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Editorial

Umpteenth wave

Khalid BELYAZID

HIM again! With its contaminations, its variants, its lethality... its umpteenth wave. This good old Covid is back, or rather, it never left us, despite the thousand daily cases, says Health Minister Ait Taleb. One must therefore infer that our health authorities will not decree untimely measures as was the case for the Omicron wave, imposing closure on the first case. It is the *"zero-COVID"* model, that of China which quarantines and isolates its population at the first alert. Its political regime wants to show its effectiveness in controlling the virus (which nevertheless escaped it on the first day!) and its absolute authority over its population. The result is that the economy is disrupted, and the virus is *"contained"*… until the next wave. Morocco went through that phase already; the social damage to several sectors such as tourism, catering, and the Government finances has not yet been digested. This damage to the economy may be greater than that to health, recognizes the Minister of Health, because against the Omicron virus Morocco had closed (its borders and part of its economy), while Europe has continued to live normally with its thousands of cases a day. As good democracies, European countries have bet on the responsibility of citizens to resume normal life, revive the economy, and *"live with"* Covid. This European model has succeeded and continues; it is based on the maturity of free and responsible individuals, who believe in science, get vaccinated, and respect basic Covid protection gestures, which we can do in the face of the new wave that will be fueled by travels, weddings, festivals, and Eid al-Adha. Living free like in Paris or Madrid, and not locked up like in Shanghai. But this again requires the use of vaccines, sometimes with 4 doses, and masks, and means a summer without hugs and kisses. ❏

Weekly highlights

Customs brings e-commerce to order

IT was time to stop the haemorrhage and the devastation caused by e-commerce on whole sections of the economy, particularly textiles, say many operators in the sector. From now on, from next July 1, purchases made through international e-commerce platforms will be excluded from exemption from import customs duties, regardless of value. This is the purpose of the draft decree which was adopted at the last government meeting and which aims to put order in this area. In fact, it is an old decree relating to duty-free imports and other duties and taxes on certain objects and goods, which has been amended. Initially, it stipulates that products and objects, excluding alcoholic beverages and tobacco, with a value not exceeding 1,250 MAD (about 125 USD), sent to natural or legal persons, having a residence in Morocco, used to be exempted from customs duties.

Now, the new decree excludes purchases from the benefits granted to e-commerce, regardless of value. This provision does not apply to individual-to-individual shipments where the applicable deductible of 1,250 MAD remains unchanged. Moreover, the minister in charge of the Budget, who presented the text to the Government Council, states categorically: *"the decree does not target Moroccan consumers. We do not even speak about natural persons. The goal of the legislation is to restore commercial fairness and to protect the sectors affected by this practice. Otherwise, in a short time, 2 to 3 years, entire sectors of the economy might disappear"*, Fouzi Lekjaa told L'Economiste. According to him, at this rate, there will be no more trade, no more shops, and no supermarkets. All of these organized activities are at risk of collapse. In any case, for the time being, whoever has used the loophole in this system will have to pay their dues in less than two weeks. For the Minister, it is imperative to protect the national economy. If the situation continues like this, the textile sectors and traders in Morocco will suffocate. The Minister takes this opportunity to recall that a Chinese e-commerce platform, after 10 years of creation, has a turnover of 100 billion US dollars. Moroccan companies and merchants make separate purchases to avoid taxation. However, operators import goods in containers and pay duties and taxes. As for those who go through international trade, they pay nothing, and for a good reason since these platforms do ship the purchases made by Moroccan customers, knowing that below the threshold of the value of 1,250 MAD, these purchases remain duty-free. Beyond that amount, the operation is taxable, explains a source from the Customs and Excise Administration (ADII). ❑

From July 1 onwards, a new decree excludes purchases from the advantages granted to e-commerce, whatever the value. This provision does not apply to individual-to-individual shipments where the current deductible of 1,250 MAD remains unchanged *(Ph. AFP)*

Mohamed CHAOUI

Eid Al Adha: Sheep more expensive this year

ABOUT twenty days before Eid Al Adha, a certain frenzy has begun to settle in the weekly souks and among sheep breeders-fatteners. A frenzy that particularly affects the prices of sheep intended for sacrifice. They are, in fact, marked by increases that vary between 900 dirhams for lambs and 2,500 dirhams for rams depending on the breed, weight, and breeding regions. The kilo of live sheep went from 53 dirhams in 2021 to 68 dirhams this year, with all due respect to the Department in charge of Agriculture, which announced in a press release that *"prices have remained stable"* and, therefore, are more or less identical to those of last year, sheep costs more.

Among breeders/fatteners and farmers in general, three main reasons are put forward to try to explain this surge in prices. First, the so-called exorbitant costs of the feed needed to fatten sheep, especially in the absence of real competition between the handful of producers of this feed. Then, and despite the efforts deployed by the government on high royal instructions, as part of an exceptional program to mitigate the effects of the drought, it seems that the support measures for breeders have not been sufficient, say the breeders. The third reason cited is, of course, drought. This year, the supply of sheep for slaughter on the occasion of Eid Al-Adha exceeds 8 million heads against a demand estimated at 6 million heads. For its part, the National Association of Sheep and Goat Breeders (ANOC) believes that *"animal prices should know this year an increase of 20 to 30% compared to last year"*. According to its president, Abderrahmane Mejdoubi , *"2022 is a difficult year for breeders"*. The prices of animal feed have been multiplied by 2.5 and even by 4 for certain inputs. This situation experienced by the rural world and particularly the breeders does not date from this year. Indeed, the health crisis and the restrictive measures have *"plunged the breeding activity into an abyss of difficulty to such an extent that several breeders have been forced to part with their herds. That said, many breeders have shown resilience and maintained their activity despite soaring production costs"*, he adds, clarifying that *"breeders did not pass on the increase in inputs to consumer prices"* throughout last year. So why are sheep prices soaring now? Is it a question of catching up and recovering *"the shortfall"* recorded last year or is it pure speculation (on the rise)? ❑


The National Association of Sheep and Goat Breeders (ANOC) estimates that "animal prices should increase by 20 to 30% this year compared to last year and 2022 is a difficult year for breeders" *(Ph. L'Economiste)*

Jamal Eddine HERRADI

Weekly highlights

Board of Bank Al-Maghrib: Inflation and growth alert

THE key rate remains at 1.5%! The Moroccan central bank (BAM) Board meeting on Tuesday, June 21 kept the rate unchanged while remaining attentive to developments in the situation at the national and international level. The Board opted for the continuation of an accommodating monetary policy in a situation marked by a great deal of uncertainty and galloping inflation. The central bank has also revised upwards its forecasts for both inflation and growth. Instead of 4.7% announced last March, inflation should stand at 5.3% before decelerating to 2% in 2023. Inflation is mainly driven by the surge in the prices of energy and food products as well as by its acceleration among Morocco's main trading partners. Its underlying component would also rise to 5.2% before rising to 2.5% next year. To deal with this situation, the government, trade unions, and employers have signed a social pact which provides for a number of measures: an initial increase in the minimum wage from next September, an increase in family allowances for the third, fourth, and fifth children, and the promise of an overhaul of the Income Tax grid. Direct aid is granted to transporters, support is provided for the agricultural world, and the subsidy for butane gas, sugar, and soft wheat flour is continued. Moreover, in its forecasts, BAM took into account the impact of the decisions made within the framework of the social agreement of April 30, 2022. Growth, which had reached 7.9% of GDP in 2021, would not exceed 1% compared to a forecast of 0.7% in March. Such a level of growth is unlikely to create enough jobs and one can certainly expect a rise in the unemployment rate.

The Board of the Central Bank forecasts a budget deficit of 6.3% and a current account deficit of 4.9% of GDP (Ph. L'Economiste)

This slowdown is explained by the 15% drop in the agricultural value added, which should nevertheless improve by 12.9% in 2023 assuming an average cereal harvest of 75 million quintals. This year, the agricultural campaign should record a cereal production of 32 million quintals, after 103.2 million quintals a year earlier. On the other hand, the value added of non-agricultural activities is expected to improve by 3.8% due to the easing of sanitary restrictions. It should return to its trend rate in 2023 with an increase of 2.8%. The Board also expects a budget deficit of 6.3% versus 5.9% in 2021. These projections take into account *"the announced exceptional mobilization of resources through specific financing mechanisms and monopoly revenues"*. Moreover, at the end of May, ordinary revenues improved by 25.5%, driven by the increase in tax revenues and specific financing. At the same time, overall expenses increased by 16.6%, reflecting in particular the increase in the expenditures relating to the Government subsidies to basic commodities being consumed by Moroccan citizens. For its part, the current account deficit would widen to 4.9% versus 2.3% in 2021 and would drop to 3.8% next year. Exports would be up by 22% in 2022 and 0.8% in 2023 and will be driven by the increase in sales of phosphates and automobiles, which would stand at 102.7 billion and 114.7 billion MAD respectively, right from the next fiscal year. Imports would increase by 24.2% due to the soaring energy bill and purchases of raw products and semi-finished products. ❏

Khadija MASMOUDI

International debt collection: Morocco can do better

IT is really difficult to collect debts held on Moroccan companies. According to Allianz Trade's Collection Complexity Score, Morocco ranks 39th out of a sample of 49 countries. It comes just after countries like Togo, Turkey, and Argentina. On the other hand, Morocco is ahead of India, Thailand, Benin, and South Africa. Morocco obtains a score of 57, a slight drop compared to the previous edition, and therefore finds itself at a level of *"very high complexity"*. This ranking, which should give food for thought to politicians as well as the business world, is also attributed to the long payment periods. *"The average DSO (Days Sales Outstanding) in Morocco remains high, and the payment behavior of domestic companies is deteriorating with payments being made between 120 and 150 days on average*", notes Allianz Trade. Long payment terms are penalizing, regardless of the origin of the company. At the local level, small and medium-sized entities are the first ones to bear the brunt of late payments. Morocco has certainly prepared a legislative framework to bring the situation to order, but the process is falling behind schedule. The project, which is treading water, should bring a major novelty. The Government, through the DGI (General Tax Directorate), would become a full party in the commercial relationship between a customer and its supplier. The Government would intervene through monetary sanctions against customers who pay late. This project also plans to temporarily increase the legal deadlines to 120 days instead of the current 60 and 90 days. Businesses, on the other hand, should self-declare their late payment situation once a year. Allianz Trade, which screened 49 countries representing 90% of global GDP and 85% of international trade flows, also points to the judicial system. *"It is a multi-layered system which remains under influence and is criticized for its lack of organization, efficiency, and transparency"*. The trade credit insurer also believes that *"commencing legal action would be unreasonable in most cases, while enforcement judgments would be difficult"*. Insolvency procedures exist but they are considered *"complex, slow, and mostly inefficient when it comes to collecting debt"*. In any case, Morocco can do better! That said, Moroccan exporters are in turn exposed to the complexity of collection: *"Among the 10 main trading partners of Morocco, 5 countries have a remarkable collection complexity index, and two countries obtain a very high index: the United States and India*", notes the Allianz Trade study. ❏

The situation of Morocco's main trading partners is heterogeneous: The Netherlands (complexity index of 32), in fourth position for example, and India (58) having global conditions comparable to those of Morocco (57)" , estimates Allianz Trade (Ph. L'Economiste)

Khadija MASMOUDI

L'ECONOMISTE 30 ans de fidélité

Weekly highlights

Craftsmen return to class

CRAFTSMEN from different regions received training on Jewish art and worship objects. Initiated by the Mimouna association, the Ministry of Tourism and Handicrafts, the Mohammed V Foundation for Solidarity, and the Chamber of Crafts of the Fez - Meknes region, this operation gave birth to a traveling exhibition under the theme *"Craftsmen tell you everything about our Jewish heritage"*. Indeed, this exhibition made its first stop in the city of Fez from June 21 to 25, 2022 at the Center for Training and Qualification in Craft Trades of the Mohammed V Foundation. The partners of this training wish to perpetuate the knowledge relating to design objects related to Jewish art and worship. To achieve this, a training cycle was offered to a group of craftsmen from the cities of Fez, Rabat, Salé, Sefrou, Meknès, Safi and Essaouira. *"This is a first in Morocco"*, said Abderrahim Belkhayat, Regional Director of Handicrafts, adding that *"this kind of training targets several social, heritage-related, and economic ambitions"*.

The first part of this training involves the transmission to craftsmen of ancestral knowledge linked to the Jewish Moroccan heritage, which would ensure their integration into an economic momentum. In terms of culture and heritage, this training offered both a new look and continuity to Jewish Moroccan design. It also tends to safeguard crafts that are endangered. From the economic standpoint, thanks to this initiative, craftsmen could design a product suitable for Moroccan Jews and Jewish tourists, in addition to having access to a new international market by a search of orders to be met.

This training offers both a new look and continuity to the Jewish Moroccan design. It also tends to safeguard endangered artisanal trades *(Ph. L'Economiste)*

This could ensure the sustainability of the craftsmen's knowledge and of their professions. *"It's a proactive and motivated approach which marks the history of our Judeo-Moroccan heritage and which aims at the preservation of such a heritage, as well as the valorization of this ancestral intangible know-how"*, notes Belkhayat. It should be noted that the training as well as the follow-up was provided by Devorah Michael, expert in Judaica objects from New York, Meriam Ghandi, Moroccan architect and designer, expert in design related to Moroccan craftsmanship, and Zhor Rhihel, the curator of the Jewish Museum of Casablanca. The three trainers gave several presentations on Jewish holidays, Judaica items, as well as new design trends in the field of crafts. After a continuous supervision of several months, and follow-up and support provided to the partners, the craftsmen expressed their interest for this subject by the creation of Jewish handicrafts with a Moroccan identity. In the end, this production gave birth to a collection of interesting, curious, and emotionally unifying objects. An approach that all the partners wanted to celebrate and share by organizing a traveling exhibition to be discovered from June 20, 2022. ❑

Youness SAAD ALAMI

Common heritage

MIMOUNA is a non-profit cultural association. Created in 2007 in Ifrane on the initiative of young Muslim students wishing to promote and preserve the Judeo-Moroccan heritage, the association has since extended its activities to the national level, the aim being to engage dynamically in the education of Moroccan youth to Moroccan Jewish heritage. The name *"Mimouna"* symbolizes a heritage that is common to all Moroccans. Traditionally celebrated at the end of Passover, the Jewish version of Easter, the Mimouna is a typical holiday for the Jews of Morocco. Jewish families invite their Muslim neighbors who, among other things, bring bread to join in the festivities. One of the founding principles of the Mimouna association, as a civic and patriotic association, is to preserve and strengthen the plural Moroccan identity. ❑