

# Impact of the covid-19 pandemic on the Moroccan economy

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## Abstract

The crisis linked to the spread of Covid-19 has had a considerable impact on the world economy. Indeed, this health crisis soon turned into a real economic crisis, calling on governments to be vigilant but also flexible in order to adapt to this unstable context.

In Morocco, the state has mobilized by proposing various measures from the beginning of the health crisis in order to minimize the impact of this pandemic and to preserve social stability on one hand and the maintenance of stable economic activity on the other, despite the slowdown it has experienced. Thus, this article seeks to explore the economic recovery during the state of health crisis COVID-19 in Morocco.

Through this article, we will see the impact of the covid-19 pandemic on the moroccan economy as well as the various measures taken at the national level which have made it possible to mitigate the impact of covid-19.

**Keywords:** Health crisis; Covid 19; Economic impact; Measures undertaken by the State; Morocco.

## Introduction

Morocco, like other country in the world, is currently grappling with the devastating impact of the COVID-19 pandemic on its economy and a massive external economic shock resulting from a deep global recession. This severely affected trade and financial flows leading to a sharp deterioration in the macroeconomic situation.

Public health and education issues overlap with a host of other political, social and economic challenges. Indeed, several sectors, rich in jobs, as well as the informal sector, have been particularly affected.

Before the pandemic, Morocco's economy was improving through poverty reduction, job creation and the development of the world's largest solar power plant and Africa's largest port. In 2019, Morocco welcomed 13 million tourists and it now ranks third after the United Arab Emirates and Bahrain in the Arab world on the World Bank's Doing Business index.

## **1. Repercussions of the crisis on the Moroccan economy**

In 2020, the economy faced strong headwinds, with the government highlighting the “triple threat” of two years of drought in combination with local and global economic contractions. GDP declined by around 6.9% and unemployment fell from 9.2% at the end of 2019 to 11.9% at the end of 2020. Agricultural exports, remittances abroad and tourism have all been hit hard. Morocco rose to 121st place internationally in human development, but the economy is expected to grow by around 4% in 2021 with the resumption of tourism and exports and the decrease in the impact of drought.

According to a study conducted by the European Union delegation on March 26, 2020 on the economic impact of COVID 19 in Morocco, the Moroccan economy has suffered from the fallout from this pandemic. From a macroeconomic point of view all economic aggregates show a regression which only gets worse over time. We are talking about:

- A drop in Moroccan growth from 3.8% to 2.3%, ie a drop of 39.47% in 2020;
- A deterioration of the GDP estimated at -3.8 points, ie a decrease of 10.9 billion Dirhams in the second quarter of 2020;
- A worsening of the trade balance deficit, i.e. an increase of 23.8% at the end of the first quarter of 2020.

From a sector point of view the main affected sectors are :

- Tourism with 94% of classified hotel establishments which were shut down until the end of May 2020, the estimated loss of this sector is 34 billion MAD in 2020 in terms of overall tourism turnover, and 14 billion MAD of turnover for the hotel industry, ie a loss of 98% of tourists.
  
- Air transport with a loss of 4.9 million passengers and a shortfall of 728 billion dollars according to the International Air Transport Association. Road and rail transport was in turn impacted by this crisis following the ban on the circulation of all types of passenger transport vehicles from March 24 until June 10, 2020.
  
- Automotive following the decision to suspend Renault and PSA's activity, which had a considerable impact on almost all sectors and which affected 180,000 employees working in the automotive industry. Considered to be the leading exporting sector in Morocco, any deterioration in its activity will have a negative impact on the country's trade balance. Nationally, sales in Morocco show a decline following the deterioration of household consumption power as well as the postponement of the Auto Expo. Internationally, the automotive industry experienced a sharp drop of 89% in its exports.
  
- Textile which suffers from a double problem. The first concerns supplies, a large part of which comes from China. The second concerns the export of the finished product following the drop in demand from European countries, particularly Spain and France, which absorb nearly 60% of Moroccan exports. The textile and leather industry recorded

a cumulative drop in exports of 74% at the end of May 2020. But this does not exclude the impact of this pandemic on other sectors at different levels.

The spatial and sectoral distribution of the pandemic shock shows that there is a concentration of losses in the regions contributing the most to national production, notably Casablanca-Settat, Tanger-Tétouan-Al-Hoceïma and Marrakech Safi. At the sector level, hotels and restaurants, textiles and leather, metallurgical industry and construction and public works are the most exposed to economic losses. The mobilization of financial resources within the framework of the Covid-19 Special Fund was able to moderate the initial shock of the pandemic, insofar as the initial request for 2 billion for the acquisition of sanitary equipment and lump-sum transfers for the benefit of people most affected by the pandemic, injected the equivalent of 2 points of growth into the economic circuit.

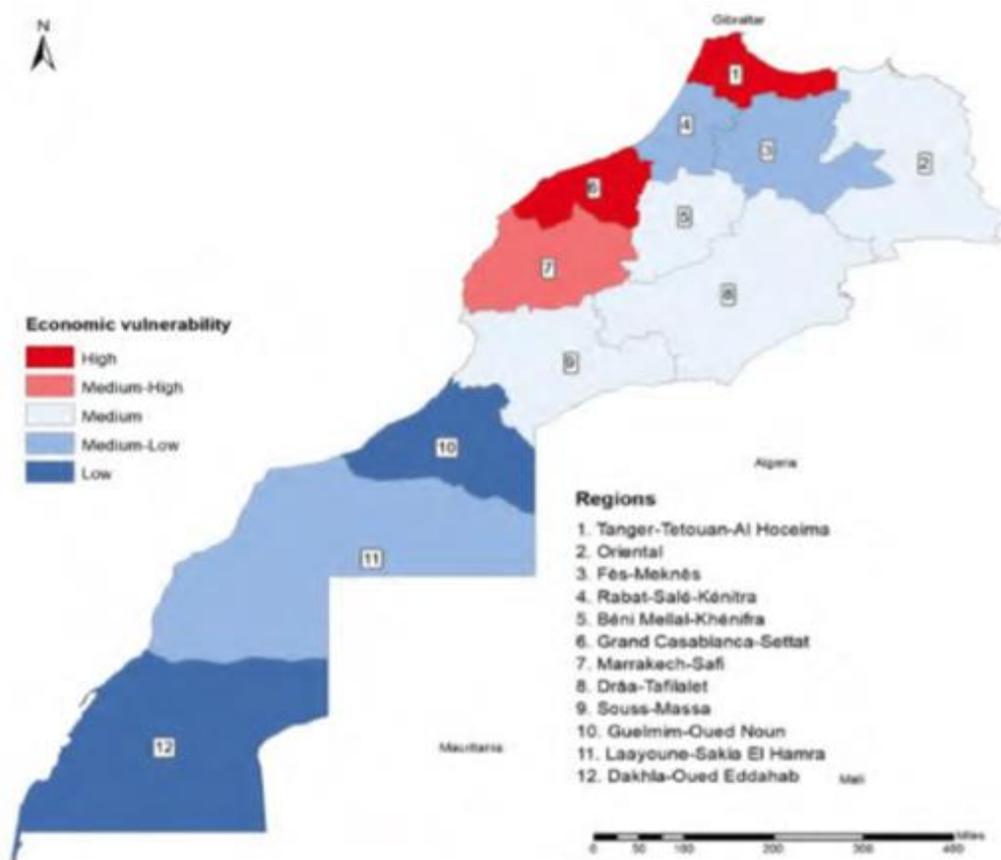
**Table 1: Economic impacts by sector and by region**

Sector	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	Morocco	% of sectorial GDP
	Tanger-Tetouan-Al	Oriental	Fès-Meknès	Rabat-Salé-Kénitra	Béni Mellal-Khénifra	Grand Casablanca-Settat	Marrakech-Safi	Drâa-Tafilalet	Souss-Massa	Guelmim-Oued Noun	Laayoune-Sakia El Hamra	Dakhla-Oued Eddahab		
Agriculture; Fishing	-761	-805	-1,815	-1,307	-1,448	-1,537	-1,548	-629	-1,042	-198	-73	-153	-11,316	-7.23
Mining industry	0	-230	-39	-157	-2,859	-14	-2,088	-668	-6	0	-525	0	-6,586	-17.02
Food industry and tobacco	-248	-85	-468	-272	-175	-2,514	-309	-18	-711	-36	-79	-30	-4,946	-7.37
Textile and leather industry	-849	-32	-445	-409	-2	-2,184	-88	0	-3	0	0	0	-4,012	-20.79
Chemical industry	-92	-32	-107	-189	-10	-2,353	-268	-2	-53	0	-55	0	-3,162	-15.15
Metallurgical and electrical industry	-1,983	-346	-355	-665	-44	-4,340	-50	-4	-90	0	-3	0	-7,880	-20.16
Other manufacturing	-646	-120	-366	-418	-77	-3,757	-361	-9	-271	-12	-70	-9	-6,115	-17.86
Electricity and water	-130	-65	-106	-252	-50	-288	-125	-19	-78	-8	-15	-1	-1,137	-5.74
Construction	-1,100	-853	-795	-1,196	-579	-1,900	-1,328	-518	-540	-85	-209	-21	-9,127	-13.99
Trade	-1,362	-1,332	-1,463	-1,756	-766	-3,838	-1,474	-256	-898	-157	-135	-34	-13,469	-13.59
Hotels and restaurants	-389	-155	-343	-227	-47	-670	-2,011	-150	-1,453	-11	-13	-13	-5,483	-21.53
Transport	-438	-448	-552	-814	-254	-1,607	-529	-133	-360	-84	-69	-19	-5,308	-13.40
Post and telecommunications	-38	-83	-12	-44	-2	-331	-30	-11	-26	-8	-10	-1	-596	-2.00
Financial activities and insurance	-170	-160	-171	-738	-77	-1,934	-282	-32	-164	-13	-14	-2	-3,759	-6.78
Real estate	-957	-946	-1,148	-4,102	-482	-8,631	-1,610	-233	-902	-104	-98	-27	-19,240	-15.62
Public administration	-69	-35	-44	3	-56	-157	-120	-22	-45	-30	-75	-10	-659	-0.61
Education, health and social action	-167	-181	-314	-391	-139	-652	-256	-61	-196	-32	-38	-15	-2,442	-2.39
Other non-financial services	-188	-133	-177	-456	-93	-641	-301	-38	-127	-16	-15	-5	-2,188	-13.52
<b>Total</b>	<b>-9,588</b>	<b>-6,042</b>	<b>-8,719</b>	<b>-13,390</b>	<b>-7,161</b>	<b>-37,351</b>	<b>-12,777</b>	<b>-2,804</b>	<b>-6,963</b>	<b>-795</b>	<b>-1,497</b>	<b>-339</b>	<b>-107,424</b>	
<b>% of regional GDP</b>	<b>-11.36</b>	<b>-9.00</b>	<b>-8.33</b>	<b>-8.41</b>	<b>-9.60</b>	<b>-11.96</b>	<b>-10.81</b>	<b>-9.05</b>	<b>-9.77</b>	<b>-5.79</b>	<b>-8.13</b>	<b>-5.92</b>	<b>-10.13</b>	

Source: Haddad et al (2020) « assessing the economic impacts of the covid -19 pandemic on sectoral and regional growth : the case of morocco ».

Economic structures, which differ from region to region, disproportionately expose each territory to pandemic shock. Regions with a greater concentration of tourism or manufacturing activities are more prone to the repercussions of the crisis. The weight of the informal sector and the public service strongly condition, in turn, the sensitivity of each region, since the regions least vulnerable to the shock are those with limited informal activity and a strong presence of public activities.

**Figure 1: economic and regional vulnerability**



Faced with these repercussions of the Covid-19 pandemic on the Moroccan economy, the government has implemented several measures to absorb, in the medium and long term, the economic and social effects of the Covid-19 crisis, in measuring better and better the issues related to the weight of the informal economy, and the consolidation reform actions in favor of social inclusion.

## **2. Measures undertaken by the State to manage the fallout from the health crisis**

Faced with these issues, and under the high guidance of His Majesty King Mohamed VI, Morocco had a strong initial response to the COVID-19 pandemic, imposing lockdowns and closing its borders, but cases have increased during the summer and fall, peaking in mid-November. As of March 2021, it had around 480,000 cases and more than 8,600 deaths. So far, Morocco has received several million doses of AstraZeneca, Pfizer, and Sinopharm vaccines and vaccinates 50% faster than Germany and most major European countries.

Aware of the gravity of the situation and the importance of proactive measures in order to anticipate the consequences in the short, medium and long term of this pandemic on the Moroccan economy, the Moroccan government has implemented several initiatives in order to cushion the shock of this crisis and accelerate the recovery of national economic activity. Among these initiatives we have :

- **The creation of the Economic Watch Committee** : This is an interministerial unit responsible for studying the economic repercussions of the pandemic, and defining the measures to be adopted in order to mitigate the impact of the pandemic. Among the measures taken by this committee to alleviate the impact of this crisis, we find :

- Postponement of tax declarations and payment of corporation tax, from March 31 until the end of June for companies with a turnover of less than 20 MDH. This deadline has been extended until September 30, 2020 for companies with cash flow difficulties and which cannot honor their commitment to the tax authorities.
- Postponement of the declaration of the total income of natural persons from April 30 to June 30, 2020, in respect of their professional income, determined according to the system of actual net income or that of simplified net income, and / or in respect of their farm income. This deadline has been postponed like the legal persons mentioned above until September 30, 2020 for people with payment difficulties caused by the pandemic, but this postponement only concerns the payment of the tax and not the declaration.
- Proposal of 0% rate credits for auto-entrepreneurs impacted by the COVID 19 crisis, up to 15,000 Dhs repayable over 3 years with a deferral of one year.
- The reduction of charges through the suspension of social security payments.

- **Amending finance bill** : It should be noted that since the 1990s no amending law has been tabled. The latter consists of the correction of the annual budget promulgated in Parliament. In order to comply with the provisions of article 77 of the Constitution which make the Parliament and the Government accountable for the preservation of the balance of the State finances. The use of an amending finance law for the year 2020 was essential especially with the situation of the current health crisis.

The purpose of the amending finance law is to update and clarify both national and international assumptions, taking into account economic aggregates, in particular the decline in the growth rate, the budget deficit, the effects of drought, the drop in tax revenue ... Also to adjust revenue and expenditure forecasts, taking into account the impact of changes in the health and economic context and to accelerate the implementation of administrative reforms through digitization, deconcentration and simplification of administrative procedures and formalities. The key provisions of this law are as follows :

- Expenses related to the Coronavirus pandemic will be considered as deductible expenses to be spread over several years and amortized over 5 years.
- Postponement of the deadlines for the derogatory measures relating to the spontaneous regularization of the tax situation of taxpayers.

- 50% reduction in registration fees in favor of immovable property intended for housing.
- Extension of the deadline for submitting declarations of assets and cash held abroad until December 31, 2020 instead of October 31, 2020. This aims to strengthen the country's foreign currency reserves.

## **FINDINGS AND CONCLUSIONS**

COVID-19 presents a systemic risk creating vulnerabilities, reinforcing inequalities and hampering the achievement of the SDGs. The COVID-19 pandemic not only engenders a new economic and social crisis, but also highlights existing gaps in the way countries prepare, respond and recover.

Morocco will have to act quickly and in an integrated manner in order to respond to the covid-19 crisis, by relying on priority measures, namely, Health this axis responds to the need to support health systems that run the risk to be overwhelmed. This support must target in particular the most vulnerable populations. As well as the continued strengthening of the inclusion of the most vulnerable, in the various health programs, school systems, legal assistance systems.

Also in the face of the scale of the global recession and rising unemployment, it is important for national economic policies to protect employment and promote inclusion in national socio-economic inclusion programs.

See the crisis as an opportunity to strengthen advanced regionalization and enhance the role of civil society and the strengthening of territorial planning mechanisms in cohesion with the general policy of the State. Local authorities have already taken commendable actions to reduce the impact of the pandemic. There is no shortage of examples of efforts and local solidarity, and civil society is often at the forefront.

It is further recommended that special attention be paid to multidimensional poverty. The World Bank's estimate of the decline in GDP implies an increase in poverty, the exact proportion of which remains to be estimated, but which will obviously be significant.

This includes planning a response tailored to the segments of the population hardest hit by the crisis. These are employees of SMEs, self-employed workers, agricultural workers and day laborers. The impact by gender is particularly differentiated. It is important not to consider only the monetary side of poverty. The emphasis is on multidimensional poverty because the consequences for health and education are not always captured by monetary indicators.

Finally, beyond the availability of continuous services, their quality and their perception by the population are just as important. It is therefore recommended to capitalize on the efforts made in times of crisis to invest more in the resilience of public services so that they can ensure continuity of supply, regardless of the health or economic situation.