

## AFRICA RISK CONSULTING

## Morocco Monthly Briefing April 2023

## Morocco Summary 21 April 2023

*The International Monetary Fund (IMF) announces on 3 April that its executive board approved a \$5 billion Flexible Credit Line (FCL) for Morocco, enhancing the North African country's buffers and providing insurance against possible risks. The Haut Commissariat au Plan (HCP) (high commission for planning) indicates on 13 April that 45% of Moroccan families had to borrow to meet their needs during the first quarter of 2023. The HCP confirms on 21 April that inflation decreased to a five-month low of 8.2% in March, down from a record high of 10.1% in February, but citizens are still feeling the pinch of inflated prices. The World Bank in its Poverty and Equity Brief, released on 3 April, forecasts that poverty and vulnerability levels in the country are set to increase throughout 2023, particularly in rural areas. With diplomatic tensions between Morocco and France still high, the Moroccan government reportedly unofficially instructs ministers to avoid engaging with the French ambassador to Rabat, Christophe Lecourtier.*

## IMF approves a \$5 billion credit line for Morocco...

The **International Monetary Fund (IMF)** announced on 3 April that its executive board approved a \$5 billion **Flexible Credit Line (FCL)** for Morocco, enhancing the country's buffers and providing insurance against possible risks.<sup>1</sup> The IMF announced on 6 March that its executive board had received a request from Morocco for the \$5 billion credit line (*See Briefing Morocco Mar 2023*).<sup>2</sup> The financial institution explained that the credit line, which was first introduced in 2009 per its lending framework, offers recipient countries and beneficiaries credit when facing a cash crunch, necessary for tackling and safeguarding against major economic challenges, including external shocks.<sup>3</sup> The IMF also noted that the credit line provides countries with strong policy frameworks and proven economic growth with upfront access to resources "with no ex-post conditionality."<sup>4</sup> Moroccan lawmakers have stressed that they intend to treat the credit arrangement as precautionary.<sup>5</sup>

The executive board noted that the credit line is available for two years and that Moroccan authorities will exit the arrangement as soon as the period is over.<sup>6</sup> The IMF's deputy managing director **Antoinette Sayeh** noted that Morocco's strong macroeconomic policies and institutional framework have allowed the country to remain resilient against several negative shocks that have presented themselves in recent years, including the **Covid-19** pandemic, droughts and **Russia's** invasion of **Ukraine**.<sup>7</sup>

However, Sayeh warned that despite its resilience, Morocco's economy remains vulnerable to recurrent droughts, worsening global economic and financial conditions and commodity price volatility.<sup>8</sup> Sayeh added that the credit facility provides some protection against these vulnerabilities. In previous years, Morocco has had access to the IMF's **Precautionary and**

<sup>1</sup> International Monetary Fund, 3 Apr 2023; Bloomberg, 3 Apr 2023

<sup>2</sup> International Monetary Fund, 6 Mar 2023

<sup>3</sup> International Monetary Fund, 6 Mar 2023

<sup>4</sup> International Monetary Fund, 6 Mar 2023

<sup>5</sup> Bloomberg, 3 Apr 2023

<sup>6</sup> Bloomberg, 3 Apr 2023

<sup>7</sup> International Monetary Fund, 3 Apr 2023

<sup>8</sup> International Monetary Fund, 3 Apr 2023

**Liquidity Line (PLL)** which helps member countries, which have solid economic fundamentals but still face some vulnerabilities, meet liquidity needs.<sup>9</sup> The PLL is a precursor to the FCL, and Morocco's request for the FCL indicates that its economy is facing an increased number of vulnerabilities and that the economic situation has deteriorated. Since 2012, the IMF has approved requests for four successive PLL, with the last one expiring in April 2020.<sup>10</sup>

While reports of a country receiving credit or capital from the World Bank or IMF tend to illicit major concern, that does not appear to be the case for Morocco. The extension of financial assistance to Morocco has been made on the historical strength of its economy and the government's pragmatism in dealing with economic challenges. However, while the IMF is impressed with Morocco's economic resilience average Moroccans disagree given how dire their living standards have become (see below).

### 45% of families borrowed to meet needs during Q1 of 2023...

The **Haut Commissariat au Plan (HCP)** (high commission for planning) published its latest report on 13 April indicating that 45% of families had to borrow to meet their needs during the first quarter of 2023.<sup>11</sup> The dire economic challenge these families face is likely due to the domestic market experiencing skyrocketing increases in commodity prices, increases in prices of primary and food commodities due to global economic disruptions, as well as consequences of the historic drought affecting the region.<sup>12</sup> HCP's report also revealed that 85.3% of families believe their standard of living has deteriorated during the past 12 months, while 79% of families said that the period during the first quarter of the year "*was not appropriate to purchase goods*".<sup>13</sup> The report also noted that 98.7% of families felt the increase in food prices during the previous 12 months.<sup>14</sup>

The report by HCP highlights that the economic situation facing Moroccan families is worse than thought and that almost half the country is struggling to survive economically. The government has thus far failed to deliver on its promise to ease economic pressures, with many locals accusing the government of "*doing nothing to tackle the situation*" and instead using the current global crisis as an excuse for its failure to address these issues.<sup>15</sup>

The dire economic circumstances have also led to social unrest in recent months. Hundreds of Moroccans took to the streets across Morocco on 19 and 20 February to protest against the soaring prices of basic goods and to call for greater freedoms (*See Briefing Morocco Feb 2023*).<sup>16</sup> Much smaller protests also took place on 8 April outside the parliament building in Rabat.<sup>17</sup> Thousands have also taken to social media to protest against the government's perceived lack of concern in dealing with the rising price inflation.<sup>18</sup> In response, the government has often reiterated that the increase is due to disruptions in the global market and that it would soon intervene to lower prices, urging Moroccans to be patient as prices should stabilise or decrease

<sup>9</sup> IMF, accessed 21 Apr 2023

<sup>10</sup> Morocco World News, 4 Apr 2023

<sup>11</sup> Haut Commissariat au Plan, 13 Apr 2023

<sup>12</sup> Middle East Monitor, 13 Apr 2023

<sup>13</sup> Haut Commissariat au Plan, 13 Apr 2023

<sup>14</sup> Haut Commissariat au Plan, 13 Apr 2023

<sup>15</sup> Morocco World News, 31 Mar 2023

<sup>16</sup> La Prensa Latina, 20 Feb 2023

<sup>17</sup> Africa News, 18 Apr 2023

<sup>18</sup> Morocco World News, 31 Mar 2023

as supply increases over the coming months.<sup>19</sup> However, the prices of many goods have tripled, leaving Moroccans confused and unsure whether the situation will witness any change soon.<sup>20</sup>

**Bank Al-Maghrib (BAM)** (central bank) on 21 March raised its interest rates for the third time in less than two years, from 2.5% to 3%, to control runaway inflation (*See Briefing Morocco Mar 2023*).<sup>21</sup> Staggering inflation has caused the central bank to be on its longest monetary tightening campaign since BAM attained control over the country's monetary policy in 2006.<sup>22</sup>

The HCP announced on 21 April that Morocco's inflation eased to a five-month low of 8.2% in March, down from a record high of 10.1% in February.<sup>23</sup> The decline in inflation was mainly due to a sharp slowdown in prices of food & non-alcoholic beverages (16.5% in March vs 20.8% in February).<sup>24</sup> Every month, consumer prices were up by 0.1% in March, slowing from a 1.7% increase in the previous month, which was the fastest in ten months.<sup>25</sup> Despite the ease in inflation, Moroccans are still feeling the pinch from the already elevated prices.

### World Bank expects poverty levels to increase in Morocco...

The **World Bank** forecast in its **Poverty and Equity Brief**, released on 3 April, that poverty and vulnerability levels in Morocco are set to increase throughout 2023, particularly in rural areas.<sup>26</sup> While living conditions in Morocco began to gradually improve in 2021 due to a good agricultural year and recovery in the market performance, poor weather conditions and climate change, coupled with a global economic crisis and inflation, have resulted in a step back in Morocco's developmental progress.<sup>27</sup> The World Bank also attributed the shocking drop in Moroccans' living standards to the Covid-19 pandemic and the economic consequences of the conflict in Ukraine which has resulted in a food and energy crisis.<sup>28</sup>

These combined crises have resulted in disruptions in Morocco's gradual social-economic growth, impeding the government's years-long efforts and progress in alleviating poverty.<sup>29</sup> Consequently, skyrocketing food prices have weighed down on Moroccan's purchasing power, particularly for the working class. This has triggered street protests and online campaigns condemning the government's perceived unresponsiveness and issued calls for major reforms to tackle the economic crisis (see above).<sup>30</sup>

While the World Bank noted that its distributionally-neutral projections indicate a "*stagnation*" in the national poverty rate, it expects that the bottom of the distributions will be "*disproportionately affected*".<sup>31</sup> The report shows that this will result in poverty and inequality levels, notably in rural areas which are more vulnerable to "*climatic shocks*".<sup>32</sup> While economic growth in Morocco over the past decade has been "*pro-poor*", the report noted that the "*urban-*

<sup>19</sup> Morocco World News, 21 Mar 2023

<sup>20</sup> Morocco World News, 31 Mar 2023

<sup>21</sup> Bank Al-Maghrib, 21 Mar 2023

<sup>22</sup> Morocco World News, 21 Mar 2023

<sup>23</sup> Haut Commissariat au Plan, 21 Apr 2023; Trade Economics, 21 Apr 2023

<sup>24</sup> Trade Economics, 21 Apr 2023

<sup>25</sup> Haut Commissariat au Plan, 21 Apr 2023; Trade Economics, 21 Apr 2023

<sup>26</sup> World Bank, 3 Apr 2023

<sup>27</sup> Morocco World News, 3 Apr 2023

<sup>28</sup> Morocco World News, 3 Apr 2023

<sup>29</sup> Morocco World News, 3 Apr 2023

<sup>30</sup> Morocco World News, 3 Apr 2023

<sup>31</sup> World Bank, 3 Apr 2023

<sup>32</sup> Morocco World News, 3 Apr 2023

*rural gap in poverty rates remains large*”, with urban households representing almost double than recorded in rural households.<sup>33</sup>

The World Bank’s report also revealed that Morocco experienced a significant decline in poverty levels between 2007 and 2013, dropping from 8.9% to around 4.8%.<sup>34</sup> However, the country’s evolution of consumption since 2000 has been described as “*disappointing*” with the report calling for more inclusive growth. These deficiencies were magnified by the Covid-19 pandemic which disproportionately impacted poor households in 2020, with the most vulnerable communities operating in the urban informal sector.<sup>35</sup>

### Morocco unofficially instructs ministers to avoid dealing with French ambassador

With diplomatic tensions between Morocco and **France** still high, the Moroccan government has reportedly unofficially instructed ministers to avoid engaging with the French ambassador to Rabat, **Christophe Lecourtier**.<sup>36</sup> Reports suggest that when Lecourtier returned to Morocco in March after a few days of leave in France, he found himself “*walking on eggshells*” with several ministers and authorities instructed not to see him.<sup>37</sup> Sources indicate that while instructions were not officially issued nor put in writing, as is the procedure in ordinary diplomacy, they were given verbally.<sup>38</sup> This led to numerous planned meetings and public meals with Lecourtier being cancelled, leaving him feeling like an “*unwanted person*” in Morocco.

Some media reports also claim that after recalling its ambassador to **Paris** in February, Morocco does not intend to appoint a new diplomatic envoy anytime soon.<sup>39</sup> Moroccan authorities used a similar strategy with **Germany** last year when the government suspended all communications with the German embassy in Rabat due to Germany’s stance on the **Western Sahara** issue.<sup>40</sup> However, the French foreign affairs ministry attempted to defuse the situation by highlighting the ‘exceptional bilateral partnership’ between the two countries and stressing the continued interaction and communication with the Moroccan government.<sup>41</sup>

Renewed tensions between the two countries have been fuelled by an ongoing visa crisis, the recent **European Union (EU)** Parliament resolution on Morocco, and France’s position on the Western Sahara dispute.<sup>42</sup> France took the unliteral decision last year to reduce the number of visas given to Moroccans by 50% due to Morocco reportedly being “*unwilling*” to cooperate on the extradition of Moroccans illegally residing in France (*see ARC Briefing Morocco Sep 2022*).<sup>43</sup> The visa rift intensified in early August when reports emerged that French consulates in Morocco had slashed visa issuances by at least 75%, much higher than the 50% previously announced.<sup>44</sup> Local Moroccan reports note that French authorities have systematically rejected visa applications from Moroccans who meet all requirements and pose no risk of overstaying, including members of parliament, high-ranking officials in private and public companies, successful business people and former ministers.<sup>45</sup> While France and Morocco announced the

<sup>33</sup> World Bank, 3 Apr 2023

<sup>34</sup> World Bank, 3 Apr 2023

<sup>35</sup> Morocco World News, 3 Apr 2023

<sup>36</sup> Africa Intelligence, 21 Mar 2023

<sup>37</sup> Middle East Monitor, 11 Apr 2023

<sup>38</sup> Middle East Monitor, 11 Apr 2023

<sup>39</sup> Africa Intelligence, 21 Mar 2023

<sup>40</sup> Middle East Monitor, 11 Apr 2023

<sup>41</sup> Middle East Monitor, 11 Apr 2023

<sup>42</sup> Morocco World News, 14 Feb 2023

<sup>43</sup> Hespress, 2 Sep 2022; Morocco World News, 28 Aug 2022

<sup>44</sup> Morocco World News, 28 Aug 2022

<sup>45</sup> Morocco World News, 28 Aug 2022

end of the visa crisis in December, recent reports of continuing unjustified rejections of Moroccan citizens have cast a shadow of doubt over the announcement's validity.<sup>46</sup>

Simultaneously, France's ambiguous position on Western Sahara is a major problem for Morocco. Morocco has repeatedly communicated that it expects its international partners to take a clear stance on the issue, something France has not been willing to do.<sup>47</sup> Tensions have also been exacerbated further by the European Parliament resolution condemning Morocco for allegedly "intimidating" and "harassing" journalists in recent months (see *ARC Briefing Morocco Feb 2023*).<sup>48</sup> Many Moroccan observers feel that the EU resolution was reportedly pushed by French politicians in frustration with Morocco's diplomatic progress and its alignment with new international partners.<sup>49</sup>

Moroccan authorities appear to be sending a message to European partners that it stands by its position on issues such as Western Sahara, and will not tolerate any behaviour that impacts its national interests and sovereignty.

### Planner

2023 **(Morocco)** Israel's foreign affairs minister **Eli Cohen** to visit Morocco;  
 Apr 2023 **(Morocco)** French President **Emmanuel Macron** to reportedly visit Morocco;  
 23-25 May 2023 **(France)** First edition of Morocco Investment Meeting and Entrepreneurship Meeting (MIM) event;  
 Jun 2023 **Marrakech (Morocco)** Inaugural **Bloomberg** New Economy Gateway Africa conference.

### Chronology

19 Apr 2023 **Rabat (Morocco)** *Ministry of Islamic Affairs*. Islamic affairs ministry announces the sighting of the crescent moon for **Eid Al Fitr**, marking the end of Ramadan in Morocco on 20 April;

18 Apr 2023 **Rabat (Morocco)** *Morocco World News*. Government announces that Morocco has imported 32,000 head of cattle and sheep since February after turning to **Brazil** to ensure a regular supply of the domestic market and to stabilise red meat prices;

17 Apr 2023 **Rabat (Morocco)** *North Africa Post*. Morocco joins a growing list of countries calling for an immediate cessation of hostilities in **Sudan**;

16 Apr 2023 **Rabat (Morocco)** *Agence Nationale des Ports*. New data from the **Agence Nationale des Ports (ANP)** (national ports agency) reveals that Morocco's cereal imports reached over 8.8 million tonnes last year;

13 Apr 2023 **Rabat (Morocco)** *Ministère du tourisme, de l'artisanat et de l'économie sociale et solidaire*. Tourism ministry's latest data indicates that Morocco attracted 2.9 million tourists in the first quarter of 2023;

<sup>46</sup> Morocco World News, 14 Feb 2023

<sup>47</sup> Morocco World News, 14 Feb 2023

<sup>48</sup> Middle East Monitor, 19 Feb 2023; Morocco World News, 14 Feb 2023

<sup>49</sup> Morocco World News, 14 Feb 2023

13 Apr 2023 **Rabat (Morocco)** *Morocco World News*. Pharmacies across Morocco hold a 24-hour nationwide strike in response to government inaction to implement what activists see as needed reforms;

12 Apr 2023 **Rabat (Morocco)** *Morocco World News*. Justice minister **Abdellatif Ouahbi** calls for reforms to the penal code, particularly the law criminalising adultery, arguing that its provisions do not reflect Islamic guidelines;

12 Apr 2023 **Paris (France)** *Middle East Monitor*. The **Paris** court of appeal upholds the “*inadmissible*” ruling issued in defamation lawsuits which Morocco filed against non-governmental organisations and **French** media outlets that exposed or denounced Morocco’s use of the **Pegasus** spyware to spy on journalists and opponents;

12 Apr 2023 **Washington (United States)** *Middle East Monitor*. **United States (US)** state department approves the sales of the **Mobility Artillery Rocket Systems (HIMARS)** and related equipment for an estimated cost of \$524.2m to Morocco;

11 Apr 2023 **Rabat (Morocco)** *Morocco World News*. **Spain** and Morocco commit to stepping up efforts to relaunch a tunnel that seeks to link the two countries under the **Strait of Gibraltar**;

9 Apr 2023 **Rabat (Morocco)** *Morocco World News*. Opposition parties renew concerns about **Russian** energy imports and demand the creation of a parliamentary inquiry commission to investigate potential fraud and manipulation of the national energy market;

7 Apr 2023 **Rabat (Morocco)** *Moroccan embassy in China*. Moroccan embassy in **China** announces that Morocco has lifted all **Covid-19** travel restrictions on Chinese travellers;

5 Apr 2023 **Rabat (Morocco)** *Morocco World News*. Morocco joins a growing list of countries condemning **Israeli** forces’ latest raid on the **Al Aqsa Mosque** in **Palestine**;

3 Apr 2023 **Rabat (Morocco)** *Morocco World News*. Ruling party, **Rassemblement National des Indépendants (RNI)**, expresses frustration with an open letter opposition party **Parti du Progrès et du Socialisme (PPS)** condemning soaring food and energy prices in the country;

2 Apr 2023 **Rabat (Morocco)** *Morocco World News*. Despite rising inflation, Morocco’s automotive sales hit over MAD 21.66 billion (\$2.13 billion) at the end of February;

31 Mar 2023 **Rabat (Morocco)** *Middle East Monitor*. **Israeli** media reports that the head of the Israeli liaison office in Morocco, **David Govrin**, will reportedly return to Rabat in the coming days to resume his duties after being recalled last year over allegations of sexual harassment;

28 Mar 2023 **Rabat (Morocco)** *Middle East Monitor*. Moroccan theatrical performer, **Ahmad Jawad**, sets himself on fire in front of the culture ministry’s building after he was forced into retirement. The ministry says it regrets the “*tragic incident*” and expresses its “*full solidarity*” with him;

24 Mar 2023 **Rabat (Morocco)** *Morocco World News*. Morocco and **French** automotive giant **Renault** sign two agreements in a bid to boost training in the local automotive industry;

22 Mar 2023 **Rabat (Morocco)** *Anadolu News Agency*. **Algerian** President **Abdelmadjid Tebboune** says relations with Morocco have reached a “*point of no return*”.

### About Africa Risk Consulting:

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