

## AFRICA RISK CONSULTING

### Morocco Monthly Briefing December 2023

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#### Morocco Summary 12 December 2023

*The Organisation for Economic Co-operation and Development (OECD) projects in its latest report on Morocco, published in November, that the country's economic growth will increase to 3.3% in 2023 and strengthen further to 3.6% in 2024 and 3.8% in 2025. Nigeria's energy minister, Ekperikpe Ekpo, announces on 27 November that construction of the \$25 billion Nigeria-Morocco Gas Pipeline (NMGP), which could supply fuel to Europe, is scheduled to begin in 2024. Morocco is set to attract at least 14 million tourists in 2023, breaking the record of 13 million set in 2019.*

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#### OECD forecasts growth of 3.6% in 2024 and 3.8% in 2025...

In its latest report on **Morocco** published in November, the **Organisation for Economic Co-operation and Development (OECD)** projects that economic growth will increase to 3.3% in 2023 and strengthen further to 3.6% in 2024 and 3.8% in 2025.<sup>1</sup> In its report, the OECD forecasts a rebound in Morocco's agricultural production and the services sector, particularly in inbound tourism, which will support overall economic activity.<sup>2</sup> The OECD noted that the 8 September 6.8 magnitude **Al Haouz** earthquake that struck the **High Atlas Mountains**, close to the tourism hotspot of **Marrakech**, killing at least 2,800 people, impacting 300,000, and causing approximately \$12 billion in damage, did not disrupt Morocco's major productive activities.<sup>3</sup>

According to the OECD, the country's growth has improved this year because of a recovery in agricultural production, surging domestic consumption and robust performance of services and exports.<sup>4</sup> Tourism has also recovered to pre-**Covid** levels (see below) and transfers to public enterprises and miscellaneous spending have boosted public consumption. Business confidence in Morocco is improving and there is an increase in industrial exports, with the automobile, electronics and textile sectors performing strongly.<sup>5</sup> While Morocco is heavily dependent on imported food and energy, a moderation in global commodity prices has led to a reduction in energy and food bills costs, although phosphates exports have been impacted.<sup>6</sup>

The intergovernmental institution predicts that inflation in Morocco will gradually decline over the next two years, benefiting from monetary policy tightening and easing commodity prices. However, a prolongation of the historic drought impacting **North Africa**, a slowdown in **European** demand and commodity price shocks could affect Morocco's economic growth.<sup>7</sup> OECD analysts recommend that Moroccan officials should focus on priority structural reforms to strengthen the country's growth, include stimulating private investment, accelerating climate change adaptation measures and promoting women's labour force participation.<sup>8</sup>

The OECD's forecast suggests a positive trajectory for Morocco, which appears to have recovered from the impact of the pandemic. However, while its report notes that the earthquake did not disrupt major productive activities in Morocco, the country will have to spend at least 120 billion dirhams (\$11.7 billion) over the next five years on rebuilding and redeveloping regions damaged by the natural

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<sup>1</sup> Organisation for Economic Co-operation and Development, Nov 2023

<sup>2</sup> Organisation for Economic Co-operation and Development, Nov 2023

<sup>3</sup> North Africa Post, 30 Nov 2023

<sup>4</sup> Organisation for Economic Co-operation and Development, Nov 2023

<sup>5</sup> North Africa Post, 30 Nov 2023

<sup>6</sup> North Africa Post, 30 Nov 2023

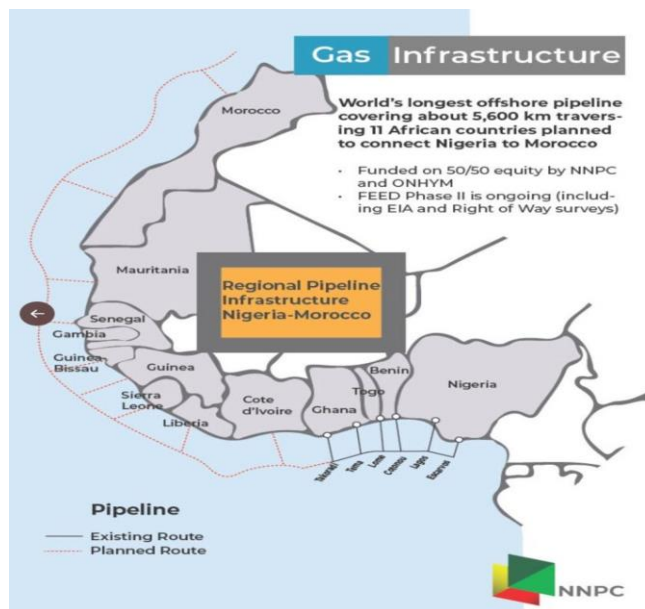
<sup>7</sup> North Africa Post, 30 Nov 2023

<sup>8</sup> Organisation for Economic Co-operation and Development, Nov 2023

disaster.<sup>9</sup> The annual cost of the five-year reconstruction plan is about \$2.3 billion, equivalent to almost 2% of Morocco's gross domestic product (GDP).<sup>10</sup> In the short to medium term, the large-scale reconstruction in the disaster-hit areas will pile additional pressure on Morocco's economy, which for the last two years has been struggling with an historic drought. The reconstruction is expected to disrupt the government's efforts to improve its finances given that major funds will have to be diverted to disaster relief and reconstruction.<sup>11</sup>

### Construction of Nigeria-Morocco gas pipeline to begin in 2024...

**Nigeria's** energy minister, **Ekperikpe Ekpo**, announced on 27 November that construction of the \$25 billion **Nigeria-Morocco Gas Pipeline (NMGP)**, which could supply fuel to **Europe**, is scheduled to begin in 2024.<sup>12</sup> Speaking in the Nigerian capital **Abuja**, on the sidelines of a meeting with a delegation from Morocco, Ekpo said "*I believe by 2024, we will conclude on it.*"<sup>13</sup> Morocco's ambassador to Nigeria, **Moha Ou Ali Tagma**, chaired the meeting.<sup>14</sup> The 5,600km-long gas project will span more than 11 countries along Africa's **Atlantic** coast, aiming to benefit over 400 million **West African** inhabitants and improve energy infrastructure in the region.<sup>15</sup> Morocco will house 1,672km of the pipeline, which is expected to transport Nigerian gas to Europe through the **North African** country.<sup>16</sup> The **Organization of the Petroleum Exporting Countries (OPEC) Fund for International Development** and the **Saudi Arabia-based Islamic Development Bank** pledged nearly \$60m to fund feasibility and engineering studies for the pipeline, which was first conceived in 2016 and is one of the most ambitious energy projects in the world.<sup>17</sup> Once completed, the NMGP will be the second longest pipeline in the world after **China's West-East Gas Pipeline**.<sup>18</sup>



The **Nigerian National Petroleum Company Limited (NNPC)** and Morocco's **Office National des Hydrocarbures et des Mines (ONHYM)** (national hydrocarbons and mines office) signed a memorandum of understanding (MoU) on 15 September 2022 that brought closer to reality a long-standing proposal for a gas pipeline between the two countries (see *ARC Briefing Nigeria Sep 2022*).<sup>19</sup>

<sup>9</sup> Bloomberg, 20 Sep 2023

<sup>10</sup> Bloomberg, 20 Sep 2023

<sup>11</sup> Moneyweb, 11 Sep 2023

<sup>12</sup> Morocco World News, 28 Nov 2023

<sup>13</sup> Nigeria Press Service, 27 Nov 2023;

<sup>14</sup> Nigeria Press Service, 27 Nov 2023

<sup>15</sup> Morocco World News, 6 Dec 2022

<sup>16</sup> Morocco World News, 6 Dec 2022

<sup>17</sup> Bloomberg, 15 Sep 2022

<sup>18</sup> Morocco World News, 28 Nov 2023

<sup>19</sup> Bloomberg, 8 Sep 2022; Offshore-Technology, 12 Sep 2022

However, Nigeria's then-oil minister **Timipre Sylva** told **French** news publication **AFP** on 1 March that the construction of the Nigeria-Morocco gas pipeline was facing delays due to administrative details that still needed to be addressed.<sup>20</sup> Sylva said at the time that "*there are certain agreements that you must sign with every country*".<sup>21</sup> It appears that those issues have now been resolved. The ONHYM signed five MoUs in December 2022 with several countries that pledged their support for the implementation of the gas project (*see ARC Briefing Nigeria Dec 2022*).<sup>22</sup> So far, Morocco and Nigeria have signed MoUs with at least seven of the 13 West African countries in question, as well as the regional bloc, the **Economic Community of West African States (ECOWAS)**.<sup>23</sup> If the pipeline progresses, it will take 25 years to complete.

However, major doubts remain over targeting Europe as a key market for the project. During a visit to Morocco in January, **European Union (EU)** foreign policy chief **Josep Borrell** said it is uncertain if the EU will still want to use gas by the time the project is completed.<sup>24</sup> Borrell suggested that Morocco should instead focus efforts on its enormous wind and solar energy potential as well as selling hydrogen supplies to Europe.<sup>25</sup> A senior European diplomat, speaking on condition of anonymity, told **AFP** that "*in the future, we won't be buying gas anymore*".<sup>26</sup> While the European market in 25 years may have an abundance of sources of gas or no longer use gas, the West African region and ECOWAS could instead be a primary market given that many of the countries spend large sums of money to import energy resources. Gas from the pipeline will be a much cheaper and more accessible alternative, particularly for Morocco given that political tensions with neighbouring **Algeria** over the **Western Sahara** resulted in **Algiers** closing the **Maghreb-Europe** gas pipeline in October 2021, which was a key source of energy for Morocco and Spain (*see ARC Briefing Algeria Nov 2021*).

### Morocco to break new tourist arrival record in 2023...

Moroccan news publication **The North African Post** said on 19 November that Morocco is set to attract at least 14 million tourists this year, breaking the record of 13 million set in 2019.<sup>27</sup> The tourism sector's strong performance bodes well for not only for Morocco's inflow of hard currency but also indicates that the industry has fully recovered from the depression caused by Covid-19. In the first ten months of the year, Morocco received 12 million tourists, a rise of 39% compared to the same period in 2022.<sup>28</sup> Moroccan authorities expected that tourist numbers would decline in the last three months of the year following the 8 September earthquake, which struck the High Atlas Mountains, close to the tourism hotspot of Marrakech.<sup>29</sup> However, tourism minister **Fatima Zahra Ammor** said on 13 October that while some travelers from emerging countries had cancelled their bookings following the earthquake, tourist numbers from the primary European tourist markets such as **Spain**, are recovering with full bookings during the December holiday season.<sup>30</sup>

Morocco's status as a tourism destination has prompted many local industries to upgrade their services to meet the expected increase in demand. The government is investing in expanding infrastructure for transportation, lodging and entertainment to increase the country's attractiveness.<sup>31</sup> Ammor said in July that by 2026, the government intends to double the number of hotel beds available in the **Rabat-Sale-Kenitra** region to 20,000 in order to accommodate the 17.5 million tourists it expects to attract to the country annually.<sup>32</sup> Morocco received another boost in October by being named alongside **Portugal** and Spain as co-hosts of the 2030 **Fédération**

<sup>20</sup> Morocco World News, 1 Mar 2023; AFP, 1 Mar 2023

<sup>21</sup> AFP, 1 Mar 2023

<sup>22</sup> Morocco World News, 1 Mar 2023

<sup>23</sup> France24, 1 Mar 2023

<sup>24</sup> France24, 1 Mar 2023

<sup>25</sup> France24, 1 Mar 2023

<sup>26</sup> France24, 1 Mar 2023

<sup>27</sup> North Africa Post, 19 Nov 2023

<sup>28</sup> North Africa Post, 19 Nov 2023

<sup>29</sup> Al Jazeera, 9 Sep 2023; NPR, 19 Sep 2023

<sup>30</sup> Medias24, 19 Nov 2023

<sup>31</sup> Morocco World News, 26 Jul 2023

<sup>32</sup> Morocco World News, 26 Jul 2023

**Internationale de Football Association (FIFA) World Cup.**<sup>33</sup> While hosting the tournament will require massive spending on stadiums and infrastructure, it will place the country in the global spotlight and may boost tourist arrivals and earnings.<sup>34</sup>

The state-owned carrier, **Royal Air Maroc**, is finalising a tender to buy new long-and-medium-haul aircraft to meet an expected spike in tourist arrivals to Morocco and expand its network.<sup>35</sup> Royal Air Maroc CEO **Abdelhamid Addou** said at the **Bloomberg New Economy Gateway Africa** conference in Marrakesh on 13 June that having a larger fleet is fundamental to becoming a more global airline and tapping into Morocco's status as a significant attraction for tourists.<sup>36</sup> Addou said the national carrier is also planning to add "*many new routes*" primarily to Africa, Europe and the **Americas**.<sup>37</sup> Royal Air Maroc's plans are based largely on Morocco's popularity as a tourist destination, attracting a significant number of arrivals from Spain, the **United Kingdom (UK)**, **Italy** and **Israel** in particular.<sup>38</sup> The excellent performance of the tourist sector sets Morocco on the right trajectory to meet the government's goal of attracting 17.5 million tourists and \$12 billion by 2026, which will lead to the creation of 80,000 direct jobs and 120,000 indirectly.<sup>39</sup> The crucial tourism sector accounts for 7% of Morocco's gross domestic product (GDP) and employs 5% of the country's workforce.<sup>40</sup>

### What to watch for in 2024...

Morocco faces several challenges and opportunities in 2024. The government's decision to phase out subsidies on cooking gas will test social stability, potentially increasing prices and disproportionately impacting low-income Moroccan households. The country's post-earthquake reconstruction efforts require careful management by the government to ensure the 120 billion dirham (\$11.7 billion) allocated is used effectively and inclusively. Co-hosting the **2025 African Cup of Nations (AFCON)** and the 2030 FIFA World Cup promises significant economic benefits through infrastructure development and job creation, but it will require Morocco to spend 20 billion dirhams (\$1.98 billion) on upgrading football stadiums in preparation for the major events. Meticulous planning is key to managing potential risks.

The unresolved **Western Sahara** issue requires continued diplomatic attention, as the **United Nations (UN)** seeks to facilitate negotiations between Morocco and the **Polisario Front** for a lasting solution. Morocco is expected to continue rejecting all possibilities of a referendum in the Western Sahara, as it maintains sovereignty over the region. Morocco will also continue fully supporting **Palestinian** rights and statehood while also maintaining full normalisation of relations with **Israel**.

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<sup>33</sup> Bloomberg, 10 Oct 2023

<sup>34</sup> Reuters, 4 Oct 2023

<sup>35</sup> Bloomberg, 13 Jun 2023

<sup>36</sup> Morocco World News, 14 Jun 2023; Bloomberg, 13 Jun 2023

<sup>37</sup> Bloomberg, 13 Jun 2023

<sup>38</sup> North Africa Post, 12 Jun 2023

<sup>39</sup> North Africa Post, 19 Nov 2023

<sup>40</sup> Financial Times, 5 Oct 2023

## Planner

Dec 2023 **Marrakech (Morocco)**; Government will begin direct cash transfers of at least 500 dirhams (\$49.54) per month for vulnerable groups;

## Chronology

11 Dec 2023 **Rabat (Morocco)** *Anadolu Agency*. The **Islamic Development Bank (IsDB)** board will provide €187.84m (\$202.8m) to Morocco for the construction of the **Guercif-Nador Highway Project**, which aims to improve the connectivity of the east region and the **Nador West Med** port complex by completing the construction of 104 km of highway, including 17 bridges and 53 flyovers by 2029;

11 Dec 2023 **Rabat (Morocco)** *Morocco World News*. Morocco's government has reached an agreement with teaching unions regarding a salary increase, seeking to end a series of teachers' strikes;

11 Dec 2023 **Rabat (Morocco)** *Morocco World News*. Tens of thousands of protesters waving **Palestinian** and Moroccan flags converge in Rabat for a large demonstration against the **Israeli** war on **Gaza**;

9 Dec 2023 **Rabat (Morocco)** *Ministry of Youth and Culture*. The ministry of youth and culture says that Morocco continues to lead **African** countries in **UNESCO's** recognition of intangible cultural heritage;

6 Dec 2023 **Rabat (Morocco)** *Bloomberg*. Energy minister **Leila Benali** says Morocco is planning to add 9GW of energy capacity by 2027, and of that, 7GW will be renewables, which will need \$9 billion of investment and that Morocco is planning to invest a further \$4 billion into its gas sector over the next few years;

4 Dec 2023 **Rabat (Morocco)** *North Africa Post*. King **Mohammed VI** arrives in the **United Arab Emirates (UAE)** as part of an official visit, seeking to advance the already strong ties between the two countries;

3 Dec 2023 **Rabat (Morocco)** *Middle East Monitor*. According to findings by the international research group **Zero Carbon Analytics**, Morocco ranks second in **Africa** for renewable energy investments, totaling \$9.36 billion from 2010 to 2021, while **South Africa** leads the continent with \$23 billion spent in the same period;

1 Dec 2023 **Rabat (Morocco)** *Maroc*. King **Mohammed VI** addresses the **United Nations (UN) 28<sup>th</sup> Climate Change Conference or Conference of the Parties (COP28)**, taking place in **Dubai (United Arab Emirates (UAE))**, calling for a pact for action to address climate change;

1 Dec 2023 **Rabat (Morocco)** *Maroc*. Morocco is elected to host the 93rd session of the **General Assembly of the International Criminal Police Organization (Interpol)** scheduled to take place in **Marrakech** in 2025;

29 Nov 2023 **Rabat (Morocco)** *Morocco World News*. King **Mohammed VI** calls on the international community, urging regional and global powers and the **United Nations Security Council (UNSC)** to unite in enforcing an immediate and sustainable ceasefire in **Gaza**;

29 Nov 2023 **Rabat (Morocco)** *North Africa Post*. The **Xlinks Morocco-United Kingdom (UK)** green power project gains momentum with **French** oil giant **TotalEnergies** injecting £20m (\$21.5m) in the project, which plans to develop a giant renewable project in Morocco (combining solar and wind) to supply green electricity to the UK through the installation of high-voltage direct current (HDVC) subsea cables;

26 Nov 2023 **Rabat (Morocco)** *Morocco World News*. Tens of thousands of Moroccans take to the streets in several Moroccan cities on the third day of the ceasefire between **Israel** and **Palestinian** resistance factions, to demand the end of normalisation with Israel and to support Palestine.

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