COUNTRY REPORT

Morocco

1st quarter 1996

The Economist Intelligence Unit
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The Economist Intelligence Unit

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Summary

Morocco 1st quarter 1996

December 29, 1995

Political and economic structures **Pages 2-3**

Outlook: Limited parliamentary reforms are expected to be announced in 1996. The government has heeded World Bank warnings that a tightening of macroeconomic polices is urgently needed. A new five-year plan up to the year 2000 is likely to aim for 6% GDP growth and the reduction of the budget deficit to below 1%. This will risk intensifying short-term social discontent. ***Pages 4-7***

The political scene: King Hassan will continue to dictate political and economic policy, although dialogue will be maintained with the political parties. Planned retrenchment in the public-sector workforce could trigger strikes but tight security will prevent any explosion of social discontent. ***Pages 7-9***

Economic policy and the economy: GDP fell by about 7% in 1995 because of the drought, and the trade deficit widened. Tourism receipts fell by 16% in the first seven months of 1995, and workers' remittances declined marginally. A comprehensive World Bank analysis has warned that, unless urgent action is taken to reduce budgetary imbalance, the gains of previous structural adjustment programmes will be lost. A new investment charter has been approved. The fishing dispute with the EU has been resolved, and a four-year agreement signed, but negotiations for an association accord have stalled. ***Pages 9-14***

Sectoral trends: Reservoir levels fell to 23% of capacity in October, and water rationing now affects up to 50% of irrigated areas. Morocco's new economy car, a joint venture with Fiat, has been launched. A new tourism strategy aims to raise revenue to $6bn by 2000, reversing the decline which saw receipts plunge by 20% in the first half of 1995 to $478m. Two telecommunications projects have been completed as the sector is primed for privatisation. A $200m gas pipeline and local distribution system is planned, to link up with the Euro-Maghreb gas pipeline. ***Pages 14-17***

Banking and finance: Five ailing state-owned insurance companies have been liquidated. Portfolio investment has been shaken by pessimistic press reports on the economic outlook. ***Pages 17-18***

Foreign trade and payments, and business news: The current-account deficit is estimated to have widened in 1995 reaching $890m. The stock of foreign debt and debt service payments rose in 1995 and are expected to rise further in 1996. A new investment charter is approved and more industrial zones are planned. ***Pages 18-20***

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Political structure

Official name: Kingdom of Morocco

Form of state: constitutional monarchy

Legal system: based on French and Islamic law, and French legal procedure

Legislature: unicameral Chamber of Representatives of 333 seats, two-thirds elected by universal suffrage, one-third by an electoral college consisting of representatives from employers' organisations and trade unions, local councils and professional groups. The chamber may be dissolved by the king

Last elections: 1992 (local); June and September 1993 (parliamentary)

Next election due: 1999 (parliamentary)

Head of state: King Hassan II

Administration: there are 39 provinces and eight urban prefectures. Despite a system of indirectly elected provincial assemblies, real power lies in the hands of governors appointed by the Ministry of the Interior

Executive: the king appoints the prime minister, who chooses a Council of Ministers which is then approved by the king. New government appointed February 27, 1995

Main political parties: loyalist: Union constitutionelle; Mouvement populaire; Rassemblement national des indépendants; Mouvement national populaire; Parti national démocratique. Opposition: Union socialiste des forces populaires; Parti Istiqlal; Parti du renouveau et du progrès; Organisation pour l'action démocratique et populaire; Confédération démocratique du travail

Prime minister & foreign minister	Abdellatif Filali
Key ministers	
agriculture & agrarian promotion	Hassan Abou Ayoub
commerce, industry & handicrafts	Driss Jettou
communications	Driss Alaoui M'Daghri
employment & social affairs	Amine Demnati
energy & mines	Abdellatif Gueraoui
finance & foreign investment	Mohamed Kabbaj
foreign trade	Mohamed Alami
housing	Said Fassi
hubous (religious endowment) & Islamic affairs	Abdelkebir M'Dghari Alaoui
human rights	Mohamed Ziane
interior (ministry of state)	Driss Basri
justice	Abderrahmane Amalou
maritime fishing & merchant marine	Mustapha Sahel
national education	Rachid ben Mokhtar
posts & telecommunications	Hamza Kettani
privatisation	Abderrahmane Saaidi
public health	Ahmed Alami
public works	Abdelaziz Meziane Belfikh
transport	Said Ameskane
Central bank governor	Mohamed Seqat

Economic structure

Latest available figures

Economic indicators	1991	1992	1993	1994	1995[a]
GDP at current market prices Dh bn	240.76	245.57	247.68	257.49	296.12
Real GDP growth %	6.9	–4.1	–0.1	11.5	–7.0
Consumer price inflation %	8.0	4.9	5.2	5.1	8.0
Population[b] m	24.1	24.7	25.4	26.1	26.8
Exports fob $ m	5,094	5,010	4,936	5,541	5,818
Imports fob $ m	6,858	7,473	7,001	7,648	8,413
Current account $ m	–414	–433	–520	–720	–890
Reserves excl gold $ m	3,100	3,584	3,655	4,352	3,500
Total external debt $ bn	21.3	21.6	21.4	21.9[a]	22.0
Debt-service ratio %	15.5	13.7	20.6	31.8	34.1
Phosphate production m tons	18.0	19.1	18.4	20.2	n/a
Phosphate rock prices $/t	42.50	41.75	33.00	33.00	35.00
Exchange rate (av) Dh:$	8.71	8.54	9.30	9.20	8.50

December 29, 1995 Dh8.4689:$1

Origins of gross domestic product 1993	% of total
Agriculture, forestry & fishing	14.3
Mining	2.0
Energy & water	7.7
Manufacturing	18.0
Building & public works	4.7
Transport & communications	6.7
Banking services & trade	33.5
Public administration	13.1
GDP at market prices	100.0

Components of gross domestic product 1993	% of total
Private consumption	66.0
Government consumption	18.2
Gross fixed capital formation	22.4
Increase in stocks	–1.2
Exports of goods & services	22.5
Imports of goods & services	–27.9
GDP at market prices	100.0

Principal exports 1993	$ m
Consumer goods	1,062
Food, drink & tobacco	962
Semi-finished goods	900
Mineral ores	375
Capital goods	183

Principal imports cif 1993	$ m
Industrial & agricultural equipment	1,831
Semi-manufactures	1,513
Energy	965
Food, drink & tobacco	956
Consumer goods	724

Main destinations of exports 1994	% of total
France	33.4
Germany	8.8
Spain	8.0
Italy	5.9
UK	4.8

Main origins of imports 1994	% of total
France	27.7
Germany	9.8
Spain	8.8
Italy	7.7
USA	5.2

[a] EIU estimates. [b] Excluding Moroccan expatriates.

Outlook

King Hassan will continue to dictate political and economic policy. Dialogue will be maintained with the moderate political parties while the Islamist groups will continue to be banned. Further announcements about the transition to a bicameral parliamentary system are expected. The government's acceptance of World Bank advice to return to tight macroeconomic policies will reassure investors and donors, but is likely to cause social discontent as the public payroll is cut and subsidies are removed in pursuit of sustainable budgetary and balance-of-payments positions. A five-year plan is likely to adopt targets of raising annual GDP growth to 6%, cutting the budget deficit to 1% by 2000, while keeping inflation down to 5-6%. Further improvements to the business climate are planned. The privatisation programme will be accelerated and the private sector encouraged to expand.

A return to austerity could breed social discontent—

Plans to implement a comprehensive economic and social programme over the next five to ten years could raise social tensions. The medium-term financial policy document calls for a return to stabilisation policies which were relaxed following the expiry of the last IMF standby agreement in 1993. While the present government will not allow its policies to be derailed by pockets of social unrest, the need to maintain the coalition of right-wing parties and palace-appointed technocrats means that any repetition of the 1990 riots in Fes, Tangier and Rabat will slow down the economic reforms. King Hassan will continue to engage the official opposition parties in dialogue, hinting at future democratic reforms for which they have long been pressing. However, with an economic reform programme now firmly on the agenda, they are even less likely than before to respond to royal invitations to participate in a cabinet whose economic policies they would be powerless to influence.

—but the authorities will remain in control

Domestic and regional security will remain tight, with continued surveillance of Islamist groups and other potential dissidents. The Algerian border has remained closed since August 1994, and the recent discovery of arms traffickers ferrying weapons to rebel Algerian groups via Morocco will militate against any relaxation of controls.

The five-year plan is likely to target 6% GDP growth—

The new five-year plan will target an average GDP growth rate of 6% per year up to the end of the century. Expansion will be led by the private sector, while public spending will be sharply curtailed. Specific sectoral targets have yet to be unveiled. The fiscal deficit will be reduced to 1% of GDP by 2000 compared with an estimated 5% in 1995. Privatisation, already an important element in the government's programme, will be accelerated in a bid to boost Treasury receipts, with virtually all sectors being considered for divestment. Plans to improve the business environment are already under way with the parliamentary ratification of a new investment code.

—and stronger fiscal discipline

The government appears to have accepted the broad thrust of the World Bank's warnings that further delay in structural adjustment, particularly in control of public finances, would lead to a growing dependence on agriculture and the vagaries of climate, resulting in higher unemployment and blocking Morocco's chances of evolving into a competitive force in the new free-trade global marketplace. While the government is unlikely to comply fully with all the detailed recommendations set out in the report, it does nevertheless seem to have strengthened its resolve to tackle the central issue, namely the budget deficit. However, leaked ministerial documents suggest that the budget deficit will be reduced to 1% of GDP by the year 2000 rather than eliminated altogether as the World Bank would like.

GDP growth will recover to 5-6% in 1996-97—

Assuming that there is a return to normal rainfall and harvests, GDP growth is expected to resume, reaching 5% in 1996 and 6% in 1997. Structural adjustment policies should lay the basis for sustainable growth averaging 5-6% in the medium term, even allowing for some slippage from targets. The economic recovery in 1996 will be despite the knock-on effect of the 1995 drought and the return to tighter demand management policies.

—and inflation will abate

More conservative fiscal and monetary management will also help reduce inflationary pressures. The rate is expected to moderate to 6% in 1996 and 5% in 1997, from an estimated 8% in 1995. This forecast assumes that the authorities maintain a strong dirham in the run-up to full convertibility, expected in 1997 (see Economic policy). Devaluation would, of course, raise prices.

An association agreement with Europe moves closer

Resolution of the deadlock over a new fishing accord (see Economic policy) has paved the way for the resumption of negotiations for a wide-ranging association agreement which will consolidate external exchanges over the next ten years or more, eventually ushering in free trade between Morocco and Europe. Hard bargaining over the terms of access for Moroccan agricultural produce is holding up a settlement. Both Tunisia and Israel have already signed association agreements with the European Union (EU), putting pressure on Rabat to redouble its efforts.

The trade and current accounts will plateau in 1996-97

Drought is estimated to have held export growth down to 5% in 1995. Growth in the European economy of 2.7% in 1996, slowing slightly to 2.5% in 1997, should be sufficient to allow a healthy expansion of Moroccan exports. Morocco's traditional vegetable and fruit exports will be constrained by quota and price limitations under the association agreement, but manufactured goods such as footwear, clothing and agro-industrial products should benefit from increasing demand. Fish exports will profit from the new EU fishing agreement while the phosphate sector will continue the recovery which began in 1994. Overall, exports are forecast to grow by 8% in 1996 and 10% in 1997.

Import growth is projected at 6% in 1996 and 5% in 1997, after a drought-related surge of 10% in 1995. The main factors in play will be a rise in demand for capital goods and a stabilisation of food imports. The energy bill will be reduced by lower petroleum prices and the availability of Algerian gas on completion of the Euro-Maghreb pipeline in mid-1996. As a result the trade deficit will be unchanged at $2.6bn in 1996, easing only slightly to $2.5bn in 1997. Tourism receipts will pick up in 1996 and 1997, and workers remittances will stabilise, but interest payments on the foreign debt will remain substantial. The current-account deficit is forecast to be reduced from an exceptional $890m in 1995 to $750m in 1996 and $690m in 1997.

Reserves will recover in 1996-97

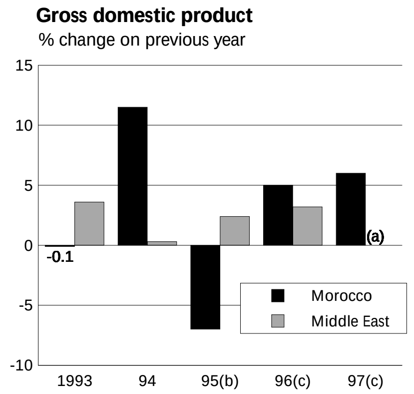
Net capital inflows should be sufficient to offset the current-account deficit in 1996-97. Direct and portfolio investment will play an increasingly important role in the capital account as privatisation stimulates both investment in manufacturing and services, and sustains overseas interest in the stock exchange. The overall balance of payments should return to surplus from 1996-97, allowing a restocking of international reserves. The authorities will aim to rebuild reserves back to $4bn by the end of 1996 and maintain them at around this level to the end of 1997. This will provide import cover of 5.4 months at the end of 1996, falling to 5.1 months in 1997, still a comfortable level.

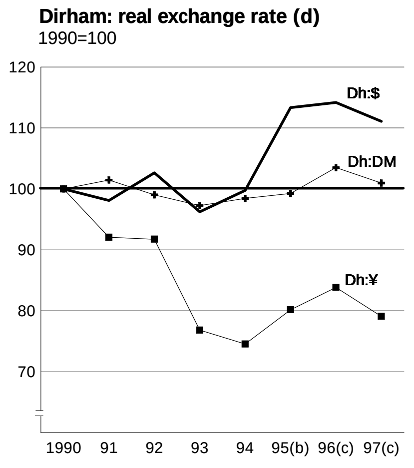
Debt and debt-service payments

The stock of foreign debt increased in 1995 and is expected to increase further in 1996 in the wake of the drought, but much of the lending is on concessional terms. Debt-service payments in 1996 will be heavy, at around $3bn on a projected foreign debt stock of $23bn, giving a debt-service ratio of over 34%. Debt-service payments are expected to level off in 1997 but the ratio will not fall much below 33%.

Risks and uncertainties

The main risk to the forecast is the recurrence of drought, which would pull down growth across the economy, given the extensive linkages to agriculture. In addition, the authorities may not have the political will to push through the structural adjustment measures necessary to produce stronger growth and a reduction on reliance on agriculture. Any recurrence of the social unrest seen in 1990 could persuade the palace to delay or dilute reforms. An overvalued exchange rate will expose Morocco to strong competition from rival exporters such as Spain and Portugal, which will enjoy the benefits of lower inflation and past devaluations. However, the new government, particularly the finance minister, appear to have the resolve to carry through at least some of the reform processes.





(a) Not available. (b) Estimates. (c) Forecasts. (c) Nominal exchange rates adjusted for changes in relative consumer prices.
Sources: EIU; IMF, *International Financial Statistics; World Economic Outlook.*

Forecast summary
($ m unless otherwise indicated)

	1994[a]	1995[b]	1996[c]	1997[c]
Real GDP growth (%)	11.5	–7.0	5.0	6.0
Consumer price inflation (%)	5.1	8.0	6.0	5.0
Merchandise exports fob	5,541	5,818	6,283	6,912
% change	12.3	5.0	8.0	10.0
Merchandise imports fob	7,648	8,413	8,918	9,363
% change	9.2	10.0	6.0	5.0
Trade balance	–2,107	–2,595	–2,634	–2,452
Current-account balance	–720	–890	–750	–690

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Review

The political scene

Civil service shake-up is planned

King Hassan warned that painful political and social changes will be necessary over the next decade if the country is to rise to the challenge of global free trade. Setting out national priorities in a series of five-year plans, he said that administrative reforms were essential to reduce bureaucracy (see Economic policy). However, evidently fearful of a political backlash, he plans to sound out public opinion before committing himself to detailed sectoral changes.

Accordingly the King invited the political parties and trade unions to enter into dialogue concerning the way forward. The official opposition parties, led by the Union socialiste des forces populaires (UNSP) and Parti Istiqlal, together with the trade unions, have traditionally opposed measures which would reduce employment. They will be unimpressed with macroeconomic arguments concerning the necessity of reducing the budget deficit, and will continue to press for more, rather than less, public spending, particularly on the social sectors. They are thus likely to oppose plans to retrench the civil service and to reorganise central and local administration. The workforce is already restive. A wave of sporadic strikes in the first half of 1995 petered out, partly due to inter-union rivalries. The teachers staged further strikes in September. With better coordination, the unions could bring strong pressure to bear on the government and force it to water down its retrenchment programme.

Tight security provokes protests

Security remains tight as the authorities aim to forestall any possible upsurge in unrest. This will increase protest calls from local human rights organisations and the opposition parties which have been protesting against the infringements of constitutional rights. Since the allegedly Islamist-inspired hotel shooting incident in August 1994 (4th quarter 1994, page 7), the hardline interior minister, Driss Basri, has presided over an increase in police powers and the enforcement of tough restrictions on public demonstrations. The recent sentencing of 26 demonstrators to six months in prison for staging a peaceful protest sparked strong criticism that the police and judiciary were overstepping the mark. The incident took place in September when the 26 unemployed graduates organised a sit-in outside the town hall at El Jadida to protest at the lack of jobs for qualified personnel.

Arms traffickers are arrested near the Algerian border

The conflict in Algeria continues to spill over into Morocco. In October a group of alleged arms traffickers were arrested in Oujda, near the border. The 12 Moroccans and five Algerians were said to have been transporting weapons, explosives and transmitting/receiving equipment destined for the outlawed Algerian resistance movement, the Groupe islamique armée (GIA). Eight gun-runners apprehended in 1994 were severely penalised, receiving prison sentences of up to 20 years (3rd quarter 1994, page 9).

Green march anniversary passes off peacefully

No new date has been announced for the much-postponed UN referendum over self-determination for the Western Sahara. This was most recently slated for January but voter identification has been slow. Fears of an upsurge of violence in the Western Sahara on the twentieth anniversary of the "green march" of 1975 were defused when King Hassan was forced to cancel a visit to El Ayoun owing to ill health. Polisario had threatened to stage demonstrations against the visit, planned for November 6.

In October Polisario set up its first National Assembly in exile. The first session of the 101-member body, elected by secret ballot, was held in the refugee camps of Tindouf, chaired by the self-styled president of the Saharan Arab Democratic Republic, the Polisario secretary-general, Mohamed Abdelaziz. As part of its campaign against Moroccan claims to the territory, Polisario attempted to disrupt the fishing talks with the European Union (EU). The rebel group urged Spanish fishermen to defy Rabat and carry on fishing in waters off the Western Sahara coast which, it said, belonged not to Morocco but to the Sahraoui people.

Drugs study is denounced

On the external front, the government will be annoyed by adverse publicity caused by the resurrection of a 1994 report accusing Morocco of being the world's largest exporter of cannabis. The study, by the Paris-based l'Observatoire géopolitique des drogues (OGD), was presented to the EU in October 1995 but was first published in 1994. At that time the government angrily denounced the allegations (3rd quarter 1994, page 10). The report also suggests that drug-trafficking is not only tolerated but is directly supported by a network of protectors "from the humblest customs officer to associates of the Palace, through all levels of central and local administration, as well as political organisations and elected bodies".

The Moroccan authorities acknowledge that cannabis is widely grown in the northern Rif mountains, where it produces a livelihood for the majority of the inhabitants, but insist that the anti-drugs campaign begun in 1992 has reduced levels of cultivation and trafficking. The government is calling on the EU to provide funds for a development programme in the north to provide alternative sources of gainful employment. The EU has promised additional aid but will be slow to disburse the funds. The programme may be linked in with the new association agreement.

China links to strengthen

In the meantime, trade and technical cooperation with China have been strengthened following prime minister Li Peng's official visit to Rabat in October. China agreed to increase its phosphate fertiliser purchases tenfold, to 100,000 tons, and offered assistance in developing a nuclear power capacity. Bilateral trade exchanges are currently around $200m per year. Morocco's main import from China is tea which is the chief ingredient of Morocco's national drink, mint tea.

Economic policy

Policy planning is to be strengthened—

In an address to the house of representatives in October, King Hassan confirmed that his government planned to implement a series of five-year plans, the first covering the period up to 2000. King Hassan stressed that future development would be based on a long-term (ten years or more) partnership agreement with Europe. The five-year plan for 1996-2000 has been formulated after consultation with the World Bank, which was asked in early 1995 to advise on three key areas—education, administrative reforms, and future policy on economic, financial and trade issues.

—following a World Bank report

The World Bank study concluded that Morocco's progress was not fast enough to promote rapid and sustainable GDP growth. It also warned that the kingdom was losing ground to overseas competitors at a time of economic globalisation, and progress made in recent years was much slower than that of other similar countries. Moreover, the study pointed out that the gap between rural and urban areas was widening, the economy was too dependent on agriculture, quality of production remained inadequate, and water management had become more demanding and more complex. The study therefore advised that higher growth rates could only be achieved if stronger macroeconomic adjustment measures were implemented.

Tougher macroeconomic policies needed—

The Bank estimated that government policies had drifted over the past two years. The authorities needed to agree and implement a clearly defined global strategy, backed by a medium-term financial policy framework. While some areas were well-advanced, such as the private sector, others, such as the social sector and the environment, were held back by a lack of consensus and/or the political will to carry through reforms. Although there was agreement at the highest levels on the most important priorities, these were not being translated into concrete projects, largely because of weaknesses in government administration and coordination, and obstruction from entrenched interests. The Bank laid stress on the importance of arriving at a political consensus within the country on reforms to be carried out, particularly in the social sector, water and the environment.

—to achieve growth of 7% per year

The World Bank's main recommendation was the immediate restoration of macroeconomic stability. The main actions deemed necessary were to reduce the fiscal deficit through controlling spending (particularly salaries) and increasing revenue through reform of the tax system, in view of an expected loss in import taxes resulting from trade liberalisation.

In addition, the authorities were advised to lay the base for more rapid growth. GDP expansion needed to be at least 7% per year to reduce unemployment to acceptable levels. The bank urged further expansion of the private sector in a bid to attract increased foreign and local direct investment. More investment in the infrastructure would be needed to facilitate industrial, agricultural and services development. There should be an increase in savings, which in turn required the strengthening of reforms in the financial sector, including pensions, insurance and small savings, as well as an increase in public-sector saving. Labour-market reforms would encourage greater mobility of the work force. Linked to this was the standardisation of education at primary level across the country and the introduction of training programmes to equip workers with new skills.

However, the Bank warned that a higher GDP growth rate would not necessarily reduce social disparities, and that affirmative action was needed to boost the rural sector, including redistribution of the cost of basic education and health services and rural infrastructure (especially water and roads). Reinforcement of the social security net was also recommended, with the introduction of health insurance and a targeting of food subsidies.

Water resources require management

The World Bank also pointed out that a comprehensive environmental policy should be drawn up, especially with regard to water resources. This should be linked in with the overall plan for agricultural development. The impact of drought had highlighted the urgent need for a radical revision of policy regarding water management. The present system was too heavily subsidised, leading to overuse and the depletion of resources. Policy regarding water pricing and user charges needed to be reviewed. A policy on pollution was also needed.

Administrative overhaul is overdue

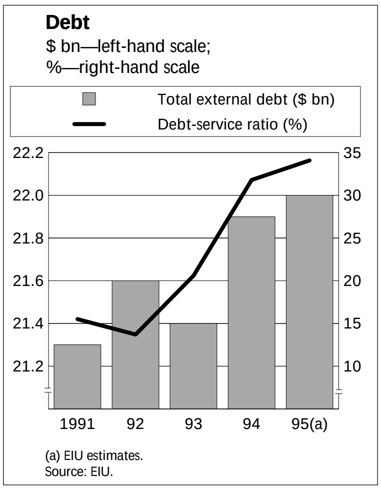
Another recommendation was the rationalisation of the public sector, which was absorbing 70% of the budget (net of debt service), resources which could be better allocated to help the private sector. The government's role should be that of facilitator rather than initiator. The most urgent need was to modernise the central government financial controls and budgetary allocations. The civil service needed to be streamlined to improve performance and cut costs. Some services traditionally provided by the state such as utilities, teaching, hospitals and railways could be contracted-out to the private sector. The acceleration of the privatisation programme and the reform of public enterprises and their finances was recommended, as was more decentralisation to local groups, especially in rural areas.

External competition will intensify

The World Bank study also noted that in view of the increasingly competitive external environment, Morocco had to accelerate the growth of exports and find new markets. The GATT accords and the abolition of textiles quotas following the disappearance of the Multi-Fibre Arrangement would affect Morocco's preferential access to Europe. Conclusion of a free-trade agreement with the European Union (EU), which takes 70% of Morocco's exports, would be beneficial for the kingdom, but would require the Moroccan private sector to expand and become more competitive. Trade with the rest of the world should also be opened up.

Debt overhang is a burden

According to the World Bank the stock of external debt remained comparatively high, representing 68% of GDP while debt-service payments amounted to 33% of export earnings. This is despite the fall in the stock of debt since the 1980s. While foreign direct investment had grown in the past few years, access to private foreign borrowing remained limited and was expensive. The challenge was to attract higher volumes of direct investment and improve Morocco's external credit rating.



The World Bank concluded that, if its recommendations were fully implemented, Morocco could achieve annual GDP growth rates of around 7%. But it warned that further delay in structural adjustment, particularly with regard to public finance, would lead to the steady erosion of the country's assets, a growing dependence on climatic conditions, more unemployment and a inability to benefit from the new opportunities in the global market. Measures to be implemented to improve competitiveness with regard to the external environment included increased trade liberalisation and, perhaps most controversially, the realignment of the exchange rate.

The government will try to avoid a devaluation—

Previous governments have strongly resisted devaluation as a policy option, largely through fears of a surge in inflation. Although set according to a basket of currencies weighted by trade and services, the dirham's level is related most closely to the French franc, the largest single trading partner, and has thus in recent years been pulled up by Paris's *franc fort* policy. The devaluation of the currencies of Italy and Spain, Morocco's main export competitors in Europe, has undoubtedly contributed to the difficulties facing Moroccan industry in the past few years.

—but concurs with the other recommendations

A leaked confidential policy document produced by five ministers predicting a doomsday scenario for the economy if policies continued along present lines has alarmed international investors and irritated the government. The document concluded that by the year 2002 growth would average only 2.3% per year, the budget deficit would have reached 5% of GDP, unemployment would have risen to 27% and foreign reserves would have been frittered away on consumption.

The discussion on policy options was obviously based on the World Bank study but bore an alarmist preface speaking of "apocalypse by the year 2002". The government's annoyance appears to have stemmed largely from the sensationalist approach taken by the local weekly, *La Vie Economique*, which published substantial extracts sparking adverse publicity both at home and abroad. By contrast, similar leaks of the policy paper had appeared in a rival weekly, *L'Economiste*, some weeks earlier without occasioning much remark.

The document foresees deep budget cuts—

The group recommended a medium-term financial strategy to avoid such developments and instead raise GDP by 6% per year. The budget deficit would have to be cut from 3% of GDP to 1% by 2000, largely through retrenchment in the civil service, and the privatisation of many services now provided by the public sector. Civil servants' salaries would be frozen at existing levels for two years in order to reduce the payroll to 8% of GDP from the current 10%. Additional tax revenue would need to be raised as duties from external trade diminished under planned liberalisation under the GATT Uruguay Round and the reduction of overall indirect tax levels through the introduction of value-added tax.

—implying higher taxes and lower subsidies

The document suggested that all sources of taxation would have to be considered, even sensitive sectors such as farming and housing which are currently exempt. Other controversial suggestions included a recommendation that subsidies for water and electricity be phased out, with consumers paying a realistic price in order to cut wastage. The group also floated the idea that subsidies on consumer goods should be dismantled, price controls abolished, and that assistance to vulnerable groups be delivered through a widening of social security rather than via blanket subsidies, which were open to abuse.

External competitiveness needs to be sharpened

The leaked document added that measures would be needed to allow industrialists to take advantage of new markets opening up in the wake of global trade liberalisation. The lack of access to foreign currency by local banks has handicapped exporters, and should be remedied with a deepening of the interbank market and the introduction of new facilities such as currency hedging. Full dirham convertibility is proposed by 1997, but the thorny question of devaluation was not broached. Proposals to improve labour flexibility will meet resistance from the trade unions.

Finance minister defends the new policies

The finance minister, Mohamed Kabbaj, responded to the press article in an interview with the Paris-based journal, *Jeune Afrique*, at the end of September. He defended the decision to rewrite policy as being the prerogative of a new government, and confirmed (as was later reconfirmed by King Hassan) that the government was about to present an economic and social blueprint for the coming five years. However, he said that the ministerial document reprinted in the press was only one of many such policy papers, and that far more than five ministers were involved in drawing up policy. Nevertheless, it seems likely the new five-year plan will adopt most of the proposals foreshadowed by the working group. Mr Kabbaj estimated that debt service was equal to 37% of budgetary receipts and 35% of exports, and would continue to weigh heavily on the economy for the next three years, after which the burden would ease. He ruled out devaluation as a policy option, saying that the dirham's official value was very close to the parallel market rate, indicating that it was not overvalued.

The economy

GDP contracted by 6.5% in 1995—

The latest official estimate for GDP in 1995 is for a contraction of as much as 6.5%, because of the drought. This is higher than earlier projections of a fall of 4-5%. The EIU has revised its estimate to 7% (from 5%) as economic indicators looked gloomy.

—and the budget deficit widened

The finance minister, Mohamed Kabbaj, confirmed that the original 1995 budget deficit target of 2.5% of GDP would not be met, but expressed confidence that the new target, of 3%, would be observed. He said that current spending allocations (excluding spending on personnel) by individual ministries had been cut by 5% and warned that subventions to public enterprises would be cut. The drought, together with the delay in receipts from the European Union (EU) in respect of the fishing accord, had led to an unscheduled reduction in revenue in 1995, causing the government to borrow, exceptionally, from the Bank al-Maghrib (the central bank) to tide the Treasury over the difficult period. However, we judge that, in view of the severity of the drought, the 1995 deficit is likely to have been higher than 3%, possibly nearer to 5%.

Budget change will help planners

The proposal to change the timing of the budget year was endorsed by a referendum in September. In the future annual assumptions will be presented in June, instead of January, as under the previous system. This will help forward planning, allowing ministers to draw up the budget after the November-March rains, which are the principal determinants of GDP growth in this agriculture-dependent economy. It will also help shape public expectations more realistically. In recent drought years finance ministers have been embarrassed by unveiling optimistic growth targets in the January budget presentation, drawn up on the basis of assumptions made in October, only to have to backtrack a few months later when it became clear that the targets were unachievable because of the failure of the rains. However no specific date has been announced for implementing the new fiscal cycle.

Industrial output grew in 1994

Industrial growth averaged 6% in 1994 according to recently released figures. However, there was a disappointing 25% fall in investment, which declined to Dh8bn ($940m). Some 80% of industry is focused on food-processing, chemicals and chemicals-related activities. About 80% of industry is privately owned. The most rapidly expanding subsectors in 1994 were machine-making (22%), wood and related articles (11%), drink and tobacco (9%), food-processing (9%) and transport equipment (8%). Employment remained unchanged from the previous year at around 445,000 jobs, of which 80,000 are seasonal.

Privatisation bond planned—

Foreign banks are advising on a privatisation bond as a means of raising cash in advance of actual divestments. The banks are Banque Indosuez, Banque Nationale de Paris, Banque Paribas, Crédit commercial de France, First Boston, Morgan Stanley and Nomura. The bonds would be comparatively cheap to finance, paying interest at a lower rate than Treasury bills. The principal attraction for bond holders would be privileged access to privatisation issues.

—the development bank to be sold—

France's Lazard Frères has been mandated to sell the government's 40% stake in the Banque nationale pour le développement économique (BNDE); a stake of 25% will be privately placed. Potential takers include Union des banques arabes et françaises (UBAF) and Lyonnaise des crédits. A further 6% will be floated on the Casablanca stock exchange and the CDG will retain 9%. BNDE's profits in the first half of 1995 rose by 20% to Dh23.2m ($2.7m). Full-year profits in 1994 were Dh159m ($17m).

—and the divestment programme to be accelerated

In September the government announced that it would redouble its privatisation efforts in the final quarter of the year in a bid to reach its target of raising Dh3.5bn ($412m) during 1995, to bridge the budget gap. Renewed efforts are being made to find buyers for three major enterprises—the steel mill, Société nationale de sidérurgie (Sonasid), the oil refinery, Société marocaine de l'industrie et du raffinage (Samir) and the BNDE.

Privatisation receipts in the first three quarters of 1995 are estimated at only Dh1.5bn ($176m), of which almost two-thirds went to the Treasury, and the rest to the government-owned holding company, Caisse de dépôt et de gestion (CDG). Total receipts since the programme began in earnest in 1993 are put at Dh7.4bn ($820m). Foreign participation accounts for 35%. Switzerland is in front, at 10.5% of total privatisation receipts, largely by virtue of Holderbank's acquisition of state assets in a cement company, Ciments de l'Oriental. The UK is in second place, with 10.2%, followed by the USA (6.5%) and France (6.3%).

The steel mill and oil refinery are likely to be sold soon—

Sonasid is likely to be sold by direct negotiation, since tenders issued early in 1995 failed to attract interest. However, the government said it will not lower its minimum price of Dh918m ($108m). Samir is expected to be priced at around $800m, with oil majors Shell and Mobil likely buyers of a strategic stake. A portion of the shares could be sold on the stock exchange.

—while the telecoms sale is lined up for end-1996

The privatisation minister, Abderrahmane Saaidi, outlined plans for the privatisation of the telecommunications utility, Office nationale des postes et télécommunications (ONPT) by the end of 1996. The government is to sell a core stake of 25-50% to a strategic investor, and float additional shares on the stock exchange.

The disposal of hotels makes steady progress

As part of the programme to bring private capital into the hotel sector, three more state hotels have been put on the market. The Club N'Fis Hotel in Marrakesh is priced at Dh95m ($11m), the Hotel Ozoud in Beni Mallal at Dh20m ($2.3m) and Hotel le Zat in Ourzarzate is offered for Dh16m ($1.9m). Some 17 hotels have been sold since 1993, the latest of which was the Friouato hotel in Taza, to a local hotelier, Abdellatif Abouhafs, in October.

Agriculture, water and industry

Water levels are depleted—

Water levels in the country's reservoirs are severely depleted as a result of drought in three out of the last four years (1992, 1993 and 1995). Levels fell to 23% of capacity in October, compared with 34% a year earlier. Water rationing of 25-50% of normal volumes is in force in most of the irrigation zones, including the most important growing areas of Gharb, Doukkala and Baht.

France's Société des eaux de Marseilles is negotiating a contract to prepare a plan for water distribution in Tangier. The city was one of the hardest-hit by this year's drought, and was forced to ship water by tanker to meet urban and tourism needs.

—despite the recent floods following the drought

Unusually heavy rains disrupted the country in October for the third month running, causing flooding at Kénifra and Beni-Mellal in the Middle Atlas region and at Chichaou, 70 km west of Marrakesh. Marrakesh had its worst floods for 50 years in August, while the north-east was hit by storms in September.

New local car is launched

The sales launch of Morocco's new economy car began in October. The car is being produced by the state-owned car company, Société marocaine de constructions automobiles (Somaca), under an agreement signed last year with Italy's Fiat. The joint venture is expected to give a boost to the local industry and should reduce demand for imported vehicles. The car is available in a diesel or a petrol version. The price has been kept down to Dh70,000 ($8,200) or Dh63,000 ($7,400) through tax concessions (4th quarter, 1995, page 20). Production is targeted at 1,200 vehicles per month in the first year. At present most of the parts are imported, but the eventual aim is to produce at least 50% of parts locally. A distribution network is to be set up across the country, but sales are initially confined to Casablanca.

Tourism and infrastructure

Optimistic tourism strategy aims to raise revenue—

As tourism continued its downward trend, the government is urgently reviewing its tourism policy. The tourism minister, Alaoui M'Hamdi, outlined an ambitious programme aiming to raise gross receipts to $6bn (compared with $1.2bn in 1994) by the end of the century. Visitor numbers are targeted to reach between 3.5 million and 4 million (from 2.3 million) and beds to 150,000 (from 80,000). A special police force for tourism is to be set up to reduce harassment and improve security, and a national tourism awareness programme has begun. The authorities hope that the new investment code will revitalise the sector by attracting new investment from Europe, the Arab countries and America. Meanwhile, a Maghreb-wide strategy for tourism promotion is under study.

—reversing the three-year decline

Figures for the first half of 1995 show a sharp drop in overall visitor-numbers, which were down by 44% to 673,000. The border closure with Algeria in August 1994, which halted regional tourism and transit passenger movement, is an obvious factor behind the fall-off in numbers, but the continuing plunge in revenue indicates worsening difficulties in the key, higher-spending European market. Gross receipts fell by almost 20% in the first half of 1995 to Dh4.1bn ($478m) compared with Dh5.1bn in the same period of 1994.

Despite official optimism, the future remains clouded. Perceptions of regional insecurity have intensified in the wake of Algerian-based Islamist terrorist attacks in Paris. This has had repercussions for the Moroccan market, despite the fact that the Marrakesh hotel shooting in August 1994 now appears to have been an isolated incident. Price is another factor. A leading UK tour operator dropped Morocco from its schedule in September claiming that the country had become too expensive in the current price war being fought in the UK tourism industry.

A French public relations firm, Publicis, has fallen out with the Office national du tourism and terminated its two-year contract in September, three months early. The company's Europe-wide campaign promoting Morocco as a tourist destination was heavily criticised by local tourism industry officials as too up-market, and not commercially oriented. Publicis, on its part, says it is owed Dh40m in arrears.

As part of a programme to upgrade the quality of tourism, 67 hotels were delisted or downgraded in a recent blitz by the tourism ministry inspection team. However, tourism industry specialists are calling for continuous assessment of the country's hotels on a systematic basis, rather than sporadic checks as at present.

RAM cuts fares to boost traffic—

Linked to the tourism promotion initiative, Royal Air Maroc (RAM) aims to boost passenger traffic through discounting fares. From the end of October tariffs were lowered by up to 38%. The Paris-Casablanca fare was cut by one-quarter, to Dh3,690 ($430). A restructuring plan is being put in place under the new management of Mohamed Hassad, who took over as director-general in 1995. Ground-staff numbers are to be reduced by about 5%, and aircraft orders have been cut to six, from ten (4th quarter 1995, page 19).

—and aviation gets new investment

France's Thomson CSF is assisting the development of aircraft technology and aviation personnel training under a cooperation agreement with the Office national des aéroports (ONDA). The company is helping set up a civil aviation academy at Casablanca and a technology park at Casablanca's Mohamed V airport. The French government is providing financial backing.

The government is examining a proposal to set up an industrial park at Al-Massira airport near Agadir. The zone would specialise in aircraft-related industrial applications. Such spin-off investment would offset the airport's operating costs, which have been running above revenue in the past few years as a result of the downturn in tourism.

Motorway construction goes ahead

An Italian group has won a $75m contract to build one of the remaining sections of the Rabat-Fes motorway. Salini Costruttori and Italstrade will complete the 50-km stretch within two years. The consortium is also involved in construction of the first two sections of the Rabat-Tangier motorway, which will cover 150 km. The European Investment Bank and Arab funds are the main lending agencies. The existing motorway network consists of 100 km linking Rabat with Casablanca and a 40-km stretch between Rabat and Kénitra. New motorways connecting Rabat with Larache and Fes are expected to come into service during 1996.

Privatised bus company expands

A bus company, Compagnie de transports au Maroc-Lignes nationales (CTM-LN), one of the earliest companies to be privatised, is on course to double its profits in 1995 to Dh24m ($2.8m). Capital was increased by 23% to Dh123m to finance the acquisition of new buses.

Telecom projects are unveiled

The telecommunications sector is another candidate for privatisation (see Economic policy). In September the crown prince, Sidi Mohamed, inaugurated two telecommunications projects in a ceremony at Shoul, some 30 km east of Rabat. These were the extension of the Mohamed V satellite complex at a cost of $14m, and the launch of a national fibre-optics programme at an initial cost of $105m. The network is planned eventually to cover the whole country.

Energy and construction

Local gas network to be built

Tenders are to be invited for construction of a $200m gas pipeline and local distribution system as a spin-off from the Euro-Maghreb gas pipeline. This project, currently under construction, will take gas from Algeria to Europe via Morocco. It is expected to be operational by mid-1996. The government has yet to decide on volumes of gas to be used locally. New power stations being built will probably be gas-fired and existing plant could be converted. Industrial and household demand is also being assessed. Finance will be an important consideration for the award of the contract, with the government keen to involve private capital.

House-building will boost the construction sector

The local Tajtamaoui group is to build 3,000 new homes in Fes as part of the government's low-cost housing programme which aims to build 200,000 units. Construction will be carried out over four years. The apartments will be sold at a maximum price of Dh200,000 ($24,000). The project is financed through private equity and advance sales.

Banking and finance

Pessimism affects portfolio demand

Press speculation over the future of the economy dampened appetite for Moroccan securities. Framlington Maghreb, one of the first emerging-market specialists to set up an investment fund based on Morocco and Tunisia, noted a sharp fall-off in demand for Moroccan paper. The downturn followed alarmist reports in the local press that ministers were pessimistic about Morocco's ability to enforce the structural adjustment measures necessary to ensure sustainable growth up to the end of the century (see Economic policy).

GP Banque has set up a local subsidiary, Mediterranean Finance (Medifin), a local investment management service. Medifin is capitalised at Dh1m ($118,000), half of which was put up by local entrepreneur, Abdallah Slaoui.

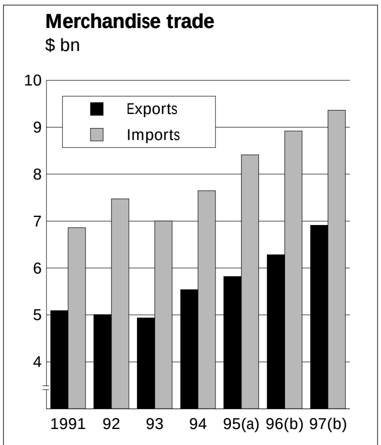
The insurance sector is restructured

The government has stepped in to prevent a further deterioration in the ailing insurance industry. Studies have uncovered difficulties in a number of firms, and the authorities fear that the problems could have an adverse impact on related financial sectors such as savings and investment, as well as the interlinked banking sector. In September the government abandoned its attempts to restructure five state insurance companies, and acted to put them into liquidation. The companies, which were already in temporary receivership, are Compagnie atlantique d'assurances et de réassurances, Arabia Insurance Company, Assurances la victoire, Assurances la renaissance and Réunion marocaine d'assurances et de réassurances (Rémar). Their combined losses are estimated at up to Dh5bn ($550m), mostly accumulated through payouts on car insurance, where the high accident rate had not been adequately reflected in premiums. Poor management, if not actual misappropriation, of insurance funds was another major factor behind the companies' collapse. Outstanding policies are to be transferred to the state finance company, Caisse de dépôt et de gestion (CDG). A new code has been drawn up for insurance companies establishing reserve requirements similar to those applying to the banking sector. Motor insurance rates were raised to 17.3% in September, from 10%.

Foreign trade and payments

The current-account deficit widened in 1994—

Recently released balance-of-payments statistics for 1994 confirm a substantial widening of the current-account deficit, which increased by 38% to $720m. Figures for previous years have been substantially revised; for example, 1993 merchandise imports were scaled up by almost $1bn to $7bn, and exports were also significantly raised, by over $1.2bn, to $4.9bn.



(a) Estimates. (b) Forecasts.
Source: EIU.

Reflecting record GDP growth in 1994, exports rose by a robust 12.2% to $5.5bn. Imports rose by 9.2%, as demand recovered following two years of drought in 1992 and 1993. However, the decline in tourism reduced service inflows, and the stagnation in workers' remittances from abroad kept inward transfers at $2.4bn. Direct investment and portfolio investment both expanded strongly, reflecting the privatisation programme and the rebound in the Casablanca stock exchange.

Balance of payments
($ m)

	1993	1994
Merchandise exports fob	4,936	5,541
Merchandise imports fob	–7,001	–7,648
Trade balance	–2,065	–2,107
Services		
Credit	2,050	2,014
Debit	–1,593	–1,730
Income		
Credit	224	224
Debit	–1,431	–1,394
Transfers		
Credit	2,361	2,355
Debit	–66	–83
Current-account balance	–521	–720
Direct investment net	468	577
Portfolio investment net	24	238
Other investment	480	396
Other capital	–3	–4
Net errors and omissions	–5	1
Overall balance	443	488

Source: IMF, *International Financial Statistics.*

—and again in 1995

In 1995 the severe drought is estimated to have caused a deterioration in the external payments position for the year as a whole. However this is not fully reflected in figures for the first seven months which show that the merchandise trade position actually improved while invisible earnings declined. EIU estimates suggest a widening of the gap in the final five months as the lagged effects of the drought pushed up food imports and curbed exports while invisibles earnings failed to improve during the rest of the year. At the same time, workers' remittances fell by 1.2% to Dh9.6bn ($1.1bn) in January-July, and tourism receipts fell by 16% to Dh5.3bn.

In the same period the trade deficit was reduced by 6% to Dh18.6bn. Total exports rose by 11% to Dh22.6bn and imports by 3%, to Dh41.3bn. Exports were buoyed by the continuing recovery in the phosphate sector, where sales increased by 12% to Dh5.9bn. Agricultural exports rose by 15%, but this is a knock-on effect from the 1994 record harvest, and cannot be sustained into the rest of 1995 in view of the drought. A 16% fall in demand for capital goods (to Dh9.5bn) and a 3% decline in energy purchases (to $5.9bn) kept import growth down to 3%, despite the escalation in food imports which grew by 19% to Dh5.7bn, a result of the drought. Cereal imports rose by 29%. International reserves declined by $800m during the first nine months of 1995 to $3.5bn as the drought took its toll.

EU fishing deadlock ends—

The six-month fishing dispute was finally ended in October when a compromise was reached with the European Union (EU) and a new four-year accord was agreed in principle. The pact will allow some 650 Spanish boats to resume fishing in Moroccan waters, from which they have been banned since April, when the previous accord expired. Rabat will be pleased with the new deal, which concedes a reduction in catches of 35-45% for cephalopod (mainly squid and octopus) and prawns, species which Morocco alleges are currently overfished. This represents a significant climb-down from the EU's offer of 25%, but is still below Morocco's demand for cuts of up to 65%. Rabat also won concessions over the proportion of landings to go to Moroccan ports. Technical details of the accord have yet to be finalised. Morocco can expect to receive around the same level of payment as under the previous three-year agreement, which brought in Ecu102m ($130m) per year.

—allowing new talks on an association agreement

The fishing agreement paved the way for the resumption of talks on a wide-ranging association accord which will govern trade and financial ties over the medium term, and is a key factor affecting Morocco's future development. Negotiations began in October, but broke off in November. Agreement was reached on access for traditional imports of vegetables and fruit, but an impasse developed when Brussels refused to raise its quota for cut flowers from 2,000 tons to 5,000 tons. Moroccan growers were disappointed by export quotas for tomatoes, which were set at 156,000 tons/year with an entry price of Ecu500 ($670) per ton, and for citrus fruit at 340,000 tons, at Ecu270 per ton.

Financial assistance continues to flow

In October the EU granted a loan of Ecu20m under the financial and technical cooperation protocol for southern Mediterranean countries. The funds are to be used for improving drinking water supplies in 14 small rural towns and there are plans for improvements in a further 48. In September USAID pledged $15.5m for a project to improve access to credit for small enterprises in commerce, handicrafts and microenterprises. The USA also gave $12m for a project to conserve the environment. It will focus on improving water management in agriculture, industry and for urban consumption. In the same month the Arab Fund for Economic and Social Development and the Kuwaiti Fund each granted $34m in project aid and drought relief. The money will be spent largely on rural roads, water, and port development at Tangier and Lasfar.

The World Bank has approved financing of $100m to support the emergency drought programme, the European Investment Bank (EIB) has pledged Ecu66.4m and Kuwait has given $34m. Of the EIB aid, some $20m will go towards a 50% capital increase in the Caisse nationale de crédit agricole, which provides finance for some 250,000 farmers. The emergency programme calls for the importation of 70,000 tons of wheat and barley seeds for next year's crop, 500,000 tons of animal feed over three years, and improvements in agricultural water supplies and the rehabilitation of rural roads.

USA finances grain imports

The US Department of Agriculture has increased its long-term credit facility by one-third to $140m for the financial year beginning October 1995. The funds will finance imports of $80m of wheat and $60m of animal feed grain. Repayment terms have been extended to seven years, from the usual four. Morocco used only $66.8m of its 1994/95 line.

Business news

New investment charter is approved

In October parliament approved new laws which are aimed at improving the business climate. Law 18-95 sets out a new investment charter. It seeks to encourage exports and employment, improve rules on competition, reduce the cost of investing, rationalise the consumption of energy and conserve the environment. The law aims to promote existing offshore financial zones, free zones and industrial entrepots. It covers all sectors with the exception of agriculture and handicrafts.

Specific provisions are:

- a reduction in taxes on imports of investment equipment and materials;
- reduction of profits tax;
- tax preferences for projects which boost regional development; and
- simplification of tax claim procedures.

More industrial zones are planned

More industrial zones are to be created as part of a World Bank-backed initiative to encourage manufacturing. Approval has been given for a zone at Chock-Hay Hassani. The first phase of a 107 ha park at Ould Saleh is under way. This will provide premises for some 80 investors, and could create up to 10,000 jobs. The second phase will see a tripling of capacity. Meanwhile, a technology park is to be launched at Nouaceur, providing work for 10,000-15,000 employees.

Appendix 1

Quarterly indicators of economic activity in Morocco

		1993		1994				1995			
		3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr
Mining production	Monthly av										
Index	1990=100	85.5	101.6	97.3	102.5	n/a	n/a	n/a	n/a	n/a	n/a
Iron ore	'000 tons	4.3	6.3	n/a	5.0	8.0	3.0	n/a	n/a	n/a	n/a
Lead ore[a]	"	5.9	6.0	6.2	6.2	6.2	6.0	6.1	5.8	5.6	5.6[b]
Phosphates	"	1,462	1,728	1,185	1,726	n/a	n/a	n/a	n/a	n/a	n/a
Prices											
Consumer prices:	1990=100	121.3	122.0	124.5	126.3	126.0	128.3	132.8	134.8	132.8[c]	n/a
change year on year	%	6.7	5.2	6.0	5.6	3.9	5.2	6.7	6.7	n/a	n/a
Phosphate rock	$/ton	33.0	33.0	33.0	33.0	33.0	33.0	35.0	35.0	35.0	35.0[b]
Money	End-Qtr										
M1, seasonally adj:	Dh bn	114.68	116.97	111.16	121.66	129.36	128.41	121.18	129.15	136.27[d]	n/a
change year on year	%	3.1	6.6	7.9	11.0	12.8	9.8	9.0	6.2	n/a	n/a
Foreign trade	Qtrly totals										
Exports fob	Dh m	5,400	7,511	9,447	9,538	8,440	10,847	9,017	9,982	3,647[e]	n/a
Imports cif	"	19,248	12,734	15,928	18,657	14,339	17,039	17,188	17,700	6,445[e]	n/a
Exchange holdings	End-Qtr										
Bank of Morocco:											
gold[f]	$ m	198	198	203	201	204	203	200	205	203	n/a
foreign exchange	"	3,429	3,579	3,628	3,941	4,126	4,281	4,081	3,849	3,464	n/a
Exchange rate											
Market rate	Dh:$	9.28	9.65	9.40	9.10	8.87	8.96	8.39	8.36	8.45	8.44[g]

Note. Annual figures of most of the series shown above will be found in the Country Profile.
[a] Content of concentrates. [b] October only. [c] Average for July-August. [d] End-August. [e] July only. [f] End-quarter holdings at quarter's average of London daily price less 25%. [g] End-October.

Appendix 2

Foreign trade of Morocco

($ m; monthly averages)

	Total exports[a]		France[b]	
	Jan-Sep 1993	Jan-Sep 1994	Jan-Dec 1993	Jan-Dec 1994
Imports from Morocco cif				
Food, beverages & tobacco	69.8	81.3	32.6	35.1
of which:				
fish & products	38.1	43.1	3.9	3.6
fruit, vegetables & products	28.6	33.5	27.8	30.0
Pulp	1.6	4.2	0.5	0.6
Phosphates	17.6	21.4	0.9	1.0
Metal ores & scrap	7.2	9.8	1.0	1.7
Mineral fuels	8.7	5.5	4.1	2.4
Chemicals	56.8[c]	65.7[c]	9.3	9.4
Textile yarn, fabrics & manufactures	10.6	10.0	2.9	3.8
Machinery incl electric	11.5	11.0	18.1	21.0
Clothing & footwear	68.8	63.9	88.0	93.4
Total incl others	285.2	310.0	167.5	179.4
Exports to Morocco fob				
Food, beverages & tobacco	78.8	65.3	10.1	10.5
of which:				
cereals	40.3	21.4	7.1	6.5
coffee, tea, spices	6.5	9.6	0.2	0.2
Textile fibres & waste	10.8	14.0	0.4	0.7
Sulphur	7.8	8.5	0.2	0.3
Mineral fuels	80.9	90.0	2.6	2.0
Chemicals	55.5	66.6	18.0	19.0
Textile yarn, fabrics & manufactures	18.0	19.7	31.6	33.8
Iron & steel	24.4	35.2	4.1	5.1
Machinery incl electric	132.8	125.6	63.2	50.7
Transport equipment	33.9	46.8	12.5	24.8
Total incl others	542.6	584.1	176.0	182.1

[a] Addition of items listed from Morocco trade summary; exports fob; imports cif. [b] Figures from French trade accounts. [c] Including crude fertilisers.

Appendix 3

Trade with main trading partners[a]

($ m; monthly averages)

	Jan-Dec 1991	Jan-Dec 1992	Jan-Dec 1993	Jan-Dec 1994	Jan-Jun 1994	Jan-Jun 1995
Imports from Morocco cif						
France	161.5	165.9	160.3	177.8	180.3	222.5
Germany	48.4	48.5	45.5	46.5	46.9	60.2
Japan	25.1	20.8	22.1	23.9	19.6	34.6
UK	14.0	18.0	22.8	25.6	26.7	34.2
Italy	28.7	30.8	23.8	30.7	28.4	31.6
Spain	35.4	39.1	35.3	42.4	36.6	30.6[b]
USA (fob)	12.6	14.8	15.4	16.0	15.1	18.9
Belgium-Luxembourg	17.9	15.8	11.1	15.2	13.9	16.0[b]
Exports to Morocco fob						
France	162.3	177.4	167.7	180.0	201.0	217.8
Spain	51.4	58.1	60.6	57.1	54.5	67.5[b]
Germany	50.2	56.6	52.6	63.6	62.2	60.2
Italy	43.0	45.8	41.0	49.3	49.1	50.4
USA (fas)	33.6	41.1	50.2	33.8	40.5	41.8
UK	22.4	18.0	21.0	24.7	24.2	30.0
Netherlands	13.2	13.8	15.5	16.0	15.6	18.4[c]
Belgium-Luxembourg	19.8	18.6	15.4	17.1	17.6	16.5[b]

[a] Figures from partners' trading accounts. [b] Estimate for January-April. [c] January-March.

