

INTERNATIONAL MONETARY FUND

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The International Monetary Fund has approved a stand-by arrangement for the Government of Morocco, authorizing purchases up to the equivalent of SDR 300 million over the period to March 15, 1985, in support of the Government's economic and financial program. Purchases under this arrangement, equivalent to 133 percent of Morocco's quota of SDR 225 million, will be financed in part from the Fund's ordinary resources (SDR 53.67 million) and in part from resources borrowed by the Fund (SDR 246.33 million). Currently, Morocco's outstanding financial obligations to the Fund resulting from past operations and transactions total the equivalent of SDR 848.8 million.

Despite the weak world demand for phosphates, Morocco's major export, and the effects of the drought that has persisted since 1980, economic activity in Morocco picked up in 1982, as reflected by GDP growth estimated at 5.6 percent. The overall budget deficit was reduced from 14.5 percent of GDP in 1981 to 12.5 percent in 1982, while the inflation rate was held at 10.6 percent. However, largely because of the decline in phosphate export receipts, high interest rates, and the continued high levels of government expenditures, the current account deficit of the balance of payments widened considerably.

The current economic and financial program, which the stand-by arrangement supports, is the third in a series undertaken by Morocco with Fund assistance since 1980, designed to redress structural imbalances in the economy. The primary objective of the program is to constrain the growth of consumption, both in the private and public sectors and to maintain overall investment consistent with resource availability and a satisfactory rate of growth. Policies adopted to achieve those aims include new revenue-raising measures, a reduction in subsidies, liberalization of prices, and a flexible exchange rate policy. The program further provides for ceilings on credit to the economy, on borrowing by the Treasury, and on additional external short and medium-term nonconcessional loans contracted, guaranteed, or approved, by the Government. The program seeks to assure an improvement in the balance of payments, particularly through promoting exports.