

AFRICA RISK CONSULTING

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Bank Al-Maghrib (BAM) (central bank) on 25 June announces a 25-basis point reduction in its benchmark interest rate to 2.75% from 3%, citing easing inflation. The Moroccan government reaches an agreement on 4 July with trade unions to raise the minimum monthly wage in the public sector from 3,000 dirhams (\$817.77) to 4,500 dirhams (\$1,225), representing a 50% increase. According to a statement released by the tourism ministry on 13 July, Morocco received 7.4 million tourists in the first six months of 2024, an increase of 14% from the same period last year. French media report that Morocco made its first legal shipment of cannabis to Switzerland in the second quarter of 2024, officially entering the race to supply one of the world's largest markets.

Key interest rate cut from 3% to 2.75% due to easing inflation...

The **Bank Al-Maghrib (BAM)** (central bank) announced on 25 June a 25-basis point reduction in its benchmark interest rate to 2.75% from 3%, citing easing inflation.¹ This was the first rate change in over a year, making BAM the first **North African** central bank to lower borrowing rates this year, a sign of confidence that inflation in **Morocco** has been tamed.² The rate decision by BAM's **Monetary Policy Committee (MPC)** at its quarterly meeting comes as domestic inflation is firmly lower than its target band of between 3% and 6%.³ In its statement announcing its decision, the MPC justified the rate change by noting that,

*"After reaching 6.6% in 2022 and 6.1% in 2023, domestic inflation has returned to low levels in recent months."*⁴

The **Haut Commissariat au Plan (HCP)** announced on 21 June that Morocco's annual core inflation rate increased marginally to 2.2% in May from 2% in April.⁵ Prices accelerated for housing and utilities (2.4% in May from 0.9% in April), clothing and footwear (2% versus 1.9%), restaurants and hotels (3.2% versus 2.9%), while it decreased at a slower rate for food and non-alcoholic beverages (-1.3% vs -1.4%).⁶ The decline in inflation from the 2022 and 2023 levels has been attributed to an easing of external pressures and lower prices of volatile commodities.⁷

The BAM expects annual inflation in Morocco to average 1.5% by the end of the year. However, the central bank expects Morocco's inflation to peak at 2.7% in 2025, mainly influenced by external pressures from **Russia's war in Ukraine** and reverberations from the crisis in **Gaza (Palestine)**.⁸ In addition, the government's controversial plan to eliminate state subsidies on energy commodities and basic food has the potential to increase inflation rates. Inflation in Morocco is forecast to be lower than the global rate, which BAM anticipates will decelerate from 4.7% in 2023 to 3.5% in 2024, and then to 3.1% in 2025.⁹ Morocco's inflation rate will also be lower than that of some major countries, including the **Eurozone**, where the inflation rate is expected to decline from 5.4% in 2023 to 2.5% in

¹ Bank Al-Maghrib, 25 Jun 2024

² Wallstreet Journal, 25 Jun 2024

³ Wallstreet Journal, 25 Jun 2024

⁴ Bank Al-Maghrib, 25 Jun 2024

⁵ Haut Commissariat au Plan, 21 Jun 2024

⁶ Haut Commissariat au Plan, 21 Jun 2024

⁷ Morocco World News, 25 Jun 2024

⁸ Morocco World News, 25 Jun 2024

⁹ Bank Al-Maghrib, 25 Jun 2024

2024 and then 2.2% in 2025, while in the **United States (US)**, it is projected to drop from 4.1% to 3.3% and then 2.7%.¹⁰

The BAM's decision to cut interest rates appears to have boosted confidence domestically that the country has finally brought inflation under control. Given that benchmark interest rates dictate borrowing costs for financial institutions, the lower rate is likely to translate into cheaper loans for consumers.

... as government increases salary for 1.1 million public sector workers by 50%

The government reached an agreement with trade unions on 4 July to raise the minimum monthly wage in the public sector from 3,000 dirhams (\$817.77) to 4,500 dirhams (\$1,225), representing a 50% increase.¹¹ The announcement was made in a press conference following a cabinet meeting by **Mustapha Baitas**, the minister delegate for relations with parliament and government spokesperson.¹² Baitas said that over 1.1 million public sector workers would benefit from the salary increase as part of the government's deal with trade unions reached on 29 April.¹³ In addition to the salary increase, the deal includes revisions to income tax, an increase in the quota for grade promotions, the elimination of Scale 7 for administrative assistants and technical assistants, and several measures benefiting education personnel.¹⁴ Baitas revealed that the total cost to government for the increases is estimated to reach 45 billion dirhams (\$4.5 billion) by 2026.¹⁵

Baitas emphasised that these efforts reflect the government's commitment to an integrated "*social state*" that supports civil servants and employees, as well as vulnerable populations in need of medical coverage and social assistance.¹⁶ He further noted that the agreement with trade unions demonstrates the government's desire to strengthen economic and human rights aspects through projects and measures that directly impact citizens. A Moroccan resident told **Africa Risk Consulting and Briefing (ARC Briefing)** that many public workers see the wage increase as an opportunity "*to finally be paid with some dignity*".¹⁷

While public workers will widely celebrate the salary increase, the development is expected to add pressure to the government, which is already facing a hefty \$11.7 billion in earthquake reconstruction costs, and another estimated \$5 billion to co-host the **2030 FIFA World Cup**.¹⁸ The demands will also make it more challenging for Morocco to trim its spending and regain an investment-grade credit score from US-based rating agency **S&P Global Ratings**.¹⁹ Despite the substantial social spending, government is convinced that it can offset some of the cost by boosting foreign investment, which exceeded MAD 16.1 billion (\$1.6 billion) at the end of May.²⁰

Morocco's tourist arrivals up 14% in first six months

The tourism ministry announced on 13 July that Morocco received 7.4 million tourists in the first six months of 2024, an increase of 14% from the same period in 2023.²¹ The performance of the sector up to June was 38% higher than it was in the same period in 2019, in the pre-Covid period.²² In June alone, Morocco received 1.5 million tourist arrivals, an increase of 10% compared to the same month in 2023.²³ The local tourism sector generated revenue of MAD 9.4 billion (\$942.7m) in foreign

¹⁰ Morocco World News, 25 Jun 2024

¹¹ Government spokesperson, 4 Jul 2024

¹² Government spokesperson, 4 Jul 2024

¹³ Government spokesperson, 4 Jul 2024

¹⁴ Morocco World News, 4 Jul 2024

¹⁵ Morocco World News, 4 Jul 2024

¹⁶ Government spokesperson, 4 Jul 2024

¹⁷ ARC source, Moroccan resident

¹⁸ Morocco World News, 7 Oct 2023; Bloomberg Law, 15 Feb 2024

¹⁹ Hespress English, 18 Feb 2024; Bloomberg Law, 15 Feb 2024

²⁰ Morocco World News, 4 Jul 2024

²¹ Tourism ministry, 15 Jul 2024

²² North Africa Post, 15 Jul 2024

²³ North Africa Post, 15 Jul 2024

currency as of May.²⁴ The revenue collected marks an 11% increase compared to the same period in 2023.²⁵ The developments have created optimism within the ministry that Morocco will achieve its 2024 target of 17.5 million tourists, compared to 2023's record-breaking 14.5 million. The tourism ministry stated,

*"The increase in arrivals augurs well for an exceptional summer season and adds to the optimism of tourism operators."*²⁶

Moroccan officials plan to boost the number of tourists by at least one million annually through 2030, ahead of the 2030 FIFA World Cup, which Morocco will co-host with **Portugal** and **Spain**, with 26 million tourists expected to visit Morocco.²⁷ To achieve that objective, Morocco in 2023 began doubling the number of foreign flights arriving in the country and reached an agreement with **Irish** low-cost airline, **Ryanair**, which is estimated to double the number of tourists that the company flies to Morocco by 2027 to 10 million.²⁸ The government also plans for 150,000 additional hotel beds to be ready before 2030, either through greenfield projects or the upgrading of existing facilities. Authorities are also working on the development of 14 large-scale projects to add options for tourists, including natural park resorts, amusement parks and hot-air balloon sites.²⁹ While the government's plans are ambitious, it has demonstrated that it has the political will and commitment to meet them. With additional capital infusion and a growing fleet owned by state carrier **Royal Air Maroc (RAM)**, Morocco seems poised to accelerate its growth trajectory and realise its ambitious vision for the tourism sector.

Morocco exports its first cannabis shipment to Switzerland

French media reported on 9 July that Morocco had made its first legal shipment of cannabis to **Switzerland** in the second quarter of this year, officially entering the race to supply one of the world's largest markets.³⁰ Despite the small size of the shipment – roughly 1,000 kilograms of cannabis resin, it marks a significant and symbolic step in the development of the local industry.³¹ Although cannabis cultivation in Morocco is a centuries-old practice, the government passed **Bill No. 13.21** on 9 June 2021 to legalise the commercialisation and legal use of cannabis in Morocco, with 41 parliamentarians voting for and 11 against.³² Government estimated that Morocco's illicit cannabis industry was worth \$15 billion, providing a powerful incentive for its legalisation.³³ According to the draft legislation of the bill, the government argued that legalising cannabis would "*reconvert illicit*" cannabis plantations into "*legal durable activities that generate jobs*".³⁴ The interior ministry also said that state regulation will improve farmers' living conditions and protect them from illegal drug trafficking networks.

The government established a dedicated agency, the **Agence Nationale de Réglementation des Activités relatives au Cannabis (ANRAC)** (Cannabis Regulation Agency), on 3 June 2022 to regulate cannabis-related economic activities in the country.³⁵ ANRAC is also responsible for issuing of licences in several Moroccan regions where it is legal to cultivate cannabis, as well as monitoring and regulating its production. Within three years of legalizing the industry, Morocco has made significant progress. In 2023 alone, ANRAC issued 609 permits for the cultivation of cannabis and Morocco's first legal harvest that year also exceeded expectations, with a total of 294 tonnes cultivated in 2023.³⁶

²⁴ Morocco World News, 2 Jul 2024

²⁵ Morocco World News, 2 Jul 2024

²⁶ Tourism ministry, 15 Jul 2024

²⁷ North Africa Post, 15 Jul 2024

²⁸ Bloomberg, 27 Feb 2024

²⁹ Bloomberg, 27 Feb 2024

³⁰ Morocco World News, 12 Jul 2024; Le Monde, 9 July 2024

³¹ Le Monde, 9 July 2024

³² Morocco World News, 12 Jul 2024

³³ Morocco World News, 11 Mar 2021

³⁴ Reuters, 12 Mar 2021

³⁵ Morocco World News, 12 Jul 2024

³⁶ Morocco World News, 12 Jul 2024

According to a report by the **United Nations Office on Drugs and Crime (UNODC)**, Morocco is the world's largest producer of cannabis resin or hashish.³⁷ The **Global Initiative against Transnational Organized Crime** also estimates Morocco's production of cannabis at about more than 700 tonnes annually.³⁸

The cannabis industry promises to be a lucrative source of taxes for state reserves, and industry players are also eyeing the **European** market for exports. Experts forecast that Morocco could capture up to 15% of the \$6.20 billion **European Union (EU)** cannabis market, with annual revenues expected to hit between MAD 4.2 billion (\$420m) and 6.3 billion (\$630m) by 2028.³⁹ The EU market is expected to grow to \$7.25 billion by 2029, with an annual growth rate of 3.18%, offering an extremely lucrative opportunity for Moroccan farmers. Medical cannabis is currently legalised in 21 of 27 EU member states, with the number expected to rise in the near future. Morocco stands to gain several advantages from exporting cannabis to Europe, including growth of the local market, increased foreign exchange from exports, diversifying the exports basket and attracting foreign investment in the country's agricultural and pharmaceutical sectors.

Planner

Jul 2024 **(Morocco) Bank Al-Maghrib (BAM)'s Monetary Policy Committee (MPC)** to meet;
2026 **(Morocco)** General election

Chronology

15 Jul 2024 **Rabat (Morocco)** *APA News*. **United States (US)** approves the sale of advanced missile systems and electronic warfare technology to the Moroccan armed forces;

15 Jul 2024 **Rabat (Morocco)** *Morocco World News*. In its fifth session held in **Cairo (Egypt)** on 13 July, the **Arab Parliament** praises Morocco's support for the **Palestinian** cause;

14 Jul 2024 **Rabat (Morocco)** *Diplomatie*. King **Mohammed VI** extends his sympathies to former president **United States (US)** president **Donald Trump** in the wake of an attempted assassination on his life during a campaign rally in **Pennsylvania (US)**;

12 Jul 2024 **Rabat (Morocco)** *North Africa Post*. The Moroccan government plans to increase the salaries of nurses and technicians in public hospitals by MAD 1000 dirhams (\$101), following recurring strikes and protests;

11 Jul 2024 **Rabat (Morocco)** *Middle East Monitor*. Police in Morocco use water cannons to disperse a protest by health professionals in Rabat;

11 Jul 2024 **Rabat (Morocco)** *Anadolu Agency*. The energy ministry announces it possesses 70% of the world's phosphate reserves, making it the largest holder of this resource globally;

10 Jul 2024 **Rabat (Morocco)** *North Africa Post*. The **African Development Bank (AfDB)** has agreed to provide Morocco with four loans totalling over €600m (\$652m) to enable it to build a 105-km long highway, enhance territorial competitiveness, modernise the university, and support sustainable forest development;

10 Jul 2024 **Rabat (Morocco)** *Morocco World News*. Local media report that Morocco plans to acquire a spy satellite from **Israel's** state-owned **Israeli Aerospace Industries (IAI)** in a \$1 billion contract;

7 Jul 2024 **Tangier (Morocco)** *New Arab*. Thousands demonstrate in Tangier in support of **Palestine** and against Morocco's ties with **Israel**;

³⁷ Reuters, 12 Mar 2021

³⁸ Reuters, 12 Mar 2021

³⁹ Morocco World News, 12 Jul 2024

5 Jul 2024 **Rabat (Morocco)** *North Africa Post*. Economy and finance minister **Nadia Fettah** says the **World Bank** will contribute to the reform of Morocco's public institutions and enterprises with a \$350m in financing;

4 Jul 2024 **Rabat (Morocco)** *Morocco World News*. Government reaches an agreement with trade unions to raise the minimum monthly wage in the public sector from 3,000 dirhams (\$817.77) to 4,500 dirhams (\$1,225);

3 Jul 2024 **Rabat (Morocco)** *North Africa Post*. The **European Bank for Reconstruction and Development (EBRD)** reaffirms its support for Morocco's energy transition by providing a €13.6m (\$14.8m) loan;

2 Jul 2024 **Rabat (Morocco)** *Oil & Gas Journal*. **Esso Exploration International**, a subsidiary of **United States**-headquartered **ExxonMobil**, signs two reconnaissance licences for offshore Morocco with the **National Office of Hydrocarbons and Mines (ONHYM)**;

29 Jun 2024 **Rabat (Morocco)** *Morocco World News*. **Lalla Latifa Amahzoune**, mother of reigning King **Mohammed VI**, passes away at the age of 78;

29 Jun 2024 **Rabat (Morocco)** *North Africa Post*. Morocco and **Germany** sign a climate and energy alliance that includes cooperation in green hydrogen;

27 Jun 2024 **Rabat (Morocco)** *Morocco World News*. Morocco and **Turkey** sign agreements to strengthen cooperation in the energy, renewables and mining sectors;

27 Jun 2024 **Rabat (Morocco)** *North Africa Post*. The **OPEC Fund for International Development** approves a \$100m loan to Morocco to enable it to co-finance the first phase of its **Economic Governance & Climate Change Resilience Support Program**;

26 Jun 2024 **Rabat (Morocco)** *Middle East Monitor*. Moroccan authorities allow an **Israeli** warship to dock in the port of **Tangier** to allow its crew to replenish fuel and food supplies en route from the **United States**, after the **Spanish** government refused it to dock;

25 Jun 2024 **Rabat (Morocco)** *North Africa Post*. **Bank Al-Maghrib** (central bank) cuts the key interest rate from 3% to 2.75%, citing easing inflation;

25 Jun 2024 **Rabat (Morocco)** *Middle East Monitor*. Foreign ministry confirms that Morocco has airlifted 40 tonnes of medical aid to **Gaza**;

24 Jun 2024 **Rabat (Morocco)** *Middle East Monitor*. The foreign ministry says Morocco has begun sending 40 tons of medical aid to **Palestinians** in war-torn **Gaza** (Palestine);

23 Jun 2024 **Rabat (Morocco)** *Morocco World News*. Morocco's ambassador to the **United States**, **Youssef Amrani**, emphasises the importance of strengthening cooperation and dialogue between the **North Atlantic Treaty Organization (NATO)** and southern partners;

About Africa Risk Consulting:

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