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# Weekly highlights by L'ECONOMISTE

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# Industry
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**EDITORIAL**

## Street protests

**Khalid BELYAZID**

THE ballot boxes or the street protests? Democracy has chosen the ballot boxes, and thereby built the laws and the rule of law. Tyranny has chosen the street and endures its harsh law of the jungle. But sometimes there is a mix of genres. Today, two democracies are facing deadlocks created by laws by which governments had been elected. First of all, French president Emmanuel Macron is mired in a pension reform which nevertheless was part of his electoral program. To date, Macron had this law enacted without a majority through an article of the Constitution, 49.3, a number that has become an international celebrity like Route 66 or Ronaldo's number 7. The measure is legal if one sticks to the law but legality is not always legitimacy. Protesters in the street claim legitimacy, with their peaceful trade unions or their violent thugs based on a solid argument, namely opinion polls, which are not provided for by any Constitution, but are sacred, because they pose as the voice of the people. The other democracy experiencing turmoil is Israel. Despite occupation and colonization, it is a democracy, at least for its citizens. Today, some fanciful people want to sweep away the separation of powers with a law and bring the judges to heel. These ministers too were legally elected but are facing the street occupied by protesters demanding the withdrawal of the law. It was believed that the contestation of the ballot boxes by the street protesters was something reserved for underdeveloped countries. If the French violence had taken place in an African country, that country would have been condemned by the EU as tyrannical, unstable, and doomed to eternal chaos. However, these popular movements are a global phenomenon fueled by inflation and the discrediting of politics. No country is immune; as the remedy which consists in demonstrating in the street is expensive, it is better to prevent evil by listening to each other and through dialogue … while waiting for the next elections of course.

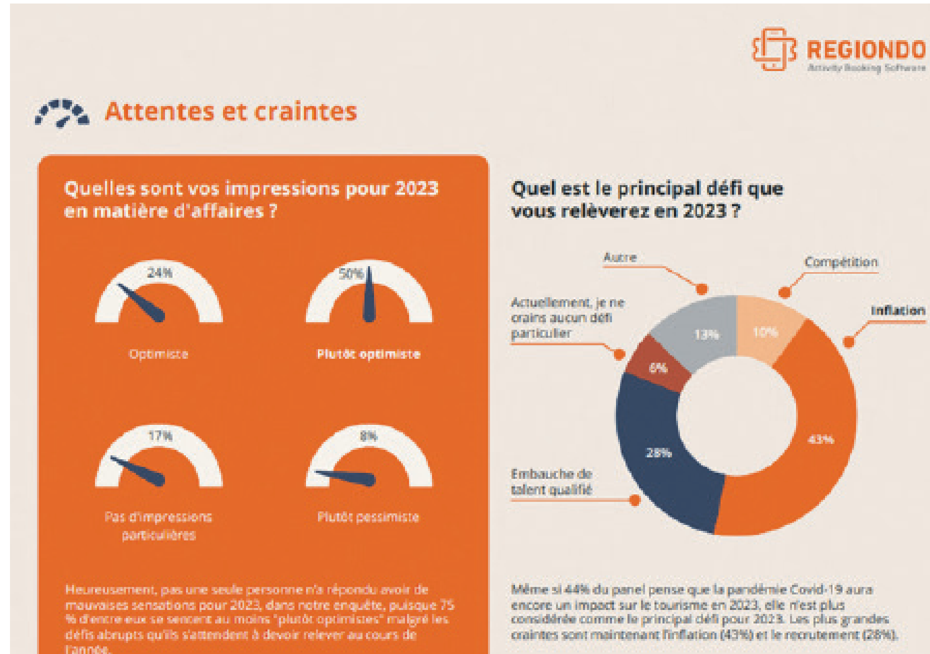
# Weekly highlights

## Tourism: The strongest trends in 2023

ALL hopes remain allowed in 2023 in the tourism sector. Indeed, this year is considered, by the experts, as that of the real return to normal, namely the return to the fundamentals of the situation prior to the (Covid) pandemic, in particular to the reference year 2019. To escalate the perceptions of professionals, the expectations, but also their fears, Regiondo, the first solution for booking visits and activities, interviewed more than 140 industry professionals to better understand their impressions for 2023, the challenges they expect to face, and how they plan to overcome them. The study, the results of which have been summarized with the help of practical computer graphics, has been designed in such a way as to describe the trends that will shape the future of the travel sector, while analyzing the current socio-economic scenario in depth. Fortunately, r ight from the outset, the results of the study specify that no respondent to the survey "expressed negative feelings or bad feelings in relation to the year 2023". As proof, 75% of respondents feel at least "rather optimistic, despite the steep challenges they expect to face during th e year".

In the opinion of Regiondo's Founder and CEO, "even though the tourism industry is still struggling to regain its 2019 momentum, the pandemic now seems to be behind us. All the information we have indicates that 2023 will be a prosperous year for the tours and activities segment, with France benefiting from renewed exponentially growing consumer enthusiasm". More nuanced, the conclusions of the study say that "even though 44% of the panel think that the Covid pandemic will still have an impact on tourism in 2023, it is no longer considered to be the main challenge for the current year… The biggest fears are now inflation (43%) and recruitment 28% ".

Overall, the survey shows "a feeling of generalized optimism", but at the same time, the tourism industry seems determined to tackle other



*Source: étude Regiondo*

more current and pressing challenges, including inflation, digitization, and even sustainability. At the start of this spring season, optimism remains in order. Nonetheless, professionals fear "a greater impact of inflation" in the months to come and especially on the eve of the summer season. Even if 47% of respondents to the study qualify inflationary pressure as a kind of temporary problem, the fact remains that 7% of respondents believe that tourists could cancel their trips... Despite this trend, experts predict a sharp increase in "last minute" bookings.❏

**Amin RBOUB**

## Craftsmanship: Exporting at top speed

OVER the first two months of 2023, exports of Moroccan handicrafts amounted to 201 million dirhams (USD 20 million), which represents growth of around 36% compared to the same period last year ( 2022). At the origin of this export performance is "a growing international demand, more efforts in the promotion of artisanal products on the international market, fairs, and exhibitions, as well as the enthusiasm for authenticity and handmade products …" or even the World Cup effect of Qatar which has aroused an unprecedented outpouring of international sympathy for Morocco since November 2022. The figures for foreign tourist arrivals also prove it since they go in the same direction. Per type of sector, traditional clothing has reached the top ranks of the most popular products. Indeed, clothing (kaftan, djellaba, burnous, slippers, scarves, etc.) is positioned in the top three of the most popular product families abroad, alongside pottery and

Moroccan carpets. Traditional clothing occupies the third place on the podium in terms of export turnover, with respective market shares of 15, 32, and 22%. In terms of evolution, the three sectors (clothing/pottery/carpets) achieved respective growth rates of around 26, 50, and 59% compared to the first two months of last year. These flows of Moroccan products, which embody an ancestral art, transmitted for several centuries, mainly pass through the business capital, Casablanca, which is the first point of exit towards international markets. Indeed, the share of global exports of handicrafts having transited through Casablanca amounts to 52%, i.e. an increase of 34% year-on-year.

Moreover, Marrakech is the leading production city for exported items (45%). Per export market, demand comes from the United States, Europe (mainly France), and countries in the Middle East. Curiously, the United States has become the largest importer of Moroccan handicrafts. The US posted a sharp increase in market share (41%) and thus achieved exceptional growth of around 79% compared to the first two months of last year. France comes in second place with a market share of 18%. Arab countries follow in third position with some 10% of the total export turnover. Morocco is, it should be remembered, a country which has several sectors with high development potential in the craft industry. The main prod uction cities are Marrakech, Fez, Meknes, Salé, Safi, Agadir, Ouarzazate, Tazenakht (in the Tafilalet region) or Zagora… The main craft activities include pottery, clay/terracotta work, tannery, leather goods, slippers, bags or even jewelry and accessories, textiles (djellaba, kaftans…), textile articles, decoration, small furniture, zellige, plaster, and chandeliers…❏

**Amin RBOUB**

## Weekly highlights

# Industry: Royal Roadmap

*In the new vision, national industry is called upon to open up to new activities, in particular by focusing on innovation and R&D.*

IT is one of the main mechanisms for guaranteeing industrial and food sovereignty, among others. The revival of the industrial sector requires the deployment of a new generation of projects, in line with developments at the global level. The current difficult situation is crystallized in particular by the emergence of conflict zones, which has directly impacted supply chains at the global level, hence the importance for Morocco to position itself in order to conquer new market shares, in different sectors, but above all to guarantee industrial sovereignty. In the royal letter addressed to participants in the National Industry Day, held on Wednesday, March 29 in Casablanca, the Sovereign called on the " national industry to further strengthen local production ". In this letter read by Ryad Mezzour, the Minister of Industry, the Sovereign insisted on the importance of this approach for strengthening the country's capacities to cope with external shocks, but also to further strengthen the competitiveness of the various sectors. The idea is to reduce import dependency. According to the royal letter, sovereignty is the goal, but also a means to achieve it.

In this new vision, the national industry is called upon to open up to new activities. One of the main challenges involves in particular the creation of jobs. To encourage this trend, the Sovereign insists on the importance of preparing highly skilled human resources. The King also emphasized the need to strengthen the adaptation of human capital training to the needs of industrial companies. This will involve public-private partnerships, particularly in the field of training. Other factors will also be decisive in the emergence of a new generation of industrial companies in Morocco. This involves in particular the need to support the development of infrastructure dedicated to R&D and innovation, in order to make it an engine of growth for the sectors. At the same time, the King called for accelerating the process of decarbonization of industrial activities, in addition to the development of energy capacities and the preservation of water resources. The idea is to make Morocco a model in terms of sustainable production. This will also help attract more investors interested in green ecosystems.❏

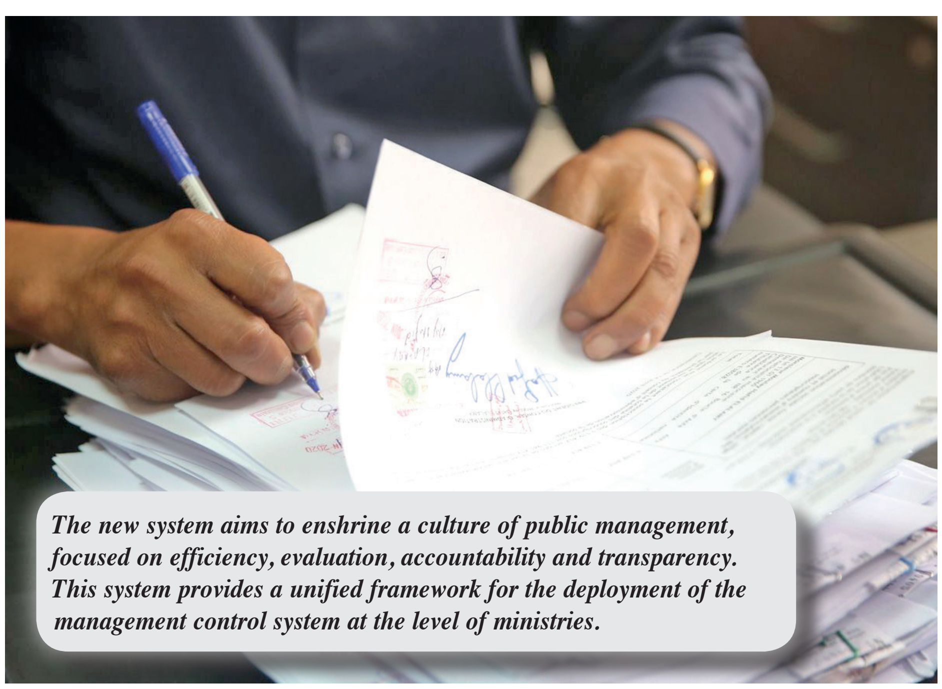
**Mohamed Ali MRABI**

# Management control on ministries Laxity is over!

APPROVED in a Government Council meeting last February, the new mechanism establishing a management control system within the ministries is now operational. The decree was published in the latest edition of the Official Gazette. Its execution is assigned to the Minister in charge of the Budget and to the Minister for Administrative Reform. This decree aims to establish a new culture of public management, centered on efficiency, evaluation, accountability, and transparency. Concretely, the new system provides a unified framework for the rollout of the management control system at the level of ministerial departments. In detail, each ministry is required to set up a management control system to ensure the consistency of sector plans with budget programming. This will make it possible to improve " the performance of public management, by promoting a better use of resources ". By virtue of article 2 of this decree, the management control system includes a series of tools making it possible to check continuously the achievement of goals according to the resources mobilized. The idea is also to allow the evaluation of the results in comparison with the forecasts. The management control system will also provide visibility on all the elements to measure the social and economic impact, as well as the quality of the services offered to users. Under the new decree, each department will have a central administrative entity, in charge of deploying this control system. The goal of this administrative structure will be, in particular, to participate in the development of the strategy of the department concerned and its harmonization with the performance goals. Ditto for the definition of the mechanisms for evaluating efficiency, in addition to the participation in the supply of the information system with data ... These entities will also be in charge of grouping together the financial statements and the efficiency report of the department concerned.

These entities are backed by reference persons in the field of control management, who have expertise in this field. They will be appointed by the program managers who will be involved in developing the effectiveness and efficiency framework for the programs launched, supporting project managers in defining the efficiency goals to be achieved, setting up evaluation mechanisms, and other activities. ❏

**M.A.M.**



*The new system aims to enshrine a culture of public management, focused on efficiency, evaluation, accountability and transparency. This system provides a unified framework for the deployment of the management control system at the level of ministries.*

## Weekly highlights

# Inflation: Government is “overwhelmed”

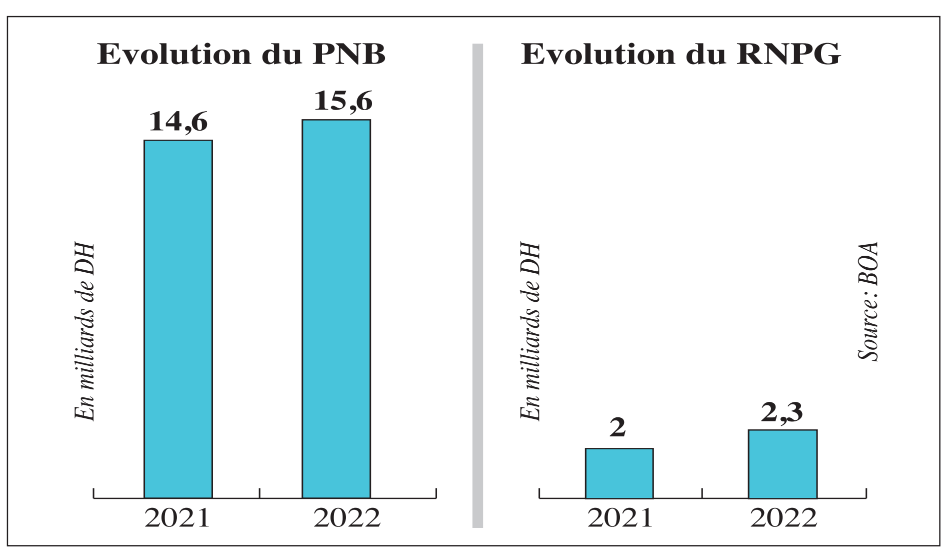
INFLATION is at the center of the concerns not only of companies and households whose purchasing power has eroded but also of the Government which seems to be "overwhelmed". The measures taken so far have not had the expected effects. Mustapha Baitas, Minister Delegate in charge of Relations with Parliament and Government Spokesman, acknowledged that the efforts made by the Government have not achieved the expected goals. Baitas acknowledges that “ the situation is much more complex ”. Neither the direct aid to transporters, nor the ban on the sale of certain products abroad, and even less the suspension of VAT and customs duties, have made it possible to limit the rise in the price of fruit and vegetables. Inflation recorded in February is driven by the index of food products which increased by 20.1% versus 3.6% for non-food products. For the past few weeks, the Government has been monitoring market

*The Government intends to tackle the overhaul of the wholesale fruit and vegetable markets. A roadmap on the modernization of equipment is reportedly being prepared*

supplies. This takes place under “ normal conditions ” and inspections have multiplied. Nonetheless, the Government is struggling to bring order to the multitude of intermediaries which significantly accentuates speculation downstream of the agricultural sector with consequences for consumers. In any case, the price of a product varies according to the types of marketing channels it takes before reaching the consumer. The price can be multiplied by three or four as noted by the Economic, Social, and Environmental Council. This situation raises questions about the delay in implementing the necessary reforms, especially since the problem has been known and identified for a long time. Concerning this issue, the Government promises to overhaul the wholesale fruit and vegetable markets. A roadmap on the modernization of equipment is reportedly being prepared. In the meantime, the situation is complicated and could break the social peace negotiated with the trade unions. In any case, the latest figures from the High Commissioner's Office for Planning (HCP) for the month of February, and the medium-term forecasts from the central bank had a shocking effect. The general rise in prices exceeds the levels recorded over the past 30 years and the situation could last much longer. Inflation reached 10.1% in February according to the HCP, and after the rate of 6.6% recorded last year, the return to the target level (2%) seems difficult, at least according to central bank forecasts. Bank Al-Maghrib, which canceled its press briefing on Tuesday March 21, limited itself to a press release. The institution has revised its inflation forecast upwards by 2 points to 5.5% in 2023. That is not all. There are also risks posed to growth. The agricultural value added should not experience a significant increase due to a weak agricultural season. On the non-agricultural side, activities should be impacted by the deterioration of the external environment, and therefore a slowdown in non-agricultural value added is expected. Under these conditions, growth should not exceed 2.6%... a level that is too low, given the major projects that are waiting to be launched.❑

**Khadija MASMOUDI**

# What if your bank goes bankrupt?




BANKS that go bankrupt frighten the monetary and financial markets, and consumers too. The successive increases in interest from central banks to deal with the galloping inflation generated, it is explained, by the consequences of the war in Ukraine mainly, do not fail to focus the attention of all analysts. The very recent bankruptcy of Silicon Valley Bank (SVB), which went bankrupt on March 10, created a general panic (bank run) among customers. Alerted by the information, customers rushed to withdraw their money. In the wake, two other American banks followed, the Signature Bank and Silvergate. The announcement of the bankruptcy of these three American banks created a real wave of panic, and above all raised many questions. Apart from the aspect relating to the functioning of the international financial markets, and the impact of the bankruptcy of these three institutions on the money markets, a crucial question resurfaces each time this type of situation arises: what does the regulation provide for in the event of bank failure? Are customers protected and how? Can they, even in the event of bankruptcy, recover all of their deposits? Each country has its own regulations.

In Morocco, the banking law provides for a guarantee fund for the benefit of depositors, which compensates them in the event of bankruptcy. This deposit guarantee system is an integral part of the financial safety net mechanism aimed at maintaining the stability of the banking sector. According to the (the central Bank) Bank Al-Maghrib, “the deposit guarantee system is a system established by banking law to protect depositors in the event of losses due to the inability of a member credit institution to return deposits or other repayable funds. This protection takes the form of compensation for depositors, natural and legal persons, by making deposits and other repayable funds available to them, up to the maximum amount of compensation, set by the circulars of Bank Al-Maghrib. ". The legislation states that conventional banks and participatory (chariaa-compatible) banks are required to join the deposit guarantee scheme. Said system is governed by the provisions of the banking law as well as those of the circulars and decisions of the central bank, indicates the same source.

The deposit guarantee scheme is financed through annual contributions paid by member credit institutions, calculated on the basis of a fixed rate. “Currently, the contribution rate is 0.20%, applied to the monthly average of eligible deposits. The amounts of the contributions collected are used to compensate eligible depositors in the event of failure of a member credit institution or to provide, if necessary, financial assistance to member credit institutions which find themselves in dire straits”, underlines a banking source.❑

**Fédoua TOUNASSI**