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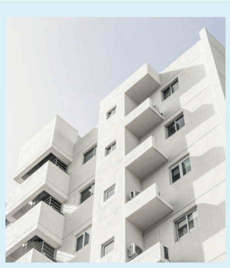
Desalination

Africa's largest desalination plant

Payment terms

A backlog of 33 billion US dollars outstanding



Real estate

Slight price rises, once again

Eid Al-Adha

Only a minority abstain

Social programs

Indicators in green territory, according to

EDITORIAL

Racket

Meriem OUDGHIRI

«A *BIG hole in the racket*»This expression from our expert, who analyzes the situation regarding payment terms, gives an initial impression of the law that came into force almost a year ago. The law came with a new «doctrine» to deal with a phenomenon that has become deadly for the financial situation of companies and devastating for the economy. Deterring laws and regulations, stiff fines, a quarterly declaration system, publication of offenders, are means aimed at «cooling down» the most undisciplined members of the business community. Operators seem to have understood the stakes and the «danger» involved, so they stop with thoughts such as «my supplier will wait a little longer. He'll understand». These practices ended up putting many companies' backs against the wall, forced out of business by customers who were unable to meet their commitments or delayed repayments. Delays reached staggering levels. And the contagion effect did the rest. Today, the new law is up and running and finding its feet on the ground. Some good and some not so good things have come out of it, including the famous «hole in the racket», i.e. a backlog of invoices (pre-dating the law) not covered by the legislation. The backlog amounts to 337 billion Dirhams (USD 33 billion), i.e. 25% of GDP in 2022. What do we do about it? How do we deal with it? Faced with legal constraints, we're not doing too much about it for the time being.

There are also new uses that are emerging and which need to be monitored very closely. Because the most important thing in all this is to avoid falling (again) into a polluted environment. Nobody wins. On the contrary, it is the whole chain and, above all, confidence - the heart of business - that will take a beating. Or make other holes in the racket...❏

Weekly highlights

Payment terms

A backlog of 33 billion US dollars outstanding

THE reform of payment terms introduced a fine to be collected by the tax authorities in the event of non-payment. However, such reform did not take into account the backlog of invoices issued before July 1, 2023, which remain unpaid. According to Inforisk data, this backlog amounts to 337 billion Dirhams (USD 33 billion). Although this backlog has fallen by 10%, it will still represent 25% of GDP in 2022. These inter-company loans also recorded a significant drop of 19% compared to the 2018 peak, while bank loans to non-financial companies increased by 12% between 2021 and 2022. By the end of 2022, payment terms had improved slightly, with a gradual reduction to 194 days, marking an anticipation by companies to comply with the new Law 69-21. Entry into force on July 1, 2023 for companies with sales of over 50 million Dirhams (USD 5 million) excluding tax, This law is a response to the lengthening of inter-company payment terms, which is contributing to the demise of many structures. The law sets invoice payment terms at 60 days, in the absence of an agreement between supplier and customer, and at 120 days maximum if both parties agree. Payments in excess of this time limit are subject to the law, as are late payments, failure to file declarations, incomplete declarations, and non-payment of fines.

Although it has decreased by 10%, business-to-business loans still account for 25% of GDP in 2022. Those inter-company loans have also recorded a significant drop of 19% compared to the 2018 peak. It should be noted that Law 69-21 only takes into account invoices created on or after July 1, 2023

In 2022, customer payment terms for VSEs improved slightly but remained at very high levels, falling by 7 days to 217 days in 2022. The peak reached in 2020, during the Covid-19 period, was reduced by more than 17 days. At the same time, supplier payment times for very small businesses fell by just 2 days in 2022. «Given their collection difficulties, it is difficult for VSEs to pass on a greater reduction in supplier payment terms», said Inforisk. For SMEs, customer payment terms have fallen to 107 days, while supplier payment terms have dropped to 94 days. «*The payment behavior of SMEs has improved, as they pay 8 days earlier, whereas they have only gained 3 days in customer terms*», notes Inforisk. Large companies, which benefit from superior bargaining power, recorded customer payment terms of 85 days and supplier payment terms of 93 days. In 2022, large companies were being paid faster by their customers than they were paying their own suppliers. The Inforisk study also notes that payment terms vary from sector to sector, with some seeing an improvement while others have seen a deterioration. For example, in wholesale trade, an increase of 3 days was noted, while in real estate, an increase of 5 days was observed, compared to a reduction of 6 days in transport.❑

Khadija MASMOUDI

Real estate: Slight price rises, once again

PROPERTY prices continue their upward trend. In the first quarter of 2024, the real estate asset price index recorded a slight increase of 0.8%, compared with the same period in 2023. This is due to the increase in residential and land prices, said the Moroccan central bank (Bank Al-Maghrib) and the National Agency for Land Conservation, Cadaster, and Cartography (ANCFCC), in the quarterly note relating to the overall trend in the real estate market.

What is the market trend per city?

Residential property prices rose by 0.7%. The biggest increase was for apartments (0.8%). As for houses, the variation is barely perceptible, with a small increase of 0.1%. Conversely, villa prices fell by a mere 0.2%. Land prices also appreciated. Its value rose by 1.2% in 2024 compared with the previous year.
In terms of business property prices, commercial premises were down 1.5% on the first quarter of the previous year, while office space appreciated by 6.5%.
Rabat recorded the biggest increase in property prices. Prices rose by 1%, driven by residential property (0.9%) and business assets (9.8%). Land prices, on the other hand, fell by 3.5%. Rabat is followed by the business capital. In Casablanca, prices rose by 0.4%. Professional property prices rose by 4.5%. Land prices fell by 4.9%. Marrakech, for its part, recorded a slight 0.2% fall in property prices. This was due to a 1.4% fall in land values. Residential and commercial property values rose by 0.3% and 3.9% respectively. In Tangier, the price index stagnated, with decreases of 1.4% in land prices and 5% in business asset prices, and stagnation in residential prices.❑

Overall, prices for commercial real estate have stagnated, with a drop in commercial premises (-1.5%) and an increase in office space, which has risen the most (+6.5%)

Khadija SKALLI

Sales down, particularly for villas

AT the same time as prices were rising, transactions fell by 3.1%. This trend is due to a 3.1% fall in sales of residential properties and a 14.8% drop in sales of commercial properties. The steepest declines in sales were for villas (21.6%) and houses (13.7%).
Land sales, on the other hand, rose by 3.6%.
Marrakech recorded the sharpest drop in transactions. The decline was of the order of 28.4%. The «Ochre City» , as Marrakesh is nicknamed, was followed by Casablanca, which saw sales fall by 23.2%.
For its part, Rabat experienced an 18.2% drop in transactions. In Tangier, sales fell by 12.8%.❑

Weekly highlights

Desalination

Africa's largest desalination plant

HRH Crown Prince Moulay El Hassan launches construction of the Casablanca desalination plant, the largest in Africa. It will benefit 7.5 million inhabitants (Photo by MAP agency)

IN the province of El Jadida (commune of Lamharza Essahel), HRH Crown Prince Moulay El Hassan kicked off construction work on Casablanca's largest seawater desalination plant on Monday June 10. When completed, the plant will have an annual production capacity of 300 million cubic meters. The desalinated water will benefit a population of 7.5 million. This mega-project comes at a time of significant rainfall deficits and heavy pressure on conventional water resources in the Kingdom's various regions. It forms an integral part of the "Improving water supply" axis of the 2020-2027 National Drinking Water Supply and Irrigation Program, launched in 2020 by His Majesty the King. The overall cost is expected to reach 143 billion dirhams (USD 14.3 billion). The future plant will meet the growing demand for water in the Greater Casablanca, as well as in the cities of Settat, Berrechid. and Bir Jdid,and the surrounding regions. The plant will be built in two phases on a 50-hectare site. It will require an overall investment of 6.5 billion dirhams (USD 0.65 billion), mobilized through a public-private partnership (PPP). Commissioning of the first phase is scheduled for the end of 2026. By this date, the plant should have a capacity of 548,000 cubic meters of treated water per day (or 200 million cubic meters per year). In a second phase (scheduled for mid-2028), this significant capacity will be extended to 822,000 cubic meters per day. This means a total capacity of an additional 100 million cubic meters per year, including 50 million for agricultural use. In concrete terms, this major new-generation project involves the construction of a reverse osmosis seawater desalination plant and the installation of a transport system for the drinking water produced, comprising three pumping stations, three storage reservoirs and a distribution network of almost 130 kilometers of supply pipes. The drinking water transport system will require an investment of 3 billion dirhams (USD 300 million), financed by public funds.❏

Amin RBOUB

Drinking water
A production cost of USD 0.448 / cubic meter

THE Casablanca seawater desalination plant will comprise two 1,850 ml seawater intake pipelines, a 2,500 ml discharge outfall, reverse osmosis desalination facilities (pressure filters and micro-filters), a sludge treatment unit, a control and management center and pumping stations, as well as a storage tank for the drinking water produced. With a drinking water production cost estimated at 4.48 Dirhams (USD 0.448) / cubic meter, the future plant will be 100% powered by renewable energy and its management will be fully automated.❏

Objective
Reduce pressure on surface waters

BY 2030, the Greater Casablanca desalination plant, the largest of its kind in Morocco and on a continental scale, will supply 300 million cubic meters of water. It will be built by a consortium comprising the Spanish group Acciona, as well as the Moroccan companies Akwa and Green of Africa. The installed water capacity per year will be used for irrigation and drinking water supply in the cities of Casablanca, Settat, Berrechid, Azemmour, and El Jadida. The second phase (2026-2030) will increase the plant's capacity to 300 million cubic meters per year by 2030. The aim is to reduce pressure on surface water in a context of water stress and chronic drought over the past six years.❏

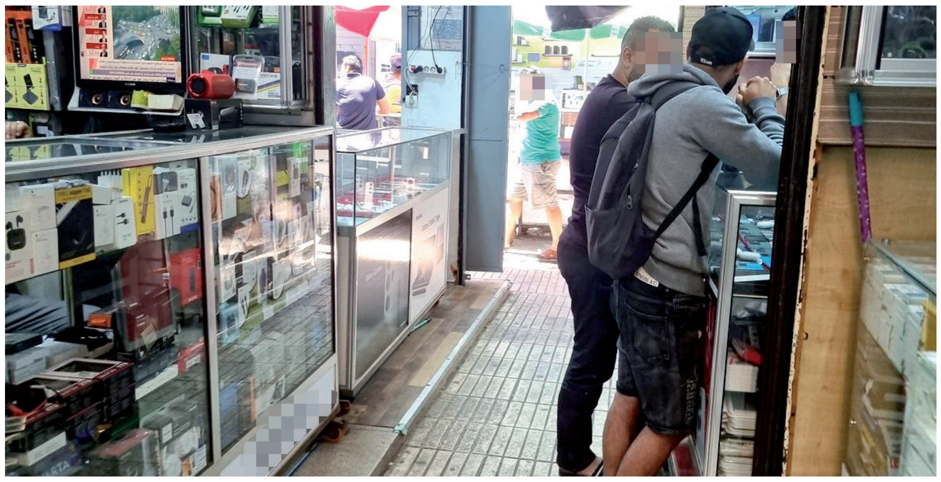
Weekly highlights

Social programs

Indicators in green territory, according to

IMPLEMENTATION of the program to generalize social coverage is going well. This is confirmed by the African Development Bank in its latest program evaluation report, following a mission to the Kingdom last March.

According to the document, all output indicators have been achieved, except one. In terms of " management efficiency ", the initial and amending employment program for the Social protection and cohesion support fund (Fonds d'appui à la protection sociale et à la cohésion sociale) has been drawn up, validated and implemented. The amount allocated is 10 billion dirhams (USD 1 billion) for the 2023 financial year, as was the case in 2022, with the aim of financing the various social programs underway, as well as the social protection generalization aspects. Revenues generated by measures introduced in the Finance Acts since 2021 have been allocated to the fund, with a view to ensuring the sustainability of its resources. These measures include the social solidarity contribution on profits and income; the introduction of the Domestic Consumption Tax (TIC) on tires, including those mounted on wheel rims; the TIC tax applicable to articles, appliances and equipment powered by electricity; and the TIC tax applicable to electronic appliances and vehicle batteries. The provisioning of the special account for social protection and social cohesion at the Treasury is also activated. The decisions to pay into the account for fiscal year 2022 and the fund's summary situation for fiscal year 2023 are available.



In 2023, 1,455 VSEs (Very Small Enterprises) in the informal sector benefited from the "Ana Moukawil" program's awareness-raising services

With regard to the " Better integration of non-graduates who lost their jobs during Covid-19 " program, the AfDB reports that indicators are also in green territory. Notably since the publication of the Head of Government's circular dated March 6, 2023, which defined the components of the Awrach 2 program, as well as the beneficiary categories, the benefits granted, the approach and governance of implementation; and the online publication of the guide to procedures on the website of the National Social Security Fund (Caisse Nationale de Sécurité Sociale, CNSS). Since then, a total of 103,097 jobs have been created under Awrach 2, including 81,754 jobs thanks to provisional worksites at territorial level, and 21,343 jobs thanks to provisional worksites at national level. With regard to the " Promotion of entrepreneurial initiatives and the development of SMEs for greater inclusiveness ", everything is also going very well, according to the AfDB. In 2023, 1,455 VSEs in the informal sector benefited from the awareness-raising services of the " Ana Moukawil " program.❏

Aziz DIOUF

Eid Al-Adha: Only a minority abstain

ALTHOUGH the proportion of Moroccan households who do not perform the Eid al-Adha sacrifice has risen, those that do remain in the majority. Urban dwellers and single-person households are the categories most likely to abstain. According to the national survey conducted in 2022, these households represent 12.6% of total Moroccan households, up from 2014 when only 4.7% of households did not participate in the ritual.

City dwellers are more likely to skip the sacrifice than rural dwellers: 14.3% versus 8.7%. In 2014, these proportions were 5.9% for city dwellers and 2.5% for rural dwellers.

Participation in sacrifice also varies according to standard of living and level of education. Well-to-do households and those headed by educated people are less likely to participate in the ritual. Thus, almost 25.1% of households belonging to the wealthiest 10% do not perform the sacrifice, compared with 7.8% among the poorest 10%. Furthermore, 20.1% of households headed by a person with a higher level of education abstain, compared to 11.7% of those headed by a person with no education.

The types of animals sacrificed are mainly sheep for 95.6% of households, followed by goats for 4.3%, and cattle (0.1%).

The Eid al-Adha sacrifice represents a major expense in the annual household meat budget, especially for those with more moderate income

Rural households are more likely to sacrifice goats (7.4% vs. 2.8% in urban areas), and the practice is more common among the 10% least affluent households (8.5% vs. 2.7% for the 10% most affluent).

The Eid al-Adha sacrifice represents a significant expense in the annual household meat budget, especially for those on lower incomes. On average, it accounts for 30% of the annual meat budget. For the least affluent households, this proportion rises to 41%, compared with 23% for the richest households.

In terms of consumption, meat from the Eid al-Adha sacrifice accounts for a significant proportion of annual household consumption of red meat, particularly for the least affluent households. On average, each household consumes 141 kilos of meat per annum, including 55.8 kilos of red meat. Meat from the Eid al-Adha sacrifice accounts for around 41% of this annual red meat consumption, with an even higher proportion among the least affluent households (65.4%) compared to the most affluent (31.3%).❏

Khadija MASMOUDI