

## The consequences of the Covid-19 health crisis on the Moroccan economy

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**ABSTRACT:** Following the global health crisis caused by the Covid-19 pandemic, and to save lives, Morocco has chosen isolation, containment and general closure in order to slow the spread of the virus. These drastic decisions put the national economy on a partial halt. The economic cost is difficult to assess but the repercussions can unfortunately be felt for many years. In this article, we will specify the impact of the Covid-19 crisis on the Moroccan economy, we will also project the main measures currently taken by the government to deal with the adverse effects of the Covid-19 health crisis. Then, we will present macroeconomic proposals that could serve to bring Morocco out of this economic depression and revive the economy in a short time.

**KEYWORDS:** National economy; Pandemic; Covid-19; economic recession; economic stimulus measures.

### 1 INTRODUCTION

For the first time since 1918, humanity is facing a pandemic, posing dramatic health, political, economic and social challenges.

With the appearance of the first case detected due to the respiratory epidemic named Coronavirus (COVID-19) at the beginning of December 2019 in Wuhan, China, and seen its rapid spread in Chinese territory with a high death rate, the World Health Organization was subsequently alerted to the virus and ended up declaring on January 30, 2020 that this new epidemic, which has spread to several regions of the world, constitutes "a public health emergency of international scope".

Globally, massive human losses have been noted causing 219,000 deaths and more than 3 million people infected<sup>1</sup>.

In Morocco, the first detected case of the Coronavirus was recorded on March 02, 2020 of a Moroccan from Italy, thus and in order to limit the spread of the virus on Moroccan territory, the government has adopted a series of measures preventive measures and precautions. However, it cannot be denied that despite all these combined measures taken by government authorities, the Coronavirus crisis still threatens to worsen the country's economic situation.

To this end, it turns out that the economic recession resulting from the appearance of the Coronavirus will have more difficult repercussions at the global level, but also at the national level which results in a decrease in production and exports, an increase unemployment and falling incomes, the worsening of the budget deficit (to more than 6% of GDP) accompanied by an increase in public debt (which risks reaching 73% of GDP in 2020), and the collapse of industrial enterprises where production and consumption are linked to the physical presence of its employees in the same place.

The effectiveness of monetary policy is also called into question due to the interest rate which has fallen from 2.5% to 2%<sup>2</sup>, the widespread practice of monetary financing of budget deficits and the inflation that Morocco owes. control in the event of the implementation of a "ticket board" strategy which consists in creating money without any real counterpart in order to inject liquidity into the money market.

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<sup>1</sup> <https://news.google.com/covid19/map?hl=fr&gl=MA&ceid=MA:fr> (as of 04/29/2020).

<sup>2</sup> According to the HCP report: "Revised forecasts of national economic growth for the first and second quarters of 2020".

Today we are witnessing a “Global Economic Shutdown”, the consequences of which will far exceed those of the 2008 crisis. This prompts us to reflect and to pose the following problem: What will be the impact of the Covid health crisis -19 on the national economy?

In order to provide some answers to this problem, this paper will be organized as follows: the first part will be devoted to a reminder of the history of previous pandemics experienced by humanity as well as the economic losses that they generated, the second part will be dedicated to the impact of Covid-19 on the Moroccan economy, the third part will project the main measures currently taken by the government to deal with the adverse effects of Covid-19, and in the last part we present macroeconomic proposals that could be used to get Morocco out of this economic depression and revive the economy in a short time.

## 2 HISTORY OF PREVIOUS PANDEMICS WORLDWIDE

Pandemics have not ceased to arise throughout human history, generally these pandemics occur because of major imbalances which are linked to social or environmental changes, such as the agricultural revolution, wars, etc. industrial revolutions, trade and globalization. Below are the main pandemics that have marked history, including influenza pandemics.

### 2.1 THE MAJOR PANDEMICS THAT HAVE MARKED HISTORY

The 20th century has seen an outbreak of deadly pandemics which have marked history, in particular "the Spanish flu" which appeared in 1918. Thus, during the 21st century, humanity has witnessed pandemic crises which are: "the syndrome Coronavirus severe acute respiratory (SARS)" in 2002, "N1H1 or avian influenza" in 2009 and "Ebola" which peaked during the period 2013-2014.

#### 2.1.1 THE SPANISH FLU

The example of the Spanish flu which spread throughout the world during the years 1918-1920 is rich in morals and lessons with regard to the economic and social consequences of an epidemic. In total, more than 500,000 people have been affected by the virus, or 30% of the world's population, and nearly 20 to 50 million have died. Morocco has also suffered considerably from the scourges of the Spanish flu, which completely depopulated several villages in the Rif.

#### 2.1.2 SEVERE ACUTE RESPIRATORY SYNDROME CORONAVIRUS (SARS)

The SARS epidemic is a viral disease that has its origins in Foshan, China during the period 2002-2004. The virus spread from November 2002 causing a toll of more than 8,000 infected people and 774 loss of life.

SARS had a high death rate which reached 9.6%, the majority of cases were detected in China with 5,327 cases, Hong Kong with 1,755 cases, Taiwan with 346 cases and Canada with 251 cases.

#### 2.1.3 AVIAN INFLUENZA (H1N1)

In the spring of 2009, a new form of influenza appeared in North America, called “avian flu or H1N1”. The first case of human infection was identified in March 2009, then the World Health Organization declared in June 2009 that the H1N1 virus remains a global pandemic, two months after the appearance of the first case.

As for the global scale, seasonal avian influenza has affected a total of between 700 million and 1.9 billion people, resulting in deaths estimated between 151,700 and 575,400 (i.e. a mortality rate of 0.001% -0.007% of the world's population)<sup>3</sup>.

Morocco recorded its first contaminated case of the H1N1 virus on June 12, 2009, in sum the number of confirmed cases reached 3033 people, including 60 deaths.

To this end, some governments had to react quickly by putting in place first reaction measures such as the installation of thermal cameras in airports, others proceeded to restrict travel despite the economic shock it could cause.

Morocco, for example, reacted to this pandemic by setting up reference laboratories responsible for diagnosing suspected cases, and acquiring the necessary drugs and 20 million vaccines.

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<sup>3</sup> [https://fr.wikipedia.org/wiki/Grippe\\_A\\_\(H1N1\)\\_de\\_2009](https://fr.wikipedia.org/wiki/Grippe_A_(H1N1)_de_2009)

### 2.1.4 EBOLA VIRUS

The Ebola virus is considered to be the most notable historical pandemic in terms of its magnitude and severity. The first appearance of the virus was in 2014-2015 in West Africa and at the end of 2016 caused up to 11,323 deaths out of 28,646 confirmed cases with a case fatality rate rising to 39.5%

In addition, several efforts have been consolidated by all decision-makers and governors throughout the country, including Morocco, through the establishment of an epidemiological monitoring plan, and measures to raise awareness of citizens in order to control the expansion of the Ebola virus in the territory.

### 2.2 ECONOMIC LOSSES CAUSED BY PANDEMICS

There are many channels through which an infectious epidemic can influence the economy through increased costs both in the short term and in the long term.

Particularly because of the trauma of the markets due to blockades of transactions on a global scale, the weakness of household consumption, the high exposure of the services sector and the potential financial amplification.

This is the reason why several empirical studies with regard to the economic costs of past epidemics have been carried out, to give an idea of the economic shocks that have resulted, in order to learn from the economic consequences that these health crises have caused and facilitate decision-making vis-à-vis the current crisis.

The table below illustrates an overview of empirical studies that have been carried out on the macroeconomic costs of past epidemics:

*Table 1. Economic losses caused by pandemics*

Epidemics	Fatalities	Studies and Methods	Economic losses
Spanish flu 1918-19	Up to 50 million	Barro et al (2020) Cross-country panel regressions Brainerd and Siegler (2003) US states data Correia et al (2020) US states data	GDP growth is 6 points lower, and 8 points lower for overall consumption growth. Mortality slows growth considerably over the next decade. Manufacturing activity fell by 18% per year. Containment quick and aggressive helped cushion the impact.
SARS, 2003	774	Lee et Mckibbin (2004) CGE Model Hai et al (2004) Chinese surveys	Loss of 0.1% of world GDP in 2003. 1 to 2 percentage points lower GDP growth in China.
H1N1, Avian Flu 2003-19	455	Burns et al (2006) Estimate of world Bank	Loss of 0.1% of annual world GDP, and 0.4% for Asia.
Ebola, 2014-16	11 323	World Bank (2014) CGE Model	Decrease in GDP growth of 2.1 points in Guinea, 3.4 in Liberia, 3.3 in Sierra Leone during the first year of the epidemic.

Source: Frederic Boissay and Phurichai Rungcharoenkitkul, April 2020, page 4

From the data in the aforementioned table, we found that the macroeconomic costs associated with each epidemic vary widely depending on their severity and how they have been treated. According to several theorists, the Spanish flu is considered the most economically costly epidemic in history. Correia and al (2020) [2] estimated that this pandemic reduced manufacturing activity by 20%<sup>4</sup>, while Barro and al (2020) [1] estimate that the GDP suffered a negative impact between 6% and 8%<sup>5</sup>.

<sup>4</sup> Correia et al., (2020): «Pandemics depress the economy, public health interventions do not: evidence from the 1918 flu », Mimeo

<sup>5</sup> Barro et al. (2020) : Coronavirus meets the great influenza Pandemic

The costs associated with other milder outbreaks are usually of a lower degree. The economic loss recorded due to SARS in 2003 is only -0.1% of global GDP (Lee and Mckibbin, 2004) [3] and 0.1% of global GDP for H1N1 avian influenza. Thus the Ebola epidemic suffered a more remarkable loss in Guinea of 3.4% but still remains low compared to world production.

On the other hand, macroeconomic costs can materialize through both supply and demand effects. Fan and al (2016) [5] found that in the case of the Spanish influenza pandemic, the greatest cost was that of the decline in the workforce due to excess mortality. According to them, a reduction in the workforce will increase the capital / labor ratio and lower the rate of return on capital, and consequently slow the rate of capital accumulation and GDP growth for several years.

The available evidence from these outbreaks provides information that can help policymakers start thinking about all the possible implications of Covid-19, which is why Professors Mckibbin and Fernando (2020) [4] founded an economic model known as the name G-Cubed, and which they use to estimate the economic impact of the current global Covid-19 crisis in seven scenarios.

The model takes into consideration a range of epidemiological assumptions which allows them to be converted into quantifiable economic shocks to the reduced workforce in each country due to deaths (mortality and morbidity), rising costs of doing business in each country. sector, including the disruption of production networks in each country, and the expected rise in equity risk premiums on companies as well as changing macroeconomic vulnerability.

Mckibbin and Fernando (2020) [4] explained in their results that the cost of economic loss caused by Covid-19 is starting to escalate into trillions of dollars. Real world GDP will experience a loss of 2% less than what was forecast in 2020 before the health crisis, i.e. a loss of \$ 2.3 trillion. Based on this observation, and given that the Moroccan economy depends heavily on globalization and international trade, Morocco must be directly impacted by an economic recession which will contract its macroeconomic indicators. It is true that fortunately Morocco has not experienced strong pandemic crises previously that can be compared to the current crisis, nevertheless it is important to note that the repercussions of the Coronavirus crisis far exceed those of the international financial crisis. 2007-2008, in terms of the magnitude of the economic impact on trading partners and penalized sectors. The following part will clearly demonstrate the impact of this health crisis on the national economy in its macroeconomic magnitudes.

### **3 THE FALLOUT FROM THE HEALTH CRISIS ON THE NATIONAL ECONOMY**

Especially since the world economy is suffering from the unforeseen shock of the Covid-19 pandemic, the Moroccan economy should in turn suffer the negative effects of the pandemic, and is pressed by the prospect of a certain economic recession since 'it depends heavily on imports, tourism and direct investment from abroad. This economy is also likely to be affected by the decline in domestic demand due to the closure of several activities to control the degree of spread of the pandemic in the territory.

#### **3.1 MACROECONOMIC IMPACT**

The economy of Morocco is hard hit by the impact of the economic recession linked to Covid19, and thus risks facing major, unexpected and formidable challenges. The macroeconomic situation should therefore experience a significant decline in all of its economic activities:

##### **3.1.1 IN TERMS OF GDP GROWTH**

Since the onset of the health crisis in Morocco, the growth prospects for the national economy have been revised downwards, due to the spread of the pandemic on the national territory and the prolongation of the period of confinement of the population..

According to the High Commission for Planning (HCP), national economic growth was cut by 8.9 points, in the second quarter of 2020, compared to its previous evolution of the crisis, instead of -3.8% points expected on April 7, 2020.

This downward revision can be explained by the accentuation of the decline in agricultural value added to -4.4%, mainly due to the poor harvests of crop production.

Excluding agriculture, the growth in value added was slowed to reach + 1.4% instead of the + 1.6% forecast. The secondary sector will experience a deterioration in the rate of growth of manufacturing industries and electricity, and as for the tertiary sector, growth has remained moderate with a growth rate of 2.6% during the first quarter of 2020.

Indeed, this decrease will represent a potential overall loss of 29.7 billion dirham for the first quarter of the year 2020, instead of 15 billion dirhams expected on April 7, 2020, specifies the HCP in its publication of quarterly forecasts for the first six months of 2021<sup>6</sup>.

### 3.1.2 IN TERMS OF FOREIGN TRADE

The Covid-19 health crisis has severely hit key sectors of the Moroccan economy, in this case international trade, which has suffered an undeniable economic impact. Morocco is therefore obliged to face this crisis, which is characterized by an alarming drop in foreign demand, disruptions in supply chains, difficulties in accessing financing by companies and the shutdown of several sectors that export or consume imported goods.

Thus, the table below illustrates the shift recorded between Morocco's exports and imports (Comparison between the 1st quarter of 2020 and the 1st quarter of 2019):

**Table 2. Results of the trade balance at the end of March 2020**

	January - March		Evolution	
	2020	2019	Value	%
<b>CAF import</b>	117.349	123.667	-6.318	<b>-5,1</b>
<b>FOB export</b>	68.217	76.329	8.112	<b>-10,6</b>
<b>Balance</b>	-49.132	-47.338	1.794	<b>3,8</b>
<b>Coverage rate in%</b>	58,1	61,7		

Source: Office de Change, Foreign trade indicators March 2020, Page 1

According to foreign trade statistics published by the foreign exchange office for the period at the end of March 2020, exports fell by 10.6% or -8,112 MDH, to stand at 68,217 MDH against 76,329 MDH a year earlier. This decline can be explained by the decrease in sales in most sectors.

For their part, imports fell by 5.1% or -6,318 million dirhams, to stand at 117,349 million dirhams in the first quarter of 2020 against 123,667 million dirhams for the year 2019<sup>7</sup>.

This gap between imports and exports recorded an increasing trade deficit of 3.8% or 1.8 billion, going to 49.1 million dirhams, and a coverage rate falling by 3.6 points<sup>8</sup>.

All these elements point to the same scenario: the trade situation will deteriorate more and more with the extension of the duration of the confinement, the shutdown of several exporting sectors and the closure of the territory's borders. All these factors are capable of causing a major shock to both exports which have suffered damage in several sectors such as the automobile, electrical and mechanical industry and textiles. On the other hand, imports will have to suffer from increased purchases of grain products because of the drought in our country.

However, this increase in imports can be offset by the fall in the price of oil (to less than \$ 30 per barrel), which will allow the country to reduce its energy bill to -4.8%, or -884 MDH.

This ordeal calls into question several economic orientations, and prompts the leaders to reflect on the idea of investing more in industry at the local level.

### 3.1.3 IN TERMS OF FOREIGN CURRENCY RESERVES

At the level of Morocco's international economic relations, the negative repercussions are in the level of foreign exchange reserves, currently estimated at 240 billion dirhams, and which are provided mainly by tourists, Moroccans living abroad and investors.

This limited capacity of foreign exchange reserves will have a major impact on the country's capacity to guarantee and secure the import of the resources necessary for the functioning of the national economy, and which is currently limited to 5 months. imports,

<sup>6</sup> HCP forecasts of economic growth for the first and second quarters of 2021.

<sup>7</sup> <https://www.oc.gov.ma/fr/publications#wow-book/>

<sup>8</sup> Idem

something which can lead Morocco to resort to international financial institutions, and consequently risks the restriction of its sovereignty in the economic decisions of the country.

To this end, the State must also be under an obligation to ensure the liquidity necessary for its operation and to respect the repayment deadlines for payment deadlines in fixed currencies, the impact of which cannot be underestimated. Morocco's rating and financial reputation in international capital markets.

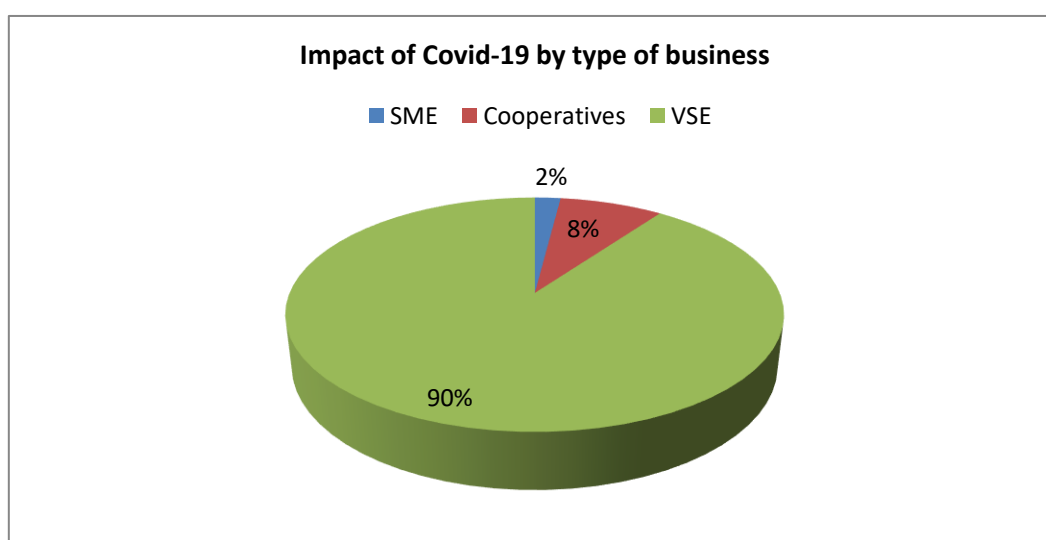
It should be noted that certain measures have been considered to strengthen the availability of foreign exchange reserves during this period, the dirham will therefore be limited to the ends of the fluctuation band of +/- 5% compared to a central rate set from the basket of listing of the dirham<sup>9</sup>, something which will therefore contribute to the development of the Moroccan foreign exchange market and strengthen, where applicable, the resilience of the economy and its capacity to absorb the external shocks linked to the Coronavirus crisis.

Morocco also has a proactive political framework of the Kingdom allowing it to manage these new pressures, through the activation of the Precautionary and Liquidity Line (LPL), with a withdrawal of 3 billion dollars from the International Monetary Fund (IMF).

### 3.2 IMPACT BY BUSINESS SECTOR

According to a study carried out by the Moroccan Confederation of VSEs and SMEs, several key sectors will have to suffer significant damage, in this case tourism, industry and textiles.

Thus, and on the basis of the said study, very small businesses are the business families most affected by this health crisis, which will find it difficult to resist with a percentage of 90% compared to 8% for SMEs.



**Graph 1. VSEs in services are the most affected by Covid-19**

Data source: HCP, April 2020

The analysis of the Moroccan Confederation also shed light on the current situation of the Moroccan companies which are the subject of the study, in fact, more than 2/3 of the companies are in a situation of total stoppage of their activities and 17% of companies are in partial shutdown. The sectors most affected are trade and services, with 81% in total shutdown and 19% in partial shutdown, and 89.4% in total shutdown and 10.5% in partial shutdown<sup>10</sup>, respectively.

<sup>9</sup> <https://www.econostrum.info/La-bande-de-fluctuation-du-dirham-marocain.html>

<sup>10</sup> Moroccan VSE-SME Confederation, "survey of VSEs and PMs to assess the impact of Covid-19", May 2020.

### 3.2.1 TOURISM

The CFG bank underlined in its note published on the economic effects that Morocco must face, that the tourism sector suffered significant losses in 2020. This drop went up to 39% of the number of tourists, or 5 million fewer tourists, knowing that Morocco received 12.93 million tourists in 2019.

As an economy focused primarily on tourism, Morocco is severely affected by the Covid-19 crisis, and is sounding the alarm bells for the current situation in the tourism sector. Thus, according to the estimates of the National Confederation of Tourism (CNT), the sector lost a turnover of 34 billion dirham at the end of the year 2020 (i.e. more than 3 billion euro), in addition 500,000 jobs lost, and 8,500 companies in an unfavorable situation. The hotel sector alone lost an amount of 15 billion dirham.

### 3.2.2 INDUSTRY

The industrial sector is also directly affected by the crisis linked to Covid-19 because of the reduction in the workforce at the level of industrial sites, but also indirectly through the stoppage of donors. order or slowdown in logistics and supply chains.

Likewise, the production of industrial sites is hampered by the lack of necessary parts and raw materials following the high prices, the increase in operating costs and the cancellation of orders from multinationals from the European Union.

In addition, the closure of industries and commerce in China explains in magnitude the disturbances experienced by industrial production, particularly in Europe, and which consequently affected the activity of the industrial sector in Morocco.

To this end, industrial factories have been able to readjust their production tools to design and manufacture 100% Moroccan artificial respiratory devices, this device essential in intensive care for cases presenting serious symptoms, is intended for hospitals responsible for taking burden of patients with Coronavirus disease.

### 3.2.3 AUTOMOBILE

The automotive sector has had to suspend its activities since March 19, 2020, due to decisions by Renault and PSA. Indeed, the temporary shutdown of Renault's activity at the two production sites in Casablanca and Tangier concerns 11,000 employees, while the suspension of PSA activities affects 1,600 employees and has had repercussions on its equipment manufacturers and its 66 suppliers.

Following this critical situation, Morocco must do everything possible to honor its promise vis-à-vis the objectives set to achieve an annual production capacity of one million vehicles by 2022 with the achievement of a figure of export business of 100 billion dirham.

### 3.2.4 TEXTILE

As for textiles, the sector has suffered drastically due to the closure of several companies and factories, due to the weak competitiveness of Moroccan textiles, supply problems and the absence of foreign demand, with a hand of work which is estimated at more than 160,000 in 1,200 companies.

Likewise, supplies at the sector level are severely disrupted, as a large part of the raw materials used come from Asia, and more specifically from China.

On the other hand, the textile sector is witnessing a drop in European demand for textiles and clothing, in this case from Spain and France which absorbed nearly 60% of the sector's exports. Thus leading to a decrease in orders from suppliers, according to statements by the president of the Moroccan Association of Textile and Clothing Industries.

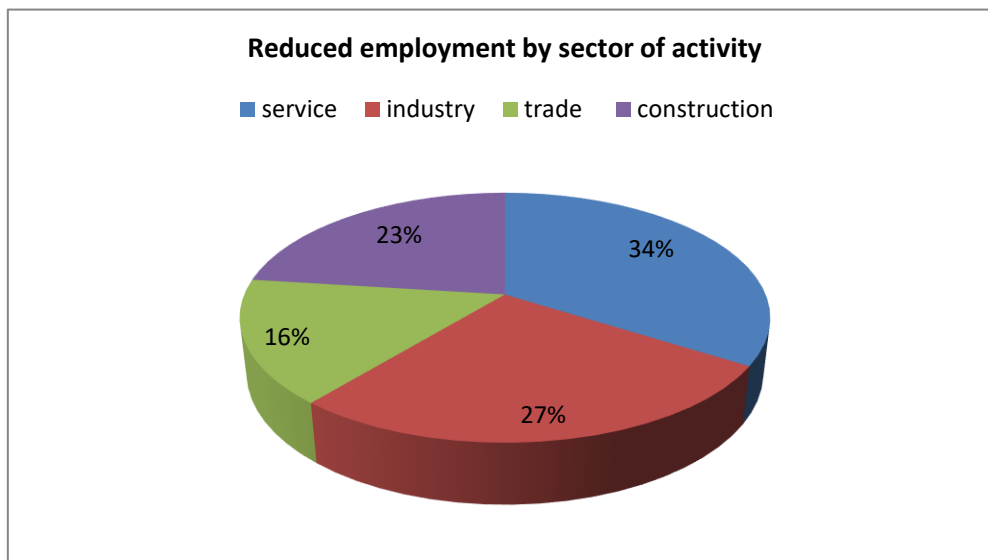
Thus, faced with declining demand in textiles and in a spirit marked by the principles of solidarity and union, several factories have converted their activity to the production of protective masks during this period of the pandemic. Indeed, following the obligation to wear masks by citizens, the Ministry of Industry has set itself a daily production of 5 million masks. The 100% Moroccan production masks have undergone a conformity check and meet the "NM / ST 21.5.200" standard of the Moroccan Institute for Standardization (IMANOR).

### 3.2.5 TRANSPORT

Air transport in Morocco is one of the sectors most affected by the effects of the Coronavirus pandemic due to the precautionary measures applied and the decline in demand, with an estimated loss of \$ 1.3 billion, thus making the Morocco the sixth most influenced

country in terms of air transport in the Africa-Middle East region, as highlighted by the forecasts of the International Air Transport Association (IATA)<sup>11</sup>. Doing so on the part of the potential impact on GDP estimated at \$ 3.4 billion in 2020.

It should be noted that road and rail transport are also affected, due to the ban on vehicle traffic and travel transport between cities since March 24, 2020.



Graph 2. Consequences of Covid-19 on SMEs in Morocco

Data source: HCP, April 2020

#### 4 MEASURES TAKEN BY THE GOVERNMENT TO DEAL WITH THE ADVERSE CONSEQUENCES OF COVID-19

Morocco has not stopped taking proactive and bold measures to limit the spread of Covid-19 and limit the severity of its negative impacts on the economy as a whole.

To this end, the economic watch committee had decided on an action plan, based on decisions as the economic situation progressed, and to decide, if necessary, the priority measures to be taken.

With the declaration of a state of emergency on March 20, 2020, and the imposition of confinement on only 66 confirmed cases and 3 deaths, the Moroccan authorities have taken measures that have not been put in place in European countries only from the second or third stage of the pandemic.

To this end, Morocco has mobilized nearly 2.7% of its GDP, i.e. around \$ 120 billion, making it the 4th country in the world in terms of mobilizing financial resources in relation to GDP to cope with pandemic, according to data from the Department of Studies and Financial Forecasts under the Ministry of Finance with those carried out by Goldman Sachs.

Thus, the measures taken by the Moroccan government can be classified into 4 sections which are: financial, economic, social and fiscal measures.

<sup>11</sup> The International Air Transport Association (IATA) is the global trade association for the international air transport industry. It contains 57 founding members in 1945, IATA represents around 290 airlines in 120 countries providing 82% of global air traffic.



#### 4.1 FINANCIAL MEASURES

Marked by a desire for solidarity, cooperation and mutual aid, His Majesty King Mohammed VI, may God assist him, gave his instructions for the creation of a special trust account named: "Special fund for the management of the Coronavirus pandemic"<sup>12</sup>.

This fund is initially endowed with a 10-billion-dirham envelope from the general budget and which is subsequently supplied by private donations and contributions from large companies or anyone wishing to participate in this initiative.

The purpose of collecting these special funds is, on the one hand, to rehabilitate the health system and mobilize the resources necessary to overcome the spread of the pandemic (purchase of materials, medical devices and upgrading of additional resources and emergency infrastructure). On the other hand, it will be used to support the national economy, in particular in terms of support and monitoring of the most vulnerable sectors, in terms of job preservation and in order to reduce the shock of the crisis at the social level.

As of March 20, 2020, the fund had more than 22 billion dirham of contributions made.

As of April 9, 2020, the solidarity fund has been accumulated to reach 34 billion dirham from donations from public and private entities, as well as personal initiatives of citizens.

#### 4.2 ECONOMIC MEASURES

On the economic front, the Kingdom has appointed an economic watch committee responsible for monitoring the economic situation hour by hour, and deciding the appropriate measures to be put in place to limit future damage and facilitate recovery. This committee is chaired by the Ministry of the Economy, Finance and Administrative Reform, and composed of the Ministries of the Interior, Foreign Affairs, Agriculture and Fisheries, Health, Industry, Tourism and Labor. In addition to these departments, the entity also includes the Professional Group of Moroccan Banks, CGEM, the Federation of Moroccan Chambers of Commerce, Industry and Services, and the Federation of Chambers of Crafts.

In terms of monetary policy, Bank Al Maghrib has decided to lower its key rate to 2% instead of 2.5%<sup>13</sup>, in order to support access to bank loans for the benefit of households and businesses to cope with the impacts of the pandemic.

Another measure has been put in place, which consists in suspending the payment of social security contributions from the CNSS contribution from March 1, until the end of June 2020, with a free remission of late surcharges for the said period for employers in difficulty, affiliated to the CNSS.

The establishment of a moratorium on the repayment of bank loans for the benefit of companies until June 30 without incurring payment of fees or penalties.

And finally, the postponement of the repayable loan maturities for VSEs and SMEs in difficulty, for a maximum of 6 monthly payments (3 months renewable once) until the end of June, with the activation of the "DAMANE OXYGENE"<sup>14</sup> guarantee by the Caisse Centrale de Garantie (CCG) on open credits.

Now that Morocco continues to react quickly following the economic fluctuations induced by the shocks of the Covid-19 health crisis, a corrective finance bill is therefore being prepared and must integrate the following elements:

- Updating of the assumptions used in the preparation of the 2020 finance law and the main economic indicators,
- The preparation of new forecasts in relation to the potential impact of the current situation on the budget deficit, balance of payments and debt,
- And the development of a massive plan to revive economic activity.

<sup>12</sup> Endowed with 10 billion dirham, this fund will be reserved, on the one hand, to cover the costs of upgrading the medical device, in terms of suitable infrastructure and additional resources to be acquired, in an emergency.

<sup>13</sup> <https://www.leboursier.ma/Actus/6958/2020/03/17/Bank-Al-Maghrib-baisse-son-taux-directeur-a-2.html>

<sup>14</sup> "Damane Oxygène" is a program aimed at mobilizing financing resources in favor of companies whose cash flow has deteriorated due to the Covid-19 crisis, it is set up by the Ministry of Finance at the CCG in March 2020. It covers 95% of the amount of credit requested by the company and allows banks to quickly set up exceptional overdrafts to finance companies' working capital requirements. This product is primarily intended for VSEs and SMEs impacted by the crisis and whose turnover does not exceed DH 200 million.

### 4.3 SOCIAL MEASURES

On the social side, and with the deterioration of the financial health of companies vulnerable to the shocks induced by the pandemic, the economic watch council has adopted a series of measures aimed at preserving the purchasing power of employees. To this end, around 760,000 employees affiliated to the CNSS received a fixed allowance of 1,000 dirhams in March, and 2,000 dirhams for the month of April, this measure will run until the end of June and the same people will continue to benefit from the said indemnity.

Another direct aid measure was decided in favor of people operating in the informal sector not affiliated with the CNSS, the beneficiaries were divided into two categories namely: households with the RAMED card, and households without no such health coverage. Thus, the number of beneficiary households rises to 600,000. In this phase, households will receive transfers up to 800 dirhams for 1 to 2 people, 1000 dirham for households with 4 people, and 1200 dirham for households over 4 people.

### 4.4 TAX MEASURES

Faced with this unprecedented situation and full of uncertainty, the economic watch committee decided on March 19, 2020, to postpone the filing of certain tax returns until June 30, for companies whose turnover for the year 2018 does not exceed 20 million dirhams (HT) with a suspension of tax audits and notices to third party holders (ATD: avis à tiers détenteurs)<sup>15</sup>.

## 5 CONCLUSION

The Covid-19 health crisis witnessing the world today has shaken the entire global economic system and exposed its great vulnerabilities while causing an unprecedented slowdown in economic activity, putting the planet in standby mode.

In Morocco, the scale of the pandemic took up major challenges that decision-makers had to face through a series of measures and safeguards that make it possible to preserve the balance of the national economy through regulation and protection.

Even if it is a little early to consolidate all the actions taken in the face of this pandemic, Morocco has shown vigilance and applauding seriousness, through its commitment since the appearance of the pandemic to study and anticipate the challenges to come. But this crisis has also made it possible to identify its shortcomings, to question them in its next economic orientations, and thus pushes the leaders to reflect on the idea of prioritizing certain sectors essential to the functioning of the economic wheel of the country.

This crisis situation can serve as a beginning of the restructuring, transformation and strengthening of the modes of governance and management of the Moroccan economy.

Today and in the face of an uncertain future, the onset of the health crisis invites us to reflect deeply and reflect carefully on the next steps to be taken. This prompts us to ask ourselves: Can Morocco take advantage of this health crisis to catalyze a change in dominant dogmas and to outline alternatives that will help revive the economic wheel? Can the measures taken be considered sufficient or should other long-term reconstruction and recovery measures be foreseen? And what will be Morocco's place and its positioning in the world market after the crisis?

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<sup>15</sup> Holding of the second meeting of the business intelligence committee, 03/19/2020.