

Moroccan recovery underway

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- Morocco is set for economic recovery this year. Positive agricultural output, the easing of travel restrictions, a sustained increase in remittances and a diversified economy will all cushion the revenue loss caused by the COVID-19 pandemic.
- The country's focus on Africa (specifically West Africa) is a critical part of its strategy to expand its export markets regionally.
- Its 'Industrial Acceleration Plan (IAP) 2014-2020' is surpassing expectations; among others, the automotive industry is driving increased FDI and export sales.

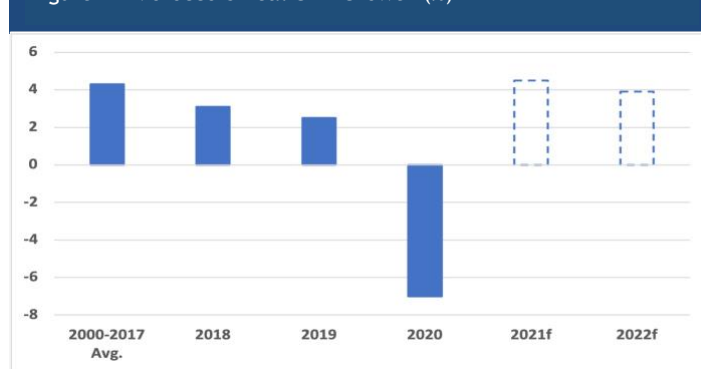
An injection of hope

Following a 7% contraction in 2020, Morocco's real GDP is set to grow by 4.5% according to IMF forecasts. However, Morocco's economic recovery hinges on a number of factors.

- These include a successful and prompt vaccine rollout on par with many developed economies, as well as the easing of international travel restrictions as part of 'Operation Marhaba 2021'. Agricultural output is also a key factor.
- Morocco's reliance on agricultural output means its recovery will be hugely impacted by changes in the climate. Rabat therefore needs to develop stronger growth through services and manufacturing exports.
- Morocco's agricultural output reached record levels this season.
- Grain production reached a peak of 9B kilograms, a 55% increase YoY.
- In relative terms compared with the rest of Africa, Morocco has been an efficient inoculator throughout the COVID-19 pandemic.
- So far the country has vaccinated 30.47% of its population, making it the African continent's leader. The next country up is Tunisia, with 12.01%.
 - These figures have helped Morocco in its economic recovery, allowing the opening of borders to international travellers as part of Operation Marhaba 2021, an initiative designed to encourage Moroccans living overseas to travel to Morocco during the summer.
 - Crucially, this has resulted in increased air traffic, more hotel reservations and a general inflow of hard currencies.
- In 2013, Morocco launched IAP 2014-2020¹ to increase its manufacturing output as a share of GDP. Rabat was aiming for an increase of 14-23% of GDP.
- The plan has succeeded in increasing FDI inflow in the automotive sector, creating more jobs than predicted and diversifying the Moroccan export portfolio.
- As of 2021, Morocco has achieved a production capacity of 700,000 cars annually. This has

¹ The plan was launched in 2014 by the Minister of Industry with the intention to develop industrial sectors such as aeronautics, car industry and offshoring.

Figure 1 - Morocco's Real GDP Growth (%)²



generated roughly 160,000 jobs, largely surpassing IAP objectives.

- The majority of jobs were created in the automobile industry (28.8%), followed by textiles (19.6%), offshoring (17%), agriculture (15.6%), metals and mechanics (5%), and, to a lesser extent, the construction and aeronautic sectors.
- Morocco's proximity to European supply chains and the growing importance of the Tanger-Med Port facility along international maritime freight routes will increase FDI inflow into Moroccan automotive and aeronautic industries, further cementing diversification and helping the country to stand out regionally.
- Local integration of the aeronautic industry has surpassed the anticipated growth level of 35% to reach 38%, further underscoring the sector's strength. Despite the sector having been hit hard by slower demand due to the pandemic, it should return to pre-pandemic levels once the virus is under control.

As part of its recovery, Morocco depends on a larger volume of exported goods and services to the African continent, specifically countries in the Economic Community of West African States (ECOWAS).

- This strategy is underpinned not only by an increase in exported goods, but also by a future vaccine manufacturing initiative. This forms part of a deal signed with the Chinese vaccine company 'Sinopharm'.
- Morocco has adopted a Sub-Saharan African (SSA) policy since the early 2000's. It wants to increase the number of markets for its exports in light of the slow growth of Eurozone countries and their demand (or lack thereof) for its products.
- Morocco's ambitions regarding Sub-Saharan expansion are showcased through its high levels of FDI inflows across the continent. As such, Morocco is the first FDI investor in West Africa, and the second in Africa as a whole. Investment on the continent surged from USD 907M in 2007 to USD 5.4B in 2019.
- Morocco's trade balance with ECOWAS is among its only net positive balances.
- Exports to the continent as a whole totalled USD 21.6B in 2019, a threefold increase compared to 2009 levels.
- Despite this growth, SSA constitutes a small share of Morocco's export total, both in terms of volume and value (5.43% in 2019). Yet although the trend looks

² Arabia Monitor; IMF.

rosy, Morocco needs to settle all issues regarding ECOWAS membership (as well as its stalling tariff deals) to increase exports to the region.

- Morocco has signed a deal with Sinopharm to start manufacturing vaccines locally for wider African distribution, further cementing the country's role as a regional player on the continent. Manufacturing is planned for early 2022.
- The ability to produce and distribute vaccines across the continent will increase Morocco's soft power and

regional economic clout, further solidifying its geopolitical leverage. Indeed, more regional countries are likely to support Rabat vis-a-vis the Western Sahara issue as a result of this influence, while more favourable conditions are likely to be created for Morocco's export market.

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