	12.2	4.1	7.7
Draa-Tafilalet	2022	37.6	43.1	41.0	32.4	39.8	37.0	13.8	7.6	9.7
	2023	38.7	43.5	41.7	31.7	39.8	36.7	18.0	8.6	11.9
Souss-Massa	2022	39.7	35.9	38.3	34.2	33.5	34.0	13.9	6.6	11.4
	2023	40.7	35.8	39.0	34.4	32.5	33.7	15.5	9.5	13.5
South regions	2022	42.8	51.6	44.5	33.0	46.3	35.5	22.9	10.3	20.1
	2023	43.4	53.8	45.3	33.5	47.9	36.1	22.8	11.0	20.3
Total	**2022**	**41.9**	**49.1**	**44.3**	**35.3**	**46.5**	**39.1**	**15.8**	**5.2**	**11.8**
	2023	**41.8**	**47.3**	**43.6**	**34.8**	**44.3**	**38.0**	**16.8**	**6.3**	**13.0**

Source : High Commission for Planning.

Table A4.1 Inflation

(In percentage. in annual change)

(Base 100 = 2017)

Period	Inflation															
	Global	Volatile food prices	Fuels and lubricants	Tariff-Regulated Products	Core inflation (CPIX)											
					Global	Food products included in the core inflation	Clothing and footwear	Housing, water, gas, electricity and other fuels (1)	Furniture, household items and routine household maintenance	Health (1)	Transport (2)	Communication	Leisure and culture (1)	Education	Restaurants and hotels	Various goods and services(1)
2022	**6.6**	**11.1**	**42.3**	**-0.1**	**6.6**	**11.9**	**4.8**	**2.3**	**5.1**	**2.1**	**4.4**	**0.3**	**5.7**	**2.2**	**2.8**	**3.5**
January	3.1	1.3	18.3	0.3	3.9	6.0	3.1	2.3	2.7	1.9	3.2	-0.2	2.8	1.3	1.5	4.4
February	3.6	2.9	22.0	-0.1	4.4	7.2	3.2	2.5	3.1	1.9	3.3	0.0	2.8	1.3	1.2	4.6
March	5.3	12.8	28.6	-0.2	4.8	8.2	3.7	2.3	3.3	1.8	3.0	0.0	2.6	1.3	1.2	4.4
April	5.9	9.6	46.9	-0.2	5.5	9.9	4.7	2.3	3.4	2.1	3.2	0.1	2.6	1.3	1.0	4.2
May	5.9	2.9	50.3	-0.1	6.7	12.4	4.8	1.9	4.9	2.7	4.3	0.1	6.4	1.3	1.2	4.4
June	7.2	6.8	62.1	0.0	7.5	13.9	5.1	2.1	5.7	2.9	5.0	0.4	7.4	1.3	2.5	4.4
July	7.7	9.6	64.0	0.0	7.6	14.5	5.4	2.1	6.0	2.9	4.6	0.4	7.5	1.3	3.1	3.1
August	8.0	16.9	46.8	-0.5	7.5	14.0	5.8	2.1	6.2	2.4	5.5	0.6	7.7	1.3	3.6	3.2
September	8.3	20.9	46.1	-0.3	7.4	12.8	5.7	2.3	6.4	1.9	5.1	0.6	7.9	3.5	4.1	3.5
October	8.1	16.8	40.0	0.1	7.6	13.5	5.2	2.2	6.7	1.3	5.6	0.7	7.5	4.2	4.6	2.2
November	8.3	16.1	45.3	0.1	8.0	14.6	5.1	2.5	6.4	2.2	5.4	0.7	7.1	4.5	4.6	2.1
December	8.3	16.4	35.5	0.1	8.3	15.5	5.1	2.4	6.3	1.9	5.6	0.6	6.1	4.5	5.1	2.3
2023	**6.1**	**18.8**	**-4.1**	**0.8**	**5.6**	**9.8**	**3.7**	**1.7**	**3.8**	**2.9**	**3.7**	**0.2**	**1.8**	**3.8**	**5.7**	**2.4**
January	8.9	21.7	29.7	0.2	8.4	15.5	5.1	2.2	6.2	2.4	5.3	0.6	5.9	4.5	5.0	2.5
February	10.1	32.2	21.1	0.6	8.5	15.7	5.1	2.2	6.1	2.6	5.0	0.5	5.9	4.5	6.1	2.6
March	8.2	21.1	8.1	0.8	7.9	14.3	4.9	2.0	5.8	2.5	5.9	0.5	6.1	4.5	6.2	2.5
April	7.8	24.0	-7.3	0.9	7.3	12.8	4.4	2.0	5.6	2.5	5.5	0.4	5.9	4.5	6.7	2.6
May	7.1	26.9	-12.6	0.9	6.1	10.4	3.8	2.0	4.0	2.4	4.9	0.5	1.5	4.5	6.9	2.5
June	5.5	20.4	-20.1	1.0	5.3	9.0	3.6	1.6	3.5	2.6	4.0	0.2	0.4	4.5	6.0	2.5
July	4.9	17.9	-23.1	0.9	5.1	8.5	3.6	1.4	3.1	3.2	3.9	0.2	0.3	4.5	5.8	2.5
August	5.0	14.8	-8.9	1.0	4.7	7.8	3.0	1.4	3.0	3.6	2.7	0.0	-0.1	4.5	5.9	2.5
September	4.9	13.7	-3.8	0.8	4.4	7.7	2.9	1.4	2.7	3.7	2.5	0.0	-0.7	2.9	5.4	2.1
October	4.3	11.7	-0.7	0.8	4.0	7.3	2.8	1.2	2.3	3.9	1.6	-0.1	-0.8	2.2	4.9	2.0
November	3.6	12.0	-8.2	0.8	3.3	5.7	2.7	1.2	2.1	2.5	1.6	-0.1	-0.9	2.1	4.8	2.0
December	3.4	12.0	-3.3	0.8	2.8	4.4	2.6	1.2	2.0	2.9	1.5	-0.2	-1.2	2.1	4.2	2.0

(1) Excluding products and services with regulated tariffs.
(2) Excluding products and services with regulated tariffs and fuels and lubricants.
Source : Calculated on the basis of data from High Commission for Planning.

Table A4.2 Inflation of tradables and non tradables

(In percentage, in annual change)

Period	Price of tradable goods	Price of non tradable goods	Core inflation
2022	**9.5**	**3.1**	**6.6**
January	5.2	2.3	3.9
February	6.0	2.4	4.4
March	6.7	2.4	4.8
April	7.9	2.5	5.5
May	10.0	2.7	6.7
June	11.1	3.0	7.5
July	11.4	3.0	7.6
August	11.4	2.8	7.5
September	10.5	3.5	7.4
October	10.8	3.6	7.6
November	11.4	3.8	8.0
December	11.8	4.1	8.3
2023	**6.4**	**4.5**	**5.6**
January	11.4	4.5	8.4
February	10.7	5.6	8.5
March	10.1	5.2	7.9
April	8.9	5.3	7.3
May	6.9	5.1	6.1
June	5.7	4.8	5.3
July	5.2	4.8	5.1
August	4.7	4.5	4.7
September	4.6	4.1	4.4
October	4.3	3.6	4.0
November	3.2	3.5	3.3
December	2.4	3.3	2.8

Source : Data from High Commission for Planning and Bank Al-Maghrib calculations.

Table A4.3 Industrial producer price index

(In percentage, in annual change)

(Base 100 = 2018)

	2023												Changes in % 2023/2022
	Jan.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	
Extractive industries	**0.4**	**0.3**	**0.2**	**0.3**	**0.3**	**0.2**	**0.2**	**0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**0.2**
Hydrocarbons extraction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mining metallic ores	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other extractive industries	0.4	0.3	0.2	0.3	0.3	0.2	0.2	0.1	-0.1	-0.1	-0.1	0.0	0.2
Manufacturing industries excluding refining	**4.0**	**3.6**	**3.0**	**2.2**	**0.9**	**0.5**	**1.1**	**0.9**	**0.9**	**0.8**	**0.9**	**1.7**	**1.6**
Food industries	10.3	7.9	7.3	5.7	3.5	1.0	1.8	1.7	1.7	0.4	1.0	0.5	3.4
Beverages manufacturing	2.3	3.0	0.4	0.1	0.1	0.1	1.2	1.2	1.2	1.2	1.5	1.5	1.1
Manufacturing of tobacco products	16.5	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	9.0
Textile manufacturing	8.8	7.2	5.2	3.1	3.2	2.4	0.8	-0.6	-0.3	0.4	0.7	0.6	2.6
Manufacturing of wearing apparel	3.7	3.5	3.7	6.0	5.7	5.7	5.9	5.9	6.9	7.2	8.2	7.8	5.8
Manufacturing of leather and footwear except leather clothing	6.0	6.0	6.2	4.9	1.2	1.2	1.2	0.2	0.3	0.3	0.3	0.3	2.3
Manufacturing of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	12.7	12.7	3.6	1.2	1.2	0.5	-0.4	-0.4	0.5	0.1	0.1	0.1	2.5
Manufacturing of paper and cardboards	6.4	6.4	6.4	6.2	6.2	4.7	0.5	0.0	0.0	0.0	0.0	0.0	3.0
Printing and reproduction of recorded media	1.3	1.3	1.3	1.3	1.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.6
Chemical industry	-1.6	-0.9	-1.0	-1.0	-2.8	-2.9	-0.2	-0.4	-0.3	-0.1	-0.1	4.2	-0.6
Pharmaceutical industry	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
Manufacturing of rubber and plastic products	4.3	1.8	1.6	2.1	-0.6	-0.5	-0.3	0.7	0.5	0.4	-0.4	-0.4	0.7
Manufacturing of other non-metallic products	4.9	5.0	4.3	5.3	4.9	6.0	5.8	5.2	5.2	4.5	3.9	3.9	4.9
Manufacturing of base metals	2.0	2.6	4.7	-11.1	-11.3	-8.2	-7.2	-8.9	-8.3	-6.6	-6.0	-3.9	-5.4
Manufacturing of metal products, except machinery and equipment	2.8	1.7	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.8
Computer, electronic and optics products	0.4	0.3	0.2	0.3	0.3	0.2	0.2	0.0	0.0	-0.1	-0.1	-0.1	0.1
Manufacturing of electric equipment	3.0	3.2	1.3	1.8	1.1	1.4	0.5	0.5	0.5	0.8	0.5	0.3	1.3
Manufacturing of machinery and equipment n.c.e	4.7	4.6	1.7	1.6	1.3	1.4	1.1	1.0	1.0	0.8	-2.1	-2.0	1.2
Automotive industry	3.4	3.7	3.7	3.7	2.4	2.4	1.1	1.1	0.9	0.7	1.1	1.1	2.1
Manufacture of other transport equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Manufacture of furniture	5.3	5.3	1.2	1.2	1.2	1.2	0.8	0.8	0.8	0.8	0.8	0.8	1.6
Other manufactured industries	0.9	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	9.9
Production and distribution of electricity	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Production and distribution of water	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Source : High commission for planning.

Table A5.1 Imports by main products

(Volume in thousands of tonnes, Value in millions of dirhams)

	2022*		2023**		Changes				Structure of 2023 in %(***)	
					Volume		Value			
	Volume	Value	Volume	Value	Absolute	%	Absolute	%	Volume	Value
TOTAL IMPORTS	**62 920**	**737 441**	**71 764**	**715 752**	**8 844**	**14.1**	**-21 689**	**-2.9**	**100.0**	**100.0**
FOOD, BEVERAGES AND TOBACCO	**13 675**	**86 734**	**15 248**	**89 620**	**1 572**	**11.5**	**2 886**	**3.3**	**21.2**	**12.5**
Wheat	6 008	25 898	5 872	19 357	-136	-2.3	-6 542	-25.3	38.5	21.6
Raw or refined sugar	1 562	7 924	1 680	10 098	117	7.5	2 174	27.4	11.0	11.3
Oilcake and other residues from food industries	1 609	7 008	2 266	8 975	656	40.8	1 967	28.1	14.9	10.0
Corn	2 097	7 746	2 492	7 487	395	18.8	-259	-3.3	16.3	8.4
Fresh or dried fruit, frozen or in brine	153	2 846	161	3 251	7	4.8	405	14.2	1.1	3.6
Living animals	9	561	64	2 857	56	652.4	2 296	409.1	0.4	3.2
Barley	817	3 199	1 124	2 853	307	37.5	-347	-10.8	7.4	3.2
Dates	109	2 143	132	2 443	23	21.4	300	14.0	0.9	2.7
Tobacco	16	1 888	18	2 380	2	10.0	492	26.1	0.1	2.7
Other food products	1 295	27 520	1 439	29 919	145	11.2	2 399	8.7	9.4	33.4
ENERGY AND LUBRICANTS	**26 458**	**153 187**	**33 337**	**121 997**	**6 879**	**26.0**	**-31 191**	**-20.4**	**46.5**	**17.0**
Gas oils and fuel oils	7 462	76 369	6 916	58 162	-547	-7.3	-18 206	-23.8	20.7	47.7
Petroleum gas and other hydrocarbons	4 893	26 302	12 505	23 936	7 611	155.5	-2 366	-9.0	37.5	19.6
Coals, cokes and similar solid fuels	12 054	24 213	11 571	16 504	-483	-4.0	-7 709	-31.8	34.7	13.5
Petroleum oils and lubricants	1 008	12 916	1 217	12 173	209	20.7	-743	-5.8	3.6	10.0
Other energy products	1 041	13 388	1 130	11 222	89	8.6	-2 166	-16.2	3.4	9.2
RAW PRODUCTS OF ANIMAL AND PLANT ORIGIN	**1 676**	**19 979**	**1 717**	**17 991**	**42**	**2.5**	**-1 988**	**-10.0**	**2.4**	**2.5**
Crude or refined soybean oil	525	8 120	475	6 108	-50	-9.5	-2 012	-24.8	27.6	34.0
Raw, squared or sawn timber	546	2 981	590	2 850	45	8.2	-131	-4.4	34.4	15.8
Seeds, spores and fruits used to plant	65	1 588	40	1 376	-25	-38.7	-212	-13.3	2.3	7.7
Sunflower oil, crude or refined	32	506	105	1 217	73	224.7	711	140.7	6.1	6.8
Live plants and floriculture products	18	945	15	942	-3	-15.0	-3	-0.3	0.9	5.2
Other raw products of animal and vegetable origin	491	5 839	492	5 497	2	0.4	-342	-5.9	28.7	30.6
RAW PRODUCTS OF MINERAL ORIGIN	**7 381**	**24 278**	**7 842**	**13 907**	**462**	**6.3**	**-10 371**	**-42.7**	**10.9**	**1.9**
Crude and unrefined sulfurs	6 264	18 768	6 503	8 007	239	3.8	-10 761	-57.3	82.9	57.6
Scrap metal, waste, scrap copper, cast iron, iron, steel and other minerals	722	3 602	999	4 267	276	38.2	665	18.5	12.7	30.7
Other raw products of mineral origin	394	1 907	341	1 633	-54	-13.6	-274	-14.4	4.3	11.7

(*) Revised.
(**) Provisional.
(***) Represents the share of each product within its group, and the share of each group within the total.
Source : Foreign Exchange Office.

Table A5.1 Imports by main products (continued)

(Volume in thousands of tonnes, Value in millions of dirhams)

	2022*		2023**		Changes				Structure of 2023 in %(***)	
					Volume		Value			
	Volume	Value	Volume	Value	Absolute	%	Absolute	%	Volume	Value
SEMI-FINISHED PRODUCTS	**10 955**	**169 685**	**10 588**	**151 911**	**-367**	**-3.3**	**-17 774**	**-10.5**	**14.8**	**21.2**
Plastics and miscellaneous plastic articles	983	21 677	1 077	19 946	93	9.5	-1 731	-8.0	10.2	13.1
Chemical products	2 186	16 873	1 648	13 722	-538	-24.6	-3 151	-18.7	15.6	9.0
Copper wires, bars and profiles	88	8 221	98	9 058	10	10.9	838	10.2	0.9	6.0
Ammonia	1 885	21 397	1 580	8 837	-305	-16.2	-12 560	-58.7	14.9	5.8
Electronic components (transistors)	1	5 329	1	7 390	0	54.8	2 061	38.7	0.0	4.9
Paper and cardboard, miscellaneous works of paper and cardboard	788	9 967	614	7 309	-174	-22.1	-2 659	-26.7	5.8	4.8
Flat-rolled products, of iron or non-alloy steel	427	5 757	462	5 561	35	8.1	-196	-3.4	4.4	3.7
Tubes, pipes and hollow sections in cast iron, iron and steel	100	2 019	357	5 362	257	256.3	3 343	165.6	3.4	3.5
Electrical wires and cables	43	3 771	54	5 048	11	24.5	1 277	33.9	0.5	3.3
Unwrought aluminium, aluminum scrap and powders	154	4 466	164	4 016	9	6.0	-451	-10.1	1.5	2.6
Wires, bars,and profiles of iron or non-alloy steels	467	5 179	476	4 012	9	2.0	-1 167	-22.5	4.5	2.6
Natural and chemical fertilizers	606	4 921	824	3 844	218	35.9	-1 077	-21.9	7.8	2.5
Prepared wood and articles of wood	418	3 683	425	3 614	8	1.9	-69	-1.9	4.0	2.4
Other semi-finished products	2 807	56 425	2 807	54 191	0	0.0	-2 234	-4.0	26.5	35.7
FINISHED PRODUCTS OF AGRICULTURAL EQUIPMENT	**29**	**1 598**	**22**	**1 254**	**-7**	**-25.1**	**-345**	**-21.6**	**0.0**	**0.2**
Agricultural machinery and tools	21	1 123	18	1 054	-3	-12.9	-70	-6.2	84.5	84.1
Tillers and agricultural tractors	8	459	3	189	-5	-58.7	-270	-58.8	14.8	15.1
Other finished products of agricultural equipement	0	16	0	11	0	-13.8	-5	-33.2	0.7	0.8
FINISHED PRODUCTS OF INDUSTRIAL EQUIPMENT	**973**	**139 704**	**1 077**	**160 417**	**104**	**10.7**	**20 713**	**14.8**	**1.5**	**22.4**
Piston engines, other motors and its parts	90	13 225	108	15 296	18	20.4	2 071	15.7	10.0	9.5
Parts of airplanes and other air or space vehicles	4	14 976	4	14 570	-1	-15.5	-406	-2.7	0.3	9.1
Apparatus for breaking or connecting electrical circuit and resistors	29	10 481	32	14 422	3	8.7	3 940	37.6	2.9	9.0
Wires, cables and other insulated conductors for electricity	60	11 159	66	13 513	6	10.9	2 354	21.1	6.1	8.4
Miscellaneous machines ans devices	81	10 505	99	12 085	18	22.0	1 581	15.0	9.2	7.5
Utility cars	82	7 713	75	8 069	-7	-8.5	357	4.6	6.9	5.0

(*) Revised.
(**) Provisional.
(***) Represents the share of each product within its group, and the share of each group within the total.
Source : Foreign Exchange Office.

Table A5.1 Imports by main products (end)

(Volume in thousands of tonnes, Value in millions of dirhams)

	2022*		2023**		Changes				Structure of 2023 in %(***)	
					Volume		Value			
	Volume	Value	Volume	Value	Absolute	%	Absolute	%	Volume	Value
Electrical devices for line telephony or telegraphy	4	6 066	4	7 095	1	14.4	1 030	17.0	0.4	4.4
Pumps and compressors	38	4 195	44	4 591	6	14.5	396	9.4	4.1	2.9
Bandages and tires	78	3 904	80	4 272	2	2.6	368	9.4	7.4	2.7
Medical-surgical instruments and devices	8	3 301	8	3 868	1	7.9	567	17.2	0.8	2.4
Measuring, control or precision instruments	9	3 075	9	3 752	0	4.7	677	22.0	0.8	2.3
Automatic data processing machines and their parts	4	3 587	4	3 598	0	-4.4	11	0.3	0.4	2.2
Turbo-jets and turbo-propellers and their parts	0	2 173	0	3 421	0	29.6	1 248	57.4	0.0	2.1
Apparatus for receiving, recording or reproducing sound and images	4	3 749	4	3 241	0	-10.2	-508	-13.5	0.3	2.0
Centrifuges and devices for the filtration of liquids or gases	14	2 608	14	2 758	0	-0.8	150	5.7	1.3	1.7
Other finished industrial equipement products	468	38 988	526	45 866	58	12.5	6 878	17.6	48.9	28.6
FINISHED CONSUMER PRODUCTS	**1 774**	**142 006**	**1 933**	**158 036**	**158**	**8.9**	**16 029**	**11.3**	**2.7**	**22.1**
Parts and accessories for cars and passenger vehicles	282	24 138	323	30 834	41	14.4	6 696	27.7	16.7	19.5
Passenger cars	151	19 223	159	22 189	8	5.3	2 966	15.4	8.2	14.0
Fabrics and yarns of man-made fibers	108	11 364	116	11 709	8	7.2	344	3.0	6.0	7.4
Medicines and other pharmaceutical products	10	8 616	11	9 198	1	14.0	582	6.7	0.6	5.8
Miscellaneous articles of plastics	131	7 624	151	8 906	20	15.1	1 282	16.8	7.8	5.6
Knitted fabrics	102	7 016	113	7 578	11	10.9	562	8.0	5.8	4.8
Seats, furniture, mattresses and lighting items	112	4 875	116	5 335	4	3.8	460	9.4	6.0	3.4
Perfumery or toiletry products and cosmetic preparations	53	3 419	54	3 987	1	1.4	568	16.6	2.8	2.5
Cotton fabrics and yarns	37	3 906	35	3 949	-2	-5.1	43	1.1	1.8	2.5
Radio and television receivers	17	3 415	18	3 567	1	4.2	152	4.5	0.9	2.3
Shoes	28	2 769	30	2 889	2	7.2	120	4.3	1.6	1.8
Household hardware and home improvement items	55	2 664	56	2 849	1	1.5	185	6.9	2.9	1.8
Confected clothing	11	2 543	10	2 656	0	-3.4	113	4.5	0.5	1.7
Other finished consumer products	677	40 433	740	42 389	63	9.4	1 956	4.8	38.3	26.8
INDUSTRIAL GOLD	**0**	**268**	**0**	**621**	**0**	**24 102.0**	**353**	**131.6**	**0.0**	**0.1**

(*) Revised.
(**) Provisional.
(***) Represents the share of each product within its group, and the share of each group within the total.
Source : Foreign Exchange Office.

Table A5.2 Exports by main products

(Volume in thousands of tonnes / Value in millions of dirhams)

	2022*		2023**		Changes				Structure of 2023 in %(***)	
					Volume		Value			
	Volume	Value	Volume	Value	Absolute	%	Absolute	%	Volume	Value
TOTAL EXPORTS	**29 977**	**428 612**	**31 102**	**430 209**	**1 125**	**3.8**	**1 597**	**0.4**	**100.0**	**100.0**
FOOD PRODUCTS, BEVERAGES AND TOBACCO	**4 628**	**75 218**	**3 947**	**76 866**	**-680**	**-14.7**	**1 648**	**2.2**	**12.7**	**17.9**
Crustaceans, molluscs and seashell	111	10 753	130	12 261	19	17.0	1 509	14.0	3.3	16.0
Fresh tomatoes	741	10 411	659	11 553	-82	-11.1	1 142	11.0	16.7	15.0
Prepared and preserved fish and crustacean	193	8 750	175	8 627	-18	-9.2	-123	-1.4	4.4	11.2
Fresh, frozen or pickled vegetables	590	6 383	549	7 482	-42	-7.0	1 099	17.2	13.9	9.7
Strawberries and raspberries	168	5 695	129	5 400	-39	-23.0	-295	-5.2	3.3	7.0
Fresh or dried fruit, frozen or in brine	143	4 984	125	5 129	-18	-12.7	145	2.9	3.2	6.7
Citrus	629	5 518	469	4 624	-160	-25.5	-894	-16.2	11.9	6.0
Other products	2 053	22 725	1 712	21 791	-341	-16.6	-934	-4.1	43.4	28.3
ENERGY PRODUCTS AND LUBRICANTS	**295**	**4 327**	**443**	**5 190**	**148**	**50.1**	**862**	**19.9**	**1.4**	**1.2**
Petroleum oils and lubricants	279	3 737	440	4 794	161	57.8	1 057	28.3	99.4	92.4
Other energy products	16	591	3	396	-13	-84.2	-195	-33.0	0.6	7.6
RAW PRODUCTS OF ANIMAL AND VEGETABLE ORIGIN	**290**	**8 571**	**230**	**7 090**	**-60**	**-20.8**	**-1 481**	**-17.3**	**0.7**	**1.6**
Fish fats and oils	46	1 620	37	2 275	-9	-19.5	654	40.4	16.1	32.1
Inedible animal by-products	41	783	55	1 214	14	34.0	431	55.0	24.1	17.1
Plants and parts of plants	34	2 299	25	812	-9	-27.4	-1 488	-64.7	10.8	11.5
Crude or refined olive oil	33	824	12	575	-21	-63.5	-249	-30.2	5.2	8.1
Other crude or refined vegetable oils	2	438	1	309	-1	-37.9	-129	-29.6	0.6	4.4
Agar-agar	1	233	1	295	0	16.2	62	26.4	0.4	4.2
Live plants and floriculture products	10	277	10	273	1	7.6	-5	-1.6	4.5	3.8
Other raw products of animal and vegetable origin	123	2 096	88	1 338	-35	-28.6	-758	-36.2	38.2	18.9
RAW PRODUCTS OF MINERAL ORIGIN	**9 708**	**22 138**	**9 471**	**16 105**	**-237**	**-2.4**	**-6 033**	**-27.3**	**30.5**	**3.7**
Phosphates	5 321	13 390	4 566	7 743	-755	-14.2	-5 647	-42.2	48.2	48.1
Scrap metal, waste, scrap copper, cast iron, iron, steel and other minerals	94	2 705	95	2 492	0	0.5	-212	-7.9	1.0	15.5
Copper ore	124	1 634	130	1 589	5	4.2	-45	-2.8	1.4	9.9
Barium sulfate	1 177	1 177	1 036	1 130	-141	-11.9	-47	-4.0	10.9	7.0
Other raw products of mineral origin	2 992	3 232	3 644	3 150	653	21.8	-82	-2.5	38.5	19.6

(*) Revised.
(**) Provisional.
(***) Represents the share of each product in its group, and the share of each group within the total.
Source : Foreign Exchange Office.

Table A5.2 Exports by main products (continued and end)

(Volume in thousands of tonnes / Value in millions dirhams)

	2022*		2023**		Changes				Structure of 2023 in %(***)	
					Volume		Value			
	Volume	Value	Volume	Value	Absolute	%	Absolute	%	Volume	Value
SEMI-FINISHED PRODUCTS	**13 616**	**125 047**	**15 377**	**95 455**	**1 760**	**12.9**	**-29 592**	**-23.7**	**49.4**	**22.2**
Natural and chemical fertilizers	9 520	79 266	10 949	56 020	1 429	15.0	-23 246	-29.3	71.2	58.7
Phosphoric acid	2 056	22 827	1 871	12 933	-186	-9.0	-9 894	-43.3	12.2	13.5
Electronic components (transistors)	1	6 703	1	8 444	0	3.4	1 741	26.0	0.0	8.8
Electrical wires and cables	15	1 697	17	2 363	3	17.2	666	39.3	0.1	2.5
Other base metals and articles thereof	3	1 426	3	1 333	0	0.4	-93	-6.5	0.0	1.4
Raw silver and semi-finished silver	0,1	836	0,2	1 281	0,1	47.9	445	53.2	0.0	1.3
Cements, lime and plaster	1 587	813	2 117	1 055	530	33.4	242	29.7	13.8	1.1
Paper and cardboard, miscellaneous works of paper and cardboard	51	802	57	1 049	6	12.6	247	30.8	0.4	1.1
Others semi-finished products	384	10 677	362	10 977	-22	-5.7	301	2.8	2.4	11.5
FINISHED PRODUCTS OF AGRICULTURAL EQUIPMENT	**0,9**	**184**	**1**	**204**	**0,2**	**17.9**	**20**	**10.8**	**0.0**	**0.0**
Agricultural machinery and tools	0,5	26	0,6	42	0,2	40.8	16	63.3	60.6	20.5
Tillers and agricultural tractors	0,2	7	0,2	7	0	-11.5	0	7.5	15.0	3.5
Other finished products of agricultural equipment	0,3	152	0,3	155	0	-1.6	3	2.1	24.4	76.0
FINISHED PRODUCTS OF INDUSTRIAL EQUIPMENT	**306**	**69 612**	**368**	**83 595**	**63**	**20.5**	**13 983**	**20.1**	**1.2**	**19.4**
Wires, cables and other insulated conductors for electricity	202	37 350	237	47 997	35	17.3	10 647	28.5	64.3	57.4
Parts of airplanes and other air or space vehicles	3	13 528	3	12 700	0,2	5.9	-828	-6.1	0.8	15.2
Apparatus for breaking or connecting electrical circuits and resistors	18	7 623	20	9 492	2	11.1	1 870	24.5	5.3	11.4
Electrical apparatus for line telephony or telegraphy	0	1 717	0	1 994	0	10.4	277	16.1	0.1	2.4
Integrated circuits and electronic micro-assemblies	2	1 261	2	1 953	0,3	17.4	692	54.9	0.5	2.3
Other finished products of industrial equipment	81	8 133	107	9 459	25	31.0	1 325	16.3	29.0	11.3
FINISED CONSUMER PRODUCTS	**1 134**	**123 235**	**1 265**	**145 509**	**131**	**11.6**	**22 274**	**18.1**	**4.1**	**33.8**
Passenger cars	487	53 120	580	64 753	93	19.0	11 633	21.9	45.8	44.5
Confected clothing	87	27 611	83	29 530	-4	-5.0	1 919	7.0	6.6	20.3
Parts and accessories of cars and passenger vehicles	189	11 164	224	15 341	35	18.5	4 177	37.4	17.7	10.5
Knitwear	46	8 475	44	8 937	-2	-4.6	462	5.5	3.5	6.1
Seats, furniture, mattresses and lighting items	27	3 114	32	3 998	6	21.6	883	28.4	2.5	2.7
Other finished consumer products	297	19 751	301	22 950	4	1.5	3 199	16.2	23.8	15.8
INDUSTRIAL GOLD	**0**	**280**	**0**	**196**	**0**	**-37.2**	**-83**	**-29.8**	**0.0**	**0.0**

(*) Revised.
(**) Provisional.
(***) Represents the share of each product within its group, and the share of each group within the total.
Source : Foreign Exchange Office.

Table A5.3 Distribution of foreign trade by main partners

(In millions of dirhams)

	Exports FOB		Imports CIF		Balance	
	2022*	2023**	2022*	2023**	2022*	2023**
TOTAL	**428 612**	**430 209**	**737 441**	**715 752**	**-308 829**	**-285 543**
EUROPE	**275 431**	**308 721**	**410 341**	**416 096**	**-134 910**	**-107 375**
Spain	84 122	96 966	103 996	112 197	-19 874	-15 231
France	80 523	87 476	78 058	75 624	2 465	11 852
Turkey	11 150	11 833	37 980	36 567	-26 830	-24 734
Germany	13 531	18 395	30 167	35 356	-16 636	-16 961
Italy	19 107	22 307	33 405	34 433	-14 298	-12 127
Portugal	6 007	6 924	13 628	16 653	-7 621	-9 730
Russian Federation	905	998	22 880	9 076	-21 975	-8 079
Others	60 084	63 823	90 226	96 190	-30 142	-32 367
ASIA	**62 296**	**40 114**	**195 524**	**176 911**	**-133 229**	**-136 797**
China	3 384	3 550	74 007	76 018	-70 623	-72 469
Arabe countries of middle east	4 435	5 048	71 025	50 700	-66 590	-45 652
India	27 286	12 335	13 952	15 001	13 334	-2 666
Republic of Korea	623	433	6 432	6 733	-5 809	-6 300
Japan	3 200	1 771	3 921	4 759	-721	-2 987
Singapore	1 006	964	2 178	4 336	-1 172	-3 372
Malaysia	164	258	1 446	1 964	-1 282	-1 707
Thailand	127	380	2 067	1 829	-1 940	-1 449
Others	22 072	15 375	20 497	15 570	1 575	-195
AMERICA	**44 611**	**37 871**	**102 613**	**99 449**	**-58 002**	**-61 578**
United States	14 355	12 694	54 713	60 316	-40 357	-47 622
Brazil	17 220	12 197	13 128	15 776	4 092	-3 579
Canada	2 391	2 837	7 211	7 158	-4 821	-4 321
Argentina	4 491	3 350	12 546	5 904	-8 056	-2 554
Mexico	3 299	3 292	1 707	1 761	1 591	1 531
Chile	439	590	524	412	-85	178
Others	2 417	2 912	12 784	8 122	-10 367	-5 211
AFRICA	**38 842**	**32 661**	**25 589**	**20 079**	**13 253**	**12 582**
Egypt	643	528	10 378	9 361	-9 735	-8 833
Tunisia	1 221	1 377	3 147	2 929	-1 926	-1 553
South Africa	856	285	5 569	2 329	-4 713	-2 044
Libya	798	859	1 013	1 371	-215	-512
Algeria	806	654	1 694	650	-888	3
Nigeria	1 872	1 093	391	407	1 481	686
Ivory Coast	3 182	4 758	563	332	2 620	4 426
Senegal	2 883	3 111	228	294	2 655	2 817
Others	26 580	19 997	2 606	2 405	23 974	17 591
OCEANIA and OTHER COUNTRIES	**7 432**	**10 841**	**3 373**	**3 216**	**4 059**	**7 625**

(*) Revised.
(**) Provisional.
Source : Foreign Exchange Office.

Table A5.4 Balance of payment

(In millions of dirhams)

	2023*		
	Credit	Debit	Balance
CURRENT ACCOUNT TRANSACTIONS			
GOODS AND SERVICES	**625 616**	**747 357**	**-121 741**
GOODS	**367 920**	**622 249**	**-254 329**
General merchandise	366 564	621 670	-255 106
Net exports of goods under merchanting	1 286	-	+1 286
Non-monetary gold	70	579	-509
SERVICES	**257 696**	**125 108**	**+132 588**
Manufacturing services performed on physical inputs detained by others	21 247	23	+21 224
Maintenance and repairing services n.i.e (1)	4 862	1 886	+2 976
Transport	39 910	54 971	-15 061
Sea transport	19 730	38 282	-18 552
Air transport	17 234	12 273	+4 961
Other modes of transport	2 826	3 846	-1 020
Postal and courier services	120	570	-450
Travel	104 678	23 883	+80 795
Business	4 713	1 257	+3 456
Personal	99 965	22 626	+77 339
Construction	2 952	2 683	+269
Insurance and pension services	1 353	1 914	-561
Financial services	1 303	1 111	+192
Charges for the use of intellectual property n.i.e	89	1 530	-1 441
Telecommunications, computer and information services	23 507	6 546	+16 961
Other business services	51 607	16 415	+35 192
Personal, cultural and recreational services	1 342	758	+584
Government goods and services n.i.e	4 846	13 388	-8 542
PRIMARY INCOME	**10 582**	**31 486**	**-20 904**
Investment income	9 909	31 450	-21 541
Direct investment	6 652	16 890	-10 238
Portfolio investment	107	4 991	-4 884
Other investment	11	9 569	-9 558
Reserve assets	3 139	-	+3 139
Other primary income	673	36	+637
SECONDARY INCOME	**139 697**	**6 097**	**+133 600**
Public	3 485	1 060	+2 425
Private	136 212	5 037	+131 175
CURRENT ACCOUNT BALANCE	**775 895**	**784 940**	**-9 045**
CAPITAL ACCOUNT	-	-	-
Net lending (+) / net borrowing (-)			**-9 045**

(*) Provisional.
(1) Not included elsewhere.
Source : Foreign Exchange Office.

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Table A5.4 Balance of payment (continued)

(In millions of dirhams)

	2023*		
	Net acquisition of financial assets	Net incurrence of liabilities	Balance
FINANCIAL ACCOUNT			
DIRECT INVESTMENTS	**8 470**	**11 090**	**-2 620**
Equity and investment fund shares	3 662	8 581	-4 919
Debt instruments	4 808	2 509	+2 299
PORTFOLIO INVESTMENTS	**1 488**	**25 311**	**-23 823**
Equity and investment fund shares	1 488	1 407	+81
Debt securities	-	23 904	-23 904
FINANCIAL DERIVATIVES	**-2 857**	**-2 968**	**+111**
OTHER INVESTMENTS	**8 707**	**-616**	**+9 323**
Other equity	149	-	+149
Currency and deposits	3 116	-6 525	+9 641
Loans	4	2 963	-2 959
Insurance, pension and standard guarantee systems	1 020	182	+838
Trade credits and advances	4 418	2 764	+1 654
RESERVE ASSETS	**19 824**	**-**	**+19 824**
TOTAL ASSETS/LIABILITIES	**35 632**	**32 817**	**+2 815**
Net lending (+) / net borrowing (-)			**+2 815**
Net errors and omissions			+11 860

(*) Provisional.
Source : Foreign Exchange Office.

Table A5.5 International investment position

(In millions of dirhams)

	2022*			2023**		
	Asset	Liability	Balance	Asset	Liability	Balance
Direct investment	**73 625.4**	**662 313.4**	**-588 688.0**	**79 895.3**	**685 549.9**	**-605 654.6**
Equity and investment fund shares	**64 558.5**	**583 686.5**	**-519 128.0**	**66 287.3**	**604 308.1**	**-538 020.8**
Direct investor in direct investment enterprises	64 558.5	583 686.5	-519 128.0	66 287.3	604 308.1	-538 020.8
Debt instruments	**9 066.9**	**78 626.9**	**-69 560.0**	**13 608.0**	**81 241.8**	**-67 633.8**
Direct investor in direct investment enterprises	9 066.9	78 626.9	-69 560.0	13 608.0	81 241.8	-67 633.8
Portfolio investment	**11 441.4**	**130 543.2**	**-119 101.8**	**12 706.9**	**153 695.2**	**-140 988.3**
Equity and investment funds shares	**11 187.7**	**30 845.2**	**-19 657.5**	**12 460.5**	**35 539.2**	**-23 078.7**
Deposit-taking corporations, except the central bank	963.2	10 681.2	-9 718.0	944.6	12 536.9	-11 592.3
Other sectors	10 224.5	20 164.0	-9 939.5	11 515.9	23 002.3	-11 486.4
Other financial corporations	2 219.7	2 038.2	181.5	3 367.2	2 883.4	483.8
Nonfinancial corporations, households and NPISHs	8 004.8	18 125.8	-10 121.0	8 148.7	20 118.9	-11 970.2
Debt securities	**253.7**	**99 698.0**	**-99 444.3**	**246.4**	**118 156.0**	**-117 909.6**
Deposit-taking corporations, except the central bank	253.7	-	253.7	246.4	-	246.4
General government	-	66 115.0	-66 115.0	-	86 558.0	-86 558.0
Other sectors	-	33 583.0	-33 583.0	-	31 598.0	-31 598.0
Other financial corporations	-	-	-	-	-	-
Nonfinancial corporations, households and NPISHs	-	33.583.0	-33.583.0	-	31.598.0	-31.598.0
Financial derivatives (other than reserves) and employees stock-options	**658.5**	**344.9**	**313.6**	**599.8**	**260.5**	**339.3**
Other investment	**105 353.6**	**534 667.6**	**-429 314.0**	**112 199.1**	**516 861.8**	**-404 662.7**
Other equity	**4 529.2**	**-**	**4 529.2**	**4 658.1**	**-**	**4 658.1**
Currency and deposits	**62 861.5**	**53 477.0**	**9 384.5**	**64 145.9**	**45 615.5**	**18 530.4**
Central bank	908.2	2 919.1	-2 010.9	1 639.8	2 583.3	-943.5
Deposit-taking corporations, except the central bank	59 395.4	50 557.9	8 837.5	60 672.1	43 032.2	17 639.9
Other sectors	2 557.9	-	2 557.9	1 834.0	-	1 834.0
Other financial corporations	83.6	-	83.6	80.7	-	80.7
Nonfinancial corporations, households and NPISHs	2 474.3	-	2 474.3	1 753.3	-	1 753.3
Loans	**654.3**	**374 459.8**	**-373 805.5**	**637.5**	**364 586.8**	**-363 949.3**
Central bank	-	20 940.8	-20 940.8	-	19 899.6	-19 899.6
Deposit-taking corporations, except the central bank	654.3	10 425.2	-9 770.9	637.5	9 536.6	-8 899.1
General government	-	165 240.0	-165 240.0	-	170 092.0	-170 092.0
Other sectors	-	177 853.8	-177 853.8	-	165 058.6	-165 058.6
Other financial corporations	-	737.0	-737.0	-	653.1	-653.1
Nonfinancial corporations, households and NPISHs	-	177 116.8	-177 116.8	-	164 405.5	-164 405.5
Insurance, pension and standard guarantee systems	**3 696.6**	**3 098.4**	**598.2**	**4 531.6**	**3 280.6**	**1 251.0**
Trade credit and advances	**33 612.0**	**83 837.0**	**-50 225.0**	**38 226.0**	**84 479.0**	**-46 253.0**
Other sectors	33 612.0	83 837.0	-50 225.0	38 226.0	84 479.0	-46 253.0
Nonfinancial corporations, households and NPISH	33 612.0	83 837.0	-50 225.0	38 226.0	84 479.0	-46 253.0
Other accounts receivable / payable	**-**	**70.0**	**-70.0**	**-**	**70.0**	**-70.0**
Other sectors	**-**	70.0	-70.0	**-**	70.0	-70.0
Nonfinancial corporations, households and NPISH	-	70.0	-70.0	-	70.0	-70.0
Special drawing rights	**-**	**19 725.4**	**-19 725.4**	**-**	**18 829.9**	**-18 829.9**
Reserve assets	**337 645.1**	**-**	**337 645.1**	**359 411.8**	**-**	**359 411.8**
Monetary gold	13 498.9		13 498.9	14 532.8		14 532.8
Special drawing rights	19 992.3		19 992.3	19 449.2		19 449.2
Reserve position in the IMF	2 048.8		2 048.8	1 992.1		1 992.1
Other reserve assets	302 105.1		302 105.1	323 437.7		323 437.7
TOTAL ASSETS/LIABILITIES	**528 724.0**	**1 327 869.1**	**-799 145.1**	**564 812.9**	**1 356 367.4**	**-791 554.5**

(*) Revised.
(**) Provisional.
Source : Foreign Exchange Office.

Table A6.1 Treasury revenue and expenditure

(In millions of dirhams)

	2022			2023			Changes in % Realization
	Realization(*)	FA	Implemen-tation rate compared to FA (%)	Realization(**)	FA	Impleman-tation rate compared to FA (%)	
CURRENT REVENUE	**333 738**	**286 812**	**116.4**	**355 624**	**341 720**	**104.1**	**6.6**
Tax revenues	**281 186**	**251 768**	**111.7**	**296 339**	**289 272**	**102.4**	**5.4**
Direct taxes	111 656	97 693	114.3	116 814	113 165	103.2	4.6
Corporate tax	60 830	51 447	118.2	62 293	60 914	102.3	2.4
Income tax	47 970	43 041	111.5	50 731	47 931	105.8	5.8
Other direct taxes	2 856	3 204	89.1	3 790	4 320	87.7	32.7
Indirect taxes (1)	137 617	127 148	108.2	143 079	145 141	98.6	4.0
VAT	106 012	96 352	110.0	110 298	113 329	97.3	4.0
Interior	27 797	34 780	79.9	34 481	35 876	96.1	24.0
Import	78 215	61 571	127.0	75 817	77 453	97.9	-3.1
ICT	31 605	30 796	102.6	32 780	31 813	103.0	3.7
Tobacco	12 674	11 813	107.3	13 651	12 500	109.2	7.7
Energy products	16 185	16 995	95.2	16 161	16 602	97.3	-0.1
Others	2 745	1 989	138.0	2 967	2 711	109.5	8.1
Customs duties	13 895	12 027	115.5	16 436	15 019	109.4	18.3
Registration fees and stamp duties	18 018	14 901	120.9	20 010	15 947	125.5	11.1
Non-tax revenues (2)	**48 644**	**30 944**	**157.2**	**55 216**	**49 148**	**112.3**	**13.5**
Revenues from public institutions and companies	13 146	13 985	94.0	13 987	19 464	71.9	6.4
Other revenues	35 498	16 959	209.3	41 229	29 684	138.9	16.1
Revenues from "Innovative financing mechanisms"	25 066	12 000	208.9	25 432	25 000	101.7	1.5
Revenues of Certain Special Treasury accounts	**3 908**	**4 100**	**95.3**	**4 070**	**3 300**	**123.3**	**4.1**
OVERALL EXPENDITURE	**413 705**	**368 959**	**112.1**	**437 070**	**416 594**	**104.9**	**5.6**
Current expenditure	**319 938**	**290 967**	**110.0**	**326 306**	**325 456**	**100.3**	**2.0**
Goods and services	217 841	216 967	100.4	232 054	234 912	98.8	6.5
Wage bill	147 756	147 537	100.1	151 765	155 794	97.4	2.7
Other goods and services	70 085	69 430	100.9	80 289	79 117	101.5	14.6
Debt expense	28 502	28 075	101.5	31 220	29 966	104.2	9.5
Interior	23 526	23 390	100.6	22 930	23 291	98.4	-2.5
Foreign	4 976	4 684	106.2	8 290	6 675	124.2	66.6
Subsidization	41 791	17 020	245.5	29 943	26 580	112.7	-28.4
Transfers to local authorities	31 804	28 905	110.0	33 090	33 999	97.3	4.0
CURRENT BALANCE	**13 800**	**-4 155**	**-**	**29 318**	**16 264**	**-**	**-**
Capital expenditure	**93 767**	**77 993**	**120.2**	**110 764**	**91 138**	**121.5**	**18.1**
Special Treasury accounts Balance	**8 415**	**4 500**	**-**	**16 997**	**4 200**	**-**	**-**
BUDGET DEFICIT	**-71 553**	**-77 648**	**-**	**-64 448**	**-70 674**	**-**	**-**
CHANGE IN PENDING OPERATIONS	**-1 961**		**-**	**-9 299**		**-**	**-**
FINANCING REQUIREMENTS OR SURPLUS	**-73 514**	**-77 648**	**-**	**-73 747**	**-70 674**	**-**	**-**
Foreign financing	**6 115**	**20 672**	**-**	**34 953**	**52 532**	**-**	**-**
Draws	29 707	40 000	-	45 490	60 000	-	-
Amortization	-23 593	-19 328	-	-10 537	-7 468	-	-
Interior financing	**67 399**	**51 976**	**-**	**37 187**	**13 142**	**-**	**-**
Proceeds from the sale of State's holdings	**0**	**5 000**	**-**	**1 607**	**5 000**	**-**	**-**

(*) Revised.
(**) Preliminary.
(1) Including the share of the VAT receipts transferred to local authorities.
(2) Excluding proceeds from the sale of state's holdings.
Source : Ministry of Economy and Finance.

Table A7.1 Main foreign exchange rates quoted by Bank Al-Maghrib and effective exchange rate

End of period	2022		2023												
	Annual average	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Annual average
1 EURO (1)	10.685	11.132	11.026	11.035	11.071	11.120	10.988	10.896	10.774	10.838	10.926	10.864	10.982	10.964	10.957
1 DOLLAR (1)	10.161	10.518	10.235	10.299	10.341	10.148	10.112	10.057	9.749	9.936	10.214	10.286	10.163	10.055	10.133
REAL EFFECTIVE EXCHANGE RATE(*)	98.324	95.856			97.502			99.070			100.888			99.463	99.231
NOMINAL EFFECTIVE EXCHANGE RATE(*)	117.543	115.177			116.644			118.765			122.788			121.672	119.967

(*) Quarterly data
(1) Monthly average reference exchange rate.
Source: Bank Al-Maghrib

Table A7.2 Development of the exchange market activity

(In millions of dirhams)

	2023												Annual average 2023
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
Spot operations													
Sale/purchase of currency-againt-currency with foreign correspondants	174 799	134 590	133 131	134 999	149 625	137 937	139 747	160 712	108 702	154 688	159 477	138 803	143 934
Interbank sale/purchase operations against the Moroccan Dirham(*)	47 381	72 225	61 698	56 800	62 808	60 905	65 497	62 871	60 069	75 696	68 612	59 544	62 842
Currency investments abroad	16 569	17 286	20 768	20 018	16 850	16 252	16 025	18 335	55 947	55 295	17 398	22 389	24 428
Currency sale by BAM to the banks	0	0	0	0	0	0	0	0	0	0	0	0	0
Forward operations													
Forward purchase of currency by banks customers (import coverage)	19 530	15 296	23 215	15 574	18 765	15 774	16 484	15 905	15 152	18 920	20 787	20 239	17 970
Forward sale of currency by banks customers (export coverage)	4 361	3 418	4 388	3 691	2 717	2 586	2 335	2 321	2 866	3 405	5 120	5 108	3 526

(*) The series of the volume processed on the interbank foreign exchange market now includes purchase or sale transactions against the Moroccan Dirham on the local interbank market (one-way), plus the transactions carried out between local and foreign banks.
Source : Bank Al-Maghrib.

Table A7.3 Bank liquidity factors and Bank Al-Maghrib interventions(1)

(In millions of dirhams)

	Dec- 22	Jan- 23	Feb- 23	March- 23	April- 23	May- 23	June- 23	July- 23	Aug- 23	Sept- 23	Oct- 23	Nov- 23	Dec- 23
Notes and coins	370 152	374 692	375 644	379 777	386 389	389 166	397 386	402 955	405 774	404 012	404 115	406 011	410 257
Treasury's net position (2)	-5 373	-15 763	-22 455	-23 792	-18 741	-18 656	-17 279	-14 116	-14 582	-11 845	-8 342	-8 966	-10 233
Bank Al-Maghrib net foreign exchange holdings	295 393	294 068	295 364	318 490	321 785	317 307	311 674	304 750	313 221	318 134	316 661	317 317	320 754
Other net factors	-6 385	19 406	28 870	24 741	17 908	22 238	18 902	24 048	17 734	8 169	851	-1 524	-7 336
Bank's structural liquidity position (3)	-86 517	-76 981	-73 865	-60 338	-65 437	-68 277	-84 089	-88 273	-89 400	-89 553	-94 945	-99 185	-107 071
Reserve requirements	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus or liquidity requirement	-86 517	-76 981	-73 865	-60 338	-65 437	-68 277	-84 089	-88 273	-89 400	-89 553	-94 945	-99 185	-107 071
Bank Al-Maghrib money market interventions	**103 302**	**92 185**	**86 818**	**73 705**	**77 490**	**80 158**	**102 013**	**102 816**	**101 611**	**100 370**	**109 643**	**111 750**	**121 585**
7-days advance on call for tenders	56 632	46 518	40 285	32 823	41 813	37 113	47 218	36 260	35 790	33 778	42 905	42 205	52 040
Repo	21 861	22 524	23 490	20 612	17 609	22 424	32 916	43 171	42 739	41 269	40 296	41 685	41 814
24 hours advances	-	-	-	-	-	-	-	-	-	790	-	-	-
Guaranteed loans	24 809	23 144	23 043	20 270	18 069	20 622	21 879	23 385	23 082	24 533	26 442	27 860	27 731
Change Swap	-	-	25	60	-	-	-	-	-	-	-	-	-

(1) Monthly outstanding amounts calculated on the basis of end-of-week averages.
(2) The Treasury's net position is the difference between, on the one hand, the total of advances granted to the Treasury and the treasury bonds - open market transactions held by Bank Al-Maghrib, and on the other hand, the total of accounts of the Treasury and Hassan II Fund for economic and social development.
(3) Bank's structural liquidity position is the net effect of autonomous factors on bank treasuries It is calculated as follows : BSLP = Net foreign assets of Bank Al-Maghrib + Treasury's net position + Other net factors - Notes and coins in circulation.
Source: Bank Al-Maghrib.

Table A7.4 Money market rates in 2023

(in %)

Month	Bank Al-Maghrib's intervention rate(*)		Interbank market rate	
	7-days advances	24-hours advances	Monthly average	Month end
January	2.50	3.50	2.50	2.50
February	2.50	3.50	2.50	2.50
March	2.66	3.66	2.66	3.00
April	3.00	4.00	3.00	3.00
May	3.00	4.00	3.00	3.01
June	3.00	4.00	3.00	3.00
July	3.00	4.00	3.00	3.00
August	3.00	4.00	3.00	3.00
September	3.00	4.00	3.00	3.00
October	3.00	4.00	3.00	3.00
November	3.00	4.00	3.00	3.00
December	3.00	4.00	3.00	3.00

(*) Monthly avrage.
Source: Bank Al-Maghrib.

Table A7.5 Interest rates of savings accounts

(in %)

	2022		2023	
	January -June	July- December	January -June	July- December
Savings accounts (1)	1.05	1.24	1.51	2.98

(1) The minimum rate on savings books is equal to the weighted average rate of 52 weeks treasury bills issued by tender during previous semester minus 50 basis points.
Source: Bank Al-Maghrib.

Table A7.6 Term deposits rates in 2023

(in %)

Month	6-month deposits	12- month deposits
January	2.28	2.87
February	2.38	2.62
March	2.49	2.58
April	2.43	2.92
May	2.50	3.14
June	2.41	2.85
July	2.65	2.86
August	2.37	2.53
September	2.52	2.49
October	2.44	2.88
November	2.37	2.65
December	2.60	3.05

Source: Bank Al-Maghrib.

Table A7.7 Weighted average rates of treasury bills issued by auction

(in %)

Months		Maturities										
		32-days bills	45-days bills	13-weeks bills	26-weeks bills	52-weeks bills	2-years bills	5-years bills	10-years bills	15-years bills	20-years bills	30-years bills
2022	January	-	-	-	-	-	1.82	2.09	2.43	2.71	-	3.28
	February	-	-	-	-	-	1.83	2.07	2.43	2.69	-	-
	March	-	-	-	1.49	1.61	1.85	-	-	-	-	-
	April	-	-	-	-	1.67	1.85	2.17	-	-	-	-
	May	-	-	1.51	1.64	1.76	1.93	2.32	-	-	-	-
	June	-	-	1.52	1.69	1.79	1.96	2.33	-	-	-	-
	July	-	-	1.62	1.75	1.85	-	-	-	-	-	-
	August	-	-	1.79	1.93	2.03	2.27	-	-	-	-	-
	September	-	-	1.86	2.02	2.18	2.39	2.64	-	-	-	-
	October	-	2.38	2.35	-	-	-	-	3.20	-	-	-
	November	-	-	2.58	-	-	2.44	-	-	-	-	-
	December	2.86	-	2.70	3.07	-	-	-	-	-	-	-
2023	January	-	-	3.17	3.30	3.52	3.70	3.90	4.20	-	4.75	-
	February	-	-	-	3.15	3.45	3.84	4.07	4.55	-	-	-
	March	-	-	-	-	3.41	3.85	-	-	4.97	5.17	5.59
	April	-	-	3.03	3.18	3.50	3.96	4.25	-	-	-	-
	May	-	-	3.00	3.16	3.39	3.86	4.19	4.65	5.03	5.31	-
	June	-	-	3.00	3.10	3.34	3.56	4.03	4.45	4.84	5.30	-
	July	-	-	2.95	3.08	3.30	3.49	3.82	4.21	4.68	4.98	5.41
	August	-	-	2.94	-	3.25	-	3.82	-	4.62	-	-
	September	-	-	2.94	3.05	3.24	3.48	-	4.19	4.62	4.95	-
	October	-	-	2.91	-	3.20	3.46	3.83	4.19	4.59	4.92	5.39
	November	-	-	2.88	2.98	3.08	3.39	3.74	4.19	4.57	4.91	-
	December	-	-	-	-	-	3.30	3.57	4.04	4.35	4.80	5.25

Source: Bank Al-Maghrib

Table A7.8 Interest rates (1) offered on negotiable debt securities

(in %)

	2022	2023
Certificates of deposit		
Under 32 days	1.80	2.50 - 3.20
32 days to 92 days	1.71 - 3.35	2.50 - 3.50
93 days to 182 days	1.75 - 2.70	2.40 - 3.70
183 days to 365 days	1.75 - 3.20	2.50 - 3.80
366 days to 2 years	2.03 - 3.50	2.80 - 4.35
More than 2 years up to 3 years	1.75 - 3.20	3.68 - 4.12
More than 3 years up to 5 years	2.16 - 2.85	4.07
More than 5 years	3.55 - 3.80	-
Financing companies bonds		
2 years	2.15 - 2.86	3.72 - 4.51
More than 2 years up to 3 years	2.10 - 2.84	3.86 - 4.29
More than 3 years up to 5 years	2.57 - 2.82	4.02 - 4.31
More than 5 years	2.66	-
Commercial papers		
Under 32 days	3.70 - 4.35	5.40 - 5.90
32 days to 92 days	2.48 - 5.25	3.07 - 6.00
93 days to 182 days	2.08 - 4.85	3.16 - 5.90
183 days to 365 days	2.09 - 5.00	3.61 - 5.42

(1) Minimum and maximum observed.
(-) No emission.
Source: Bank Al-Maghrib

Table A7.9 Lending rates

(in %)

Agent and economic object	Q1-23	Q2-23	Q3-23	Q4-23
Average lending rate	**5.03**	**5.26**	**5.36**	**5.36**
Loans to individuals	**5.63**	**5.93**	**5.94**	**5.94**
Housing loans	4.36	4.64	4.74	4.83
Consumer loans	6.95	7.27	7.25	7.18
Loans to sole proprietors	**5.86**	**5.28**	**6.15**	**6.19**
Accounts receivable and cash advances	6.10	5.19	6.22	6.67
Equipment loans	5.61	5.33	6.04	5.55
Loans to property development	6.14	6.27	6.42	6.28
Loans to enterprises	**4.98**	**5.22**	**5.32**	**5.30**
By economic purpose				
Accounts receivable and cash advances	4.98	5.28	5.31	5.35
Equipment loans	4.81	4.72	5.07	4.90
Loans to property development	5.37	5.43	5.71	5.49
By size of the enterprise				
VSME	5.48	5.77	5.75	5.70
Large companies	4.79	5.01	5.05	5.25

Source: Bank Al-Maghrib.

Table A7.10 Maximum agreed interest rate of credit institutions[1]

(Annual rates in %)

Rates	April 2020 - March 2021	April 2021 - March 2022	April 2022 - March 2023	April 2023 - March 2024
Maximum interest rate agreed (MIRA)	13.52	13.36	13.09	12.94

(1) The maximum conventional interest rate (TMIC) is calculated annually on April 1 of each year, depending on variation recorded during the previous calendar year in the deposit rate on 6-month and 1-year deposits.
Source: Bank Al-Maghrib.

Table A8.1 Monetary and liquid investments aggregates

(In billions of dirhams)

	2021	2022	2023												Annual change (%)		
			Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	2021	2022	2023
Currency in circulation	**320.1**	**354.7**	**356.8**	**358.3**	**362.9**	**371.9**	**369.6**	**387.8**	**383.2**	**384.3**	**386.7**	**384.9**	**388.6**	**393.5**	**6.5**	**10.8**	**10.9**
Bank notes and coins in circulation	337.7	372.8	375.5	375.9	380.9	389.8	388.1	409.4	402.0	404.2	406.3	403.5	406.9	412.8	5.8	10.4	10.7
Banks cash holdings (To be deducted)	17.6	18.1	18.7	17.6	18.0	18.0	18.5	21.6	18.8	19.9	19.5	18.6	18.4	19.3	-5.7	2.6	6.9
Bank money	**766.7**	**841.6**	**829.2**	**833.9**	**851.4**	**839.0**	**844.6**	**863.0**	**853.7**	**854.4**	**862.4**	**861.2**	**868.8**	**892.4**	**6.7**	**9.8**	**6.0**
Demand deposits with BAM	2.8	3.3	5.3	5.3	5.7	5.3	4.8	4.4	4.2	3.2	3.3	3.2	2.9	2.3	-3.1	18.4	-29.5
Demand deposits with banks	698.7	760.5	746.0	750.9	767.8	755.9	762.0	780.8	771.7	773.4	781.3	780.2	788.1	812.3	7.6	8.8	6.8
Demand deposits with the Treasury	65.3	77.8	77.8	77.8	77.8	77.8	77.8	77.8	77.8	77.8	77.8	77.8	77.8	77.8	-2.1	19.3	0.0
M1	**1 086.8**	**1 196.3**	**1 186.0**	**1 192.3**	**1 214.2**	**1 210.9**	**1 214.3**	**1 250.8**	**1 236.9**	**1 238.7**	**1 249.2**	**1 246.1**	**1 257.4**	**1 285.9**	**6.6**	**10.1**	**7.5**
Demand deposits	**174.2**	**179.3**	**179.4**	**179.3**	**179.6**	**180.5**	**180.2**	**180.3**	**180.9**	**181.0**	**181.5**	**181.9**	**182.1**	**182.5**	**2.8**	**2.9**	**1.8**
Savings accounts in banks	174.2	179.3	179.4	179.3	179.6	180.5	180.2	180.3	180.9	181.0	181.5	181.9	182.1	182.5	2.8	2.9	1.8
M2	**1 261.0**	**1 375.6**	**1 365.4**	**1 371.5**	**1 393.9**	**1 391.4**	**1 394.4**	**1 431.1**	**1 417.8**	**1 419.8**	**1 430.7**	**1 428.0**	**1 439.5**	**1 468.4**	**6.1**	**9.1**	**6.7**
Other monetary assets	**299.8**	**309.4**	**331.0**	**323.5**	**301.5**	**306.3**	**311.4**	**300.4**	**304.2**	**311.5**	**304.8**	**301.9**	**299.3**	**282.4**	**1.2**	**3.2**	**-8.7**
Time accounts and fixed-term bills with banks	136.5	129.8	125.2	121.9	120.2	121.2	121.3	120.7	118.2	117.5	116.4	115.6	115.8	115.6	0.6	-4.9	-10.9
Money market UCITS	71.9	82.6	95.6	100.6	88.2	92.6	100.5	95.2	96.1	96.6	98.9	92.6	89.5	76.4	12.5	14.9	-7.6
Deposits in foreign currencies (1)	41.9	47.6	49.5	51.0	46.7	44.2	42.4	42.6	43.5	47.2	42.9	42.8	41.0	41.6	5.4	13.7	-12.7
Values given in pension	10.4	9.2	23.2	17.1	9.5	11.7	10.2	5.1	9.1	13.2	5.3	11.9	13.3	9.3	-19.0	-11.4	1.5
Certificates of deposit of a residual maturity of 2 years or less	28.9	25.1	26.1	23.6	23.7	26.0	26.4	26.1	27.2	27.0	28.5	29.3	30.1	27.7	-2.4	-13.1	10.4
Time accounts with the treasury	7.8	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	13.5	-29.2	0.0
Other deposits (2)	2.4	9.5	5.9	3.9	7.5	5.0	5.2	5.2	4.5	4.4	7.1	4.1	4.1	6.2	-68.8	296.4	-34.8
M3	**1 560.8**	**1 685.1**	**1 696.4**	**1 695.0**	**1 695.4**	**1 697.7**	**1 705.8**	**1 731.5**	**1 722.0**	**1 731.3**	**1 735.5**	**1 729.8**	**1 738.7**	**1 750.8**	**5.1**	**8.0**	**3.9**
LI	**883.6**	**771.4**	**731.4**	**743.2**	**751.6**	**744.2**	**749.6**	**792.8**	**812.8**	**821.1**	**835.4**	**847.2**	**875.0**	**874.2**	**10.9**	**-12.7**	**13.3**
LI 1	478.7	447.8	426.0	432.3	444.3	423.0	421.0	458.3	458.5	459.9	475.5	466.3	487.0	485.2	8.8	-6.5	8.4
LI 2	303.0	235.9	224.0	226.2	224.8	238.6	243.5	245.7	260.6	268.4	267.7	285.8	293.0	293.7	2.6	-22.2	24.5
LI 3	101.9	87.8	81.4	84.6	82.5	82.6	85.0	88.8	93.6	92.8	92.1	95.0	95.0	95.2	66.5	-13.8	8.5

(1) Demand and time deposits in foreign currencies with banks.
(2) Loans made by banks from financial corporations.
Source: Bank Al-Maghrib.

Table A8.2 Breakdown of monetary assets by institutional sector

(In billions of dirhams)

	2021	2022	2023												Annual change (%)		
			Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	2021	2022	2023
Households	**794.9**	**853.0**	**854.4**	**858.5**	**863.3**	**868.6**	**868.8**	**871.6**	**872.9**	**872.0**	**876.1**	**875.5**	**878.2**	**885.1**	**2.8**	**7.3**	**3.8**
Demand deposits	513.9	561.9	562.6	564.8	572.0	572.6	572.5	577.8	579.6	578.1	583.2	581.2	583.2	591.2	5.6	9.3	5.2
Savings accounts with banks	174.2	179.3	179.4	179.3	179.6	180.5	180.2	180.3	180.9	181.0	181.5	181.9	182.1	182.5	2.8	2.9	1.8
Time accounts and fixed-term bills with banks	87.8	84.1	83.9	83.5	82.8	83.0	82.8	81.1	81.2	80.9	79.7	81.0	81.1	80.6	-8.0	-4.2	-4.2
Deposits in foreign currencies	9.3	10.0	10.3	10.4	10.2	10.2	10.1	10.0	9.5	9.8	9.7	9.7	9.8	9.8	-22.0	7.3	-2.1
Certificates of deposits of a residual maturity of 2 years or less	2.6	4.1	4.4	5.2	5.8	8.0	8.2	8.1	7.9	8.2	8.0	7.5	7.5	7.5	-21.7	55.5	82.5
Money market UCITS	7.1	13.7	13.8	15.3	12.9	14.2	15.0	14.3	13.7	14.2	13.9	14.2	14.5	13.5	7.0	92.6	-0.9
Private non-financial corporations	**213.2**	**228.9**	**231.9**	**236.4**	**235.0**	**225.4**	**234.3**	**239.8**	**230.3**	**232.6**	**236.3**	**236.3**	**235.0**	**241.0**	**16.6**	**7.4**	**5.3**
Demand deposits	142.0	154.5	149.2	150.4	153.8	146.1	152.2	156.1	151.0	153.0	157.6	159.7	161.9	174.3	11.4	8.8	12.8
Time accounts and fixed-term bills with banks	17.4	20.2	19.6	19.1	18.4	18.9	17.5	18.5	18.3	17.7	17.6	17.1	16.0	17.5	-1.8	16.1	-13.5
Deposits in foreign currencies	14.9	14.2	15.7	17.4	18.5	17.1	14.0	14.6	15.6	18.2	15.6	15.2	14.6	14.1	23.1	-4.9	-0.6
Money market UCITS	38.1	39.7	47.1	49.2	44.3	43.2	50.6	50.5	45.4	43.6	45.5	44.3	42.5	35.0	51.4	4.1	-11.8
Public sector	**37.5**	**47.9**	**45.6**	**47.0**	**46.3**	**45.0**	**45.2**	**45.9**	**41.6**	**43.7**	**44.1**	**43.0**	**44.5**	**39.7**	**16.0**	**27.8**	**-17.2**
Demand deposits	15.6	20.5	16.5	17.2	23.2	18.6	19.0	20.5	17.1	17.6	18.8	17.8	19.7	19.4	21.1	31.3	-5.4
Time accounts and fixed-term bills with banks	6.1	10.8	9.6	7.8	7.6	7.6	7.7	9.0	7.4	7.5	7.2	6.1	6.2	6.1	64.9	77.5	-43.8
Money market UCITS	13.8	11.5	13.4	15.8	13.1	16.0	15.6	14.0	13.4	14.4	14.5	14.6	13.9	10.7	-0.4	-17.0	-6.7
Other financial corporations	**107.2**	**101.3**	**108.9**	**95.8**	**88.7**	**86.9**	**88.3**	**87.1**	**94.7**	**98.8**	**92.5**	**90.4**	**93.1**	**91.2**	**0.0**	**-5.5**	**-10.0**
Demand deposits	18.4	14.4	11.1	11.7	12.5	11.1	10.8	18.9	16.3	15.8	12.8	12.5	14.2	16.5	41.9	-21.5	13.8
Time accounts and fixed-term bills with banks	22.4	11.8	9.2	8.4	8.1	8.8	10.1	8.8	8.0	8.0	8.5	8.1	9.3	8.5	39.0	-47.4	-28.1
Other deposits	2.0	9.2	5.6	3.5	7.2	4.6	4.7	4.8	4.0	3.9	6.6	3.7	3.6	5.7	-72.9	353.2	-37.3
Deposits in foreign currencies	15.6	18.2	17.1	16.9	15.5	13.7	15.1	15.2	14.5	14.7	13.7	13.0	11.6	13.9	14.0	16.7	-23.4
Certificats of deposits of a residual maturity of 2 years or less	25.6	20.7	21.4	18.1	17.9	17.9	18.1	18.0	19.3	18.8	20.4	21.7	22.6	20.2	-1.4	-18.9	-2.8
Money market UCITS	12.9	17.8	21.3	20.2	17.9	19.1	19.3	16.5	23.6	24.4	25.0	19.5	18.6	17.1	-29.6	38.7	-4.0
Values given in pension	10.4	9.2	23.2	17.1	9.5	11.7	10.2	5.1	9.1	13.2	5.3	11.9	13.3	9.3	-18.9	-11.8	1.9

Source: Bank Al-Maghrib.

Table A8.3 M3 counterparts

(In billions of dirhams)

	2021	2022	2023												Annual change (%)		
			Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	2021	2022	2023
Claims on the economy	**1 176.3**	**1 259.5**	**1 240.3**	**1 239.8**	**1 249.5**	**1 255.6**	**1 270.2**	**1 283.2**	**1 284.2**	**1 274.9**	**1 294.8**	**1 301.0**	**1 296.6**	**1 325.3**	**3.8**	**7.1**	**5.2**
Nets claims of ODC	1 174.9	1 258.5	1 239.4	1 238.6	1 248.4	1 254.5	1 268.9	1 281.8	1 283.0	1 273.6	1 293.2	1 299.8	1 295.2	1 324.1	3.9	7.1	5.2
Banks loans	984.9	1 059.0	1 033.4	1 029.8	1 038.7	1 035.0	1 048.9	1 076.3	1 063.5	1 061.5	1 084.3	1 081.7	1 078.7	1 114.9	2.6	7.5	5.3
Of which participation financing	19.3	23.5	23.7	24.1	24.6	24.9	25.3	25.9	26.2	26.6	26.9	27.4	27.8	28.2	42.9	21.7	20.2
Net claims on central government	**272.5**	**333.1**	**350.9**	**351.0**	**329.6**	**329.2**	**328.8**	**336.0**	**311.8**	**325.6**	**323.8**	**314.7**	**322.7**	**317.6**	**14.3**	**22.3**	**-4.7**
Nets claims of ODC	275.9	314.6	315.7	315.6	304.8	297.1	298.4	309.5	289.2	301.6	301.2	295.6	304.6	307.3	13.7	14.0	-2.3
Loans	59.5	57.0	57.4	58.2	59.7	59.0	58.9	59.1	57.9	57.9	58.6	57.7	58.3	60.1	9.9	-4.2	5.5
Treasury bills portfolio	223.3	264.4	272.5	295.3	291.0	276.2	281.0	275.8	269.7	264.5	269.0	266.3	258.7	263.4	14.0	18.4	-0.4
Banks	193.2	232.6	240.2	258.7	265.0	253.1	257.0	253.7	245.4	240.2	241.2	243.2	237.2	241.6	14.5	20.4	3.9
Money market UCITS	30.2	31.8	32.3	36.6	26.1	23.0	24.0	22.1	24.3	24.3	27.8	23.1	21.5	21.8	11.3	5.4	-31.6
Net claims of depository institutions on non residents	**316.9**	**317.6**	**317.6**	**318.7**	**350.2**	**339.7**	**333.7**	**327.3**	**331.6**	**352.6**	**348.3**	**351.5**	**353.8**	**351.6**	**0.1**	**0.2**	**10.7**
Official reserve assets	330.8	337.6	333.6	332.2	361.2	358.6	353.3	346.2	350.2	358.5	355.2	355.2	353.8	359.4	3.2	2.1	6.4
Monetary Gold	12.0	13.5	13.8	13.4	14.4	14.2	14.2	13.4	13.7	14.0	13.9	14.6	14.6	14.5	0.2	12.4	7.7
Foreign currency	15.9	17.1	22.2	19.4	20.0	20.6	17.5	13.7	12.7	19.4	16.9	10.9	11.1	8.3	-39.0	7.1	-51.2
Securities deposits included in the official reserves	282.0	285.1	275.7	277.7	305.2	302.6	299.4	297.4	302.1	303.1	302.4	307.8	306.5	315.1	2.9	1.1	10.5
Reserve position in the IMF	1.9	2.0	2.0	2.0	2.0	2.0	2.0	1.9	1.9	2.0	2.0	2.0	2.0	2.0	1.3	7.0	-2.8
SDR holdings	19.0	20.0	19.9	19.7	19.6	19.2	20.2	19.7	19.7	20.0	20.1	20.0	19.7	19.4	187.3	5.2	-2.7
Counterparts of deposits with the Treasury	**73.1**	**83.4**	**83.4**	**83.4**	**83.4**	**83.4**	**83.4**	**83.4**	**83.4**	**83.4**	**83.4**	**83.4**	**83.4**	**83.4**	**-0.6**	**14.1**	**-**
Non-monetary liabilities	**257.7**	**279.6**	**274.8**	**272.3**	**282.1**	**277.7**	**277.5**	**266.5**	**267.6**	**277.6**	**277.4**	**282.8**	**285.3**	**285.0**	**4.3**	**8.5**	**1.9**
DC capital and reserves	171.5	187.3	187.1	185.4	188.9	188.6	188.8	178.9	180.6	191.3	189.1	195.6	197.0	196.4	4.2	9.2	4.9
DC Non-monetary liabilities	86.2	92.3	87.7	86.9	93.3	89.1	88.7	87.6	87.0	86.3	88.2	87.2	88.3	88.6	4.6	7.1	-4.0
Others nets items	**20.3**	**28.9**	**21.0**	**25.7**	**35.2**	**32.5**	**32.7**	**31.9**	**21.3**	**27.7**	**37.4**	**38.0**	**32.3**	**42.0**	**-30.0**	**42.6**	**45.2**
Total counterparts(*)	**1 560.8**	**1 685.1**	**1 696.4**	**1 695.0**	**1 695.4**	**1 697.7**	**1 705.8**	**1 731.5**	**1 722.0**	**1 731.3**	**1 735.5**	**1 729.8**	**1 738.7**	**1 750.8**	**5.1**	**8.0**	**3.9**

(*) Total of counterparts= Net claims of depository institutions on non residents + Net claims on central government + Claims on the economy+ Counterparts of deposits with the Treasury - Non-monetary liabilities - Other net items.
Source: Bank Al-Maghrib.

Table A8.4 Breakdown of loans by economic purpose and by institutional sector

(In billions of dirhams)

	2021	2022	2023												Annual change (%)		
			Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	2021	2022	2023
Bank loans(*)	**984.9**	**1 059.0**	**1 033.4**	**1 029.8**	**1 038.7**	**1 035.0**	**1 048.9**	**1 076.3**	**1 063.5**	**1 061.5**	**1 084.3**	**1 081.7**	**1 078.7**	**1 114.9**	**2.6**	**7.5**	**5.3**
By economic purpose																	
Accounts receivable and cash advances	225.7	264.0	256.3	250.9	249.1	248.6	251.7	256.6	252.1	245.2	250.4	258.0	255.1	261.1	9.5	17.0	-1.1
Equipment loans	169.1	179.7	179.1	179.8	180.5	180.4	181.9	187.3	189.4	189.5	189.6	190.7	191.7	197.8	-6.0	6.3	10.1
Real-estate loans	292.7	300.0	300.2	300.2	300.4	301.0	300.8	303.1	301.5	301.8	301.7	302.3	302.4	302.9	2.6	2.5	1.0
Home loans	232.8	239.4	239.6	239.9	240.8	240.7	241.3	242.2	242.0	242.3	242.4	242.9	243.6	244.1	4.7	2.8	2.0
Including: Participatory financing for housing	15.9	18.9	19.1	19.3	19.6	19.8	20.0	20.3	20.5	20.7	20.9	21.1	21.4	21.6	40.6	18.9	14.2
Loans to real-estate developers	56.0	54.9	52.0	52.5	51.6	52.3	52.5	53.8	52.7	52.1	52.3	52.4	52.6	53.2	-6.8	-1.8	-3.1
Consumer loans	55.6	57.5	57.6	57.6	57.8	57.8	57.9	58.2	57.8	58.0	57.8	57.8	57.9	57.8	2.5	3.3	0.5
Various claims on customers	156.9	169.0	150.8	151.6	160.2	155.2	163.8	178.8	169.1	173.0	189.7	177.7	177.0	201.2	1.6	7.7	19.1
Financial loans (1)	142.4	147.2	130.1	133.6	141.0	134.6	137.6	152.2	143.2	145.3	157.7	146.6	146.7	168.5	2.7	3.4	14.4
Other loans (2)	14.5	21.7	20.7	17.9	19.2	20.5	26.2	26.7	25.8	27.6	32.0	31.1	30.2	32.7	-8.2	49.9	50.9
Non performing loans	84.8	88.8	89.4	89.8	90.6	92.0	92.9	92.3	93.6	94.0	94.9	95.2	94.6	94.1	5.7	4.7	5.9
By institutional sector																	
Loans to the non-financial sector	**842.0**	**908.2**	**898.9**	**893.0**	**895.1**	**899.1**	**906.4**	**916.6**	**911.6**	**908.1**	**915.7**	**925.6**	**923.6**	**933.1**	**2.9**	**7.9**	**2.7**
Public sector excluding the central government	75.0	86.2	85.9	85.4	86.9	87.9	86.7	91.8	91.6	92.9	93.2	102.2	102.5	103.4	-3.6	15.0	19.9
Local governments	25.4	26.1	25.6	25.6	25.9	25.9	25.9	25.9	26.1	26.6	26.5	26.6	26.6	27.2	4.3	2.6	4.3
Public non-financial corporations	49.5	60.1	60.2	59.9	60.9	62.0	60.9	65.9	65.5	66.4	66.8	75.6	75.9	76.1	-7.2	21.4	26.6
Private sector	767.0	821.9	813.1	807.5	808.2	811.3	819.7	824.8	820.0	815.1	822.4	823.4	821.2	829.8	3.6	7.2	1.0
Private non-financial corporations	400.2	442.0	430.9	425.6	423.8	426.5	434.3	438.7	434.1	428.7	436.2	436.1	432.5	442.8	3.1	10.4	0.2
Other resident sectors	366.9	380.0	382.2	382.0	384.4	384.7	385.4	386.2	385.9	386.4	386.2	387.2	388.6	387.0	4.2	3.6	1.8
Households	365.1	378.2	380.3	380.2	382.4	382.8	383.4	384.1	383.9	384.4	384.4	385.4	386.7	385.0	4.1	3.6	1.8
Private individuals and Moroccans living abroad	326.6	335.9	337.0	337.7	338.5	339.0	339.8	340.8	341.0	341.5	341.8	341.9	343.5	343.4	4.7	2.9	2.2
Sole proprietors	38.6	42.3	43.3	42.5	43.9	43.8	43.6	43.3	42.9	42.9	42.7	43.5	43.1	41.6	-0.6	9.8	-1.7
NPISH	1.7	1.7	1.8	1.7	2.0	1.9	2.1	2.0	2.0	2.0	1.8	1.8	2.0	2.0	16.1	0.5	12.6
Other financial corporations	**142.9**	**150.9**	**134.5**	**136.9**	**143.6**	**135.9**	**142.5**	**159.7**	**151.9**	**153.4**	**168.6**	**156.1**	**155.1**	**181.8**	**0.7**	**5.6**	**20.5**
Finance companies	52.7	60.9	61.4	62.7	64.5	65.7	65.6	67.1	68.3	68.1	67.4	66.9	65.8	66.1	2.5	15.5	8.5
Credit institutions and similar bodies(1)	24.6	32.3	31.2	30.4	29.1	27.8	28.3	29.8	29.5	30.2	32.5	30.1	29.4	30.9	2.3	31.2	-4.3
Non-money market UCITS	25.3	16.6	8.9	12.4	15.7	11.0	11.3	19.0	13.9	14.8	23.3	15.7	12.9	13.5	-10.3	-34.3	-18.6
Other (3)	40.3	41.0	33.0	31.3	34.3	31.4	37.4	43.8	40.2	40.5	45.3	43.4	47.0	71.3	5.3	2.0	73.7

(1) Consisting of loans granted to financial and non financial customers as part of a financial operation.
(2) Composed mainly of factoring receivables.
(3) Mutual fund management companies, brokerage firms, insurance and reinsurance companies, provident and pension funds, and mutual securitization investment funds.
(*) Loans granted by conventional banks and participants banks.
Source: Bank Al-Maghrib.

Table A8.5 Quarter breakdown of loans by term and by activity sector

(In billions of dirhams)

	2021	2022*	2023				Annual change (%)		
			March	June	Sept	Dec	2021	2022	2023
Bank loans(1)	**984.9**	**1 059.0**	**1 038.7**	**1 076.3**	**1 084.3**	**1 114.9**	**2.6**	**7.5**	**5.3**
By term (2)									
Short term	287.9	338.3	314.2	334.3	309.8	320.1	-4.9	17.5	-5.4
Nonperforming maturities	9.6	13.4	17.2	17.3	16.9	15.0	-5.8	39.0	12.1
Medium term	228.7	229.2	224.5	236.9	246.4	246.4	7.7	0.2	7.5
Long term	383.5	402.7	409.3	412.8	433.1	454.3	5.1	5.0	12.8
Non-performing loans;	84.8	88.8	90.6	92.3	94.9	94.1	5.7	4.7	5.9
By activity sector									
Primary sector	**38.7**	**41.9**	**40.6**	**39.8**	**40.3**	**41.6**	**7.4**	**8.2**	**-0.7**
Agriculture and fishing	38.7	41.9	40.6	39.8	40.3	41.6	7.4	8.2	-0.7
Secondary sector	**232.7**	**260.7**	**260.6**	**275.4**	**275.9**	**289.1**	**1.1**	**12.0**	**10.9**
Extractive industries	16.5	19.1	23.3	31.5	31.2	34.1	-36.3	16.0	78.8
Manufacturing Industries	97.5	107.5	106.1	104.9	104.1	103.4	9.6	10.3	-3.9
Food and tobacco industries	37.1	40.9	40.1	39.5	40.0	39.9	10.9	10.1	-2.4
Textile, clothing, and leather industries	8.1	8.1	7.9	7.8	7.6	7.4	11.6	0.1	-7.9
Chemical and Para chemical industries	9.6	11.1	12.3	11.5	12.0	12.4	-6.6	15.4	12.3
Mechanical, electrical, electronic and metal-working industries	20.3	23.3	22.7	22.6	20.9	20.8	8.0	14.4	-10.7
Other manufacturing industries	22.4	24.3	23.1	23.5	23.6	22.9	16.8	8.4	-5.8
Electricity, gas and water	39.8	54.6	51.7	57.1	61.3	68.2	12.9	37.4	24.8
Construction and public works	79.0	79.5	79.4	81.9	79.3	83.4	-1.3	0.6	4.9
Tertiary sector	**713.5**	**756.4**	**737.5**	**761.1**	**768.0**	**784.2**	**2.8**	**6.0**	**3.7**
Trade, automotive and household goods repairs	70.0	86.6	80.1	79.8	79.0	80.5	6.5	23.6	-7.0
Hotels and restaurants	20.0	20.2	19.5	19.4	19.0	18.7	20.5	0.9	-7.2
Transport and Communications	41.1	39.9	39.2	41.6	41.1	40.8	1.7	-2.9	2.5
Financial activities	149.4	159.7	153.5	164.2	174.7	183.9	-3.3	6.9	15.1
Individuals and Moroccan living abroad	326.6	335.9	338.5	340.8	341.8	343.4	4.7	2.9	2.2
Local governments	25.4	26.1	25.9	25.9	26.5	27.2	4.3	2.6	4.3
Other sections (3)	81.0	88.1	80.7	89.4	86.0	89.6	0.6	8.7	1.7

(*) Revised.
(1) Loans granted by conventional banks and participants banks.
(2) Short term: period < 2 years, medium term: between 2 and 7 years and long term: > 7 years.
(3) Excluding personal and domestic services.
Source: Bank Al-Maghrib.

Table A8.6 Claims of other financial corporations on non-financial units by economic purpose [1]

(In billions of dirhams)

	2021	2022*	2023				Annual change (%)		
			March	June	Sept	Dec	2021	2022	2023
Claims on non-financial units	**339.1**	**348.3**	**345.1**	**358.2**	**366.0**	**371.2**	**8.2**	**2.7**	**6.6**
Loans granted by other financial corporations	**152.7**	**162.9**	**159.4**	**167.4**	**171.0**	**170.3**	**3.1**	**6.7**	**4.5**
Finance companies	**122.4**	**130.2**	**127.4**	**134.6**	**134.5**	**137.7**	**3.7**	**6.4**	**5.7**
Consumer loans	30.9	32.2	33.1	33.6	33.6	34.3	3.0	4.0	6.7
Leasing	67.2	70.5	70.6	72.3	72.9	74.8	3.2	4.9	6.1
Non performing loans	15.4	16.3	16.8	17.1	17.6	17.5	10.1	5.7	7.6
Offshore banks	**11.6**	**13.7**	**13.2**	**13.6**	**17.7**	**14.2**	**9.9**	**17.5**	**4.1**
Cash advances	2.9	4.8	4.3	3.9	4.9	4.2	-10.9	65.9	-12.5
Equipment loans	8.1	8.2	8.7	9.3	12.3	8.2	16.8	1.9	-0.8
Moroccan Deposit and Management Fund	**1.8**	**2.3**	**2.2**	**1.8**	**1.8**	**1.6**	**-60.8**	**25.2**	**-30.7**
Cash advances	0.6	1.0	1.0	0.9	0.9	0.8	-66.1	50.9	-16.4
Equipment loans	0.0	1.3	3.3	3.0	4.6	5.0	-100.0	-	292.3
Microcredit associations	**8.3**	**8.7**	**8.7**	**8.9**	**8.9**	**8.8**	**2.2**	**4.4**	**1.0**
Securitization funds	**8.2**	**7.7**	**7.5**	**8.0**	**7.6**	**7.5**	**31.5**	**-6.6**	**-1.7**
Securities issued by non-financial corporations and held by other financial corporations	**178.2**	**174.3**	**171.4**	**175.8**	**180.3**	**187.1**	**13.8**	**-2.2**	**7.4**
Non-money market UCITS	83.7	72.1	68.8	70.9	73.4	78.3	29.8	-13.9	8.6
Insurance and reinsurance companies	60.3	63.2	63.9	64.7	66.5	68.3	6.3	4.8	8.1
Moroccan Deposit and Management Fund	10.4	11.0	10.2	11.4	11.5	11.5	-16.2	6.1	4.5
Pension funds [2]	23.3	27.6	27.6	28.2	28.2	28.2	3.5	18.6	2.3
Other claims	**8.3**	**11.1**	**14.4**	**15.0**	**14.7**	**13.8**	**-6.1**	**33.9**	**24.3**

(*) Revised.
(1) Excluding claims of other financial corporations on Central Government.
(2) Relating to the financial sector, namely CIMR and CNRA.
Source: Bank Al-Maghrib.

Table A8.7 Change in the interbank market

(In millions of dirhams)

	2022	2023												
	Average	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Average
Averge outstanding	8 918	11 437	8 660	8 982	8 657	9 250	9 239	9 804	7 355	8 498	6 771	7 060	9 411	8 753
Average exchanged volume	3 978	5 529	4 104	3 452	3 704	3 552	3 439	3 779	2 318	3 563	2 835	2 115	3 559	3 487

Source : Bank Al-Maghrib.

Table A8.8 Subscriptions to treasury bills by tender

(In millions of dirhams)

Maturities	TOTAL 2022	2023												
		Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	TOTAL
Total subscriptions	**128 694**	**40 848**	**41 996**	**6 976**	**25 461**	**39 821**	**25 040**	**16 916**	**6 792**	**11 851**	**19 716**	**4 343**	**15 490**	**255 249**
Short term	**64 358**	**39 676**	**11 304**	**1 600**	**6 517**	**1 957**	**2 435**	**3 732**	**3 717**	**6 761**	**4 483**	**850**	**-**	**83 032**
32 days	10 000	-	-	-	-	-	-	-	-	-	-	-	-	-
45 days	8 630	-	-	-	-	-	-	-	-	-	-	-	-	-
13 weeks	20 941	25 853	-	-	109	150	932	609	200	462	257	150	-	28 721
26 weeks	10 706	6 123	7 986	-	152	227	426	1 379	-	400	-	300	-	16 994
52 weeks	14 081	7 699	3 318	1 600	6 256	1 580	1 077	1 744	3 517	5 899	4 227	400	-	37 317
Medium term	**52 035**	**892**	**24 865**	**2 902**	**18 944**	**16 361**	**8 476**	**931**	**207**	**1 528**	**5 774**	**2 387**	**1 122**	**84 387**
2 years	23 427	100	22 837	2 902	18 048	10 459	4 337	267	-	1 528	4 756	1 708	100	67 041
5 years	28 608	792	2 029	-	896	5 902	4 139	664	207	-	1 017	680	1 022	17 346
Long term	**12 301**	**280**	**5 827**	**2 474**	**-**	**21 503**	**14 130**	**12 253**	**2 868**	**3 562**	**9 459**	**1 106**	**14 368**	**87 830**
10 years	9 586	250	5 827	-	-	8 281	5 868	6 756	-	1 587	5 005	492	4 106	38 174
15 years	2 093	-	-	1 631	-	12 481	7 275	837	2 868	1 426	2 068	414	3 451	32 453
20 years	-	30	-	270	-	741	986	3 102	-	548	1 043	200	4 119	11 038
30 years	622	-	-	574	-	-	-	1 558	-	-	1 343	-	2 692	6 166

Source : Bank Al-Maghrib.

Table A9.1 Outstanding amount of treasury bills by tender

(By category of initial subcribers)

(In millions of dirhams)

	2019	2020	2021	2022	2023	Changes in %		Share in %	
						2022/2021	2023/2022	2022	2023
UCITS	197 575	236 533	275 290	240 842	267 332	-12.5	11.0	36.2	38.2
Insurance companies and pension institutions	131 179	129 539	125 246	119 046	117 947	-4.9	-0.9	17.9	16.9
Banks	134 237	146 651	152 686	207 947	211 811	36.2	1.9	31.2	30.3
Deposit and management fund[1]	45 964	44 423	52 956	49 398	54 659	-6.7	10.7	7.4	7.8
Other financial enterprises	24 374	23 918	23 650	29 277	29 415	23.8	0.5	4.4	4.2
Non-financial enterprises	23 325	19 282	16 361	15 017	15 098	-8.2	0.5	2.3	2.2
Finance companies	497	395	388	4 164	3 043	972.5	-26.9	0.6	0.4
Non-resident enterprises	10	-	56	73	78	29.8	7.0	0.0	0.0
Total treasury bill auctions	**557 161**	**600 741**	**646 633**	**665 764**	**699 382**	**3.0**	**5.0**	-	-

(1) Excluding the outstanding amount of provident funds treasury bills by the CDG.
Source: Bank Al-Maghrib.

Source: Bank Al-Maghrib.

Table A9.2 Issues amounts of negotiable debt securities

(By category of initial subcribers)

(In millions of dirhams)

Securities types	2022					2023				
	Credit institutions and CDG	Insurance companies and pension institutions	UCITS	Other	Total	Credit institutions and CDG	Insurance companies and pension institutions	UCITS	Other	Total
Issues	**5 997**	**2 090**	**29 396**	**5 814**	**43 297**	**10 851**	**2 442**	**46 614**	**10 881**	**70 788**
Certificates of deposit	4 423	1 122	23 092	5 562	34 199	6 802	1 870	29 834	10 742	49 248
Bills of financing compa-nies	975	855	3 082	231	5 143	1 440	325	5 155	-	6920
Commercial paper	599	113	3 222	21	3 955	2 609	247	11 625	139	14 620

Source: bank Al-Maghrib.

Table A9.3 Outstanding amounts of negotiable debt securities

(In millions of dirhams)

	2022	2023			
		Q1	Q2	Q3	Q4
Outstanding	**77 653**	**75 900**	**77 300**	**81 120**	**80 805**
Certificates of deposit	53 050	50 239	52 953	54 606	55 803
Bills of financing companies	22 805	20 383	19 119	19 376	22 205
Commercial paper	1 798	5 278	5 228	7 138	2 797

Source :Maroclear.

Table A9.4 Bond market

(In millions of dirhams)

	2022	2023				2023
		Q1	Q2	Q3	Q4	
Outstanding	**170 592**	**171 481**	**170 422**	**169 496**	**175 074**	**175 074**
Financial sector	**76 431**	**76 530**	**76 310**	**77 060**	**79 396**	**79 396**
Public	33 677	34 478	34 478	34 278	35 357	35 357
Banks	33 677	34 478	34 478	34 278	35 357	35 357
Private	42 753	42 052	41 832	42 782	44 039	44 039
Banks	34 332	33 631	33 711	34 211	35 448	35 448
Other financial corporations	8 421	8 421	8 121	8 571	8 591	8 591
Non-financial sector	**94 161**	**94 951**	**94 112**	**92 436**	**95 678**	**95 678**
Private non-financial corporations	38 371	39 139	38 925	36 199	35 065	35 065
Public non-financial corporations	54 790	54 813	54 188	55 237	59 613	59 613
Local administration	1 000	1 000	1 000	1 000	1 000	1 000
Bonds issued	**20 445**	**2 750**	**1 250**	**2 300**	**9 590**	**15 890**
Financial sector	**9 500**	**1 750**	**950**	**1 100**	**4 550**	**8 350**
Public	4 600	1 000	-	-	1 300	2 300
Banks	4 600	1 000	-	-	1 300	2 300
Private	4 900	750	950	1 100	3 250	6 050
Banks	3 700	750	500	500	2 500	4 250
Other financial corporations	1 200	-	450	600	750	1 800
Non-financial sector	**10 945**	**1 000**	**300**	**1 200**	**5 040**	**7 540**
Private non-financial corporations	8 595	1 000	300	-	40	1 340
Public non-financial corporations	1 350	-	-	1 200	5 000	6 200
Local administration	1 000	-	-	-	-	-

Sources : Data from Maroclear and Bank Al-Maghrib calculations.

Table A9.5 Stock exchanges indicators

Period		Turnover (in millions of dirhams)	MASI	MASI 20	Market capitalisation (in millions of dirhams)
2015 December		20 286.6	8 925.7		453 316
2016 December		22 115.5	11 644.2		583 380
2017 December		21 047.7	12 388.8		626 965
2018 December		18 220.2	11 364.3		582 155
2019 December		17 253.4	12 171.9	1000.0	626 693
2020 December		16 970.9	11 287.4	924.8	584 976
2021 December		20 395.0	13 358.3	1 085.7	690 717
2022 December		19 515.3	10 720.3	857.4	561 104
2023 December		17 951.5	12 092.9	989.8	626 078
2022	January	3 793.0	13 883.5	1 132.0	719 282
	February	4 241.5	13 071.0	1 055.7	681 886
	March	2 566.7	12 818.1	1 037.1	667 768
	April	2 429.9	13 136.7	1 064.5	685 035
	May	2 896.2	12 339.6	995.3	644 961
	June	4 982.5	12 009.4	970.1	623 859
	July	1 780.4	11 818.5	954.7	614 002
	August	1 110.5	12 128.7	981.5	630 219
	September	5 395.8	11 613.1	937.3	603 621
	October	6 529.5	10 822.6	864.6	562 364
	November	2 437.5	10 910.9	874.7	567 329
	December	19 515.3	10 720.3	857.4	561 104
2023	January	1 869.1	10 275.5	825.6	538 607
	February	11 137.9	10 907.5	874.9	570 360
	March	2 317.7	10 391.4	832.1	542 100
	April	1 288.0	10 525.2	848.1	546 156
	May	3 401.6	11 049.1	893.2	572 026
	June	4 253.6	11 579.8	942.8	598 449
	July	2 282.0	12 083.3	982.5	625 476
	August	3 214.1	11 954.3	966.8	618 734
	September	3 360.4	11 865.3	961.6	609 592
	October	3 794.1	12 021.6	978.1	616 389
	November	10 175.6	11 781.6	964.3	604 090
	December	17 951.5	12 092.9	989.8	626 078

Source : Casablanca Stock Exchange.

Table A9.6 Index of real estate assets prices

	REPI		
	2022*	2023**	Changes (%)
Overall	**107.5**	**108.2**	**0.6**
Residential	**107.2**	**107.3**	**0.1**
Apartments	103.9	104	0.1
Houses	119	119.6	0.6
Villas	119.4	118.9	-0.4
Urban Land	**111.5**	**113.2**	**1.5**
Professional	**107.5**	**109.3**	**1.7**
Business premises	110	111.8	1.6
Offices	97.8	99.2	1.5

(*) Revised.
(**) Provisional
Sources: Data drawn from the National Agency for Land Conservation, Cadastre and Cartography and Bank Al-Maghrib calculations.

Table A9.7 Number of transactions by category

	Changes (%)	
	2022/2021	2023/2022
Overall	**-10.5**	**8.2**
Residential	**-9.6**	**9.5**
Apartments	-10.3	10.3
Houses	-0.5	-1.4
Villas	5.2	5.7
Urban Land	**-15.8**	**2.5**
Professional	**-6.3**	**9.1**
Business premises	-5.9	7.0
Offices	-8.2	20.1

Source: Data drawn from the National Agency for Land Conservation, Cadastre and Cartography and Bank Al-Maghrib calculations..

Table A9.8 Index of real estate assets prices and number of transactions in the major cities

CITIES	Changes (%) 2023/2022	
	REPI	NUMBER OF TRANSACTIONS
Agadir	1.4	9.5
Casablanca	0.3	7.8
El Jadida	1.0	0.1
Fez	1.4	2.9
Kenitra	0.3	-3.6
Marrakech	0.8	20.4
Meknes	0.2	-8.7
Oujda	2.1	-2.4
Rabat	2.2	13.4
Tangier	0.1	6.2

Sources: Data drawn from the National Agency for Land Conservation, Cadastre and Cartography and Bank Al-Maghrib calculations.

Contents

Contents

LIST OF CHARTS

LIST OF TABLES

LISTE OF BOXES

LIST OF STATISTICAL APPENDICES

LIST OF DIAGRAMS

LIST OF ABBREVIATIONS

AACB	: Association of African Central Banks
ACAPS	: The Supervisory Authority of Insurance and Social Welfare
AFBL	: Autonomous Factors of Banking Liquidity
AFI	: The Alliance for Financial Inclusion
AIER	: American Institute for Economic Research
AIS	: Additional Information Statement
AMF	: Arab Monetary Fund
AML/CFT	: Anti-Money Laundering/Combating the Financing of Terrorism
AMMC	: Moroccan Capital Market Authority
ANCFCC	: National Agency for the Land Conservation of Cadastre and Cartography
ANRF	: National Financial Intelligence Authority
APP	: Asset Purchase Programme
ARA	: Assessing Reserve Adequacy
ASGFIM	: The Association of Moroccan Management Companies and Investment Funds
ATFP	: Arab Trade Finance Programme
B2B	: Business to Business
B2C	: Business to Customer
BAM	: Bank Al-Maghrib
bbl	: Barrel of oil
BCP	: Business Continuity Plans
BEAC	: Bank of Central African States
BIS	: Bank of International Settlements
bp	: Basis Points
BRICS	: Brazil, Russia, India, China, and South Africa
BSLP	: Bank's Structural Liquidity Position

BTS	:	Banknotes to sort
CA	:	Court of Auditors
CBDC	:	Central Bank Digital Currency
CBDCC	:	Central Bank Digital Currency Committee
CBT	:	Central Bank Transparency
CC	:	Currency in Circulation
CCFMP	:	Payment Fraud Coordination Committee
CCP	:	Central Counterparty Clearing House
CCSRS	:	Systemic Risk Coordination and Supervision Committee
CDG	:	Deposit and Management Fund
CEPII	:	Center for Prospective Studies and International Information
CERT	:	Computer Emergency Response Team
CFC	:	Casablanca Finance City
CFCA	:	Casablanca Finance City Authority
CFG Bank	:	Casablanca Finance Group
CGEM	:	General Confederation of Moroccan Companies
CIF	:	Cost, insurance, and freight
CIMR	:	Moroccan Interprofessional Pension Fund
CNRA	:	National Pensions and Insurance Fund
CNSS	:	National Social Security Fund
COSO	:	Committee of Sponsoring Organizations of the Treadway Commission
COVID-19	:	Corona virus disease 2019
CPI	:	Consumer Price Index
CPIX	:	Core Inflation Indicator Basket
CPT	:	Private Sorting Centers
CPU	:	Unified professional contribution
CRP-BAM	:	Bank Al-Maghrib's Staff Pension Fund
CSR	:	Corporate Social Responsibility
CT	:	Corporate Tax
DAP	:	Diammonium Phosphate
DB	:	Discharge Bill
DC	:	Deposit-companies
DCT	:	Domestic Consumption Tax
DGSE	:	Dynamic Stochastic General Equilibrium
DH	:	Moroccan Dirham
DSC	:	Data and Statistics Committee
DTFE	:	Treasury and External Finance Department
EBA	:	External Balance Assessment

EBRD	:	European Bank for Reconstruction and Development
ECB	:	European Central Bank
EM	:	Emerging markets
EPE	:	Establishments and Public Enterprises
EPI	:	Everyday Price Index
FA	:	Finance Act
FAB	:	Financial Act Bill
FAO	:	Food and Agriculture Organization
FATF	:	Financial Action Task Force
FC	:	Financial Companies
FDI	:	Foreign Direct Investments
FED	:	US Federal Reserve
FM	:	Frontier markets
FMIs	:	Financial Market Infrastructures
FOB	:	Free on board
FSC	:	Financial Stability Committee
FTSE 100	:	Financial Times Stock Exchange
G7	:	Group of Seven
GAFIMOAN	:	Middle East and North Africa Financial Action Task Force
GBP	:	Great British Pound
GCC	:	Gulf Cooperation Council
GDP	:	Gross Domestic Product
GFCF	:	Gross fixed capital formation
GG	:	General Government
GNDI	:	Gross National Disposable Income
GPBM	:	Moroccan Professional Banking Grouping
GTNCA	:	National Working Group on Cryptoassets
GWH	:	Gigawatt per hour
HCP	:	High Commission for Planning
HICP	:	Harmonized Index of Consumer Prices
HR	:	Human Ressources
HTM	:	Held To Maturity
IAM	:	Ittissalat Al Maghrib
IAZ	:	Industrial Acceleration Zones
IBRD	:	International Bank for Reconstruction and Development
ICS	:	Internal Control System
ICT	:	Internal consumption tax
IFAC	:	International Federation of Accountants

IFM	:	International Financial Market
IIP	:	International investment position
ILO	:	International Labour Organization
ILOSTAT	:	International Labour Organization
IMCC	:	Internal Management and Coordination Committee
IMF	:	International Monetary Fund
INPPLC	:	National Authority for Probity, Prevention and the Fight against Corruption
IP	:	Industrial Policy
IPO	:	Initial public offering
IPPI	:	Industrial Producer Price Index
IPSF	:	Integrated Program of Business Support and Financing
IS	:	Information System
ISA	:	International Standards on Auditing
IT	:	Income Tax
ITS	:	Intermediaries in Treasury Securities
KDH	:	Thousand of dirhams
LC	:	Large companies
LI	:	Liquid Investments
LSEG	:	London Stock Exchange Group
MASI	:	Moroccan All Shares Index
mb/d	:	Millions of barrels per day
MCMA	:	Moroccan Capital Market Authority
MDH	:	Million of dirhams
MEF	:	Ministry of Economy and Finance
MENA	:	Middle East and North Africa
MFC	:	Monetary and Financial Committee
MGT	:	Moroccan Global Trades
MIRA	:	Maximum interest rate agreed
MLA	:	Moroccans Living Abroad
Mmbtu	:	Million British Thermal Units
MMDH	:	Billion of dirhams
MQx	:	Million Quintals
MS	:	Management Systems
MSCI	:	Morgan Stanley Capital International
MSCI-EM	:	Morgan Stanley Capital International Emerging Markets
MSCI-FM	:	Morgan Stanley Capital International Frontier Markets
MW	:	Megawatts

n.c.e	:	Not classified elsewhere
n.i.e	:	Not included elsewhere
NB	:	New banknotes
NBS	:	National Bureau of Statistics
NEET	:	Not in Education, Employment or Training
NFC	:	Non-Financial Corporations
NGFS	:	Network for Greening the Financial System
Nikkei 225	:	Nihon Keizai Shinbun
NLP	:	Natural language processing
NPI	:	Non-profit institution
NPISH	:	Non-profit institutions serving households
NPL	:	Non-Performing Loans
NSFR	:	Net Stable Funding Ratio
NVB	:	Non valid banknotes
OCP	:	Office Chérifien des Phosphates (Moroccan state-owned phosphate company)
ODC	:	Other Deposit-companies
OEC	:	Order of certified accountants
OECD	:	Organisation for Economic Cooperation and Development
OICA	:	International Organization of Motor Vehicle Manufacturers
OIT	:	Organisation Internationale du Travail
OLFA	:	Organic Law relating to the Finance Act
ONCF	:	Moroccan National Railways Office
ONEE	:	National office of Electricity and Drinking Water
OPB	:	Other public borrowers
OPCI	:	Real-estate mutual funds
OPEC	:	Organization of Petroleum Exporting Countries
OPEC+	:	Organization of Petroleum Exporting Countries +
ORA	:	Official Reserve Assets
OTC	:	Over-the-Counter
PDNA	:	Post-Disaster Needs Assessment
PEPP	:	Pandemic Emergency Purchasing Program
PER	:	Price Earning Ratio
PIE	:	Public Institutions And Entreprises
PLA	:	Profit and Loss Account
PLL	:	Precautionary and Liquidity Line
PoC	:	Proof of Concept
pp	:	Percentage Points

PSC	:	Private sorting centres
Qx	:	Quintals
R&D	:	Research and Development
RCC	:	Risk and Compliance Committee
RECIU	:	Real Estate Collective Investment Undertakings
REPI	:	Real Estate Price Index
RNI	:	Real net income
S&P 500	:	Standard & Poor's 500
SAN	:	Storage Area Network
SAVT	:	Special Annual Vehicle Tax
SBFN	:	Sustainable Banks and Financial Systems
SDR	:	Special Drawing Rights
SGMAT	:	Futures Market Management Company
SME	:	Small and Medium-sized Enterprises
SNI	:	Simplified net income
SNIF	:	National Strategy for Financial Inclusion
SOEs	:	State-Owned Enterprises
SRBM	:	Moroccan Real-time Gross Settlement System
SVAR	:	Structural Vector Autoregression
SVB	:	Silicon Valley Bank
TA	:	Territorial Authorities
TBP	:	Three-year budget program
TGD	:	Tax General Directorate
TiVA	:	Trade in Value-added
TSA	:	Treasury Special Accounts
TSP	:	Triple Super Phosphate
UCITS	:	Undertakings for Collective Investment in Transferable Securities
UNCTAD	:	United Nations Conference on Trade and Development
UNDP	:	United Nations Development Programme
UNIDO	:	United Nations Industrial Development Organization
USD	:	US Dollar
VaR	:	Value at Risk
VAT	:	Value-added tax
VB	:	Valid banknotes
VIX	:	Chicago Board Options Exchange Volatility Index
VSE	:	Very Small Enterprises

VSME	:	Very Small and Medium Enterprises
VSTOXX	:	Eurostoxx 50 Volatility Index
WB	:	World Bank
WTI	:	West Texas Intermediate Crude Oil
WTO	:	World Trade Organization
WTO	:	World Tourism Organization

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