

COUNTRY PROFILE

Quarterly update

July 2016



United Nations
Economic Commission for Africa

MOROCCO

Introduction

The main objective of this document is to provide an update to the 2015 Morocco Country Profile, with a particular focus on the recently released annual data for 2015.

Recent developments: Key highlights

- Economic growth continued to slow in the second quarter of 2016, owing to a 13.2 per cent drop in agricultural value added;
- The trade deficit was reduced by 10.2 per cent in the second quarter of 2016;
- Inflation rose by 0.9 per cent in the second quarter of 2016, to reach 1.9 per cent;
- According to the Treasury, domestic debt has risen by 2.4 per cent since the start of the year;
- Unemployment continued to fall, with the unemployment rate reaching 9.3 per cent.

Economic performance

Economic growth

While 2015 was a good year for the agricultural sector, 2016 is set to be much tougher. Results for the first quarter of 2016 are disappointing, with agricultural production falling by 12.1 per cent, with heavy consequences for GDP growth.¹

During the second quarter of 2016, growth fell

¹ Haut-Commissariat au Plan. Note de conjuncture. July 2016.

slightly to 1.4 per cent, down from 1.7 per cent in the first quarter.² Agricultural value added fell by 13.2 per cent³ in the second quarter. However, value added in non-agricultural sectors rose by 2.5 per cent, thanks to strong growth in manufacturing.⁴ The producer price index for the manufacturing sector, excluding oil refining, rose by 0.2 per cent in May 2016 compared to the previous month.⁵ The forecast for the third quarter depends heavily on the performance of the agricultural sector and the global economic situation. After some disappointing results in the second quarter, the outlook for the third quarter does not look promising. The latest available data appear to confirm this, revealing that growth is continuing to slow, as a result of the drop in agricultural value added.

Private domestic demand in the second quarter does not look promising, with demand contracting across the board. Nevertheless, household consumption rose thanks to increased remittances from Moroccans living abroad and a rise of 4.6 per cent in consumer credit. Remittances totalled 14.4 billion dirhams, an increase of 4 per cent.⁶

However, household consumption is being affected by higher consumer prices and low employment rates.

Productive investment, meanwhile, fell by 0.8

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Haut-Commissariat au Plan. Note d'information relative à l'indice des prix à la production industrielle, énergétique et minière. May 2016.

⁶ Office des changes.

points in the second quarter compared to the first quarter, due to the slow recovery of investment in the construction sector and the introduction of tougher rules for lending to real estate developers.⁷

Unemployment fell 0.6 percentage points to 9.3 per cent. However, job creation stagnated in the fourth quarter of 2015. Job creation rose by 0.5 per cent in cities, but fell by 0.5 per cent in rural areas.

Fiscal policy

The deficit fell by 4.4 per cent⁸ during the first two months of the fiscal year, thanks to a fall in spending and a slight rise in revenue. Revenue rose by 3.2 per cent year-on-year, thanks to an 8.8 per cent rise in tax receipts.

Current expenditure, meanwhile, fell by 0.6 per cent, mainly due to a decrease of 57.6 per cent in subsidies. Operating expenses were up 6.3 per cent, while investment rose by 12.3 per cent.

According to the Treasury, domestic debt increased by 1.2 per cent compared to its level at the end of 2015; external debt, meanwhile, rose by 2.4 per cent from its level at the start of 2016.

Inflation and monetary policy

Inflation reached 1.9 per cent in the second quarter of 2016, an increase of 0.9 per cent from the previous quarter. Inflation mostly affected food products, with prices rising by 3.6 per cent. Core inflation rose slightly from 1.2 per cent in the first quarter to 1.5 per cent in the second, following a rise in the price of services and tax-free goods. In response to rising inflation and slower economic activity, the Central Bank of Morocco decided in June to keep the key rate at 2.25 per cent. The Central Bank also eased financing conditions for the money markets, with significant declines in interbank rates (down 12 points in May compared to April 2016) and auctions of treasury bills (decline of between 3 and 65 points in May compared to April 2016).

Current account

In the second quarter of 2016, the global economic outlook improved, thanks to the recovery in imports from emerging countries, particularly Asian countries. Moroccan exports also benefited from the recovery in world trade, with exports up by 1 per cent. The decline in imports by 3.8 per cent also contributed to an improvement in the trade balance. Weak oil prices held import prices steady, despite an increased volume of hydrocarbon imports (diesel, fuel oil, petroleum gas). However, exports of phosphates and derivatives were hurt by unstable global commodity prices. Overall, the trade deficit fell by 10.2 per cent in the second quarter of 2016. In addition, the import coverage ratio improved by 2.8 points, to reach 59.9 per cent.

7 Haut-Commissariat au Plan. Note de conjuncture. July 2016.

8 Haut-Commissariat au Plan. Note de conjuncture. April 2016.

Economic performance

Macroeconomic performance

	Value	Year
GDP, constant prices (millions of dirhams)	982,223	2015
Real GDP growth rate (%)	4.5	2015
Inflation rate (%)	1.1	2015

Source: HCP and Ministry of Finance.

Fiscal policy

(% of GDP)	Value	Year
Total revenue and grants	22.6	2015
Tax revenue	19.4	2015
Non-tax revenue	2.9	2015
Grants	0.4	2015
Expenditure and net lending	26.9	2015
Recurrent expenditure	22.4	2015
Of which: Salaries and wages	10.8	2015
Of which: Goods and services	16.8	2015
Of which: Interest payments	2.7	2015
Development expenditure	5	2015
Current transfers	0.5	2015
Other expenditure	6.0	2015
Fiscal balance (commitment basis)	-7.5	2015
Fiscal balance (cash basis)		2015

Source: Ministry of Finance.

Monetary policy

(%)	Value	Year
Reference rate of the Central Bank	2.25	2016
Interbank rate	2.5	2016
Interest rate on loans	5.725	2015
Interest rate on savings (average)	2.275	2015
Gap	3.45	2015

Source: Bank of Morocco.

Current account

(millions of dirhams)	Value	Year
Imports of goods and services	413,368	2015
Exports of goods and services	336,846	2015
Trade balance	-76,522	2015
Current account	-21,144	2015

Source: Office des changes.

Capital and financial accounts

(millions of dirhams)	Value	Year
Direct investment	12,200	2015-2016
Passive direct investment	1,600	2015-2016
Fixed capital formation (investment)	281,492	2015
Portfolio investments	-882,678	2015
Financial account	7,671	2015
Capital account	6.1	2015
Net international reserves (and related elements)	240,405	May 2016

Source: Office des changes.

Social developments

Demography

	Value	Year
Population (millions of inhabitants)	33.8	2014
Children aged 0-14 (%)	28.10	2014
Adults aged 15-59 (%)	62.4	2014
Adults aged 60 and above (%)	9.4	2014
Urban population (%)	61.3	2015
Annual average population growth rate (%)	1.27	2015
Crude mortality rate (per 1,000 inhabitants)	5.1	2015
Crude birth rate (per 1,000 inhabitants)	17.9	2015

Source: Ministry of Finance and United Nations Population Division.

Poverty and employment

	Value	Year
Unemployment (%)	9.7	2015
Youth unemployment (15-24 year-olds) (%)	20.8	2015
Primary sector employment (%)	40.1	2015

Source: Haut-Commissariat au Plan and Ministry of Finance.

Health

	Value	Year
Percentage of children under 5 who are underweight	3.10	2011
Neonatal mortality rate (per 1,000 live births)	17.6	2015
Infant mortality rate (per 1,000 live births)	30.5	2011
Under-five mortality rate (per 1,000 live births)	30.7	2012
Maternal mortality rate (per 100,000 live births)	112	2011
HIV prevalence rate (15-24 year-olds)	0.1	2012
Proportion of births assisted by skilled health personnel	73.6	2011

Source: Ministry of Finance, UNESCO and UNAIDS.

Education

(%)	Value	Year
Net rate of enrolment in primary education	99.5	2014 222
Literacy rate of 15-24 year-olds	31.5	2015

Source: Ministry of Finance and UNESCO.

References

Haut-Commissariat au Plan (2016). *Notes conjoncturelles*, No. 28. July 2016.

Ministry of Finance (2016). *Notes de conjuncture*. June 2016.