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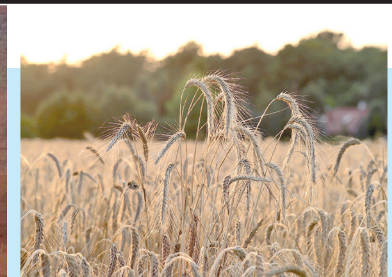
Weekly highlights by

L'ECONOMISTE

Forbes promotes Morocco's business model



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EDITORIAL

Credibility

Meriem OUDGHIRI

WHY many laws are slow to be applied or never come into being? This mysterious illness, known as «legal amnesia», is a great waste of time and energy. Such is the case with the text on dispossession of property, particularly concerning real estate investment companies. Published nearly 5 years ago in the Official Gazette, this key measure is still awaiting its implementing decrees. This plague of dispossession of property is extremely serious, as it attacks the country's legal and social foundations. Let us take also the case of the main provisions of the law on continuing education, enacted in October 2018, which have remained unheeded. The decrees have still not been published. Operators are nonetheless holding out hope for «something concrete», promised this year. The anti-smoking law, for its part, was passed in July 2008 and was due to be implemented in January 2010! Since then, nothing...

These examples, like so many others, bring us back to the dilemma of implementing laws, and the consequent risk of discrediting parliamentary work. A situation that disqualifies those who draft the law, those who debate it and those who vote on it. Instead of transforming and building, this practice merely shifts the cursors, with drifts that can get out of hand. The production of laws is fundamental. We do not intend to go back over the main legal principles but pieces of legislation must not remain, as experts call them, paper giants. To prevent them from evaporating into thin air, we need to see them through to the end, give them instructions for use and set up an after-sales service, which is essential for any application in the field. Ultimately, this is one of the key conditions for the political credibility of the reforms undertaken. ❑

Weekly highlights

Soft wheat

A support premium to restore the security stock

IMPORTS of bread-making soft wheat are certainly buoyant at the start of the year, but the overall situation is a cause for some concern for the «National Interprofessional Office for Cereals and Pulses «(ONICL). According to figures from the National Federation of Cereal and Pulses Traders (FNCL), published at the end of last week, imports totaled just over 6.88 million quintals in January 2024. This volume of imports is above the monthly average expected by the ONICL (6.25 million quintals), via its circular of November 21 instituting an import refund on operational common wheat until April 30 for a maximum quantity of 25 million quintals. But this remains insufficient in view of the quantities imported in the last half of 2023.

In fact, since last June, the import-to-stock tool, i.e. the logic which requires imports to ensure at least three months of stock, has not been fully respected. The disruption was exacerbated in the sixth month of last year, when no soft wheat was imported. Since then, it has been necessary to draw on the safety stock to meet millers' needs, which average 4.5 million quintals of crushed wheat per month.

The upturn in imports in January is therefore welcome. It raises the level of the tool stock, but not enough to reassure ONICL. Indeed, the safety stock has fallen to less than 15 million quintals, i.e. just over three months instead of the recommended six, if one refers to the crushing needs of flour mills. In other words, there is really no need to worry about the month of Ramadan, which begins in 35 days' time. The market will be adequately supplied with flour, even if it is known that the crushing rate tends to rise a month beforehand.

ONICL therefore wants to restore the fundamentals in terms of safety stock. For this reason, it has just published a circular instituting support for the constitution of a soft wheat stock by importers. Through this support mechanism, ONICL grants a storage premium of 2.5 DH per quintal in addition to the flat-rate import premium set each month. Imports eligible for support under this mechanism must be carried out (as evidenced by the bill of lading) during the period from February 01 to April 30, 2024. ❑

Aziz DIOUF

EU: Moroccan agricultural products on the bench

Spanish trade unions call out «growing frustration and malaise «due to «suffocating bureaucracy generated by European regulations», and «unfair competition» from products from outside the EU, which are not subject to the same constraints

FARMERS' protests in Europe continue unabated. After France, anger is spreading to Spain. A huge demonstration took place last Tuesday in the major cities. Armed with their tractors, farmers cut off the main roads to prevent the passage of trucks carrying fruit and vegetables, as reported by the Iberian media. This is the biggest day of protest in the country. Malaga, in Andalusia, Madrid, Seville, Girona in Catalonia... the protest, led by the Federation of Regional Unions «Unión de Uniones», is at its peak.

Thousands of farmers took to the streets, bearing slogans such as «Our end will be your hunger» and «Three cents in the countryside, three euros in the supermarket». The aim was to put pressure on the European Union Commission. The heavy security presence did not deter the farmers from continuing their demonstration.

The farmers are demanding an end to the «asphyxiation» of Spanish agriculture. They are opposed to European agricultural policy, which they consider too restrictive. Among other things, they call out draconian bureaucracy and unfair competition from third countries such as Morocco, Egypt and South America.

«The biggest problems are taxes and unfair competition from countries like Egypt and Morocco, which are ruining us», a farmer told the Europa Press agency. Farmers complain in particular about taxes on phytosanitary products (pesticides), described as too high.

The protest will continue over the next few days.

Accused of «unfair competition», Moroccan producers and exporters dismiss the accusations out of hand. «I think it is a case of populism», says an official in an association of Moroccan fruit and vegetable producers and exporters, in a statement to L'Economiste. He added: *«We need to set the record straight. Morocco has a free-trade agreement with the European Union, and we respect it to the letter»*. This official gives the example of tomatoes. The official, who requested anonymity, points out that Morocco has an annual quota of 285,000 tons, which must not be exceeded between October 1 and the end of May. In 2022, the Kingdom exported 660,000 ton of tomatoes to Europe. *«This is due to the fact that the rest of the quota was cleared through customs»*, he explains. Moroccan products are not their enemy, he adds. The problem, according to this official, lies in the price paid to farmers at the farm gate, which is well below the supermarket price.❑

Khadija SKALLI

Weekly highlights

Company insolvencies: A record year!

THESE are tough times for business. This year, insolvencies could affect 16,400 businesses, a figure that would increase by 15% compared to 2023. Inforisk's forecast is based on several factors. *«Firstly, the expected growth rate in 2024 corresponds to the annual average over the last 10 years. Secondly, the macroeconomic outlook for this year remains mixed: economic growth is expected to be around 3%, and will depend largely on the level of rainfall»*, says Amine Diouri, Director of Research & Communication. If this forecast comes true, it would translate into a new record.

Top 5 of failing sectors

Trade	Real estate	Building and Public Works	Transport	Manufacturing Industry
33%	20%	15%	9%	7%

Source: Inforisk

In 2023, business failures reached 14,245 compared with 12,397 in 2022, an increase of 15% and 69% compared with 2019. Difficult economic conditions, high inflation, falling consumer spending, cash-flow problems...: VSEs, SMEs and large companies have been dealing with a high-risk cocktail.

It's not enough to analyze business failures through the prism of economic conditions alone. Failure can also be attributed to endogenous factors, not just exogenous ones. In addition to cash flow problems, our businesses - particularly small and mediumsized ones - suffer from a lack of internal organization, incompetent management, inexperienced managers and even a lack of skills. Vulnerable companies are those that have not yet been in business for more than 5 years. In fact, Inforisk found that the median age of a failing business is 4.5 years!

These insolvencies are mainly concentrated among very small businesses: 98.7%, compared with 1.26% for SMEs and 0.06% for large companies. Inforisk notes a 150% rise in insolvencies among SMEs that are legal entities. And, as in the case of payment terms, companies with sales of over 10 million dirhams (USD 1 million) are also beginning to be affected.

For a long time, payment deadlines were the cause of the demise of a whole range of small and medium-sized businesses. Law 69-21 should gradually put things right. Business failures have mainly affected companies operating in the trade sector. Next in line are real estate and construction and public works. The year 2023 was characterized by the tightening of credit conditions, the deterioration in household purchasing power, the rise in construction costs and the difficulties encountered by property developers in accessing financing.❑

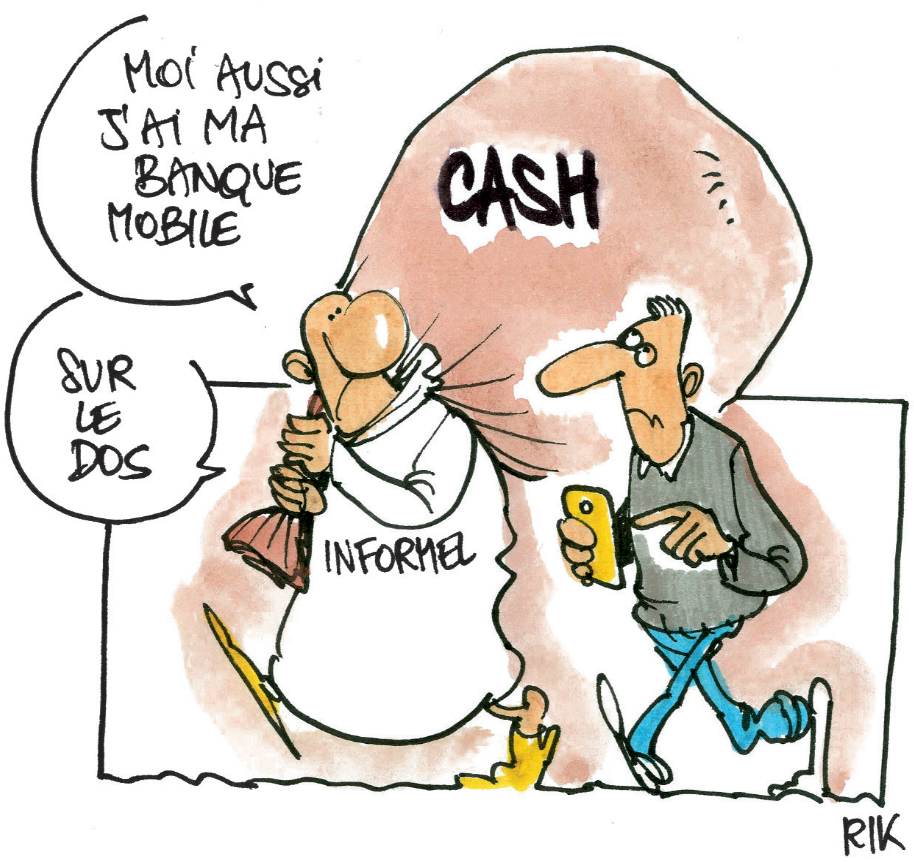
Khadija MASMOUDI

Cash in circulation

Worrisome increase

THE money market continues to operate in equilibrium, against a backdrop of a widening bank liquidity deficit and accelerating circulation of cash at the end of 2023. Circulation of cash reached 393.5 billion dirhams (USD 39 billion) in December 2023, its highest level ever. *«Against this backdrop, the Central Bank continues to supply the money market with central liquidity. Indeed, 7-day advances rose this week to 51.9 billion dirhams (USD 5.1 billion), compared with 47.5 billion dirhams (USD 4.7 billion) a week earlier»*, explain analysts at Attijari Global Research (AGR) in the latest issue of Weekly Hebdo Taux.

In 2024, the banking system is expected to face a record liquidity requirement estimated by AGR at nearly 138 billion dirhams (USD 13 billion). This situation is unprecedented since the Covid-19 crisis, despite record forecasts for foreign currency holdings, which are expected to exceed 360 billion dirhams (USD 36 billion).



In its latest Monetary Policy Report, the central bank (Bank Al-Maghrib) indicates that the banking liquidity deficit should continue to widen, reaching 92.6 billion dirhams (USD 9 billion) by the end of 2023, 121.3 billion dirhams (USD 12 billion) in 2024 and 137.7 billion dirhams (USD 13 billion) in 2025. These astronomical figures have their origins in the soaring value of banknotes and coins. The steady increase in cash in circulation is accentuating the banking system's demand for liquidity.

This rise in cash is becoming a cause for concern in the economic sphere. It represents a shortfall in deposits for banks, all the more so as they are suffering from a lack of liquidity. Abdellatif Jouahri, Governor of Bank Al-Maghrib, had stated in a speech at the end of the BAM Board meeting that the weight of the informal sector accounts for 30% of the country's activity, and is driving up cash. He also pointed out that, since Covid, cash in circulation has risen sharply. «Circulation of cash increased by 20% in 2020, whereas the long-term trend has always been 6% or 7% a year. We returned to that rate in 2021, then it went back up to double digits in 2022, and the increase continues this year,» he explained. Indeed, the pandemic has turned Moroccans' consumption and savings habits upside down, as they have turned to cash. Transfers from Moroccans living abroad (MREs), which have seen an unprecedented boom since 2020, and the fall in interest rates on savings have largely accentuated this trend. ❑

Fédoua TOUNASSI

Weekly highlights

Forbes promotes Morocco's business model

THE prestigious American business magazine devotes a special edition to Morocco. In its latest February-March issue, Forbes Africa focuses on Morocco's economic model, industrial performance (particularly in the automotive and aerospace sectors), investment attractiveness, tourism, renewable energies, and other sectors. Interviewed by Forbes, several Moroccan ministers and leaders explain the challenges of their respective missions, achievements, and ambitions. According to Ryad Mezzour, Minister of Industry and Trade: *«As an African country, we have proven that we are capable of transforming, creating, and manufacturing a platform that is globally competitive in the production and supply of high-quality products. We have also invested heavily in infrastructure and free trade... We are working on many concrete projects for greater competitiveness in renewable energies, electric mobility, textile products, or even fertilizers to increase food security across the African continent»*. The magazine also highlights Morocco's renewable energy objectives. *«The share of renewable energies in the country's energy mix has increased, from 26% in 2016 to 40% today, with a target of 52% by 2030. We believe that, at the current pace, we will reach this target well ahead of schedule. Morocco is also aiming to play a major role in the green hydrogen sector»*, says Mohcine El Jazouli, Minister in charge of Investment, Convergence and Evaluation of Public Policies.❑

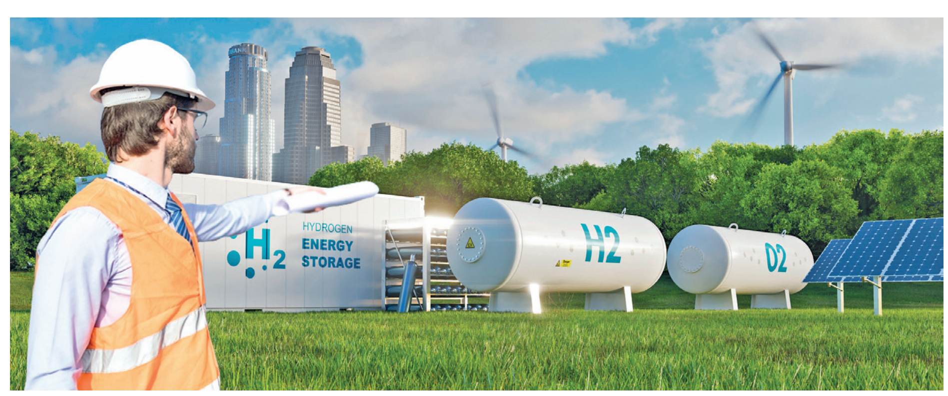
Amin RBOUB

For the special issue, Forbes Africa interviewed several Moroccan ministers and leaders on Morocco's achievements and ambitions in several fields *(Ph. Private)*

Mining exploration: A growing portfolio

FORBES also looks at the potential of mining exploration. *«We have discovered almost all the mines that have a potential»*, says Amina Benkhadra, CEO of Onhym (O National Hydrocarbons and Mining Office). She adds that the efforts of Onhym and its partners have been crowned by the discovery of several productive gas deposits. Through onshore and offshore studies and explorations, Onhym is closely monitoring the potential for gas discoveries in the Gharb region, in Essaouira and Tendrara, and off Larache. A total of 73 renowned oil and gas companies are involved in exploration activities. *«Our portfolio is still growing, with new companies signing new agreements»*, says Benkhadra. Onhym oversees numerous projects and different types of mineral exploration, including precious metals, rare earths, uranium... in partnership with national and international groups. ❑

Masen: «Desert to power» initiative



RANKED among the world leaders in green hydrogen, Morocco plans, according to Forbes, to announce «the Morocco offering» in the near future. The idea, according to Tarik Hamane, acting CEO of Masen (Moroccan Agency for Sustainable Energy), is to enhance the value of green hydrogen through industrial production, thereby accelerating the decarbonization of factories. The challenge is above all to get energyintensive industries on board and attract a new generation of investments for greater added value. Masen has also signed a partnership agreement with the African Development Bank (AfDB). This initiative, called «Desert to Power», aims to promote the development of renewable energy projects in Africa. The aim of this partnership is to support African countries, in particular those in the Sahel region targeted by «Desert to Power», in the development of renewable energy technologies best suited to their natural conditions and specific energy needs. The aim is to combine Masen's expertise in the development of renewable energy projects with the African Development Bank's operational experience in this sector, particularly in terms of sharing know-how, building capacity and experience, providing technical assistance, developing renewable energy projects, and mobilizing the necessary resources. ❑