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The influence of the financial crisis on the Moroccan economy

Fatima zahra DIDAST, *(PhD in management science)*
Laboratory of Research in Management of Organisations (LAREMO) Higher School of Technology,
Faculty of Legal, Economic and Social Sciences Ain-chock
Hassan II University of Casablanca, Morocco

Omar BOUSSTTA, *(PhD in management sciences)*
Laboratory of Research in Management of Organisations (LAREMO) Higher School of Technology,
Faculty of Legal, Economic and Social Sciences Ain-chock
Hassan II University of Casablanca, Morocco

Correspondence address :	Higher School of Technology, Faculty of Legal, Economic and Social Sciences Ain-chock, Maroc,
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Abstract:

Overall GDP growth in Morocco slowed from 5.8% in 2008 to 1.5% in 2009, and then picked up slightly to 3.2% in 2010. However, the pace of recovery remains weak. Real GDP growth was just over 3% in both 2011 and 2012 and is expected to remain around the same level in 2013. The pace of growth has been especially slow in the non-agricultural sector where GDP declined by 1.9% in 2009. By sector, the contraction was primarily driven by reductions in investment in construction and a slowdown in activity in the service sector. As a result, employment in the non-agricultural sector fell by over 1 million during the financial crisis period, while unemployment increased from 7.6 in 2008 to 11.2% in 2010 and has remained above 10% since then. Meanwhile, Morocco's economy has suffered from many structural weaknesses that have held back its long-term development. These include a heavily statist industrial policy and a lack of financial sector reforms. Corruption has also taken a heavy toll on the economy, with the average household paying an estimated $650 per year in bribes. The country also continues to face significant challenges in addressing unemployment and social inequality, which are likely to continue to constrain economic growth in the years to come. In this article, we have tried to assess and examine the financial crisis and the economy at the national level through statistics. This paper aims to discuss the influence of the financial crisis on the Moroccan economy to stimulate knowledge development in the economic sector. It is based on an overview of the relevant literature on financial problems and their impact on the Moroccan economy with a perspective vision.
The recommended research areas aim to advance the knowledge base to help the Moroccan economic sector recover from the COVID-19 pandemic and the financial crisis, by proposing recommendations and ways of improvement to reverse the harmful effects of the crisis. The proposed research areas should provide actionable information to promote the development and sustainability of the economic sector.

Keywords: Economy, Financial Crisis, Pandemic, Economic Growth, Crisis, Brexit, GPD, COVID-19
JEL Classification: G01
Paper type: Theoretical Research

1. Introduction

The financial crisis emerged in the autumn of 2007 in the United States of America. The triggering of this crisis is largely attributed to the proliferation of subprime mortgages, granted by American banks to a low-income clientele, and at variable interest rates, which reached 1% in June 2003. These loans became widespread in the wake of the strong growth of the US housing market in the period 2001-2006. It quickly invaded the international financial markets. This certainly harmed the real economy of all the world's economies. There has been a sharp decline in demand and thousands of jobs have been lost. In emerging countries, this economic crisis has jeopardized the Millennium Development Goals (MDG).

Indeed, we cannot in any way exclude the Moroccan economy from this contamination. And when we talk about the real economy, we mean the company, which is the main actor in any economy. This disaster has caused a climate of distrust for investment and exploitation. In this perspective, an economic statement is needed. An analysis of the transmission of the global financial crisis to Morocco allows us to show that the crisis is affecting the national economy and to question the conditions for reviving a climate of confidence for the real Moroccan economy.

Morocco has a strong comparative advantage in agricultural commodities and has an active trading relationship with countries in the eurozone, its main export market. Nevertheless, the country is highly dependent on imports for energy and raw materials as well as consumer goods and has been significantly affected by the rise in international commodity prices since 2008. Morocco is heavily dependent on foreign debt to finance its current account deficit, which currently stands at more than 8% of GDP. As a result, the government is likely to experience increasing difficulties in financing its budget deficit as oil prices rise in the coming years. Addressing these problems will be critical if the country is to achieve sustainable economic growth and overcome its reliance on foreign aid and foreign assistance.

Morocco’s economy experienced a period of strong growth before the outbreak of the global financial crisis in 2008. However, this progress came to a halt following a sharp deterioration in the global economy and the imposition of harsh fiscal austerity measures by several developed countries in the wake of the crisis.

The collapse in global commodity prices further compounded the effects of the recession on the Moroccan economy, resulting in a rapid contraction in real GDP of 3.9%, in 2009 and a further 0.5% decline in 2010. The economy contracted by a further 1.4% in 2011 due to continued stagnation in Europe, weak global demand, and a slowdown in the tourism sector due to the unrest in the Arab region. 2012 saw a modest recovery in real GDP of 1.7% after real GDP growth of 2.6% in 2011. Despite the modest improvement in economic activity during the past two years, the poverty rate remains high at 30% and the unemployment rate has risen to 15%. To address these challenges, the government has introduced many reform measures aimed at strengthening its macro-fiscal framework and promoting economic growth. The adoption of the new structural and growth pact is helping to reduce the budget deficit from 6.2% of GDP in 2013 to 4.7% of GDP in 2014. Further efforts are underway to improve the ease of doing business in the country to attract foreign investment and create jobs. Therefore, this paper appears to be a pioneering study, critically examining the possible effects of the COVID-19 pandemic and particularly the financial crisis on economic practices in the Moroccan field, and how the business sector can respond to such challenges to recover from the crisis.

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2. Origins of the financial crisis:

2.1. The concept of "crisis:

Etymologically, crisis means "decision", or "judgment" between two possible options. It is a term that comes to us from the medical field, and it designates a sudden or abrupt change from a state of equilibrium to another state of disruption, of deep-seated disorders, or a disorder of the systems.
The term "financial crisis" covers a variety of situations in which financial institutions suddenly lose wealth or value. The term financial crisis can also be used to describe situations where stock markets crash and other financial, monetary, and real estate bubbles burst.

2.2. Consequences of the crisis:

The main consequence was the globalization of the US financial market crisis, which manifested itself in securitization. Indeed, several international financial centers have been affected by the financial disaster triggered in the USA. Securitization certainly has advantages for the investor, the bank, and the economy in general. For the bank, this securitization system allows for risk pooling[1] . For the investor, if he buys these securities, he can expect a good risk/return ratio on the said securities.
The world's financial markets were and still are volatile, under this disaster several banks have filed for bankruptcy. And small savers fear for their assets. Indeed, in addition to the losses already recorded, which in October 2008 amounted to 500 billion dollars, as well as the foreseeable losses, given the IMF's recent forecasts of total losses of 1.4 trillion dollars. The lack of trust among the world's largest banks has left the IMF severely hamstrung, leading to a sharp rise in short-term interest rates. The propaganda fever has dried up liquidity internationally. Due to the lack of liquidity, some banks were suffocated as early as 2007. The formation of global liquidity through the recycling of central banks in emerging countries disrupted the monetary control of developed countries. The spread of financial risks through the new business model of banks, which consists of selling credits, has hit the heart of international investment banks. Indeed, on the international markets, from Tokyo to Zurich via London, the creditor banks of Lehman Brothers all suffered the full force of their bankruptcy: AXA, for example, calculated its losses at 300 million euros and the Chinese banks at 517 million euros.
Given the crisis, banks no longer trust each other and the interbank market is seizing up. As a result, some credit institutions have seen their stock market value fall in a few weeks. For example, AIG (number 1 in insurance) lost 45% of its value in one week and 79% over one year. Lehman Brothers, Wall Street's fourth largest investment bank, lost 45% of its value in a single day and 94% over a year. Not since the Great Depression have such steep falls been seen. These developments led to a widespread crisis of confidence in the international financial system and the emergence of a liquidity crisis accompanied by a sharp decline in major international stock markets.

2.3. What is meant by "economic crisis"?

Contamination occurs when the financial crisis spreads from the financial sector to the real sphere. The real sphere includes all the activities involved in the production and distribution of goods and services, the exchange of production factors, etc. And when such a phenomenon

[1] The advantage for the bank is that it does not have to carry the loans. It takes them off its balance sheet. It does not have to build up a capital reserve in case of repayment difficulties (prudent rules concerning equity), and can more easily grant new loans.

occurs, we are in a panic or economic crisis. An economic crisis[2] is a sudden turnaround in the economic situation resulting in an excess of supply immediately followed by a contraction in economic activity. An economic crisis can also be said to be a sudden deterioration in the economic situation of a country or an economic area, resulting from a mismatch between production and consumption. It is reflected in a sharp rise in unemployment, a fall in the gross domestic product (GDP), an increase in the number of bankruptcies, a fall in purchasing power, etc. The economic crisis that we are currently dreading is much more serious in its consequences since it can affect all economic players, households, consumers, companies, and public administrations, and not just savers, lenders, and borrowers. An economic crisis usually results in a drop in purchasing power, rising unemployment, and bankruptcies due to a decline in economic activity (recession or even depression). Fortunately, they are less numerous than financial crises, but their consequences are more severe and particularly on the most fragile economic actors.

3. The financial crisis and economy in Morocco:

3.1. Morocco's situation concerning the crises:

According to the 2008 IMF report, "the Moroccan banking system was stable, well capitalized, profitable and resilient to shocks". However, the Moroccan economy has not been completely free of certain factors of fragility that could affect its development process. Indeed, some syndromes of the global financial crisis are well revealed at the level of the real sphere[3].

This is particularly true of trade[4] , the tourism sector, foreign direct investment (FDI), and transfers from Moroccans living abroad (MRE). Moreover, under the effect of the slowdown of activity and consumption in the main partner economies, a fall in foreign demand addressed to Morocco was noted. A heavy regression of 46.6% was recorded for mining activities, due to the fall in phosphate exports. Also, the textile - clothing, leather - footwear industries have recorded sharp drops, even the bankruptcy of some units in the majority of the country's industrial zones.

Global shocks and drought have slowed the Moroccan economy this year, but growth is expected to resume in 2023, albeit in a highly uncertain international environment. The continuation of prudent macroeconomic policies will remain essential for the resilience of the Moroccan economy. The 2023 budget has taken care to balance the rebuilding of fiscal space, mitigating the social and economic impact of recent shocks, and financing structural reforms. Containing inflationary pressures may require further normalization of monetary policy conditions.

Given the high level of uncertainty and the tightening of macroeconomic policies, it is essential to accelerate the implementation of structural reforms, including those aimed at extending social protection to all Moroccans, stimulating private sector investment, and addressing the challenges posed by climate change, according to Washington DC An International Monetary Fund (IMF) staff team led by Roberto Cardarelli held discussions with the Moroccan authorities as part of the 2022 Article IV consultation from 24 October to 4 November.

At the end of the visit, Cardarelli said:

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[2] *The most severe economic crisis in modern history, at the global level, was the 1929 crisis. A recession is a mild form of economic crisis, while a depression is a deeper form.*

[3] *For Morocco, we can identify four channels of contamination of the real sphere: trade, tourism receipts, transfers from MREs and FDI.*

[4] *The most affected sectors are: textiles, leather, automotive subcontracting, tourism and, recently, electronics.*

"*The Moroccan economy experienced a confluence of negative shocks in 2022 that dampened the rapid rebound from the pandemic. Drought negatively affected agricultural production, while terms-of-trade shocks related to Russia's invasion of Ukraine further fuelled inflation and reduced purchasing power. The recovery of the tourism sector, resilient remittances and exports partially offset these negative shocks. GDP growth is expected to be around 1¼% in 2022 and the current account deficit is projected to widen to around 4¼% of GDP. Assuming a gradual improvement in external conditions and an average agricultural season, growth is expected to accelerate to about 3% next year and the current account deficit is projected to narrow to about 3½% of GDP, but there are significant uncertainties surrounding this outlook.*

"Although caused by global supply and commodity price shocks, inflationary pressures have become more widespread during this year. As a result, Bank Al-Maghrib appropriately tightened its monetary policy in September. While we expected inflation to start falling next year, driven by the expected decline in global commodity prices, ensuring a return of inflation to close to 2% by 2024 may require further increases in policy rates to further anchor inflation expectations.

"We welcome the Moroccan government's decision to publish its three-year budget program as part of the 2023 draft finance law, which provides for a continued reduction in the budget deficit towards pre-health crisis levels. The 2023 Finance Bill also rightly focuses on mitigating the impact of recent shocks and financing much-needed reforms in the social protection, health, and education systems. Changes to corporate and personal income taxes aim to reduce the tax burden on small and medium-sized enterprises and employees while increasing the overall progressivity of the tax system and broadening its base. The announced reforms of the VAT, the civil service and the public enterprises' sector, the further strengthening of tax administration and the rationalization of expenditure, as well as the improved targeting of compensation through the introduction of the unified social register, are expected to create more fiscal space and allow for a faster reduction of public debt in the medium term. Strengthening the resilience of the Moroccan economy, in a context of limited fiscal and monetary space and exceptional uncertainty, calls for accelerating the implementation of structural reforms. Significant progress has been made in extending social protection, although a large proportion of the self-employed has not yet joined the new contributory health care and pension system. Far-reaching reforms of the health and education systems should improve access, efficiency, and quality of services. Recent measures to reform public enterprises, as well as the operationalization of the Mohammed VI Fund and the implementation of the new Investment Charter, should help stimulate private investment. Progress in liberalizing the electricity market should accelerate the transition to renewable energy, while much remains to be done to address the scarcity of water resources."

According to cardialli as he said previously, moreover, investing in sustainable tourism infrastructure and eco-tourism can also be a way to support environmental conservation efforts, as well as to promote cultural exchange and understanding between different countries and peoples. And also recent measures could be the key to unlocking the full potential of the tourism industry in developing countries. prioritizing sustainable practices and investing in the development of local communities, will help to develop the Morrocan economic sector.

Over the past few years, economic diversification efforts have been paying off with stronger growth in both the non-oil and the oil sectors, as well as higher investment in key infrastructure and social spending programs. Real GDP growth is expected to increase steadily over the next few years driven by healthy domestic demand and improved export competitiveness. However, rising domestic food prices are likely to pose a significant risk to inflation in the coming years. The strong growth in the agricultural sector over the past few years has contributed to rising consumer prices, which is pushing up household disposable incomes and helping to boost consumer confidence. Food imports have increased rapidly in recent years due to a rise in domestic demand for food and beverages and increased import tariffs, which has resulted in a widening trade deficit.

Given these dynamics, policymakers need to continue to implement structural reforms aimed at boosting productivity and encouraging private investment.

The Moroccan economy has experienced a strong recovery in 2021, but Morocco is again being impacted by a series of negative shocks. The start of the agricultural season has been exceptionally dry and a poor cereal harvest is expected in 2022. This coincides with a slowdown in the global economy and a rise in international commodity prices, unfavorable trends that have intensified sharply with the war in Ukraine.

The ongoing shocks are affecting the fiscal and external balances. Public sector subsidies and various ad hoc emergency measures were adopted to mitigate the impact of the shocks. As a result, the fiscal deficit is rising, although Morocco still has better fiscal indicators than most emerging and developing economies.

Morocco is beginning to face intense inflationary pressures, but somewhat more moderate than in other countries. Despite the cushioning effect of price subsidies, annual inflation reached 5.9% in April 2022. With the combination of drought and economic slowdown, these price pressures have significant social impacts on the poor and vulnerable.

Recent droughts have been a stark reminder of the Moroccan economy's exposure to rainfall shocks. Large swings in rainfall levels helped amplify the 2020 recession and 2021 recovery and will again slow growth in 2022.

In the same context, Mrs. faouzia zaaboul director of treasury and external finance clarified in an activity report of the ministry of economy and finance, that after the severe recession in 2020, following the pandemic, the year 2021 was marked by a spectacular rebound in growth (+7.9%), despite the persistence of the aftermath of the crisis.

This performance testifies, first of all, to the relevance of the strategy of the response of the Kingdom of Morocco to the crisis. Indeed, in addition to its stabilizing effects on the social level, this strategy has succeeded in preserving the automatisms of our economy and strengthening its resilience, thus favoring a normal recovery of activity, as the health restrictions are as the health restrictions were gradually lifted.

This windfall was also supported by the positive effects of the plan, as well as by the exceptional agricultural campaign, following the occurrence of favorable weather conditions. Finally, and this is an important lesson that deserves, as she clarified, to be highlighted, this economic rebound has benefited from the improvement of foreign demand addressed to Morocco, in the wake of the recovery of the world economy, testifying to the relatively satisfactory anchoring of our economy to the rest of the world.

However, the year 2021 has also borne the heavy burden paid by public finances in 2020, which was marked by a budget deficit of -7.1% of GDP and a debt ratio of 72%, was. Thus, the Treasury and External Finance Department (DTFE) was confronted with the issue of the question of the trajectory of recovery of macroeconomic balances and, above all, the pace of especially the pace of this recovery.

Defining the pace at which the budget deficit and debt ratio can be reduced to acceptable levels without jeopardizing the momentum of the economic recovery has proved to be a particularly delicate exercise. According to her, the other major issue we faced in 2021 was the risk to financial stability, in a context where both the crisis response and recovery strategies relied heavily on the guarantees provided by Tamwilcom, based on significant budgetary allocations. Finally, it was necessary to reflect on the appropriate structures that would ensure adequate financing for the transformative choices made in the post-crisis recovery plan.

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In this context, a significant part of the DTFE's activity was focused on studies, to better analysis of these problems and to better guide the decisions of the public authorities to meet the related challenges.
As it has clarified once again, This is why we have established a path for the recovery of macroeconomic balances over five years, making it possible to reconcile the objective of recovery and the implementation of the medium-term reform package with the need to consolidate these balances to preserve the confidentiality of the national and international financial community in our economy.

3.2. Sanitary crisis:

On 2 March 2020, the first case of coronavirus 19 (Covid-19) was reported in Morocco. Throughout the following months, the Moroccan state was faced with a triple health, social and economic crisis. In the process, the management of the fight against the pandemic identified a fourth crisis, a political one this time: that of the role of the head of government and the parties that tried in vain to exist throughout the year.
In Morocco, the public health system has been suffering from a lack of human, infrastructural, and financial resources for years. The importance of the agricultural sector is also well known, while the drought at the beginning of 2020 is a reminder of the limited impact of the Green Morocco Plan on subsistence agriculture, (M.Bajeddi). This choice of extraversion of outlets, which also affects the industrial and manufacturing sectors, weighs on the results of a Moroccan economy that has entered a recession. As a result, the resilience of the Moroccan political regime was once again put to the test. To keep the situation under control and avoid possible discontent and unrest, a series of multisectoral measures were taken with speed creation of a special pandemic management fund, mobilization of the Royal Armed Forces (FAR) personnel and health infrastructures, re-launching of certain industrial production units for the manufacture of masks, setting up of a population containment system, drafting of rectifying finance law, etc. Beyond the chronological presentation of these measures, the management of the pandemic is part of the governmentality of the "Executive and Citizen Monarchy" regime put in place by Mohammed VI for over two decades now.[5]
This is characterized by a dirigiste, technocratic, and security-oriented conception of the governance of the Moroccan state (Desrues, 2007; Garcia de Paredes and Tomé-Alonso, 2019). The complexity of the ways of doing things draws its logic from historical registers of governance expressed through the imperial register or in its contemporary adjustments inspired by the nation-state and the international norms disseminated by donors and other European and American allies (Hibou and Tozy 2020). This does not mean that the king wishes to establish a regime without political parties. On the contrary, multipartyism is enshrined in the constitution, but within the framework of limited pluralism, a feature that, since the work of Juan Linz, has characterized authoritarian regimes (Linz, 1975). It is out of the question that the parties can participate in the exercise of power without first agreeing to be at the service of the two fundamental political institutions of the country: the Monarchy and the Commandery of the Faithful. Political parties cannot debate the royal orientations that determine public policy choices and their role is reduced to the selection of elites. Supposed to be the most competent and to represent the diversity of ideological sensibilities and interests present in Moroccan society, these elites are dominated by the profile of the notable who combines land ownership, business, and secondary or even higher education. The expression of the conflictual dimension specific to representative institutions is annihilated by the game of consensus (El-Mossadeq, 1995), competed with by consultative bodies

[5] Foucault's (2004) concept of 'governmentality' refers to a set of power relations, a form of 'conduct of conduct', 'techniques and procedures designed to direct the conduct of men'. This set articulates governmental rationalities and forms regimes of governance or 'governmentality'.

(Fernández Molina, 2011) and biased by the confinement of the government to the role of executing monarchical policy (Desrues, 2019) and that of the Parliament to the recording of laws that have passed through the Palace filter.

- **The creation of the Covid-19 Special Fund: a financial cushion to cushion the loss of income of the precarious population:**

By creating the Special Management Fund for the Coronavirus Pandemic (covid-19 Fund) as soon as the first cases of infection appeared on Moroccan territory, Mohammed VI proved that he was aware of the consequences that measure to control the pandemic would have on the socio-economic situation of Moroccans, a significant proportion of whom are already vulnerable in a normal situation[6]. For the monarchy, it is primarily a question of mitigating the risks of demonstrations of popular discontent, or even a social explosion[7].
Funded by donations from public institutions and companies (approximately 29 billion dirhams) and private companies (4 billion dirhams), the "Covid-19 Fund" has been operational since April 8. It consists of financial assistance to 800,000 employees affiliated with the National Social Security Fund (CNSS) who have been declared inactive due to the compulsory confinement by the company that employs them[8], 2.3 million people benefiting from the Basic Medical Insurance Scheme (Ramed) are also concerned after having made their declarations by SMS to a special number. Financial assistance is also provided for more than 2 million heads of households operating in the informal sector who are not registered with Ramed[9]. They must submit a form and a series of documents either to the local authorities closest to their place of residence or on the website www.tadamoncovid.ma managed by the Ministry of Economy and Finance.
The Moroccan government has managed to mobilize in record time a substantial amount of money to mitigate some of the social and economic costs of confining the majority of the population[10]. This ability to raise funds and mobilize the country's main economic actors contrasts with the dysfunctions and delays that have characterized the policies and major projects initiated by the king in recent years. These setbacks have incurred royal wrath on several occasions to the point of leading political and administrative officials being dismissed (Desrues, 2019).

- **Two new areas of reign: economic recovery and the generalization of social protection:**

In his Throne Speech on July 29, the King showed that he had learned the lessons of the health crisis and its repercussions on households and the national economy. To face the effects of the health crisis, which has also become an economic and social crisis, he ordered the launch of an economic recovery plan of 120 billion dirhams through the creation of a "Strategic Investment Fund" whose mission is to support "the production, support, and financing of major public-private investment projects in a variety of areas. The implementation of the economic recovery plan will also be accompanied by "a profound

[6] In 2014, 45.1 percent of the population reported being poor (subjective poverty). This rate rises to 54.3% in rural areas. During the same 2004-2014 decade, the already low employment rate fell from 46% to 42.8%. In addition, the proportion of adults who are moderately or severely food insecure (26%) is higher than the poverty rate. Thus, the share of economically vulnerable people is 12.5 percent at the national level, or 4.2 million people in 2014. Cf. the World Bank report "Poverty and Shared Prosperity in Morocco in the Third Millennium.

[7] A survey conducted by the High Commission for Planning (HCP) to identify the impact of the coronavirus on the economic, social and psychological situation of households revealed that 34% of households were left without any income because of the pandemic. Nearly half of these households were already in poverty (44%). See "Coronavirus: 34% of Moroccan households left without income".

[8] Cf. "Morocco: More than 5 million families have benefited from the Special Fund

[9] "Morocco: Opening of aid for informal workers not registered with Ramed

reform of the public sector" through the establishment of a "National Agency whose mission will be to ensure the strategic management of state holdings and monitor the performance of public institutions. Finally, the King announced that the time had come to launch, from January 2021 and over the next five years, the process of generalizing social coverage for the benefit of all Moroccans - compulsory health insurance (AMO), family allowances, retirement and compensation for loss of employment. This generalization of social coverage aims to "become an essential lever for the integration of the informal sector into the national economic fabric. The government has thus been given a roadmap that will serve as its social policy program for the next five years.
If the King acknowledged in his speech that the fight against the pandemic has required a series of difficult and severe decisions, it is to better underline the rightness of these decisions and to assume the role of protector of the people: "*We did not choose to adopt a combination of difficult and sometimes harsh resolutions out of a sense of joy. We have been guided in this by a double priority: to protect the citizens and to act in the best interest of the Nation''.*
In his own words, it was his initiative to create a special fund to address the health, economic, and social impacts of the pandemic and the public's buy-in that helped the country weather the crisis. The pandemic appears to have precipitated the implementation of measures that the 2018 Speech from the Throne[11] and the EESC report of the same year had already suggested [12].
Moreover, Mohammed VI was appointed in November 2019, a "Special Commission on the Development Model" (Tomé-Alonso and Garcia de Paredes, 2020). Led by Chakib Benmoussa, former Minister of the Interior and currently Morocco's ambassador to France, it is composed of 35 members initially charged with submitting proposals articulating a "new development model" in June 2020. Its work has been suspended by the state of health emergency and the report has been postponed to 2021. This report should also guide the government's economic policy over the next few years.

4. Key figures for 2021:

In 2021, the Moroccan economy is on a path of recovery of its activity and preservation of the sustainability of public finances in a global context marked by a generalized recovery of economic growth, despite the persistence of uncertainties.

Table1: Generalized recovery of economic growth

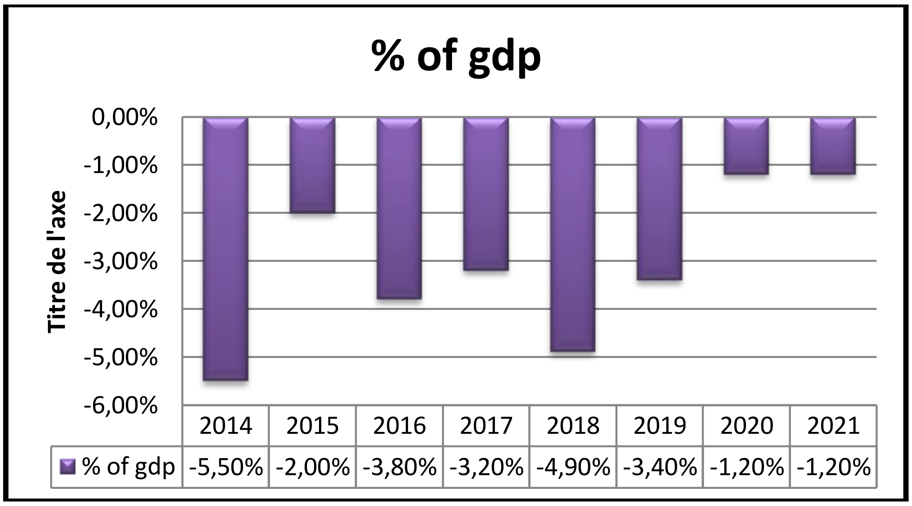
	2019	2020	2021
Economic growth	+2,9 %	-7,2 %	+7,9 %
BOP* current account balance As % of GDP	-3,4 %	-1,2 %	-2,3 %
Budget balance As % of GDP**	-3,3 %	-7,1%	- 5,5 %
Treasury debt As % of GDP	60,3 %	72,2%	68,9 %

BOP: balance of payments, **GDP: gross domestic product

Source: activity report 2021

[11] In his Speech from the Throne, the King said, "rectify the anomalies that mar the implementation of the Medical Coverage Program "RAMED", and, at the same time, thoroughly overhaul the national health system, which is characterized by glaring inequalities and weak management."
[12] Cf. CESE, La protection sociale au Maroc. Revue, bilan et renforcement des systèmes de sécurité et d'assistance sociales, Report of the Economic, Social and Environmental Council (CESE).

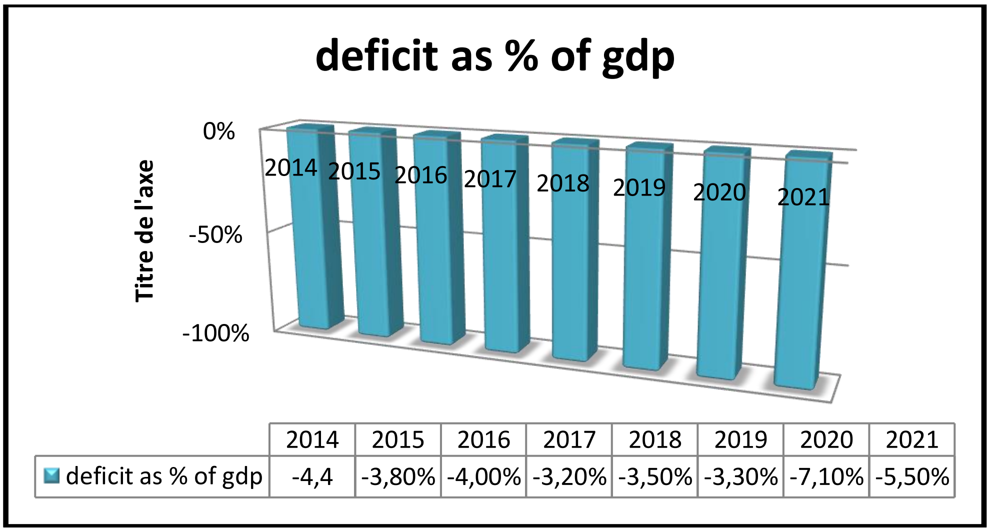
Figure 1: The current account of the balance of payments: in % of GDP:



Source: activity report ministry of economy and finance 2021

There has been a 5.5 percent decrease in economic and financial transactions since 2014; by 2021 there was a 1.2 percent decrease in GPD

Figure 2: Public finances budget deficit as % of GPD:



Source: activity report ministry of economy and finance 2021

The graph shows a budget deficit of 4.4 percent in 2014, in 2020 during the covid period there was an atrocious decrease in GDP, after the pandemic, we caught up in 2021 to arrive at a 5.5 decrease.

5. Economic recovery and gradual restoration of macroeconomic balances:

In the wake of the crisis, vigilance remained the order of the day during the year 2021, as the national and international economic situation continued to be monitored in a context still marked by uncertainty. This reinforced monitoring has led, whenever necessary, to the updating of economic growth prospects in line with observed cyclical changes.

Despite the context still being exposed to shocks and increased risks, the national economy has recorded a growth of 7.9% this year, against an initial forecast of 4.8% at the time of the preparation of the 2021 Finance Law. As a reminder, this initial forecast was based on:

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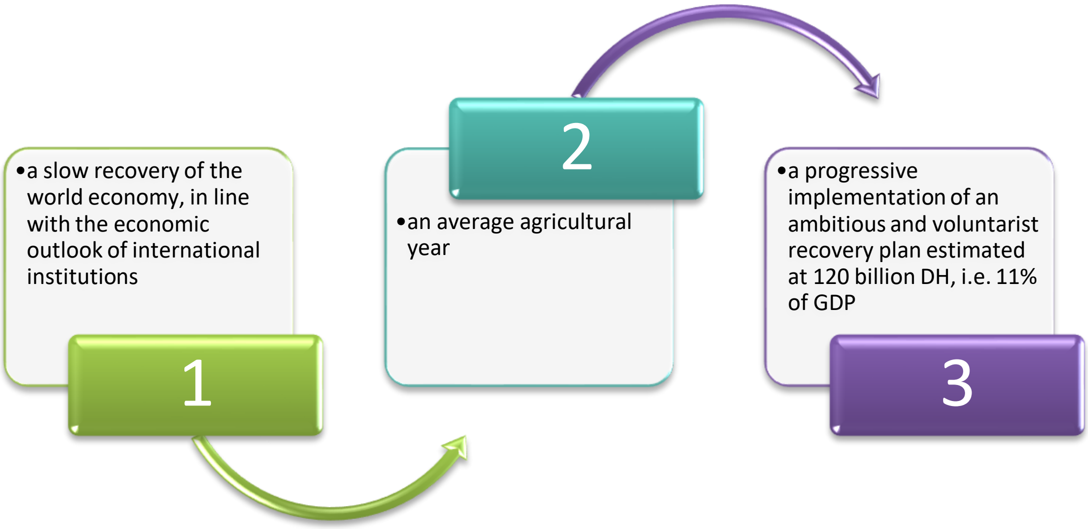
Figure 3: economic growth: economic activity recovers in an unfavorable environment

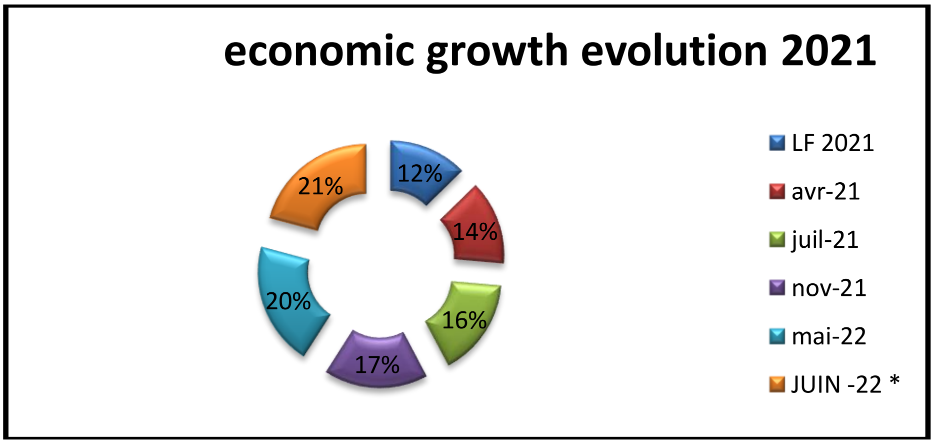


Source: finance law report 2021

As signs of a stronger-than-expected recovery have emerged and been confirmed, both domestically and internationally, the outlook for economic growth has steadily improved, reflecting the increasingly important anchoring of our economy to the global economy.

Thus, and with the perceived improvement of the prospects of the agricultural campaign and the observation of the increasingly favorable behavior of the national economic situation, as it emerges in particular from the quarterly national accounts published by the HCP, the forecast of economic growth has been revised upwards. Overall, the economic activity was supported, in 2021, by the realization of a very favorable agricultural campaign, after two years of drought, by the measures of support to the economy, deployed within the framework of the recovery plan, as well as by the revival of confidence of households and investors, following the notable commitment of the population in the vaccination campaign.

Figure 4: Evolution of the economic growth forecast for the year 2021:



Source: provisional annual national accounts published by the hcp

This cyclical rebound is also explained by a base effect since the national economy experienced an economic recovery after an unprecedented recession of -7.2% in 2020 and by a favorable adjustment effect resulting from the change in the base year of the national accounting system.

By major supply-side component, the national economy experienced differentiated recovery dynamics affecting secondary sector activities, while some tertiary sector activities were still suffering from the impact of the pandemic crisis and health restrictions. These are tourism and the air component of transport, which have not been able to return to their pre-crisis levels, albeit recovering following the gradual easing of restrictions on passenger mobility.

6. Conclusion:

In conclusion, Morocco's economy is expected to continue growing at a healthy pace over the coming years, despite external headwinds and the economic impact of Brexit on the economy also the devastating effects of the pandemic and, the Russian war. The recent rise in oil prices bodes well for the country's economic outlook as it helps to offset the impact of weaker foreign demand, reducing pressure on Moroccan policymakers to tighten monetary policy further to support economic growth. We expect central bank interest rates to remain on hold for the foreseeable future as policymakers seek to avoid generating an inflationary shock at a time of heightened uncertainty about the global economic outlook.

Morocco's economic fundamentals remain strong despite the weakening of global demand and continued uncertainty regarding Brexit and the future of US-China trade relations. Over the past decade, the country has undergone significant structural reforms aimed at improving efficiency and productivity and developing a competitive and dynamic economy. Morroco has to put measures in place to counter the risk of increased volatility in international financial markets and avoid being adversely affected by potential disruption from global trade tensions. At the same time, they should continue to implement structural reforms aimed at boosting productivity and encouraging private-sector investment. In the longer term, we expect population growth to be the main driver of economic growth in Morocco over the coming decade.

Given the significant challenges facing the country, the Moroccan government should focus on implementing a series of growth-oriented economic policies that are designed to accelerate inclusive growth and create jobs for the country's growing population. Policies should be designed to promote investment in the private sector and strengthen the economic linkages between the country's different regions to help boost productivity and increase private sector output.

The following reforms should be implemented to improvements in the business environment should be made to ensure that there is a level playing field for businesses operating in Morocco and encourage the flow of private capital into the economy. Make policies to encourage entrepreneurship and innovation should also be introduced to make it easier for start-ups and small businesses to get off the ground and thrive in the marketplace, also, the government should step up its efforts to promote tourism as a key driver of economic growth by creating an attractive environment for foreign visitors and investors. And, the government should develop strategies for promoting the tourism industry in key emerging markets such as Africa, the Middle East, and Asia. In addition, improved infrastructure and access to funding should be made available to entrepreneurs interested in setting up businesses in the hospitality industry. Efforts should be made to increase the level of foreign direct investment flows into the country by providing incentives and tax breaks to companies that are willing to expand their operations in Morocco, in addition, the government should also work to reduce the regulatory burden facing companies operating in Morocco and provide greater support for local businesses by providing them with easier access to credit, also, the government should increase funding for public infrastructure projects to improve connectivity between different parts of the country and make it easier for people to move around. By investing in new transport networks and other modes of transportation, the government will be able to improve access to basic services such as healthcare and education, as well as make it easier for people to access employment opportunities throughout the economy, and then the retirement age should be increased to 67 years old to encourage people to work longer so that they can supplement their retirement incomes. At the same time, the government should take steps to limit the number of people receiving social assistance and ensure that those who are eligible

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for benefits receive them promptly. Let's not forget that the labor force participation rate should be increased by encouraging more people to participate in the labor market and creating job opportunities for young people entering the workforce for the first time. And finally, the costs of doing business in Morocco should continue to be reduced to make the country more attractive to foreign companies and encourage them to set up their operations in the country.

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