

AFRICA RISK CONSULTING

Morocco Monthly Briefing August 2023

Morocco Summary 24 August 2023

State agency Maghreb Arabe Presse (MAP) confirms on 19 August that Morocco did not apply to join the BRICS economic group despite South Africa claiming otherwise. Relations between the two countries are still fragmented as South Africa has openly opposed Morocco's claims over the Western Sahara. Office des Changes (exchange office) reports on 8 August that foreign trade transactions with the rest of the world hit MAD 1,166 billion (\$116.8 billion) in 2022, a 35.9% increase from \$85.9 billion in 2021. Recruitment website Bayt publishes a poll on 25 July showing that 71% of Moroccans are willing to move to another sector or field if it would enable them to emigrate. The poll indicates that locals continue to be discouraged by the domestic economic situation. Haut Commissariat au Plan (HCP) (high commission for planning) reports on 22 August that inflation decreased from 5.5% year-on-year (y/y) in July to 4.9% in June but that July's core inflation, which excludes more volatile prices, reached 5.4% y/y.

Morocco rejects involvement in BRICS summit meeting...

Morocco's state agency **Maghreb Arabe Presse (MAP)** announced on 19 August that it did not submit an application to join the **BRICS (Brazil, Russia, India, China, South Africa)** economic group and would not be attending the bloc's summit in **Johannesburg** (South Africa) from 22 to 24 August.¹ MAP clarified its position after South Africa's BRICS ambassador **Anil Sooklal** said on 2 August that Morocco was among the countries seeking to join the bloc.² BRICS, founded in 2009, accounts for 25% of global gross domestic product (GDP) and is home to 40% of the world's population. The bloc is increasingly seen by many developing countries as a rival to the **G7** and other **Western**-led blocs, as well as an ideological and economic counterweight to the **United States (US)** and its allies.³

While citing an unnamed source with Morocco's foreign ministry, MAP disclosed that there had never been any intention on Morocco's part to positively respond to South Africa's invitation to the BRICS summit or participate in the meeting at any level.⁴ While rebuking South Africa for allowing itself to speak about Morocco's affairs "*without prior consultation*", MAP's source accused South Africa of intending to "*hijack*" the BRICS summit to achieve a concealed agenda and also stressed that the summit was unilaterally organised by South Africa which has:

*"Consistently exhibited primary antagonism towards the Kingdom and has consistently adopted adverse and entrenched stances concerning the Moroccan **Sahara** issue".⁵*

MAP's source also accused South Africa of "*persistently*" undertaking several actions that are "*detrimental*" to Morocco's "*paramount interests*" on a national level and at the **African Union (AU)**.⁶ South Africa is openly opposed to Morocco's claim over the **Western Sahara** despite a growing number of countries such as the US and **Israel** supporting Morocco's plan for the disputed region (*see ARC Briefing Morocco July 2023*). South Africa also supports the liberation movement, the **Polisario Front**, and its quest for an independent Western Sahara. South African President **Cyril Ramaphosa** (2018-present) confirmed this yet again in a foreign policy speech on 20 August, noting that his

¹ Map News, 19 Aug 2023

² China Global South Project, 1 Aug 2023

³ Morocco World News, 1 Aug 2022

⁴ Anadolu Agency, 19 Aug 2023

⁵ Middle East Monitor, 19 Aug 2023

⁶ Middle East Monitor, 19 Aug 2023

government will continue to support the “*struggles*” of the people of Western Sahara and **Palestine**.⁷ South Africa’s vocal support for the independence of the Western Sahara has influenced the dynamics between it and Morocco resulting in an antagonistic relationship.

Morocco emphasised that it maintains good bilateral relations with other BRICS member countries and is committed to multilateralism but will not pursue membership of the bloc, but did not clarify if it would pursue membership if South Africa was not a key member of BRICS. A local analyst also told **Africa Risk Consulting Briefing (ARC Briefing)**:

“Morocco is a very strong US ally. It would have been strange and awkward for it to join a Chinese-led multilateral body such as BRICS, especially in light of increasing China-American geopolitical tensions”.⁸

Foreign trade increases by 35.9% in 2022...

The **Office des Changes** (exchange office) published its annual balance of payments and international investment report on 8 August, indicating that foreign trade transactions hit MAD 1,166 billion (\$116.8 billion) in 2022, a 35.9% increase from \$85.9 billion in 2021.⁹ The report explains that foreign trade growth was jointly driven by exports which rose by 30.1% and imports, which rose by 39.5%.¹⁰ However, the impact of the conflict in **Ukraine** and higher global commodity prices means that Morocco registered a higher import bill, with its trade balance deteriorating to MAD 308.8 billion (\$30.4 billion).¹¹ The report also showed that the coverage rate of imports by exports fell by 4.2 points from 62.3% in 2021 to 58.1% in 2022, increasing Morocco’s foreign trade deficit.¹² The import penetration rate which is measured as the ratio of imports to domestic demand (GDP + imports – exports), increased to 44.1% in 2022 from 35.6% a year earlier, a rise of 8.5 points.¹³

The Office des Changes also revealed that net foreign direct investment (FDI) flows reached MAD 21.8 billion (\$2.1 billion) in 2022, increasing by 6.8% year on year.¹⁴ Revenues from foreign investments in Morocco reached MAD 39.6 billion (\$3.9 billion), an increase of 21.6%.¹⁵ The investment report also indicates that equity securities are the primary component of inflows to the country with a 54.2% share in 2022, reaching MAD 11.8 billion (\$11.1 billion) in 2022, a -8.9% decline.¹⁶ Morocco’s reinvested earnings declined by MAD 1 billion (\$100m), to represent 8% of the total net flow of FDI to the country in 2022. FDI flows in sectors were broken down as follows:

- Manufacturing sector - MAD 9.5 billion (\$951m) equating to 43.5% of total net FDI flows;
- Real estate sector - MAD 5.5 billion (\$550m) equating to 25.1% of total net FDI flows;
- Financial and insurance activities - MAD 2.4 billion (\$240m) equating to 11.2% of total net FDI flows.¹⁷

Morocco’s largest investors stood as follows:

- US - MAD 7.4 billion (\$740m);
- **France** - MAD 3.3 billion (\$330m);
- **United Kingdom (UK)** - MAD 2.9 billion (\$290m);
- **United Arab Emirates (UAE)** - MAD 2.5 billion (\$230m);

⁷ South African Presidency, 20 Aug 2023

⁸ ARC Source, Local Source

⁹ Office des Changes, 8 Aug 2023

¹⁰ Office des Changes, 8 Aug 2023; Hespress, 9 Aug 2023

¹¹ Hespress, 9 Aug 2023

¹² Office des Changes, 8 Aug 2023

¹³ Hespress, 9 Aug 2023

¹⁴ Office des Changes, 8 Aug 2023

¹⁵ Hespress, 9 Aug 2023

¹⁶ Hespress, 9 Aug 2023

¹⁷ Office des Changes, 8 Aug 2023

- **Netherlands** - MAD 1.5 billion (\$150m).¹⁸

The US was Morocco's largest investor, with investment increasing from MAD 700m (\$70m) in 2021 to the above-mentioned figure. The Office des Changes' data shows that Morocco's FDI is moving in a positive trajectory despite only increasing marginally by 6.8%. With Morocco seeing greater investments in its manufacturing sector, particularly in the automotive industry, the trade balance is also likely to decrease in the long term.

More than 70% of Moroccans want to emigrate...

Bayt, the largest job recruitment website in the **Middle East**, published a new poll on 25 July indicating that up to 71% of Moroccans are willing to move to another sector or field if it would enable them to emigrate.¹⁹ A previous poll conducted by Bayt in December 2021, indicated that 70% of Moroccans considered emigrated while another poll compiled in December 2021 by the **Observatoire National du Développement Humain (ONDH)** (national observatory of human development) reported that seven out of ten young Moroccans wanted to emigrate abroad and 83% were not satisfied with their lives in Morocco.²⁰ The percentage of Moroccan youth willing to emigrate is the highest in the **Middle East and North Africa (MENA)** region, as young Moroccans see better opportunities abroad to get wealthier and bolster their capabilities and professional qualifications.²¹ The ONDH poll also found that the desire to emigrate is not limited to young Moroccans, but also includes established engineers, technicians and doctors.²²

These polls analysed alongside the HCP's **Permanent Household Survey** from July, which revealed that household confidence in Morocco has reached its lowest level since the survey's inception in 2008, indicate that Moroccans were and still are discouraged by the domestic economic situation. If an increasing number of locals do emigrate, the labour pool for companies investing or opening subsidiaries in Morocco could be negatively impacted which would deter such investment. There could also be a 'brain drain' which is a high loss of skilled individuals and professionals, which can have several consequences including a shortage of skills and loss of tax revenue.

Morocco's inflation rate rises marginally to 5.4% but remains elevated...

Haut Commissariat au Plan (HCP) (high commission for planning) reported on 22 August, that inflation decreased from 5.5% year-on-year (y/y) in July to 4.9% in June, but that July's core inflation, which excludes more volatile prices, reached 5.4% y/y.²³ The HCP indicated that the high core inflation is attributed to a 0.7% increase in food prices and a 0.2% spike in non-food products.²⁴ In terms of specific food prices, between June and July, fruit prices soared substantially by 9.2% while fish and seafood prices surged by 4.4%.²⁵ When comparing July 2023 to July 2022, the **Consumer Price Index (CPI)** increased by a substantial 4.9%, mainly driven by an 11.7% surge in food products and a 0.4% rise in non-food product prices.²⁶ Meanwhile, non-food products saw varying changes, from a substantial 7.0% drop in transport prices and a significant 5.8% increase in restaurant and hotel services.²⁷

The HCP also agreed with forecasts from the **Bank Al-Maghrib (BAM)** (central bank) that inflation in Morocco will remain elevated in the medium term after reaching 6.6% in 2022, the highest level since 1992.²⁸ The central bank explained that the elevated inflation rate forecast is primarily due to a "surge"

¹⁸ Hespress, 9 Aug 2023

¹⁹ Middle East Monitor, 3 Aug 2023

²⁰ Middle East Eye, 6 Dec 2021

²¹ Middle East Monitor, 3 Aug 2023

²² Middle East Monitor, 3 Aug 2023

²³ Haut Commissariat au Plan, 22 Aug 2023

²⁴ Haut Commissariat au Plan, 22 Aug 2023

²⁵ Haut Commissariat au Plan, 22 Aug 2023

²⁶ Morocco World News, 22 Aug 2023

²⁷ Haut Commissariat au Plan, 22 Aug 2023

²⁸ Haut Commissariat au Plan, 22 Aug 2023

in the price of some food products included in its forecast.²⁹ The central bank expects the economic situation to improve in the latter half of 2023, thanks to several mitigation efforts being undertaken by the government which will help ease external and internal pressures. Therefore, BAM expects inflation will drop even further to 2.3% and average 1.8% in 2024.³⁰

Planner

Sep 2023 **Rabat (Morocco) Negev Summit**

Oct 2023 **Marrakech (Morocco) Annual meetings of the World Bank and the International Monetary Fund**

Chronology

22 Aug 2023 **Rabat (Morocco) Bank Al-Maghrib. Al-Maghrib (BAM)** (central bank) says the real estate market is still stagnating, with growth in the real estate price index averaging -0.3% at the end of the second quarter of 2023;

20 Aug 2023 **Rabat (Morocco) Euro Day. Chinese conglomerate Tinci Group**, a prominent supplier of electrolytes and chemical components for lithium batteries, decides to relocate its project from the **Czech Republic** to Morocco;

18 Aug 2023 **Rabat (Morocco) Morocco World News. United Nations** spokesperson Stephane Dujarric rejects the allegations that Morocco blocked the UN secretary general's envoy for **Western Sahara, Staffan de Mistura**, from visiting the country;

16 Aug 2023 **Rabat (Morocco) Morocco World News. United States**-based aircraft leasing company **Air Lease Corporation (ALC)** announces it has signed long-term lease contracts for five Boeing 737 aircraft with Moroccan national carrier **Royal Air Maroc (RAM)** in a deal valued at \$300m;

15 Aug 2023 **Rabat (Morocco) Morocco World News.** Morocco achieves an unprecedented peak in electricity consumption, reaching 7310 megawatts (MW) and marking an 8.2% increase from previous records;

15 Aug 2023 **Rabat (Morocco) Middle East Monitor. Israel's Central Bureau of Statistics** indicates that approximately 2,500 Moroccan tourists visited the country in 2022;

13 Aug 2023 **Rabat (Morocco) Morocco World News. Office des Changes** (exchange office) data shows the auto manufacturing industry is building on its strong momentum, with exports reaching a sweeping MAD 111 billion (\$11.1 billion) this year;

13 Aug 2023 **Rabat (Morocco) Morocco World News. United States** senator **James Lankford**, representing the state of **Oklahoma**, hails **Israel's** recognition of Morocco's sovereignty over the **Western Sahara** region as a positive step toward fostering peace in the **Middle East** and **North Africa**;

11 Aug 2023 **Rabat (Morocco) Hespress.** Health ministry underscores the importance of maintaining vigilance against **Covid-19**, particularly in light of the potential threat posed by a new sub-variant of the **Omicron** variant, and emphasises the need for completing vaccination doses to enhance immunity;

7 Aug 2023 **Rabat (Morocco) Atalayar.** King **Mohammed VI** expresses Morocco's determination to continue boosting bilateral ties with **Qatar**;

²⁹ Bank Al-Maghrib, 21 Mar 2023

³⁰ Morocco World News, 22 Aug 2023

6 Aug 2023 **Rabat (Morocco)** *North Africa Post*. King **Mohammed VI** addresses a written message to **Saudi Arabian** crown prince and prime minister **Mohammed bin Salman** about boosting bilateral ties;

4 Aug 2023 **Rabat (Morocco)** *Morocco World News*. Morocco's competition council once again points out the presence of numerous dysfunctions in the hydrocarbons sector amid inaction to tackle the situation;

3 Aug 2023 **Rabat (Morocco)** *Hespress*. **Haut Commissariat au Plan (HCP)** (high commission for planning) notes that unemployment rose by 1.2 points to 12.4% in the second quarter of 2023;

2 Aug 2023 **Rabat (Morocco)** *Morocco World News*. In his remarks to King **Mohammed VI**, congratulating the monarch on the 24th anniversary of his accession to the throne, **United States (US)** President **Joseph Biden** reaffirms his country's satisfaction with cooperation and bilateral ties with Morocco;

1 Aug 2023 **Rabat (Morocco)** *Morocco World News*. **United Kingdom**-headquartered **Africa**-focused transitional energy company **Chariot Limited** announces it has secured a new exploration licence covering the **Loukos Onshore**, located onshore Morocco, after signing a partnership with Morocco's **Office National des Hydrocarbures et des Mines** (national hydrocarbons and mines office), holder of 25% of the exploration licence;

31 Jul 2023 **Rabat (Morocco)** *Morocco World News*. **Spanish** interior minister, **Fernando Grande Marlaska** expresses his government's determination to continue boosting bilateral ties and cooperation with Morocco;

29 Jul 2023 **Rabat (Morocco)** *Map News*. King **Mohammed VI** delivers a speech to the country on the occasion of the 24th anniversary of his ascension to the throne;

27 Jul 2023 **Rabat (Morocco)** *Africa News*. Moroccan security services arrest 50 suspects in a counter-terrorism operation;

26 Jul 2023 **Rabat (Morocco)** *Middle East Monitor*. **United Nations General Assembly (UNGA)** unanimously adopts a resolution presented by Morocco against the burning of the Quran and hate speech targeting religious symbols;

23 Jul 2023 **Rabat (Morocco)** *Middle East Monitor*. The main opposition party in Morocco, **Parti de la justice et du Développement**, renews its rejection of the normalisation of ties with **Israel**.

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

About ARC Briefing:

ARC Briefing is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)