

**EXECUTIVE
BOARD
MEETING**

EBS/20/182
Supplement 2

December 17, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Morocco—Staff Report for the 2020 Article IV Consultation and Proposal for Post-Program Monitoring—Revised Draft Press Release**

Board Action:	Executive Directors' consideration (Formal)
Tentative Board Date:	Friday, December 18, 2020
Publication:	Yes*
Additional Information:	Revised to update risk paragraph to better reflect the recent progress on the vaccination programs in Morocco and abroad. The revised draft also incorporates minor editorial changes.
Questions:	Mr. Cardarelli, MCD (ext. 38059) Mr. Queyranne, MCD (ext. 36297) Mr. Noah Ndela Ntsama, MCD (ext. 39772) Mr. Balima, MCD (ext. 37379)

***Unless an objection from the authorities is received prior to the conclusion of the Board's consideration, the press release will be published.**



Revised Draft Press Release

IMF Executive Board Concludes 2020 Article IV Consultation with Morocco

FOR IMMEDIATE RELEASE

Washington, DC – December 18, 2020: The Executive Board of the International Monetary Fund (IMF) today concluded the Article IV consultation¹ with Morocco.

The prompt response of the Moroccan authorities has helped contain the fallout from the pandemic. Nonetheless, economic activity has slowed sharply in the first half of 2020 on account of the combined effect of the health crisis and the drought (that affected agricultural production). The economic slowdown has caused an increase in the unemployment rate to 12.7 percent in the third quarter of the year (from 9.4 percent last year) and has driven inflation lower so far in 2020.

With greater public sector spending financed by the private and public voluntary contributions to the Covid-19 Fund, the deterioration of the fiscal position has been mainly driven by the fall in tax revenues. The current account deficit has increased in 2020 due to lower tourism receipts. Still, the resilience of remittances and lower imports have contained Morocco's external financing needs, and international reserves remain comfortably above last year's levels also thanks to the purchase of the IMF precautionary liquidity line in April and the greater recourse to external financing.

Banks have so far weathered the recession relatively well, and credit has continued to increase in 2020, reflecting both the strong response of the central bank, that has improved liquidity conditions and cut interest rates, and the government's guaranteed credit schemes.

IMF staff expects GDP growth to fall to 7.2 percent in 2020 and rebound next year to 4.5 percent, as the effects of the drought and pandemic wane and monetary and fiscal policy remain accommodative. The recovery of tourism and export receipts is expected to lead to a gradual improvement of the current account deficit. This outlook remains subject to exceptional uncertainty, with much of the risks around the baseline depending on the evolution of the pandemic and progress on the vaccine front in both Morocco and its trading partners.

Executive Board Assessment²

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¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

² At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

Morocco: Selected Economic Indicators, 2017–25

Population: 35.587 million; 2019

Per capita GDP: \$3,460; 2019

Quota: SDR 894.4 million

Poverty rate: 4.8 percent, 2014

Main exports: automobiles, phosphate and derivatives; 2018

Key export markets: France and Spain (37% of total trade), 2018

	2017	2018	2019	2020	2021	2022	2023	2024	2025
				Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Output									
Real GDP growth (%)	4.2	3.1	2.5	-7.2	4.5	3.9	3.6	3.7	3.7
Real nonagricultural GDP growth (%)	3.1	3.1	3.7	-7.5	4.2	3.9	3.6	3.6	3.7
Employment									
Unemployment (%)	10.2	9.8	9.2	12.5	10.5	9.7	9.1	8.7	8.5
Prices									
Inflation (end of period)	1.7	0.1	1.0	0.2	0.8	1.2	1.6	1.8	2.0
Inflation (period average)	0.7	1.6	0.2	0.2	0.8	1.2	1.6	1.8	2.0
Central government finances									
Revenue (% GDP) 1/	26.6	26.1	25.6	26.9	26.2	26.4	26.6	26.8	27.2
Expenditure (% GDP)	30.1	29.9	29.7	34.6	32.6	32.7	32.2	31.7	31.3
Fiscal balance (% GDP) 1/	-3.5	-3.7	-4.1	-7.7	-6.3	-6.2	-5.6	-4.8	-4.0
Primary balance	-2.0	-1.7	-1.8	-5.5	-3.9	-3.7	-2.8	-2.1	-1.2
Public debt (% GDP)	65.1	65.2	65.2	76.5	76.9	77.3	77.7	77.3	76.6
Money and credit									
Base money	5.5	4.1	3.7	5.1	...	...	...	...	...
Broad money (% change)	5.5	4.1	3.7	5.1	3.6	3.8	4.1	4.2	4.3
Credit to the economy (% change) 2/	3.3	3.4	5.4	3.4	3.9	3.9	4.0	4.0	4.0
Velocity of broad money	0.8	0.8	0.8	0.7	...	...	...	...	...
Balance of payments									
Current account excluding official transfers (% GDP)	-4.5	-5.6	-4.3	-6.7	-5.8	-5.1	-4.6	-4.5	-3.8
Current account including official transfers (% GDP)	-3.4	-5.3	-4.1	-6.0	-5.4	-4.8	-4.3	-4.4	-3.7
Exports of goods (in U.S. dollars, percentage change)	12.8	14.5	0.2	-18.4	15.1	10.2	7.7	6.6	6.8
Imports of goods (in U.S. dollars, percentage change)	7.8	13.5	-0.5	-18.0	14.4	7.4	6.0	6.2	6.3
Merchandise trade balance	-16.5	-17.2	-16.7	-14.6	-15.1	-14.8	-14.6	-14.6	-14.6
FDI (% GDP)	1.5	2.4	0.5	1.2	1.1	1.3	1.4	1.4	1.5
Gross reserves (months imports) 3/	5.7	5.3	6.8	7.3	6.9	6.7	6.5	6.3	6.9
External Debt (% GDP)	35.0	32.0	32.8	39.7	39.3	39.3	39.9	39.0	39.1
Exchange rate									
REER (annual average, % change)	-0.4	0.9	0.5	...	...	...	...	...	...
Memorandum Items:									
Nominal GDP (in billions of U.S. dollars)	109.7	118.1	119.7	113.0	124.2	131.1	138.2	145.7	153.8
Net imports of energy products (in billions of U.S. dollars)	-7.2	-8.8	-7.9	-3.9	-5.0	-5.1	-5.2	-5.6	-5.9
Local currency per U.S. dollar (period average)	9.7	9.4	9.6	9.5	9.1	9.0	9.0	9.0	9.0

Sources: Moroccan authorities; and Fund staff estimates.

1/ Include grants.

2/ Includes credit to public enterprises.

3/ As of 2009, reserves include the new SDR allocation.