

AFRICA RISK CONSULTING

Morocco Monthly Briefing May 2023

Morocco Summary 22 May 2023

United States (US) headquartered credit rating agency Fitch Ratings affirmed Morocco's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB+' with a stable outlook on 28 April. Key investors fund an ambitious project, which will be built by the British firm, Xlinks First, to export green power from Morocco to the United Kingdom (UK) via high-voltage subsea power cables. King Mohammed VI (1999-present) unveils a hydrogen car prototype of the Hydrogen Utility Vehicle (HUV) on 17 May, Morocco's first native car brand. The unveiling marks a significant milestone for the country and enhances the 'Made in Morocco' brand. Haut Commissariat au Plan (HCP) (higher commission of planning) publishes its latest labour statistics on 3 May. The data shows unemployment rose to 12.9% in the first quarter of 2023, up from 12.1% in the same period in 2022. Prime minister Aziz Akhannouch (2021-present) says during a parliamentary session on 8 May that Morocco could start importing fuel from Russia to meet its energy needs.

Fitch gives Morocco 'BB+' rating with stable outlook...

United States (US) headquartered credit rating agency **Fitch Ratings** affirmed **Morocco's** Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB+' with a stable outlook on 28 April, citing its favourable debt composition, sound macroeconomic policies that have supported resilience to shocks and a comfortable external liquidity buffer.¹ While economic growth in Morocco slowed from 7.9% in 2021 to 1.2% in 2022, as agricultural output contracted by 15% due to a historic drought, Fitch projects that GDP growth will recover to 3% in 2023 driven by a recovering agricultural sector.² Fitch projects that Morocco's economic growth will rise to 3.2% in 2024, driven by the local industrial sectors and the implementation of key structural reforms will support investment and economic growth.³

Morocco is also still facing several risks including rising inflation, a slowdown in key trading partners, monetary policy tightening, and weather patterns. The **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 *ARC Briefing Morocco Mar 2023*).⁴ BAM will likely increase interest rates again this year to help control inflation even further.

Fitch expects that inflation will drop to 5% in 2023 and 3.7% in 2024, however, this will be above the medium-term average as the removal of gas subsidies could put pressure on prices. The **Haut Commissariat au Plan (HCP)** (higher commission of planning) announced on 22 April that inflation eased to a nine-month low of 7.8% in April, from 8.2% in March, mainly due to a significant easing of transportation prices.⁵ The downward trajectory will likely continue as global economic conditions ease more with the stabilising of commodity prices, in addition to BAM adopting a tighter monetary policy.

¹ Fitch Ratings, 28 Apr 2023

² Fitch Ratings, 28 Apr 2023

³ North Africa Post, 29 Apr 2023

⁴ Bank Al-Maghrib, 21 Mar 2023

⁵ Haut Commissariat au Plan, 22 May 2023

Unemployment rises to 12.9%...

The HCP published its latest labour market statistics on 3 May, showing that unemployment in rose to 12.9% in the first quarter of 2023, up from 12.1% in the same period in 2022.⁶ The rise in unemployment has been attributed to a decline in the number of jobs in the Moroccan economy, with many of them being lost due to the impact of the **Covid-19** pandemic and the ongoing drought which has dented agricultural output.⁷

The HCP revealed that the local economy lost 280,000 jobs over the space of a year, with 267,000 being unpaid roles and 13,000 paid.⁸ Of the total number, 229,000 jobs were lost in rural areas and 51,000 in urban areas, indicating that the rural population is suffering more job losses due to the drought, pushing more rural people to seek work in urban centres.⁹ In total, the unemployment total reached 1,549,000 people nationally, increasing by 83,000 from 1,466,000 during the same period in 2022.¹⁰ The unemployment rate quickened from 12.1% to 12.9% at the national scale, it rose from 16.3% to 17.1% in urban areas and from 5.1% to 5.7% in rural areas.¹¹

Within the different sectors, the construction industry created 28,000 jobs, the agriculture, forestry and fishing industries witnessed a contrastive loss of 247,000 jobs, the services industry lost 56,000, while craft and similar activities lost 38,000 jobs.¹² Following the creation of 28,000 jobs in the industrial activities sector, it still lost 10,000 jobs.¹³ The unemployment rate is particularly dire among young people aged 15 to 24 (35.3%), graduates (19.8%) and women (18.1%).¹⁴ HCP also revealed that nationally, only 15.5% of women in Morocco have a job.¹⁵

Unemployment has been a persistent issue in Morocco for many years. However, the latest statistics by HCP indicate that the situation is not improving for the better and the economy is still reeling from the impact of Covid-19. The economic situation is not helped by the drought and economic distortions caused by the conflict in **Ukraine**. Earlier this year, the **International Monetary Fund (IMF)** had predicted that Morocco's unemployment rate will average 10.7% throughout this year, but HCP's data indicates that the figure may hover above this projection.¹⁶

Social unrest has also increased as many look for jobs and the cost-of-living crisis continues. Hundreds of Moroccans took to the streets across Morocco on 19 and 20 February to protest against deteriorating economic conditions and to call for greater freedoms (*see ARC Briefing Morocco Feb 2023*).¹⁷ Much smaller protests also took place on 8 April outside the parliament building in Rabat.¹⁸ In response, the government has often reiterated and urged Moroccans to be patient as economic pressures will ease over the coming months.¹⁹ In the meantime, to stabilise domestic prices and ease inflation, the government has temporarily restricted vegetable exports and simplified the process for VAT exemptions on agricultural inputs and food products and also plans additional subsidies.²⁰

⁶ Haut Commissariat au Plan, 3 May 2023

⁷ Morocco World News, 3 May 2023

⁸ Haut Commissariat au Plan, 3 May 2023

⁹ Trading Economic, 3 May 2023

¹⁰ Morocco World News, 3 May 2023

¹¹ Haut Commissariat au Plan, 3 May 2023

¹² Haut Commissariat au Plan, 3 May 2023

¹³ Morocco World News, 3 May 2023

¹⁴ Morocco World News, 3 May 2023

¹⁵ Haut Commissariat au Plan, 3 May 2023

¹⁶ Morocco World News, 3 May 2023

¹⁷ La Prensa Latina, 20 Feb 2023

¹⁸ Africa News, 18 Apr 2023

¹⁹ Morocco World News, 21 Mar 2023

²⁰ North Africa Post, 29 Apr 2023

Ambitious UK-Morocco power cable gets financial backing...

Key investors have confirmed funding for an ambitious project to export green power from Morocco to the **United Kingdom (UK)** via high-voltage subsea power cable.²¹ The **United Arab Emirates (UAE)** energy company, **Abu Dhabi National Energy**, also known as **Taqa**, and UK renewable energy group, **Octopus Energy**, announced on 26 April that they will fund the interconnector project for £30m (\$37m).²² Taqa will provide £25m (\$31.1m) and Octopus Energy £5m (\$6.2m) while the project will be built by **United Kingdom**-based firm, **Xlinks First**. The new investment is significant for the project which represents a “*largely unprecedented*” objective of powering one country from another with four 3,699km submarine cables.²³

When constructed, Xlinks says that the Morocco-UK cable will be the longest in the world and will pass through **Portugal, Spain and France** respectively.²⁴ The power will come from a 10.5 gigawatts facility of new wind and solar farms in southern Morocco that will be aided by five gigawatts of battery storage.²⁵ Xlinks says that the UK will receive 3.6 gigawatts of electricity generated from the project which represents nearly 8% of the UK’s current power demand.²⁶ The UK’s department of energy security and British technology firm **Net Zero** have also formed a team to work with Xlinks on the ambitious project.²⁷ Xlinks aims to complete the project by 2030 and boasts that it can deliver energy at a much cheaper cost to British consumers than current wholesale prices.²⁸

For Morocco, the project is expected to create 10,000 jobs domestically and fits into the government’s plan to raise the country’s share of renewable sources to more than 52% of the national electricity mix by 2030.²⁹ Renewable energy sources proved approximately 20% of Morocco’s energy demand in 2022, and the country still imports the majority of its energy from **Spain and Algeria**.³⁰ A local source told **Africa Risk Consulting & Briefing (ARC Briefing)** that the project is a “*smart investment*” for Morocco:

*“Seems like a brainer to use solar energy to power countries. The world is also moving in that direction and Morocco should not be left behind”.*³¹

Morocco unveils first native car brand, bolstering ‘Made in Morocco’ brand...

King **Mohammed VI** (1999-present) unveiled a prototype of the **Hydrogen Utility Vehicle (HUV)**, built by local automotive firm **NamX**, on 17 May. The HUV is Morocco’s first native car brand and marks a significant milestone for the country and its enhancement of the ‘Made in Morocco’ brand.³² The king also examined another automotive model built by Moroccan capital-owned business, **Neo Motors**, which has launched an industrial facility in **Ain Aouda (Rabat)** to manufacture motor cars for the local market and export.³³

NamX’s HUV vehicle addresses the growing need for hydrogen and hybrid vehicles amid a global transition towards renewable energy sources and decarbonisation.³⁴ This technological initiative therefore firmly embeds Morocco in the global movement to establish new modes of transportation that combine effectiveness with environmental awareness.³⁵ The project was also mainly built with

²¹ Bloomberg, 26 Apr 2023

²² Middle East Monitor, 27 Apr 2023

²³ Xlinks First, 26 Apr 2023; Bloomberg, 26 Apr 2023

²⁴ Xlinks First, 26 Apr 2023

²⁵ Middle East Monitor, 27 Apr 2023; Bloomberg, 26 Apr 2023

²⁶ Bloomberg, 26 Apr 2023

²⁷ Bloomberg, 26 Apr 2023

²⁸ Xlinks First, 26 Apr 2023

²⁹ Energy & Utilities, 22 Feb 2023

³⁰ Energy & Utilities, 22 Feb 2023

³¹ ARC Source, Local Resident

³² Business Insider Africa, 17 May 2023

³³ Business Insider Africa, 17 May 2023

³⁴ Africa News, 17 May 2023

³⁵ Business Insider Africa, 17 May 2023

local expertise and primarily relies on a network of regional automotive suppliers that Morocco has created.³⁶

The project will cost an estimated 156m dirhams (\$15.4m) and is expected to employ 580 people. The **National Agency for Road Safety** awarded the HUV vehicle its final clearance in February and it is now in pre-production. NamX expects to introduce the final product to the market in 2025.³⁷

Morocco says it is likely to import Russian fuel...

Prime minister **Aziz Akhannouch** (2021-present) said during a parliamentary session on 8 May that Morocco could start importing fuel from **Russia** to meet its energy needs despite heavy sanctions facing Russia for its invasion of Ukraine.³⁸ During his address Akhannouch emphasised that Morocco would face no negative consequences should it do so:

“Morocco is likely to import Russian fuel as it is importing Russian coal. Nothing prevents Rabat from doing this. Nothing prevents [our] imports of grain from Russia, or Ukraine, too.”³⁹

Despite Akhannouch’s affirmations, the government is facing pressure from local opposition parties for its plans. Last month several opposition parties unveiled plans to establish a parliamentary committee to look at Russian fuel imports, citing a lack of transparency.⁴⁰ This followed reports that some local energy companies had been importing gas from Russia below the international fixed prices and manipulating documents to resell them at higher prices (*see ARC Briefing Morocco Mar 2023*).⁴¹ **Abdelkader Taher**, an opposition member of the **Union Socialiste des Forces Populaires (USFP)** (socialist union of popular forces) called for an investigation on 27 February, expressing concerns about the apparent manipulation in the local energy market. Taher also accused the companies of forging receipts and documents to state that the energy resources came from the **United States (US)** or **Gulf** countries.⁴² These reports have several opposition politicians and local associations concerned that corruption and bribery are becoming common in Morocco, which could tarnish its reputation just as the country exited from the global **Financial Action Task Force’s (FATF)** international grey list on 24 February.⁴³

However, despite their protestations, opposition parties do not have the power to prevent the government from officially importing Russian energy should it decide to follow that course. Morocco’s reputation also does not appear to be impacted by such activities given that on 17 May, the **European Commission** announced that Morocco had exited its list of high-risk countries presenting strategic deficiencies in their anti-money laundering and countering the financing of terrorism.⁴⁴ The development should help Morocco attract more foreign investment and further bolster investors’ trust in the country.

³⁶ Business Insider Africa, 17 May 2023

³⁷ Africa News, 17 May 2023; Business Insider Africa, 17 May 2023

³⁸ Anadolu News Agency, 8 May 2023

³⁹ Middle East Monitor, 9 May 2023

⁴⁰ Middle East Monitor, 9 May 2023

⁴¹ Morocco World News, 6 Mar 2023

⁴² Morocco World News, 27 Feb 2023

⁴³ Morocco World News, 27 Feb 2023

⁴⁴ European Commission, 17 May 2023

Planner

23-25 May 2023 **Paris (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 May 2023 **Rabat (Morocco)** *Middle East Monitor*. King **Mohammed VI** announces the appointment of Mohamed Benyahya as the director general of the Moroccan Agency for Energy Efficiency;

19 May 2023 **Riyadh (Saudi Arabia)** *Morocco World News*. Prince **Moulay Rachid** arrives in **Saudi Arabia** to participate in the **Arab League Summit** King **Mohammed VI's** representative;

18 May 2023 **Rabat (Morocco)** *Morocco World News*. The **Saudi Council of Ministers**, led by **King Salman Ibn Abdelaziz**, officially approves a cooperation agreement between the **Saudi State Security** and the **Directorate General of Territorial Surveillance of Morocco** which aims to enhance joint efforts in combating terrorism and its financing;

17 May 2023 **Rabat (Morocco)** *Morocco World News*. Morocco's passport ranks 128th worldwide, with a total score of 51.50 in the **Nomad Passport Ranking Index 2023**;

16 May 2023 **Rabat (Morocco)** *Middle East Monitor*. Authorities announce plans to launch an **English-language** news channel as part of its efforts to broaden the country's international reach;

15 May 2023 **Rabat (Morocco)** *Morocco World News*. Morocco is collaborating with **Belgium's Wallonia Region** in key fields to strengthen bilateral relations and establish a strong strategic partnership;

14 May 2023 **Rabat (Morocco)** *Morocco World News*. Government prepares to launch **Operation Marhaba 2023**, an annual initiative to welcome millions of members of the Moroccan diaspora wishing to spend their summer holiday at home;

12 May 2023 **Rabat (Morocco)** *Morocco World News*. Newly published data by **Schengen Visa Statistics** reveals that Morocco has one of the highest refusal rates in the world for the Schengen visa, rejected at a rate of 30% in 2022. Most of Morocco's refusals came from **France** and **Spain**;

12 May 2023 **Rabat (Morocco)** *Morocco World News*. Morocco and **Portugal** agree to elevate their bilateral ties to reach a comprehensive strategic partnership, according to a joint statement released for the opening of the 14th high-level meeting between Morocco and Portugal in **Lisbon**;

9 May 2023 **Rabat (Morocco)** *North Africa Post*. King **Mohammed VI** issues instructions to increase the current budget allocated to the **National Program for Drinking Water Supply and Irrigation 2020-2027** to 143 billion dirhams (\$14.3 billion);

5 May 2023 **Tangier (Morocco)** *Morocco World News*. **South Korean** manufacturer **SJM Flex** opens a new industrial plant in the **Tanger** automotive city. The plant aims to provide jobs for 250 people;

5 May 2023 **Rabat (Morocco)** *Morocco World News*. Morocco enters into a gas supply agreement with **United Kingdom**-headquartered energy firm **Sound Energy** after the **Algerian** government decided to terminate the **Maghreb Europe** pipeline;

3 May 2023 **Rabat (Morocco)** *Middle East Eye*. King **Mohammed VI** issues instructions to add the Amazigh New Year to the list of national holidays in Morocco;

1 May 2023 **Rabat (Morocco)** *Morocco World News*. Economic inclusion, small business, employment and skills minister **Younes Sekkouri** says that the government will work to increase the minimum wage by 5% in the agriculture, industry and commerce sectors;

28 Apr 2023 **Rabat (Morocco)** *Morocco World News*. Agriculture ministry says in a statement that cereal production in Morocco is expected to rise by 62% in 2023 compared to the previous year;

27 Apr 2023 **Rabat (Morocco)** *Middle East Monitor*. Morocco's **Central Bureau of Judicial Investigations** arrests 13 **ISIS**-affiliated suspects in several Moroccan provinces;

26 Apr 2023 **Rabat (Morocco)** *Morocco World News*. Morocco has issued more than 80,000 electronic visas since 10 July 2022, when the country launched an online platform facilitating the process of obtaining e-visas for foreigners;

24 Apr 2023 **Rabat (Morocco)** *North Africa Post*. King **Mohammed VI** issued instructions to establish an airbridge to bring back Moroccans currently stranded in **Sudan** back home;

24 Apr 2023 **Rabat (Morocco)** *Morocco World News*. **Stockholm International Peace Research Institute (SIPRI)** data show that Morocco's military expenditure remained unchanged in 2022 compared to 2021, totalling \$5 billion in 2022.

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.

www.africariskconsulting.com

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.

www.africariskconsulting.com

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)