



MOROCCO

Business Conditions Snapshot

- The IMF forecasts that Morocco's economy is on target to contract by 7% in 2020.
- According to the IMF, the prompt response of the authorities has helped contain the economic and social impact of the health crisis. Still, like many other countries in the world, Morocco's economy is expected to experience deep recession in 2020.
- The IMF expects GDP growth to rebound in 2021 to 4.5% as the effects of the drought and pandemic wane, but considerable downside risks remain.
- Morocco has taken decisive efforts to expand social assistance in 2020. The IMF notes that a comprehensive reform of the social protection system will be more urgent after the pandemic.
- Morocco benefits from a strong financial sector, and solid monetary and fiscal policy settings.
- The country announced in August 2020 that it would establish a Strategic Investment Fund of 45 billion Moroccan dirham (A\$6.9 billion) devoted to supporting domestic production and financing large-scale public-private investment projects in an array of different domains.
- In September 2020 Morocco announced an economic stimulus package of 120 billion dirham (A\$18 billion), equivalent to 11% of Morocco's GDP. A total of 62.5% of this package takes the form of state-guaranteed bank loans made available to all business sectors, including state-owned enterprises that have been most impacted (mining companies, transport). Loans will be over a period of five to 10 years.
- Morocco expects small and medium-sized enterprises to benefit from this initiative, recognising that they comprise 80% of the companies that have had to stop business—either temporarily or permanently—during COVID-19.
- In October 2020 Morocco outlined a further three measures to assist with the economic recovery.
 - Creating a Mohammed VI Investment Fund of 15 billion dirham (A\$2.25 billion).

Key facts and figures

- Population: 35.2 million (2018)
- Real GDP growth: 2.7 per cent (2019)
- GDP per capita (ppp): US\$9,235
- Political system: parliamentary constitutional monarchy
- Two-way trade: A\$68 million (2018–19).
- Key exports: manufactures of base metals
- Key imports imports: women's clothing, crude fertilisers
- Aid relationship: Direct Aid Program



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- Implementing an expanded social safety net (increased medical insurance coverage, additional family benefit payments, increased number of contributors to the pension scheme and wider access to unemployment benefits).
- Reforming governance structures in the public sector and state-owned enterprises.
- Shortfalls of key goods during COVID made policymakers turn their attention to ‘made in Morocco’ initiatives. These have allowed Morocco to benefit more from global value chains in production.
- In particular, Morocco seeks to replace Asian countries to which European production is often outsourced. In this respect, Morocco seeks to promote its geographical proximity to Europe, and existing successful models of automobile production for European brands.
- This has been accompanied by an import substitution policy as part of its budget for 2021. Applied rates across goods such as upholstery fabric, tyres, chocolate and umbrellas will increase to up to 40%. Internal consumption taxes and duties will also increase to raise revenue as part of the government’s 2021 budget.
- Morocco encourages and facilitates Foreign Direct Investment (FDI), particularly as a manufacturing and export base for international companies. The national economic policy narrative seeks to leverage Morocco’s status as a multilingual and cosmopolitan country, situated at the cross-roads of Sub-Saharan African, the Middle East and Europe.
- It capitalises on its proximity to Europe and relatively low labour costs to build a diverse, open, market-oriented economy. Key sectors include agriculture, tourism, manufacturing (aerospace and automotive), pharmaceuticals, mining (phosphates), textiles and subcomponents.
- Morocco has increased investment in its ports, transport and industrial infrastructure to position itself as an offshore manufacturing centre with Europe, and broker business throughout Africa.
- Morocco attracts the fourth highest FDI in Africa, totalling A\$billion in 2018 with automotive and aerospace being the key revenue earners.
- Telecommunications and financial services are lead growth sectors as well, as Morocco increases its investments in Africa (recently becoming the second largest African investor on the continent).
- Industrial development strategies and infrastructure improvements—including two new ports (Tanger Med I and Tanger Med II) and a free trade zone near Tangier, as well as a recent free industrial and trade zone in Kenitra—are improving Morocco’s competitiveness. Morocco seeks to expand its renewable energy capacity to make renewables more than 52% of installed electricity generation capacity by 2030.



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- Morocco is now turning its attention to the use of renewable energy in street lighting, water, desalination plants and electric mobility (given Morocco's reliance on road transport).
- Despite Morocco's economic progress, the country suffers from high youth unemployment (about 27 per cent in 2018), poverty and illiteracy (33 per cent in 2012), particularly in rural areas. It has a range of economic challenges.
 - Public sector reforms are being embracing sluggishly.
 - Corruption, nepotism and cronyism is common.
 - There is uneven development along the west coast at the expense of rural areas, particularly in infrastructure.
 - Successive years of drought have led to agricultural hardship.
 - Reform is required in the education and judiciary system.
 - The rural exodus must be reduced while growing the rural economy.
 - Health sector improvements are vital.
 - The digital economy is yet to be embraced.
 - Shifting activity from the informal to the formal economy will be a test.
- Morocco's highly regulated and non-convertible currency limits the country's participation in a globalised economy. Moroccan policymakers recognise the need to address this issue.
- The central bank expanded the band from 2.5 per cent to 5 per cent of the basket (Euro 60 per cent/US\$ 40 per cent) of currencies to which its exchange rate is pegged in March 2020. Further changes are expected.
- In addition to its existing agreements covering trade with 56 countries, Morocco is seeking entry into the Economic Community of West African States which, if successful, would lead to an upwards trend in trade across West Africa.

Trade and Investment Opportunities

- Former Minister for Trade, Tourism and Investment, Steven Ciobo, launched the Australia Morocco Business Council in 2017, and encouraged its members to be ambitious in advancing Moroccan–Australian trade.
- In 2018–19 two-way merchandise trade between Morocco and Australia totalled A\$61 million.
 - Of this, Australian exports comprised around A\$15 million, mostly in meat and manufactures of base metal, not elsewhere specified.



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- Imports from Morocco were valued at around A\$46 million, including women's clothing, fertilisers, cement, lime and vegetables.
- Morocco's rapidly growing economy presents opportunities for Australian businesses across multiple sectors.
 - Food (high-end items) and agriculture commodities are in demand as well as agricultural technologies.
 - Water management and policy experience is sought after.
 - Defence and cyber security also presents opportunities for Australian know-how.
 - Australia's infrastructure expertise is in demand, including for major projects.
 - Australian experts in urban planning and sustainable building development are already active in the market.
 - Expertise in oil and gas, as well as renewable energies, are also in demand.
 - Educational cooperation and agreements, and vocational training, are also active in the market.
- Australian businesses have benefited in the past from Moroccan sectoral development plans such as the Green Morocco Plan that was complemented in 2020 by the Generation Green plan.
 - A major urbanisation project about 90km south of Casablanca has a target to house 134,000 people by 2034. The Mazagan City Centre is seeking the Green Building Council of Australia's Green Star label.
 - There will be further opportunities to supply goods and services around these development plans.
 - This includes in education, health, security, tourism, infrastructure, energy and agriculture.
- Major emerging commercial opportunities exist in sectors where Australian businesses are already present, as well as in new sectors and areas.
 - The growing trend of upscale food service expansion and retail is an example, which could increase the volume of exported high end meats and wines to the market and introduce dairy, honey, seafood, cosmetic and other products.
 - Agribusiness could increase the volume of the commodity trade and present Australian capabilities in technology, genetic materials, and services such as irrigation.
 - There are renewed opportunities in the defence sector on naval and cybersecurity.
 - Green building, energy efficiency and urban development in the building sector are key to Morocco's future development.



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- There is increased interest in the education market for English-speaking education and destinations.
- Mining and energy offers opportunities in mining exploration, LNG gas as well as in renewable energies and the use of hydrogen.
- Morocco is strategically located to attract FDI from companies wishing to export to the EU market and to sub-Saharan Africa, where trade agreements are in place.
 - There is further scope for Australian companies to base their operations in Morocco as a launching pad towards Africa or Europe.
 - The Australian embassy in Rabat's opening in June 2017 is enhancing Australia's trade and investment links with Morocco.
 - The Australia–Morocco Business Council is working to bring new dimensions to the business relationship and widen the scope of Australia's presence in the market.

Australia's commercial presence in the market

Australia's business presence in Morocco started from a low base and is now a growing, diversified multi-sectoral presence. Australian exports to the market are:

- Foods (red meats, animal fats, butter substitute, offal and wine).
- Agribusiness (organic pesticides, seeds, grains and agribusiness services).
- Agricultural investment into Morocco (berries).
- Infrastructure and urban development (city master planning, infrastructure).
- Defence (communication equipment).
- Tourism (operators).
- Regulatory services and consulting.
- Mining and energy (consulting, engineering, technology and exploration).

Other Australian companies have invested in Morocco in services, mining development and agriculture. Australian businesses have gained a strong reputation in the market and have supplied their goods and services to key government-owned and private sector companies.

Summary of major initiatives and opportunities

- The AMBC brings new depth and insights into the trade and investment relationship and opportunities.



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- The Embassy and AMBC continue to work on a range of high-profile initiatives in the sectors listed below. Many opportunities continue to flow from the Moroccan Minister of Agriculture-led business delegation visit to Australia in February 2019.

Food and agribusiness

- Irrigation technology proposals submitted to Directorate of Irrigation.
- Successful trade outcomes in offal (beef liver) and wine exports.
- Planning for an animal traceability mission by ONSSA (sanitary authority) to Australia to introduce the system into Moroccan cattle and sheep population.
- Planning an Ag-tech and education mission with the Ministry of Agriculture.

Defence and security

- The Moroccan Royal Navy has finalised the terms of reference for its high-speed offshore patrol vessels tender for an 80 metre OPV and encourages Austal to again make a formal presentation.
- Continuing to engage with meeting the Moroccan military's red meat tenders office following the award of a dromedary meat tender on 1 December 2020 to Australian company SAMEX.
- Ongoing promotion of Australia's capacities with Morocco's Defence and Interior Ministries.
- A South Australian firm won a Moroccan Defence department contract in 2020 to supply communications equipment. The company is looking at further opportunities to expand.

Mining and renewable energy

- There are two Australian companies mining in Morocco.
 - Kasbah Resources.
 - Marrakesh Exploration.
- The embassy is working with Jacob's engineering subsidiary in Morocco (JESA) after Worley acquired a 50% stake in 2019 to explore opportunities in the renewable energies sector.
- Key Moroccan energy efficiency and renewable energy agencies – MASEN and AMEE – recognise Australia's expertise in these areas, including hydrogen, and are interested in collaboration.

Education and research

- The University of Adelaide and Mohammed VI Universite Polytechnique (UM6P) have formed a partnership in science and technology.
 - This will focus on renewable energy, mining and dry land management.



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Infrastructure

The Moroccan government's strategy on upcoming infrastructure projects will rely more and more on funding from the private sector and will allow international organisations to access investments in the country.

Trade Policy Focus

- Morocco has trade agreements covering 56 countries.
 - These include with the US and Turkey, and in the form of an advanced status agreement with the EU, and one governing trade with the UK from 1 January 2021.
 - Morocco is also seeking entry into the Economic Community of West African States which, if successful, would lead to an upwards trend in trade across West Africa.

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Insight current as at December 2020.



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