

AFRICA RISK CONSULTING

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Morocco Summary 14 May 2020

Thousands of Morocco-based companies face drastic economic consequences as the outbreak of the Covid-19 pandemic brings various sectors of the economy to a standstill. The government is expected to ease restrictions and measures enforced under its state of health emergency as of 20 May. United States-based credit rating agencies Fitch Ratings and Moody's downgrade Morocco's outlook, despite its proactive response measures to the Covid-19 pandemic. The Moroccan government ramps up its production for face masks and medical protective gear as it aims to start exporting to European markets.

Covid-19 hits thousands of Moroccan companies

The **Covid-19** pandemic has forced 56% – approximately 142,000 – of companies in **Morocco** to suspend their commercial and trading activities.¹ The global pandemic continues to wreak havoc across Moroccan industries as government measures to mitigate the spread of the coronavirus have caused approximately 6,300 companies to go bankrupt.²

Morocco's national statistics office, the **Haut Commissariat au Plan** (planning commission), revealed that since the Covid-19 pandemic began spreading in Morocco on 2 March, an estimated 726,000 workers have been furloughed by their companies.³ Interior minister **Abdelouafi Laftit** announced that the hundreds of thousands of employees under furlough will continue to benefit from Morocco's national social security fund, **la Caisse Nationale de Sécurité Sociale (CNSS)**.⁴ Laftit said approximately 5.1 million Moroccan families have benefited from a financial aid scheme channeled through the country's Covid-19 stimulus package. An additional 2.3 million families adhering to Morocco's national health insurance scheme, **Ramed**, and 2 million non-Ramed card-holding families have received financial relief.⁵

As the number of new Covid-19 cases begins to decrease, Moroccan economists and decision makers are brainstorming solutions to address economic recovery programmes tailored to each economic sector,⁶ a sentiment widely shared by Morocco's **Comité de Veille Economique (CVE)** (economic monitoring committee), which seeks to establish a sector-centred recovery programme to support the Moroccan economy post-pandemic.⁷ The CVE was established to assist the government to mitigate the widespread socio-economic impacts of the Covid-19 pandemic on Morocco.⁸ At a meeting on 29 April, the committee tabled additional economic support measures and agreed to develop an integrated and coherent recovery plan that encompasses a sector-based approach to dealing with the socio-economic consequences of the pandemic. The sector-based approach reflects the need to include a directive to spread the state budget for additional Covid-19 related expenses over the course of five years, as well as an expansion of the "**Damane Oxygène**"⁹, a programme designed to

¹ The Morocco Times, 30 Apr 2020

² The Morocco Times, 30 Apr 2020

³ Morocco World News, 22 Apr 2020

⁴ Morocco World News, 22 Apr 2020

⁵ Morocco World News, 22 Apr 2020

⁶ Source, analyst, Pretoria

⁷ Morocco World News, 30 Apr 2020

⁸ Source, analyst, Pretoria

⁹ Morocco World News, 30 Apr 2020

assist enterprises on the verge of bankruptcy – including the 6,300 companies listed above – by covering three months worth of operating expenses, rent, salaries, and purchasing costs.¹⁰

In an interview on 30 April, **Omar Kettani**, economics professor at **Mohammed V University** in **Rabat**, suggested that in order to have a quick and coherent economic recovery programme post-pandemic, Morocco needs to adopt a fundraising campaign, a similar economic stimulus approach to that adopted during the Covid-19 pandemic.¹¹

“We have quickly mobilised funds which have reached the equivalent of \$9 billion, or almost 8% of the GDP. It is, therefore, feasible to re-launch the same mobilisation in a second phase after the coronavirus.”¹²

... as Morocco looks to relax Covid-19 restrictions ...

The Moroccan government is set to suspend the nationwide lockdown on 20 May that it enforced under the state of health emergency.¹³ The state of health emergency was declared on 19 March and initially expected to end on 20 April, but was renewed for an additional month in order to strengthen preventive measures to combat the spread of the Covid-19 pandemic.¹⁴ Health minister health **Khalid Ait Taleb** reiterated these plans in an interview on state **TV channel 2M** on 2 May, emphasising that the Covid-19 pandemic is under control in Morocco.¹⁵

“The novel coronavirus pandemic situation in Morocco is under control thanks to the adopted quarantine measures, and the compulsory wearing of face masks. The awareness level showcased by the Moroccan people also contributed to controlling the epidemic.”¹⁶

While the government has decided to start the gradual easing of measures enforced to combat the spread of Covid-19, Morocco’s interior minister noted that cross-city travel will remain suspended for the foreseeable future.¹⁷

“Suspending cross-city movement has helped curb the transmission rate. We don’t want to restrict the freedom of movement between cities, but given the current juncture, it is a must.”¹⁸

The government’s move to ease nationwide lockdown measures is attributed to the country’s low Covid-19 mortality rate and increasing recovery rate.¹⁹ Since the pandemic arrived on Moroccan shores on 2 March, Moroccan health authorities have performed 44,076 tests on suspected Covid-19 cases, registering 5,153 positive cases, 181 deaths, and 1,838 recoveries – and a recovery rate of 89.8% as of 5 May.²⁰ At present, Morocco’s mortality rate is five deaths per 1 million inhabitants, significantly lower than those observed in countries with better-recognised public health systems including the **United Kingdom**, which is now regarded as the epicentre of the Covid-19 pandemic in **Europe**, registering 492 deaths per 1 million inhabitants and **Italy** with 512 deaths per 1 million people.²¹

¹⁰ Morocco World News, 29 Mar 2020

¹¹ Morocco World News, 30 Apr 2020

¹² Morocco World News, 30 Apr 2020

¹³ The Morocco Times, 1 May 2020

¹⁴ The Morocco Times, 1 May 2020

¹⁵ The Morocco Times, 2 May 2020

¹⁶ Khalid Ait Taleb quoted in The Morocco Times, 1 May 2020

¹⁷ Morocco World News, 2 May 2020

¹⁸ Morocco World News, 2 May 2020

¹⁹ Source, analyst, Pretoria

²⁰ Africa News, 5 May 2020

²¹ Africa News, 5 May 2020

COVID-19 deaths worldwide per one million population ²²			
	Confirmed Deaths	Population (millions)	Deaths per million
Morocco	188	36.03	5.2
United Kingdom	33,186	66.49	491.7
Italy	30,911	60.43	511.5

The Moroccan government has received both continental and international praise for its quick, concerted, and consistent Covid-19 suppression campaign.²³ Multilateral bodies including the **African Union** and the **European Union** have lauded Morocco's efforts mitigating the spread of the pandemic within its borders.²⁴ In a **YouTube** video published on 29 April, **European Parliament** member **Florian Philippot** applauded Morocco's model as far superior to the response adopted by a number of European country's including France.²⁵

*"Today, we will see how Morocco has knocked out France during the coronavirus crisis. Morocco has recorded 77 times fewer deaths than France."*²⁶

... and the economy shows symptoms of distress ...

United States-based credit rating agency **Fitch Ratings** revised Morocco's sovereign credit profile, effectively downgrading it from stable to negative and affirming the rating at 'BBB', as of 28 April.²⁷ The ratings agency said the negative revision to Morocco's economic outlook comes amid the spread and shock of the Covid-19 pandemic which Fitch Ratings said has "severely hit" Morocco's economic output and resulted in its sharpest Gross Domestic Product (GDP) contraction in over two decades.²⁸

While Morocco has implemented a decisive and proactive response to mitigating the spread of the coronavirus, Fitch Ratings added in a report released on 28 April that it will not be able to cushion or absorb the blows within its fiscus, and as a result faces losses to its sovereign credit profile.²⁹

*"The magnitude of the shock will raise downside risks to the sovereign credit profile, despite a proactive policy response in line with the authorities' long-standing commitment to prudent economic policies."*³⁰

US-based credit ratings agency **Moody's Investor Services** dealt Morocco a further blow on 29 April when it downgraded the country's banking systems from stable to negative, forecasting that the risks posed by the spread of the coronavirus will cause banks' asset quality to deteriorate, put pressure on profitability, and ultimately hinder and halt prospects for economic growth.³¹ Moody's said the coronavirus impact will exacerbate already prevalent obstacles the country's agriculture sector is facing as a result of low rainfall.³² Moody's said it anticipates issues and challenges to arise around borrowing and loaning capital to many of the country's small-to-medium enterprises (SME's).³³

²² Statista, 13 May 2020

²³ Source, analyst, Pretoria

²⁴ Morocco World News, 2 May 2020

²⁵ Source, analyst, Pretoria

²⁶ Florian Philippot quoted in YouTube video, 30 April 2020

²⁷ Morocco World News, 2 May 2020

²⁸ Morocco World News, 2 May 2020

²⁹ Fitch Ratings, 28 Apr 2020

³⁰ Fitch Ratings, 28 Apr 2020

³¹ CNBC, 29 April 2020

³² Moody Investor Services, 31 Mar 2020

³³ Moody Investor Services, 31 Mar 2020

*“We expect problem loans to rise due to borrower concentrations, with significant exposure to SMEs in Morocco and **sub-Saharan African** countries”.*³⁴

A slump in international travel – which accounted for nearly 10% of Morocco’s GDP in 2019 – has already heavily impacted the tourism and entertainment industry.³⁵ A considerable collapse in exports as a result of a 7% contraction from Europe, which accounted for 60% of Morocco’s exports over the last five years, will also widen the Current Account Deficit (CAD).³⁶ According to Fitch Ratings, the impact on these income sources in Morocco will lead to a doubling of the CAD from an already high level of 4% of GDP in 2019 to 8.3% of GDP in 2020.³⁷

In order to deal with the consequences of the coronavirus crisis, the Moroccan government has enacted a 3% GDP economic relief plan by drawing \$3 billion in funds from the credit line made available in 2018 by the **International Monetary Fund (IMF)**.³⁸

Morocco accelerates face mask exports to Europe

Face masks and other protective medical care gear produced by Moroccan manufacturers will be exported to several European markets, particularly French and **Spanish** markets.³⁹ The decision comes two weeks after a parliamentary committee called for the prioritisation of **Algeria** as well as other **African** countries when producing masks and protective medical equipment for export.⁴⁰

The call to prioritise exports of medical protective equipment to European markets is an effort to alleviate production pressure gripping European countries hard-hit by the Covid-19 pandemic.⁴¹ Industry minister **Moulay Hafid Elalamy** said the initiative for Morocco to export protective face masks to European countries was “*a source of pride for Moroccans and admiration of the politicians around the world*”.⁴² Morocco reached a production capacity of 7 million face masks per day on 1 May, allowing it to assume a critical role as a fundamental exporter within the global market of protective health care equipment, particularly amid the Covid-19 pandemic.⁴³ Elalamy said that given the widespread demand from European countries, the ministry would provide additional export provisions and authorisation for Moroccan producers.⁴⁴

*“34 Moroccan companies are currently manufacturing face masks, including five that are exporting half of their production to Europe.”*⁴⁵

While Morocco has ramped up its daily production of personal protective equipment, the industry ministry has received widespread criticism for the inability of Moroccan businesses and residents to acquire face masks as a result of shortages at essential selling points.⁴⁶

³⁴ Moody Investor Services, 31 Mar 2020

³⁵ Fitch Ratings, 28 Apr 2020

³⁶ CNBC, 29 April 2020

³⁷ Fitch Ratings, 28 Apr 2020

³⁸ CNBC, 29 April 2020

³⁹ The Morocco Times, 1 May 2020

⁴⁰ The Morocco Times, 1 May 2020

⁴¹ Source, analyst, Pretoria

⁴² 2M State Television, 7 Apr 2020

⁴³ Source, analyst, Pretoria

⁴⁴ 2M State Television, 7 Apr 2020

⁴⁵ 2M State Television, 7 Apr 2020

⁴⁶ Morocco World News, 1 May 2020

Planner

2021 **Marrakech (Morocco) International Monetary Fund and World Bank** annual meetings to take place in Morocco;

2021 **(Morocco)** Scheduled legislative, regional and local elections;

Chronology

13 May 2020 **Rabat (Morocco) Morocco World News**. Moroccan authorities have relaxed restrictions on *souks* (weekly markets) as of 10 May in 12 low-risk regions across the country following the Moroccan government's preventive measures against the spread of the **Covid-19** pandemic;

13 May 2020 **Rabat (Morocco) Morocco World News**. Morocco's industrial hub, the city of **Tangier**, has gradually resumed industrial activities with firms within the textile, automotive, and aeronautical in operation;

13 May 2020 **Rabat (Morocco) Morocco World News**. Morocco's informal workers will receive a second stipend on 14 May as part of the government's measures to provide financial relief to households where breadwinners working in informal sectors lost their income as a result of the **Covid-19** crisis;

13 May 2020 **Rabat (Morocco) Morocco World News**. The upper house of parliament takes part in a remote electronic vote to determine new provisions relating to the state of health emergency and declaration measures;

12 May 2020 **Rabat (Morocco) Morocco World News**. **Bank Al-Maghrib** (central bank) calls on credit institutions to suspend distribution of dividends for the 2019 financial year until further notice due to the **coronavirus** pandemic;

12 May 2020 **(North Africa) EMPEA**. Development finance institution **Proparco** invests \$20m in a fund managed by **Africa-** and **Middle East-**focused private equity firm **SPE Capital Partners, SPE AIF I**, which targets investments in **Egypt, Morocco and Tunisia**;

6 May 2020 **Rabat (Morocco) EWN**. Authorities deploy drones for aerial surveillance, public service announcements and sanitisation, but decline to comment on the use of drones or the numbers deployed since the start of the public health emergency;

30 Apr 2020 **Rabat (Morocco) The Arab Weekly**. A "fake news" draft bill punishing calls to boycott products on social media draws heavy criticism among **Moroccans** who say it sets a "dangerous precedent" for the freedom of expression;

28 Apr 2020 **Rabat (Morocco) Morocco World News**. Security services arrest an additional 4,222 violators of the state of emergency between 26 and 27 April;

24 Apr 2020 **Rabat (Morocco) IMF**. **International Monetary Fund** executive board approves \$309m in emergency assistance under the **Rapid Credit Facility** to **Mozambique** to address the **Covid-19** pandemic.

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.

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