

ECONOMIC REFORMS AND LIBERALISATION AND ECONOMIC PERFORMANCE: THE MOROCCAN EXPERIENCE

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Domestic Economic Reforms and Liberalisation (ERL) have been the most widely promoted policy package throughout the last decade. Establishment of a sound macroeconomic policy framework and the deregulation of the domestic structures of the economy are ERL's main domestic agenda. Externally, trade reforms, capital markets deregulation and creating a foreign-investment conducive environment are key elements in an ERL policy package.

Many OIC member states have adopted ERL policy packages and some are alleged to have attained notable success with it, Morocco is one example. This project is an attempt to examine this issue by considering the effects of the ERL policy package on the performance and the basic structures of the Moroccan economy. We will examine the impact of the policy on production (the supply side), on aggregate demand, and on the external sector of the economy. We will also seek to see the change--or the indications of change--in the structural characteristics of the Moroccan economy.

It has been widely reported that when ERL policies are "properly" implemented, they should be expected to produce macroeconomic stability and bring the economy to a structural balance; and to generate efficiency and welfare gains. Domestically ERL is asserted to contribute positively to long-term growth, except for its effects on fiscal and public expenditure policies and on interest rates (van der Hoeven, 1996). Liberalisation, which is the external element of the ERL policy package, has been confirmed to bring forth efficiency (Haddad, 1993) and welfare gains (Dutz, 1991). These gains would accrue both as technical (X-efficiency) as well as allocative efficiency. Haddad (*ibid*) estimated this impact in Morocco's case and has found a net positive response on productivity. Haddad attributed this gain mainly to the X-efficiency element. On Morocco again, using a different methodology, Dutz (*ibid*) established the presence of a net welfare gain stemming —on a most probable basis— from the policy of liberalisation.

The rigor with which Moroccan governments have pursued this policy, coupled with these reported positive results, provided the motivation for this study. The study aims to

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look for evidence of change in the Moroccan economy by examining the realisation of the stated objectives of the ERL policy package.

The declared main targets of the ERL in Morocco, *inter alia*, are the following:

1. To reform and restructure the Moroccan economy, following a series of problems both in its internal and external sectors, so as to stabilise the structural balance in the two sectors.
2. To transform the Moroccan economy by diversifying its output base, from a primary based to varied production, and from an inward-looking to an outward-oriented economy.
3. To improve the country's economic efficiency and competitiveness in the international markets by exposing its markets to genuine competition.
4. To prepare the Moroccan economy for the changing global economic environment and to gradually integrate it into the world economy.
5. To put the economy on a sustained course of development.

1. INTRODUCTION

This paper intends to study Morocco's ERL policy over the period extending from 1980 to 1996.

1.1. Analogue

In principle, reforms and liberalisation are old notions that are embedded in the liberal tradition—the liberal philosophy and movement, or in liberalism—that is the theory and practice of reforms (The New Palgrave, 3, p.173). The use of these concepts in economics has become more extensive in recent years, particularly in the contexts of trade. Economic reforms and liberalisation or (ERL) is, by definition, a wider policy package which embodies two main elements: the first involves the restructuring of the domestic economy, or what is sometimes called internal liberalisation. The second includes measures to reform the country's external sector and is referred to as external sector liberalisation.

Domestic reforms or internal liberalisation “entails the establishment of a sound macroeconomic policy framework, with small budget and balance of payment deficits, and realistic interest and exchange rates; and a shift of economic structures towards a deregulated, enterprise-friendly system, with small but efficient state sector” (Woodward, 1996, p.58). External liberalisation, on the other hand, includes outward-oriented reforms such as reforming trade and investment policies with the aims of increasing the country's trade and foreign investment shares. By adopting an ERL policy

package, governments oblige themselves to reform the existing economic environment and to create a freer setting in which private economic agents are enabled to interact freely.

Recent history has shown that market-based liberal economies are '*superior*' to centrally planned ones. Within the former group, open trade-based economies that are loosely regulated are preferred to closed ones which operate behind large governments and extensive regulation. It has been widely supposed that the former type of economies is less susceptible to external shocks than the latter. It is also believed that economies with better links to international markets are better positioned to benefit from globalisation than detached ones, and thus would be better able to grow and sustain positive change. Thus, ERL policies have been eagerly sought in the developing world in sharp contrast to the restrictive policies that were prevalent before. Transitional economies, as their name suggests, have also been following similar sets of policies.

Early ERL cases appeared within the context of structural adjustment programmes (SAPs). Recent developing countries' experiences support the case for broad-based reforms that extend to all markets of the economy. Reform packages ought to touch all sectors of the economy --not only leading sectors-- for its benefits to be complete and tenable. In practice, this is not always the case, which is often a reflection of the interests of the forces behind the change.

1.2. How to Establish the Link Between ERL and Economic Performance?

The obvious link between policies and performance are the objective functions set to be achieved from the policies. In the case of ERL this is a rather difficult and obscure exercise, mainly for two reasons: The first is the multiplicity and ambiguity of objectives behind the ERL policy package. The second is the relative nature of the concept of economic performance, which could take different meanings depending on the definitions and variables used in the exercise.

In the literature, assessing ERL type programmes has mainly followed two lines, namely, the complete macroeconomic study of the set of policies together; or through the analysis of a specific policy such as trade liberalisation. The first method appraises the impact of the package on the economy's macro-economic indicators and on its structural balance. The other approach works through assessing the likely bearing of the policy on other dimensions such as efficiency—allocative and technical—and welfare. This paper will use the macro-approach mainly because the data set available to it is aggregate data which is more suited to this approach.

2. THE MOROCCAN REFORM EXPERIENCE

Since 1983, Morocco has been pursuing an ERL composite programme of policy changes. The package consisted of a vigorous course of structural and market reforms and deregulation. Morocco's ERL has been broad, but in the later years it centred more on the external sector. It is also there that results have been more significant. As such, Morocco's domestic reforms are for the most part an SAP type package. However, external sector reforms are central in the country's reform experience. This is why Morocco's ERL policy package is not a typical SAP case which is also why we elected to refer to it as we did in this paper.

2.1. Background

As early as the 1960s, Morocco embarked upon a liberal economic path, that has later been supported by economic planning (1968-72 and 1973-77) which was fashionable at the time. Consecutive Moroccan governments were conscious of the vital role private sector (domestic and foreign) savings and investment can play in development. Thus, successive economic plans have attempted to accommodate private sector interests and to encourage foreign investment, in particular, through tax concessions and special investment codes (1973, 1982, 1983 and 1988). However, the realised levels of private sector participation were limited compared with the levels intended in the various plans¹. Slumps in phosphate prices, especially during the seventies, presented another obstacle to raising the necessary domestic finance for the plans. A series of poor harvests following the droughts in the mid-seventies have had severe adverse effects on the performance of the Moroccan primary sector, which eventually slipped the economy into crisis.

As a result, throughout the years 1979-1983 Morocco experienced a severe financial and structural distress. The boom in phosphate prices in the early seventies had enabled Morocco to undertake an ambitious public investment programme and to increase its defence spending, thus greatly expanding its public expenditure. As a result of the slump in the phosphate prices and the increase in oil prices in the late seventies, the government could only sustain its high public expenditure by resorting to the capital market. Aided by the ease of financial terms, the abundance and cheapness of funds, Morocco borrowed large sums of private loans in the seventies and the early eighties.

¹ Private sources were expected to provide 57.7 per cent of the total investment package in the 1973-77 plan, and 43 per cent of planned industrial investment between 1981-85. These expectations generally did not materialise.

By 1983, the volume of the Moroccan debt had exponentially increased—from US\$1.8 billion in 1975 (19.6 per cent of GDP) to US\$11.3 in 1983 (84.2 per cent of GDP and 290 per cent of exports). In addition, its structure was radically changed, with 40 per cent owed to commercial banks compared with none a decade earlier (World Bank, 1988-II, p.1). In 1980, the budget deficit reached 15.2 per cent of the country's total GDP (Table 2 and G.2.1). It was clear that the Moroccan economy could not sustain that level of spending as well as support its debts without some radical reforms coupled with a large programme of debt rescheduling. In the following section we give a brief account of Morocco's ERL experience.

2.2. Morocco's Reforms and Adjustment Experience

In 1978 a three-year stabilisation programme was introduced with the aim of addressing the country's structural and financial problems. It included stricter import controls and reductions in public expenditure. In 1981 another five-year plan was enacted, with similar ambitious estimates for private sector participation in total new investment in the plan (69.1 per cent). That is MD76 billions out of 110 billions were expected to be raised from private sector sources.

Many factors, besides the unrealistic estimates as to private sector shares, have impeded the fulfilment of the plan. Of these are: the poor agricultural performances due to prolonged droughts, and the severe shortages of finance that resulted from the new capital budget commitments following the rescheduling of Morocco's debt in 1983, (over 20 per cent according to Bank Al-Maghrib Report, 1984). These adverse conditions caused severe structural imbalances, both in the domestic and the external sectors of the Moroccan economy.

Following the balance of payments crisis in 1983, the Moroccan government initiated a "comprehensive set of stabilisation and adjustment policies supported by a series of IMF standby arrangements and World Bank sectoral adjustment loans. Restrictive fiscal policy and monetary policies were employed to contain aggregate domestic demand, while structural reforms were initiated to augment the supply response of the economy." (World Bank, 1988, pp.1-2).

In its effort to curb the aggregate demand pressure on the budget and the balance of payments, the government applied a package of restrictive policy measures. To address the domestic deficit, sizeable reductions were made in government spending during 1980-85. Financing the shortfalls in government

budgets was sought largely from domestic sources. Consumer prices were partially freed, price subsidies reduced and the overall level of indirect taxes raised. These steps were taken despite the constant increase in the cost of living, in particular food prices. In addition, measures were introduced to mobilise domestic saving which appear to have succeeded, especially during the period 1984-88 (See table 1). Furthermore, capital budgets were cut. For instance, in the revised budget for 1984 all proposed investment projects were cancelled--except those with clear export-earning or import-saving advantages.

Table 1: Performance Indicators Of The Moroccan Economy, 1980-96							
Growth rates (period averages, % p.a.)^a							
	A				B		C
	<i>Q1</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4</i>	<i>Q1-Q2</i>	<i>Q3-Q4</i>	<i>Q1-Q4</i>
	80-84	84-88	88-92	92-96	80-88	88-96	80-96
Production							
GDP at constant prices	2.03	4.38	1.79	2.62	3.56	2.45	3.18
Agricultural ¹ VA	-2.18	10.22	-5.28	9.07	4.27	1.83	3.22
Industrial ¹ Sector VA	1.62	3.28	2.08	2.19	2.72	2.37	2.70
Services ¹ Sector VA	2.24	2.85	4.06	0.50	2.83	2.52	2.84
Government GDP	7.78	3.96	3.40	2.32	6.53	3.18	5.13
Market GDP	1.15	4.46	1.48	2.68	3.11	2.31	2.87
Income							
Real GDP per capita	0.10	2.46	0.02	1.03	1.41	0.58	1.06
GNDI at constant prices	2.06	4.39	2.28	2.23	3.59	2.51	3.23
Final consumption	1.87	3.00	2.74	2.95	2.71	3.17	3.11
National savings	3.01	10.12	0.64	-0.66	7.26	-0.01	3.77
Investment	2.93	0.57	3.84	0.17	1.94	2.21	2.20
Fixed capital investment	2.81	1.85	3.66	0.51	2.59	2.30	2.59
Trade and Payments							
Value of exports	7.64	3.53	-1.32	0.96	6.20	-0.21	3.12
Value of imports	8.36	-2.77	5.64	-0.28	2.94	2.94	3.11
Prices and Money							
Cost of living (base 1989)	8.2	5.0	4.5	3.9	7.3	4.7	6.4
Food prices	9.3	2.5	5.3	4.3	6.5	5.3	6.3
Price subsidies	-8.12	-14.66	0.28	18.33	-12.64	9.97	-2.10
Nominal money supply (at Dec. 31)	10.37	11.41	11.07	6.29	12.17	9.66	11.59
Real money supply (at Dec. 31)	3.62	5.57	6.74	3.17	5.11	5.50	5.63

Calculated from appendix table 2.

GNDI: Gross National Disposable Income.

1/ For definitions of these sectors, see page 20.

2/ Other notes as in table 2.

The financial strain continued to shape the prospects of the later plans. In the 1986-88 three-year plan, funds allocated for new investments were cut below their 1984 level, bringing them down from 20 to 16.7 per cent of GDP. Government expenditures were further cut, particularly the spending on public services. In all, a tight policy was applied to keep the spending side of the budget in line with the diminishing revenues. Despite social unease, Moroccan governments have managed to maintain a firm policy which succeeded to resist expansionary pressures, and to bring down the deficit (G.2.1). The restraining policies were kept until 1993, which coincided with the expiry of the last IMF standby agreement, after which they were relaxed.

Externally, across-the-board import restrictions were lifted to reduce the pressure of import demand. Simultaneously, outstanding private and official debts were re-scheduled to help alleviate both the domestic and external gaps. Accordingly, effective domestic aggregate demand remained suppressed roughly at its 1980 level. As an integral part of ERL programme, external sector reforms in Morocco date back to 1982, when the government abolished the restrictive conditions over foreign investment. Investment reforms included questions of ownership of companies, taxes, as well as the repatriation of profits. In 1984 a set of measures was introduced to liberalise foreign trade, including the abolition of state controls over exports and the reduction of tariffs and duties on imports. Substantial reductions of quantitative restrictions were also introduced and further measures were promised. At the same time, the government gave clear indications and made firm commitments to continue reforming the domestic economy. In 1985 the government initiated a policy of privatisation of public sector entities but this excluded strategic industries. Both the trade liberalisation policy and the privatisation programmes were sustained well into the nineties.

In 1987 a new five-year plan was introduced (1988-92) which was more realistic in terms of its projected investment, its funding levels and sources, and its intended growth rate (4 per cent annually). This was the first plan which included trade reforms as a policy goal and in that sense it was the first trade-oriented plan, especially due to its emphasis on exports. Another observation is the explicit attention in the plan to reforming production which extends its domain beyond the demand side to the supply side of the economy.

Prior to these reforms a very complex external trade regime system was in operation in Morocco. Three import regimes were active in parallel, namely, Import Taxes (IT), Quantitative Restrictions (QRs), and Floor or Reference Prices (FP). The reform of Morocco's external sector regime entailed a number of consequences: dismantling QRs, abolishing the FP system, and reducing trade taxes and compressing their range so as to reduce dispersion in the tariff structure.

The ERL programme, which initially consisted of trade and industrial sector reforms, aimed, primarily, to limit this complex trade-limiting regime, and thus expand trade. The reform exercise was counted upon to restore a viable balance of payments and to secure a sustainable growth path in the medium term; it was also expected to improve industrial productivity by revising the structure of industrial incentives. There is some² theoretical evidence as to how these outcomes may take place. Of these, we cite the genuine competition and technological catch-up arguments. To attain these goals, a number of instruments were introduced, most important amongst which are the following:

- Sweeping reductions of tariffs and rapid dismantling of quantitative restrictions: “Protection was significantly reduced after 1983, through the elimination of quantitative restrictions and reduction of tariff rates, the maximum tariff was reduced from 400 to 45 per cent” (Haggard, 1994, p.63).
- Investment codes were adjusted. The implicit aim behind this was to realign domestic factor prices in line with real resource endowments. This was supposed to lead to adoption of production techniques which reflected Morocco’s real competitive advantage.
- Domestic price controls have been gradually eliminated.
- Foreign exchange controls relinquished and a free exchange system was introduced. Actions were initiated to liberalise financial markets, including the banking sector and the establishment of the stock exchange market.

The package intended to improve domestic industrial productivity and to raise the country’s export potential by reducing the bias against exports. Raising the country’s export potential was expected to come from abating the inbred bias in the Import Substitution Industrial (ISI) Strategy against exports. A flexibly managed exchange rate regime was used as a catalyst to reform. This was thought to underpin the competitiveness of Moroccan exports and to compensate for the loss in revenue arising from the lowering of barriers to external trade, and at the same time to improve the country’s Balance of Payments. As a whole, the package effectively amounted to a gradual

² Evidence of the link between trade and productivity is—at best—mixed in the literature (See Tybout, 1991, Dutz, 1991, Haddad, 1993). However, this paper is not concerned with that as much as with Morocco’s ERL policy package and with the intended objectives behind it.

liberalisation of the trade and the financial sectors in Morocco (World Bank, 1988).

The measures were introduced in medium term plans and within the context of the emergency plans that were intended to reform the economic structure of the country. The ensuing programmes focused on consolidating the gains achieved from these policies, by targeting the issues relating to administrative and political reforms, reduction of both taxes and government expenditure, the maintenance of investment, and the restructuring of debt. Reducing the direct involvement of the state in economic activity became a central theme in these plans. Government direct involvement in production and markets has been limited only to strategic sectors. Elsewhere it was expected only to facilitate private commercial activity and to help smooth the market mechanism through further deregulation, privatisation, etc. Accordingly, the roles of the private sector and the market have been re-emphasised.

On the financial side of the economy, plans were initiated to liberalise financial markets. The reforms started by reforming the banking system and the other financial services. Freeing the foreign exchange system of official control was thought to be a vital piece for the operation of the liberalisation policy. Financial sector reforms were then crowned by the establishment of a stock exchange.

In the next parts of the paper we analyse the impact of the ERL policy package on Morocco's economic performance by evaluating the performance of the key economic variables of the Moroccan economy. By that we hope to be able to answer the main question, which is: to what extent Morocco's ERL programme has attained its stated objectives?.

3. ERL POLICY AND PERFORMANCE

3.1. Data and Methodology

The data used is Moroccan national accounts time-series for the period 1980-96. As a first step, we converted the market price data (appendix 1.b) into constant-price data using the implicit price deflator. We then used this real (constant-price) time-series data set (appendix 2) to calculate period average growth rates for the key economic indicators of the Moroccan economy. The results of this exercise are in table 1. We selected three ranges A, B, and C to calculate annual average growth rates. In A the data is split into four equal sub-periods, 1980-84, 1984-88, 1988-92, 1992-96, and then average growth rates are calculated for each period. In B the data is split into two equal parts, 1980-88 and 1988-96, and average growth rates were calculated for each of them. In the last section C we took the average growth rate for the whole period 1980-1996. The performance indicators are classed according to their

broad functional categories. These are Production, Income, Trade and Payments, and Prices and Money.

We have also calculated the relative shares of relevant performance indicators in relation to GDP (as percentages of GDP) for the years 1980, 1984, 1988, 1992 and 1996 (see table 2). These include the main sectors of the economy, the income and expenditure variables, the budget deficit, the external sector variables, inflation and money supply.

The data is obtained from Bank Al-Maghrib Reports (1980-1996) and from Banque Marocaine du Commerce Extérieur (1997). They include Morocco's domestic --production, income, budget, prices, inflation and money supply, as well as, external --trade and payments-- sectors' data (Appendix table 1). Exchange rate data is obtained from the IMF International Financial Statistics data series (1990 to 1996). Most of the notations used are those of Bank Al-Maghrib. Of these, some may sound unconventional due to translation.

The implicit assumption behind this exercise is that, by examining the performance of the key economic indicators of the Moroccan economy, we may be able to establish the general effect of the policy on these indicators. However, we acknowledge, from the outset, that this is by no means a fully rigorous exercise, as other factors come certainly into play. However, given the reasonable length of the study period, the exercise should at least give a general idea as to the effect of the ERL policy on the Moroccan economy.

Thus, in the following sections we turn to assess the influence of the ERL policy on the key sectors and variables of the Moroccan economy beginning with its impact on the budget, the demand side of the economy, and then proceeding to examine its structural and supply effects.

3.2. The Exchange Rate and the ERL Policy in Morocco

The Moroccan dirham has not been through a single point devaluation during the study period. However, a flexibly managed exchange rate regime was kept as the main policy instrument in the external sector reforms. The flexible exchange rate was introduced to uphold Morocco's trade competitiveness, to compensate for the loss of tariff revenue, and thus to improve the country's balance of payments.

Morocco's official exchange rates record is shown in figure G.1. G.1.1. reflects the MD official exchange rate trends in terms of US dollars. During 1980-85, the value of the MD has diminished from 0.25 to 0.10 against the US dollar recording a drop of some 60 per cent of its 1980 rate. Since then and until 1992, the MD value improved marginally to stabilise around 0.12 to the dollar. During 1993-97, its value fell slightly again. Overall, however, the

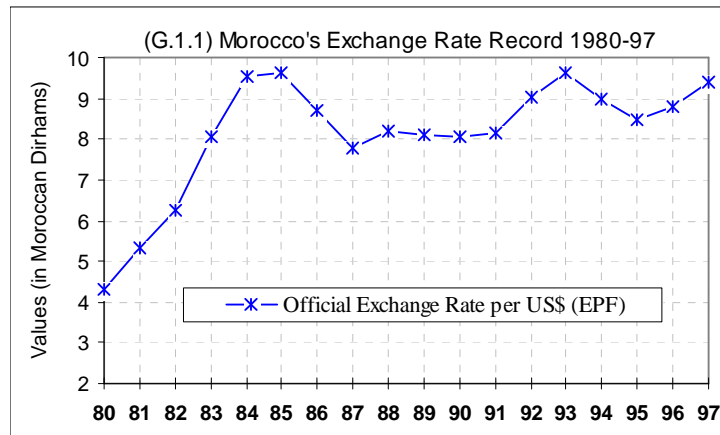
official exchange value of the MD remained generally stable at just under nine MDs to a dollar.

Graph 1.2. shows Morocco's exchange rate indices. It depicts the country's official index which uses 1990 as a base year. It also portrays the nominal (NEER) and the real (REER) effective exchange rate indices. These indices show a pattern and analysis similar to that reflected by the official exchange rate. We observe the general decline in the MD's exchange value versus the US dollar, which continued until 1990. In the post-1990 period, the MD exchange value against the US dollar began to edge up slightly. With this performance, the MD may be judged relatively stable. This judgement gets more credence when seen within the context of developing countries at similar stages of development.

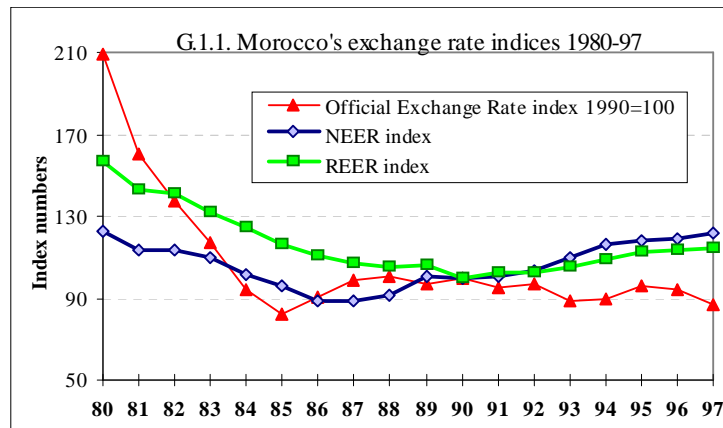
Table 2: Performance Indicators Of The Moroccan Economy, 1980-96					
Ratios Of Key Indicators To GDP					
Ratios (in percentages)^a					
Indicators	1980	1984	1988	1992	1996
Agriculture/GDP	18.4	14.9	19.6	13.7	18.5
Secondary sector/GDP	30.9	30.3	28.8	29.2	28.6
Tertiary sector/GDP	38.8	39.2	36.4	40.6	36.6
Consumption/GDP	85.1	84.5	79.0	82.8	84.2
Savings/GDP	17.0	17.9	23.4	22.1	18.8
Investment/GDP	24.2	25.3	21.0	23.2	20.6
Fixed investment/GDP	22.2	23.1	20.4	22.4	20.2
Foreign income /GDP	2.2	2.4	2.4	4.9	2.9
Budget deficit/GDP	15.2 ^b	6.4	3.3	1.9	3.0
Exports /GDP	13.0	17.0	16.3	14.0	12.9
Imports /GDP	22.7	30.6	21.5	25.9	22.4
Trade deficit /GDP	9.6	13.6	5.1	11.9	9.5
Current account balance /GDP	(-) 7.5	(-) 7.8	2.1	(-) 1.5	(-) 1.8
Balance of payments /GDP	(-) 0.2	0.5	0.9	2.4	0.7
Inflation /GDP	69.9	68.4	53.8	50.3	46.0
Food-price inflation /GDP	74.2	76.3	53.2	51.6	48.3
Price subsidies /GDP	3.2	1.9	0.7	0.7	1.3
Money supply /GDP	41.6	44.9	47.6	60.3	61.9

Notes:

- a: All calculations based on constant-price national income accounts obtained by deflating current-price figures by implicit GDP deflator.
- b: Refers to 1981.

Graph 1: Morocco's exchange rates during 1980-1995.

Note: Official exchange rates as quoted by Bank Al-Maghrib.



Notes:

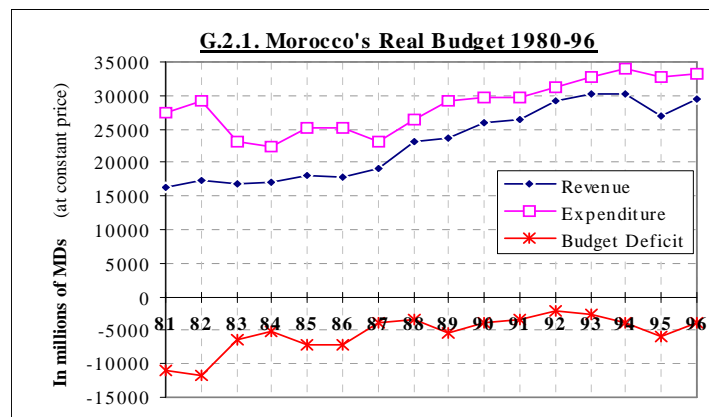
- 1/ Official Exchange Rate expressed on base 1990=100.
- 2/ NEER: Nominal Effective Exchange Rate. REER: Real Effective Exchange Rate.
- 3/ NEER represents the ratio (expressed on base 1990=100) of an index of the period average exchange rate of the MD to a weighted geometric average of exchange rates for the currencies of selected countries.
- 4/ REER is NEER index adjusted for relative movements in national price or cost indicators of the home country and selected countries.
- 5/ All indices are based on end of period figures.

Source: IMF, International Financial Statistics, 1990-1996.

Overall, the early decline in the MD exchange value may be regarded as a gradual devaluation which may have served two purposes: first, it helped to stabilise the value of the MD over the study period. Second, and as we will observe in the following sections of the paper, it has underpinned the rest of the reform measures.

3.3. ERL Policy and the Moroccan Budget

One of the main objectives of the ERL programme was to adjust and stabilise the Moroccan economy by addressing its structural imbalances, one of which was the budget deficit. Prior to 1980, all Morocco's budget revenues could not support even its current expenditure. In fact, that was one of the main reasons which prompted the programme of reforms. In 1981, the deficit of the budget amounted to 15.2 per cent of GDP. As a result of the budgetary reform measures, the overall annual average increase of budget revenues has exceeded that of expenditure during the whole period (Table 3). The overall impact of the policy is apparent in the shape of the budget deficit curve in graph 2.1, which continued to fall until 1992. Though the budget deficit increased slightly after 1992, it remained relatively contained. This trend in budget performance is confirmed in table 3 where the magnitude of the deficit relative to GDP has gone down from 15.2 in 1981 to 1.9 per cent only in 1992. During *Q4*, the budget deficit has risen a little, a result of relaxing some of the stringent policies that brought the deficit down.



The progress in the budget balance was coupled with a notable decline in the net financing of the budget over the study period (G.2.2.b). The decline

occurred in spite of the government's efforts to boost budgetary finance and to diversify the sources of the budget finance.

Table 3: Budget performance indicator							
			1980	1984	1988	1992	1996
Budget Deficit/GDP (As % of GDP)			15.2 ^b	6.4	3.3	1.9	3.0
	<i>Q1</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4</i>	<i>Q1-Q2</i>	<i>Q3-Q4</i>	<i>Q1-Q4</i>
Average Growth rates % p.a	80^b-84	84-88	88-92	92-96	80-88	88-96	80-96
Budget deficit (1)	-16.82	-8.74	-8.58	12.39	-13.86	1.51	-6.40
Total Revenue	1.10	6.26	4.62	0.32	4.44	2.72	3.75
Total expenditure	-4.89	3.46	3.30	1.34	-0.38	2.58	1.25

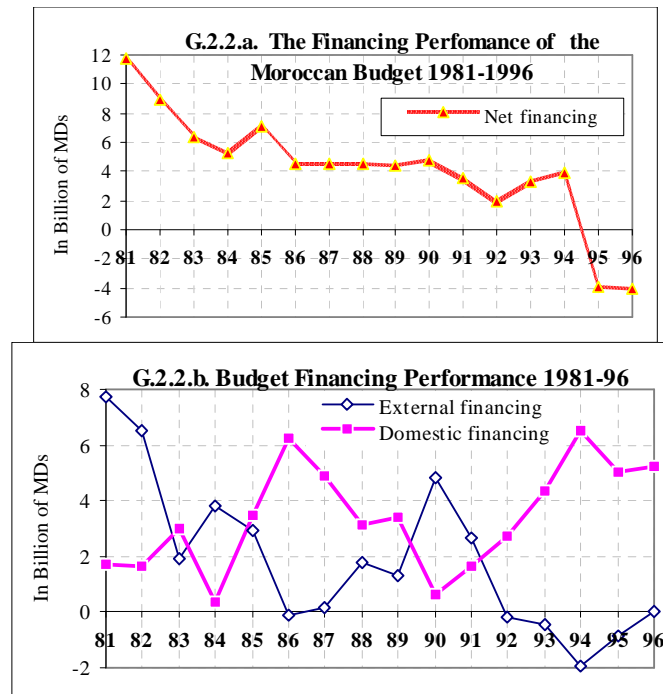
Note: Based on 1980 constant prices. b: refers to 1981.

(1) A negative sign represents an improvement as this is a deficit.

The Moroccan budget's net finance performance correlates positively with external financing and negatively with domestic financing, and the size of the former is higher than that of the latter, 0.72 and -0.47 respectively. External financing and domestic financing have a very high negative correlation in Morocco's case (Table 4). This is also clear in G.2.2.b. where domestic and external finance graphs are almost opposite to one another. These results indicate that whenever external sources are short, and budgets rely more on internal sources, the likelihood is that the net financing position of the budget will decline. That explains the continuous decline of the net financing curve in G.2.2.a. as Morocco, following the ERL policy, relied more and more on domestic sources for finance.

Table 4: Correlation Between The Position Of The Budget's Net Financing And The Sources Of Finance (domestic and external)			
	Net financing	Domestic	External
Net financing	1		
Domestic	-0.47	1	
External	0.72	-0.80	1

G.2.2.



Based on constant price data.

Through the period 1980-96, the composition of Morocco's budget finance may be split in three distinct phases. The classification depends primarily on the position of external financial flows.

In the first phase, 1980-86, external finance dropped sharply from over 8 billion MDs to negative in 1986. External private finance dried-up following the debt crisis and the second oil shock. On the domestic front, Morocco suffered another setback as phosphate prices slumped. Other sources had to rise rapidly to make up for the shortfall. Thus, domestic finance was made to rise more than tenfold from below 1 billion to over 10 billion MDs. Also, IMF support was sought and the equivalent of one billion MDs per year, on average, was drawn during the period. Other sources of finance were also sought—mainly grants—enabling the government to raise another billion a year. These two latter sources had dried completely by 1986.

In the middle phase, 1986-90, external resources have substantially recovered to reach their highest level ever of just below 10 billions MDs. Domestic finances moved in the opposite direction and by almost the same sizes, thus fulfilling the correlation relationship.

The last phase --the post-1990 period-- was in many respects similar to the first. The main difference was that domestic finance had very rapidly risen to compensate for the sharp fall in external finance, and to cover the repayment of the IMF loans.

In sum, it can be deduced that the internal imbalance objective has been largely addressed. However, this may have been achieved at the expense of slower economic activity overall.

In the following section we take up the analysis of the structural targets of reform policy. These mainly address the level of change in the country's output base and the related performance considerations. In section 5 we shall address the policies' demand side objectives.

4. ERL POLICY AND SUPPLY: STRUCTURAL ANALYSIS

4.1. Preview

In this section, we examine trends of the Moroccan economy's main production variables during the study period. Evidence of change in the structure of production is what we want to establish. Our prime intention, as before, is to identify the effects of the ERL policy on the country's economic performance. Since its introduction in the early 1980s, the ERL policy was continually adjusted and developed—both in scope and application. For this reason, a 'before and after' method of comparison may not be of much use. However, the time and the planning frameworks within which the policy has been carried out will allow us to adopt a periodic assessment approach.

One of the basic objectives of ERL type policy is to reform the productive base of the economy in line with the country's natural potentials. The main aims within this framework, as implied in Morocco's ERL experience, are the following:

First, to create an environment that is conducive to reform and change.

Second, to remove the biases and the distortions that are associated with previous policy regimes, such as anti-agriculture and anti-export biases.

Third, to capitalise on Morocco's natural potential and to put the Moroccan economy onto a sustainable growth path.

To facilitate and enact the supply-side reforms the government had to ensure the following basic steps:

- a/ to introduce the legal and administrative frameworks that are needed for the change to take place, and
- b/ to abolish or limit the use of rules and practices that are related to old systems and regimes, such as those in trade, exchange rate and credit control.

The clarity and openness of the new procedures, together with a firm commitment to the course of change, were considered key elements for the credibility of the whole programme. Moroccan governments have demonstrated their keenness in the programme by adopting policies which ensure such a setting. The next section examines Morocco's production data for evidence of policy-related change.

4.2. Aggregate Analysis: Morocco's Production and the Productive Base

The production data is divided into the same four periods. We calculated average growth rates and ratios over the same time frames as before. The four periods, 80-84 (*Q1*), 84-88 (*Q2*), 88-92 (*Q3*), and 92-96 (*Q4*) roughly coincide with the phases of the reform programme. The other time frames, 1980-88 and 1988-96, as well as 1980-96, will stand the overlap between these periods to reflect the dynamic nature of the reform process.

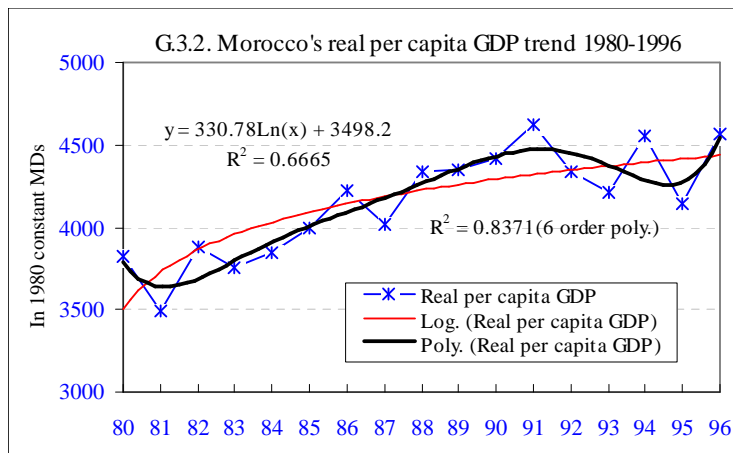
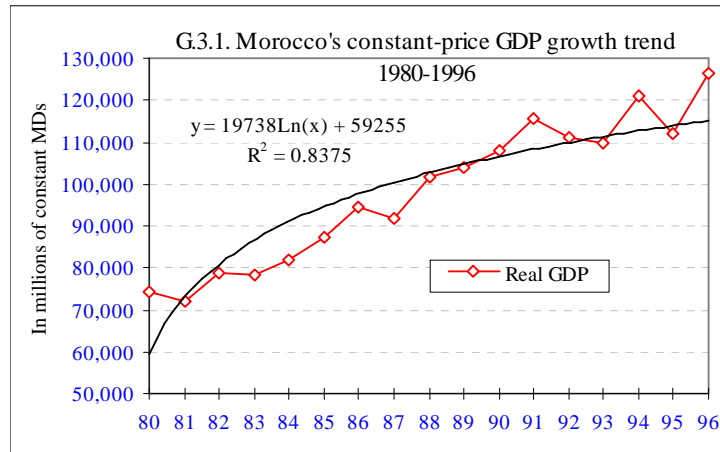
Morocco's real GDP has generally increased over the study period (G.3.1.). Its annual average growth rate over the whole period was 3.18 per cent. Morocco's real per capita GDP has also been through a generally rising trend (G.3.2.). It rose by an average growth rate of 1.1 per cent per annum over the study period. These rising trends, though undeniably modest, should be considered on the positive scale of Morocco's ERL programme.

That being said, we should note the significant variance in growth rates between various periods. For both variables respectively, growth was highest (4.4 and 2.5 per cent) during *Q2*; and lowest in *Q3* (1.79 and 0.02 each). *Q2* happened to be the period of the programme where the core of the reforms took place. We also observe that average growth was higher in the former half of the reform programme, (*Q1-Q2*) than in the later one (*Q3-Q4*) —3.6 in 1980-88 against 2.5 per cent in 1988-96— with the third period, 1988-92, representing the worst record. In the last period 1992-96, GDP growth recovered to record the second best level which is higher than that in the initial period (Table 5).

Table 5: Aggregate Production Indicators							
	A				B		C
<i>Analysis</i>	<i>Q1/R3</i>	<i>Q2/R1</i>	<i>Q3/R4</i>	<i>Q4/R2</i>	<i>Q1-Q2</i>	<i>Q3-Q4</i>	<i>Q1-Q4</i>
Growth rates (average % p.a.)	80-84	84-88	88-92	92-96	80-88	88-96	80-96
GDP at constant prices	2.03	4.38	1.79	2.62	3.56	2.45	3.18
Real GDP per capita	0.10	2.46	0.02	1.03	1.41	0.58	1.06
Government GDP	7.78	3.96	3.40	2.32	6.53	3.18	5.13
Market GDP	1.15	4.46	1.48	2.68	3.11	2.31	2.87
Ratios (as percent of GDP)	1980	1984	1988		1992		1996
Government GDP share	11.86	15.60	15.29		16.54		16.29
Market GDP	88.14	84.40	84.71		83.46		83.71

Despite the plans to reduce the government’s participation in the economic activity, its GDP share remained high, 15 per cent on average, and has risen over the study period. The overall average share of real GDP generated in the market place (market GDP) amounted to 85 per cent. On average, the growth rate of market GDP was slower than that of government GDP, except in Q2. These findings do not seem to conform with the general aims of the ERL programme.

G.3: Morocco's real GDP and per capita GDP trend 1980-96.



4.3. Sectoral Analysis of Morocco’s Production

In this section, we examine the structures of production and growth to look for evidence of real shifts in the structure of production. For this purpose, we adopt the data divisions used by Bank Al-Maghrib which divides market GDP into three main constituent sectors, namely:

- I. The Primary Sector (PS), consisting of agriculture, forestry and fishing which is also called the agricultural sector.
- II. The Secondary Sector (SS) contains all other non-agricultural production activities, namely the following sub-sectors: mining, energy and water, manufacturing, construction and public works.
- III. The Services or Tertiary Sector (TS) includes transport and communications (TC), commerce and other services, such as tourism and banking and other financial services.

The PS is the sector that is mostly nature-dependent and thus more stochastic. Its responses to policy changes are typically more sluggish than those of other sectors. The other sectors (SS and TS) are less affected by random factors and thus their responses to policy change should be more immediate, particularly the TS. Thus, while SS and TS may respond to short-term policy adjustments, the agricultural sector may react to policy shocks over longer time frames.

One expected outcome of an ERL policy is the transformation of the structure of the subject economy. It is often presumed that such change would favour activities that could prevail without a policy stimulus over those which could not prevail otherwise. Other widely reported results are the efficiency and productivity gains which are said to follow such change. In this section we question the occurrence of these results in Morocco's reform experience.

	A				B		C
<i>Analysis</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4</i>	<i>Q1-Q2</i>	<i>Q3-Q4</i>	<i>Q1-Q4</i>
1. Growth rates (average % p.a.)	80-84	84-88	88-92	92-96	80-88	88-96	80-96
Primary sector	-2.18	10.22	-5.28	9.07	4.27	1.83	3.22
Secondary sector	1.62	3.28	2.08	2.19	2.72	2.37	2.70
Tertiary sector	2.24	2.85	4.06	0.50	2.83	2.52	2.84
2. Ratios (as percent of market GDP)	1980	1984	1988	1992	1996		
Primary sector	18.43	14.92	19.59	13.67	18.54		
Secondary sector	30.94	30.32	28.75	29.16	28.56		

Tertiary sector	38.77	39.16	36.37	40.63	36.61
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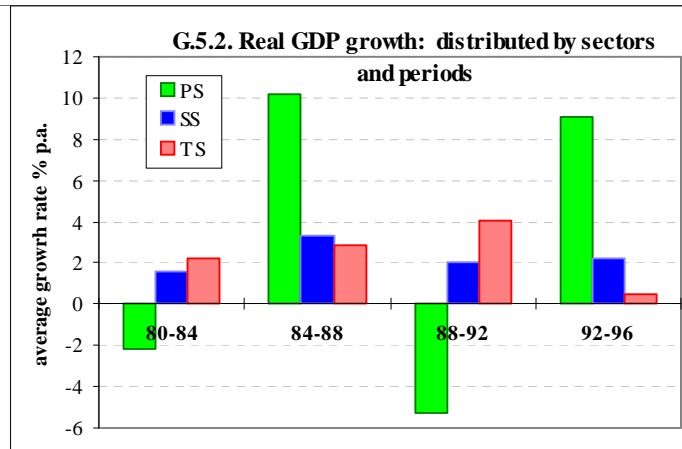
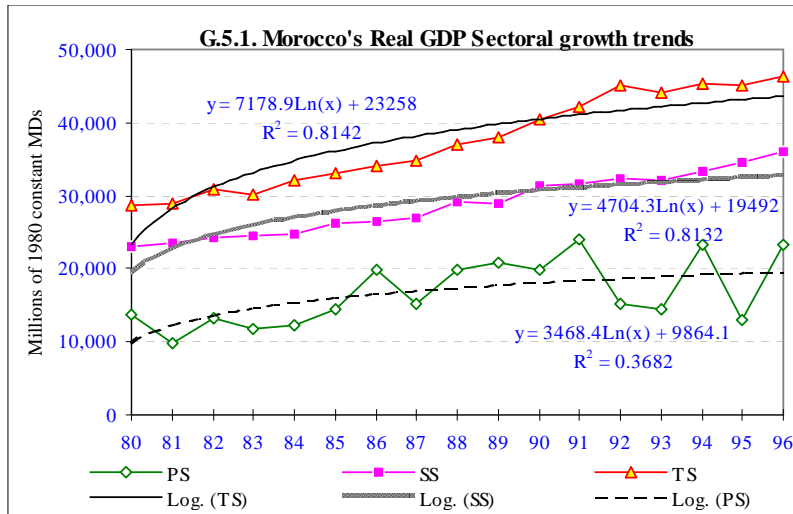
Morocco's real production sectoral trends, the staged sectoral distribution of Morocco's GDP growth, and the relative shares of the three main productive sectors--PS, SS, and TS--are shown in table 6. Morocco's real GDP distribution and sectoral trends are depicted in G.5.1. Period average growth levels are illustrated in G.5.2. Our usual staging methodology A (4 growth periods), B (2 growth periods) and C (one period) is used.

The relative weight of the three sectors--PS, SS, and TS--to real market GDP remained roughly the same. Their average shares to market GDP amounted to 17, 29.6 and 38.3 per cent, respectively, over the study period.

Growth in the three sectors has a general rising direction over the full study period (see G.5.1.). PS recorded the highest average growth rate--3.22 per cent-- against 2.7 and 2.84 per cent for SS and TS each (table 6.C). However, by arranging the growth record according to smaller time periods such as in A or B (table 6), we note that PS growth was also the most volatile compared to the other two sectors. In SS and TS, growth, though moderate, was consistent and steady while that of PS fluctuated casually from year to year. It was only there that growth was negative such as during *Q1* and *Q3* (-2.18 and -5.28) (see also G.5.2.).

The stochastic influence was obvious over the PS performance. However, that does not rule out any effect of reform policy which we will seek to identify later.

That, along with the relative small share of PS to real GDP, may explain their relatively weaker correlation as with other sectors (table 7).



Sectoral real per capita production followed similar trends to that of real GDP as expected (G.5.3). Here, though, we notice that the peaks are milder and the troughs steeper than in the real GDP--which implies that output growth is less than proportional to population growth (table 8). That is certainly compromising some of the positive results of reform. If unchecked, this population growth may render most of the ERL targets unsustainable, but that is another policy subject matter.

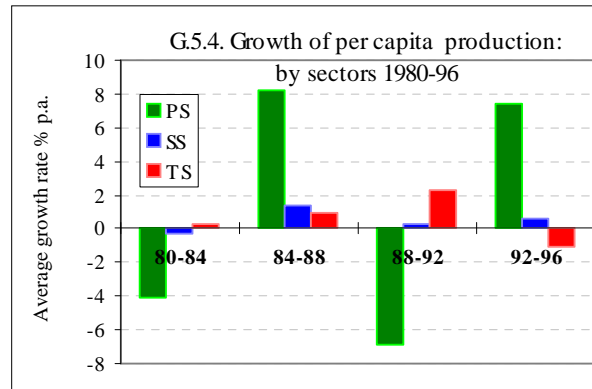
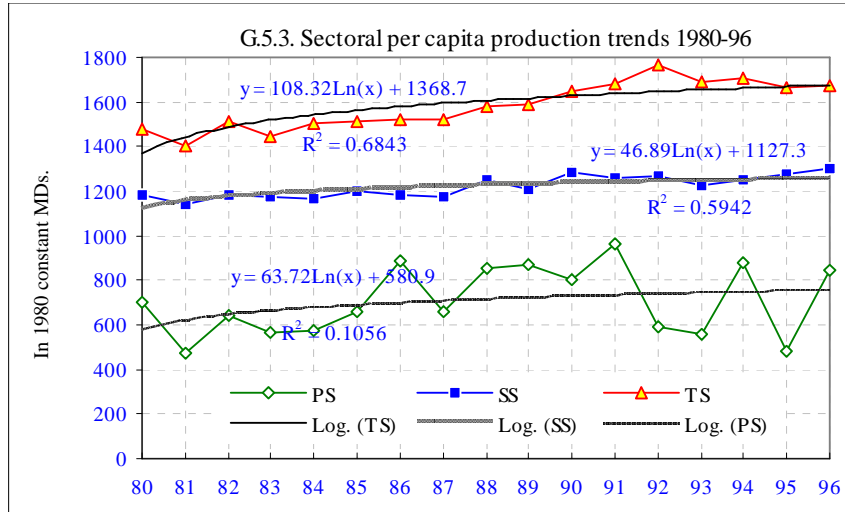


Table 7: Correlation between market GDP and its constituent sectors

	<i>RGDP</i>	<i>PS</i>	<i>SS</i>	<i>TS</i>
<i>RGDP</i>	1			
<i>PS</i>	0.79	1		
<i>SS</i>	0.97	0.62	1	
<i>TS</i>	0.97	0.59	0.98	1

Table 8: Growth of average per capita production by sectors

Average growth rate % p.a.	A				B		C
	80-84 QI	84-88 QII	88-92 QIII	92-96 QIV	80-88 Q1-Q2	88-96 Q3-Q4	80-96 Q1-Q4
PS	-4.04	8.18	-6.92	7.38	2.10	-0.03	1.09
SS	-0.31	1.37	0.30	0.61	0.59	0.51	0.58
TS	0.30	0.95	2.26	-1.05	0.69	0.66	0.71

We may sum up the results of Morocco's ERL programme with regard to production as follows:

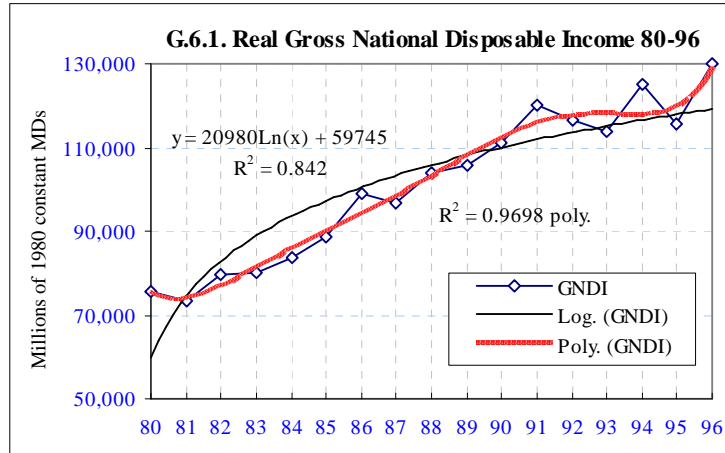
1. Morocco's output base has been sufficiently diversified. It has not depended on primary production, as is typical of many reforming countries. Services contribute the highest share to the country's GDP followed by industry. However, our analysis of Morocco's sectoral composition found no clear evidence of a major structural transformation taking place there. The public-private mix, as well as the relative weight of the three main sectors in the Moroccan economy, remained more or less the same. We acknowledge, however, that, at this level of aggregation, such results can only be tentative.
2. There is enough evidence in Morocco's production growth record pointing to the reality that the country has been on a sustainable growth path. The stabilisation objective of the reforms has largely been secured.

5. ERL AND PERFORMANCE: ANALYSIS OF INCOME AND DEMAND³

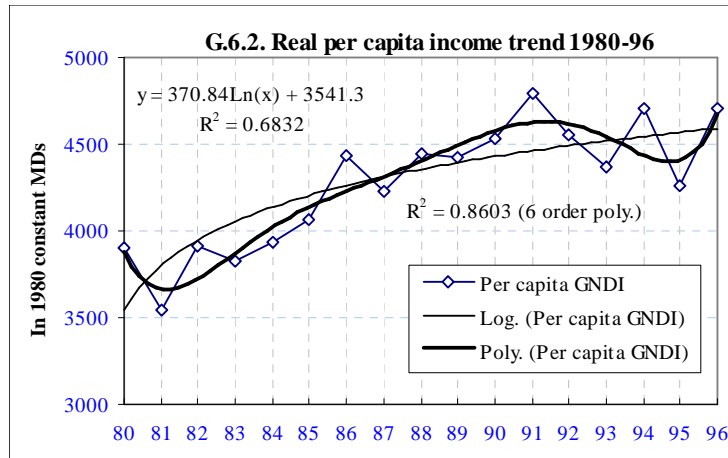
Income and domestic demand reform objectives have been implicit in most aspects of the country's ERL programme. Through the analysis of income, and the study of the performance of the income demand elements, we have an insight into the effect of the ERL on income and demand. Fiscal and monetary policies as well as external sector policy measures have been used to influence income and demand. This section examines the realisation of these targets by analysing income and demand variables. Following our usual method, we calculated growth rates and significance ratios of income and demand variables. All calculations are carried on constant price values (table 9).

Real GDNI rose steadily during 1980-96 with an annual average growth rate of 3.23 per cent. The former part of the programme, 1980-88, saw higher rates of income increases (3.59) than the latter part, 1988-96, (2.51). Within that former part, the section 1984-88 recorded the highest average annual rise in income (4.4 per cent), which is consistent with our GDP analysis. Both log-linear and polynomial fit trends in G.6.1 give a fair description of the shape of the rise.

³ The NEER--expressed on base 1990=100--represents the ratio of an index of the period average exchange rate of the MD to a weighted geometric average of exchange rates for the currencies of selected countries. The REER is NEER index adjusted for relative movements in national price or cost indicators of the home country and selected countries.



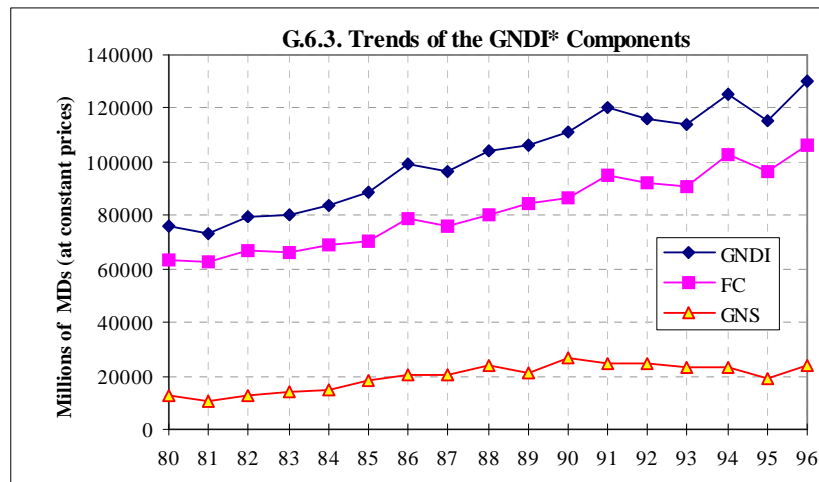
Per capita GNDI trend was closely similar to that of per capita GDP. Except for brief slumps in 1981, 1993 and 1995, per capita income has generally risen during the ERL period. Its annual growth level averaged 1.1 per cent overall, with higher rates earlier (1980-88) than later (1988-96). As expected, the highest single period average per capita growth rates was recorded during 1984-88 (2.5 per cent).



The percentage GDP shares of most of the demand variables remained more or less constant over the study period. This is notably true for the share of national consumption which remained around 85 per cent of GDP. Public expenditure shares of GDP have declined steadily, thus confirming our prior

remark regarding the intention of the reform's policy. The shares of gross national savings (GNS), investment (I) to GDP have exhibited notable fluctuations. Throughout the 80s, and except for 1989, GNS rose steadily exceeding 20 per cent in 1985 to reach a maximum of 25 per cent in 1990. During the nineties, GNS fell sharply to its early eighties' average. Yet, despite this relatively high level of savings, Morocco could not sustain the high levels of investment it had until 1985. In fact, for a brief period between 1986 and 1988, the investment level fell below the level of saving. This was due to the large cuts made in the investment budget to meet the country's rising debt burden.

The FC trend, as expected, has followed exactly, in an almost one-to-one correlation, the income trend (G.6.1). On average, FC takes over 80 per cent of GNDI. Over the study period, FC grew by 3.11 per cent annually. However, in contrast to income FC increases were higher during 1988-96, (3.17 per cent) than during 1980-88 (2.71 per cent). This may have some significance as it appears to erode saving levels.



Notes:

* GNDI = Final Consumption (FC) + Gross national Saving (GNS).

Raising the domestic savings rate was a vital task during the early part of the ERL programme so as to compensate for the financing shortfalls we discussed earlier. GNS trend was not as related to that of GNDI as FC. The growth record of GNS shows that fulfilment of this target has been timely, but was only partial. An average growth rate of 7.3 per cent was achieved during the period 1980-88 when it was mostly needed. However, this was still below a planned target of 12 per cent. Moreover, even that level could be sustained

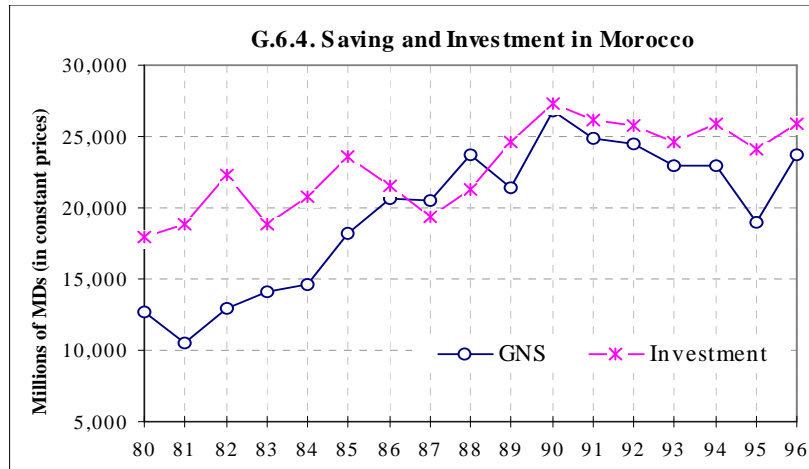
beyond 1990 when it began to decline. Accordingly, during 1988-96, average GNS growth was negative (-0.01). The GNS trend line reflects that in a gentle fall (G.6.1.).

Unlike other variables, investment growth was highest during the latter rather than the former years of the study. Overall, investments increased by a yearly average of 2.2 per cent. The correlation between investment and national savings was rather weak earlier on but grew stronger with the passage of time. This is a reflection of the fact that the country had become increasingly dependent on national sources to finance its investment as external resources became scarcer. Except for a short period, between mid-1986 to mid-1988, real investment exceeded national savings. In line with the trend of the other income variables, Morocco's real investment trend showed a general rise until 1990, and faltered since.

From this analysis, we have observed the following:

1. Morocco's real gross national disposable income has generally increased over the study period, and so too has per capita national disposable income.

2. Real domestic income demand may have been somewhat restrained, particularly during the latter stages of the programme, which is one of the aims of the ERL policy.



In this section we dealt solely with the domestic side of income demand. We will deal with the external side of demand when we examine the external sector.

Income and demand 1980-96

Table 9: Average growth rates (%) p.a.							
	A				B		C
	<i>Q1</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4</i>	<i>Q1-Q2</i>	<i>Q3-Q4</i>	<i>Q1-Q4</i>
	80-84	84-88	88-92	92-96	80-88	88-96	80-96
GNDI*	2.06	4.39	2.28	2.23	3.59	2.51	3.23
Per-capita Income	0.13	2.47	0.51	0.65	1.43	0.64	1.10
FC	1.87	3.00	2.74	2.95	2.71	3.17	3.11
GNS	3.01	10.12	0.64	-0.66	7.26	-0.01	3.77
Investment	2.93	0.57	3.84	0.17	1.94	2.21	2.20
Single correlation between GNDI and demand variables							
	<i>GNDI</i>	<i>FC</i>	<i>GNS</i>	<i>Investment</i>			
GNDI	1						
FC	0.99	1					
GNS	0.88	0.81	1				
Investment	0.85	0.83	0.79	1			
As ratios of GDNI (in per cent)							
	1980	1984	1988	1992	1996		
FC	83.3	82.5	77.2	79.0	81.8		

GNS	16.7	17.5	22.8	21.1	18.3
Investment	23.7	24.7	20.5	22.1	20.0

6. ERL AND THE PERFORMANCE OF MOROCCO'S EXTERNAL SECTOR

6.1. The Evolution of Morocco's Foreign Trade

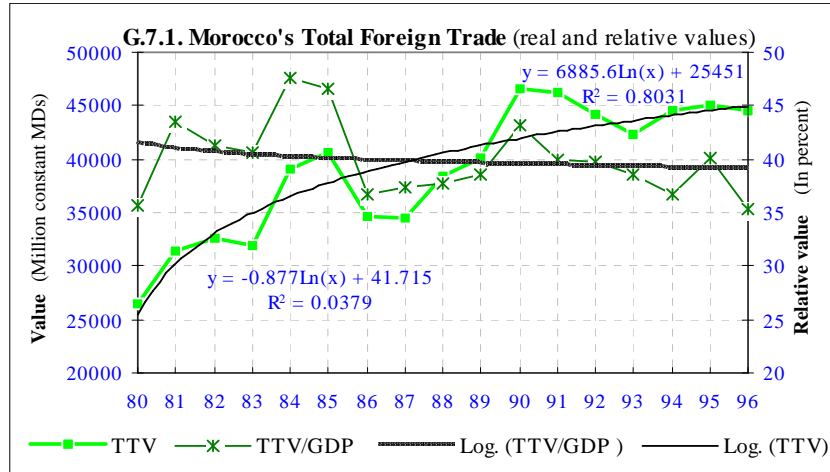
Adjusting and enhancing the role of the external sector have been among the main goals of Morocco's ERL programme. At a more specific level, the ERL aimed to increase Morocco's exports and to address its balance of payments problems. Revitalising the role played by the external sector in the economy as a whole was also one of the items of Morocco's ERL agenda. "The programme launched by Morocco in late 1983 was expected to increase the share of foreign trade in overall economic activity." (World Bank, 1988(1):36). According to this report, as a result of the reforms, higher rates of growth have been reported—both at the industry and firm levels—in the Export-Oriented Industries (EOI). It was claimed that by removing the incentive bias inherent in the previous ISI system—which is commonly heavily protected—higher growth has occurred in the more labour-intensive sectors. The WB welcomed that as positive progress on efficiency and distribution grounds. The report believes the developments rely on Morocco's natural potential and thus is in line with its comparative advantage. In this section we will examine the performance of Morocco's trade over the study period. We will also examine whether the World Bank's assertion regarding the balance and the structure of trade has been sustained.

Table 10: Performance of Morocco's External Trade							
	Average growth rates (%) p.a.						
	A				B		C
	Q1	Q2	Q3	Q4	Q1-Q2	Q3-Q4	Q1-Q4
	80-84	84-88	88-92	92-96	80-88	88-96	80-96
TTV	8.10	-0.33	2.86	0.16	4.23	1.67	3.12
Exports (VX)	7.64	3.53	-1.32	0.96	6.20	-0.21	3.12
Imports (VM)	8.36	-2.77	5.64	-0.28	2.94	2.94	3.11
Trade deficit (TD)	9.30	-14.06	20.30	-1.81	-3.42	9.70	3.11
	Trade as ratios of GDP and Market GDP (%)						
	1980	1984	1988	1992	1996		
	TTV/GDP	35.7	47.6	37.8	39.8	35.3	
TTV/M-GDP	40.5	56.4	45.8	47.7	42.2		
	Trade components as ratios of GDP (%)						
	Exports (VX)	13.02	17.01	16.33	15.38	12.88	
	Imports (VM)	22.67	30.62	21.47	24.64	22.41	
	Trade Deficit (TD)	-9.65	-13.61	-5.15	-9.26	-9.52	

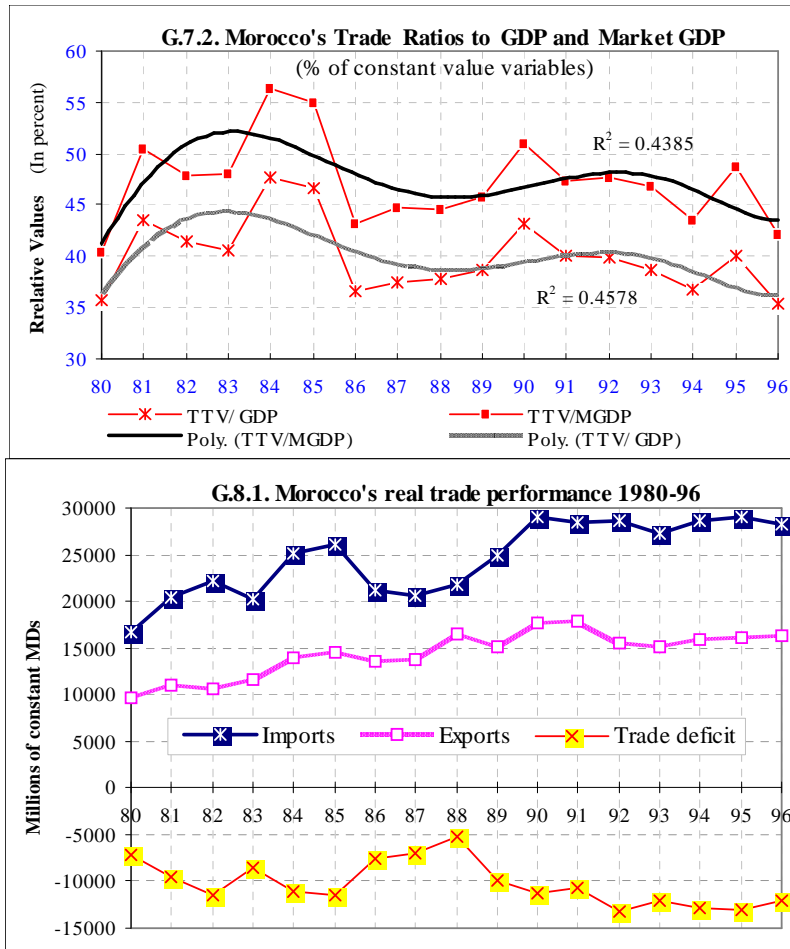
Notes:

All values in real value terms (in constant 1980 prices).

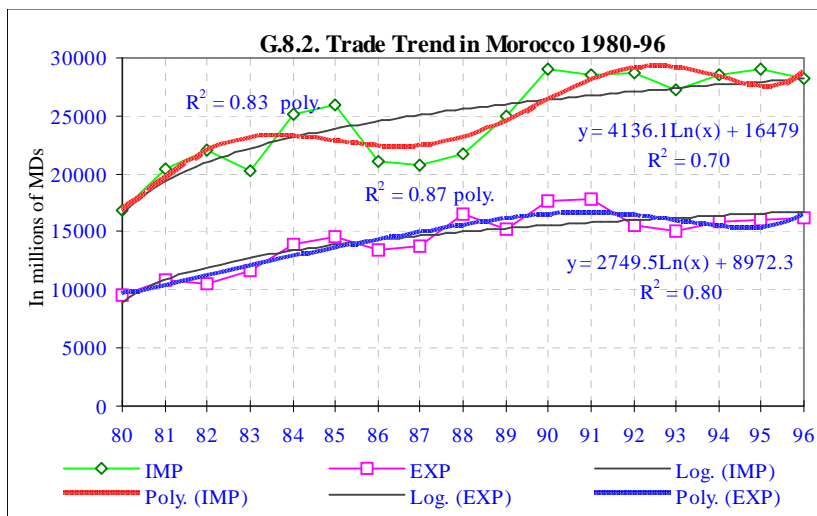
TTV = Total Trade Value (Value of exports + Value of import).
 M-GDP = Market GDP or Non Government GDP.



Morocco's real total external trade value (TTV), in constant value terms, has notably risen over the study period. Over the period, trade value rose by an average of 3.12 annually, but this hides a large variance. For instance, under mode A (table 10), annual average total trade growth was negative during Q2, and very small during Q4, but was high in Q1 and moderate in Q3. Using the split mode B, average trade growth was positive in both periods, but was about 2.5 times as much in the former than in the latter. In relative terms trade has declined slightly overall, as its ratios relative to real GDP and to real market (non-government) GDP dropped (G.7.1). Two inverted U patterns appear in G.7.2, the first during Q1-Q2 and the second covering Q3 and Q4. The former pattern was higher than the latter, which upholds our earlier observation about a better performance during the early years of the reform programme.



In Morocco, the real values of imports (VM) were uniformly above their respective values of exports (VX). The real values of exports and imports have both risen by an annual average of 3.1 per cent over the study period, and so has the trade deficit. Yet the details of this rise were noticeably different among the trade variables (G.8.1. and G.8.2.).



On the one hand, exports growth was highest in *Q1* (7.6 per cent), then in *Q2* (3.5 per cent). It was negative in *Q3* (-1.3 per cent) and barely positive in *Q4* (1.0). Thus, exports grew by a yearly average of 6.2 per cent in *Q1-Q2* but that growth subsided by 0.21 per cent per year during *Q3-Q4*. On the other hand, imports average annual growth was again highest in *Q1* (8.4 per cent) but was lowest in *Q2* (-2.8 per cent). During *Q3*, imports grew again recording (5.64 per cent) which was second after *Q1*. In *Q4* imports growth subsided again recording a slide of 0.3 per cent annually. Accordingly, on average, the growth of imports was the same during *Q1-Q2* and *Q3-Q4* (2.94 per cent) (see G.8.1.).

Morocco's trade deficit rose⁴ overall during the study period. The trade balance curve may be split into two main distinctive parts separated by the year 1988. The two sections differ markedly from one another so that the contrast between them may be held as a break in the structure of trade. The main feature of the first segment, *Q1-Q2*, is its roughly V-shaped patterns, where periods of acceleration in the deficit are followed by periods of deceleration. In the second segment, *Q3-Q4*, the deficit gradually rises in a series of steps separated by short stationary pauses. Thus, the trade deficit worsened during *Q1* increasing annually by 9.3 per cent but over-compensated

⁴ RGDP: Real Gross Domestic Product. NGDP: Nominal GDP. GDNI: Gross Disposable National Income. NC: National Consumption. S+M+G: Saving+Investment+Government. GG: General Government Expenditure. GNS: Gross National Saving. Invst. or Invest: Investment. VM(cif): Value of Imports (Cost, Insurance and Freight.). GFCF: Gross Fixed Capital Formation. NFY: Net Foreign Income (includes both Foreign Capital and Direct Foreign Investment). NCT: Net Capital Transfers.

for that during *Q3* recovering by 14.1 per cent each year. The trade deficit increased substantially during *Q3* recording the highest annual average rise of 20.3 per cent. During *Q4*, the deficit recovered slightly (1.8 per cent), but that could not compensate for the earlier drop. Thus, while Morocco's trade deficit improved during *Q1-Q2* (3.4 per cent), it declined (9.7 per cent) during *Q3-Q4* (G.8.1.).

In relation to GDP, there was sizeable variance in the annual ratio of total trade, ranging from 35 to 48 per cent. Overall higher ratios and variance are observed during *Q1-Q2*. Accordingly, the relative weight of external trade has gradually diminished, more so in the latter section than in the former, which gives the log-linear trend its gradually sloping shape (G.7.1.)

From the results above, the evidence suggests that the effect of ERL policy on trade, if any, was more pronounced during the earlier than in the later years. Nevertheless, the patterns of effect during the two periods were both cyclical and, in that sense, similar.

6.2. ERL Policy and the Balance of Payments

One of the main aims of Morocco's ERL policy has been to reform the country's balance of payments and to address the problems relating to it.

With the exception of 1987 and 1988 Morocco has had a negative current account balance. We find that the country's current account position was relatively better in the latter half, *Q3-Q4*, than in the former half of the study period, *Q1-Q2*. The Current Account Deficit (CAD) improved notably during *Q2* and *Q3*. This is clear in the CAD position relative to GDP, which has also improved declining from 7.5 per cent of GDP in 1980 to 1.8 per cent in 1996. Thus, although Morocco's current account remained mostly negative over the study period, it has shown some measure of improvements, both in relative and absolute terms. However, it is the middle period of the programme (1986-92) that had seen the best performance. This may also lead to the conclusion that CAD has been deteriorating since 1990, except for 1996 (G.9.1)

The position of Morocco's balance of payments (BOPs) enjoyed robust progress during the study period. Morocco's BOPs was in deficit during the early years 1980-83. In fact, Morocco's BOPs experienced a chronic deficit since 1975 (*IFS*, November 1998). Rectifying this problem was one of the main motives behind the reforms. A quick glance at the real performance of Morocco's BOPs in G.9.2. allows us to see that the deficit problem has indeed been addressed. Since 1984, and up to 1996, Morocco was able to sustain a

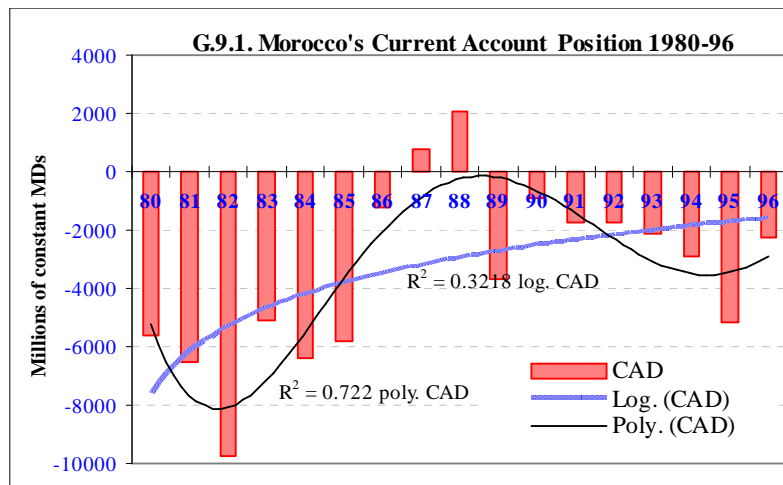
surplus BOPs, except for a slip in 1995. In fact, one can argue against maintaining such a high BOPs surplus as that achieved by Morocco in 1990, and which amounted to 6.4 per cent of that year's GDP.

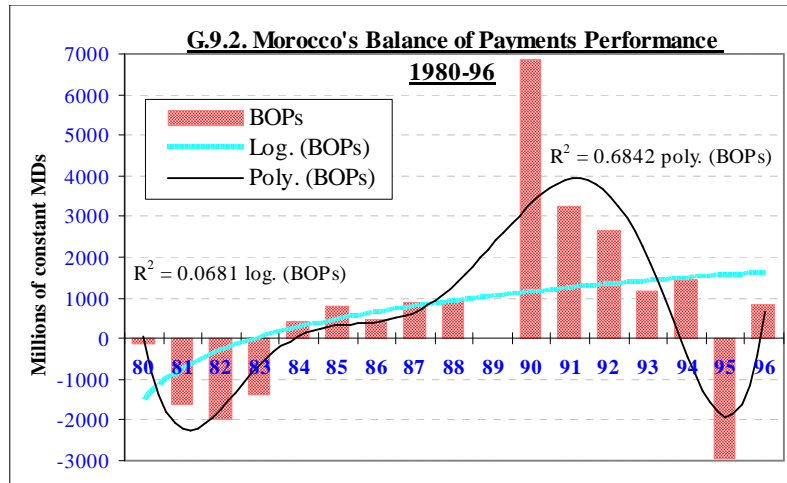
	Average growth rates % p.a.						
	A				B		C
	Q1	Q2	Q3	Q4	Q1-Q2	Q3-Q4	Q1-Q4
	80-84	84-88	88-92	92-96	80-88	88-96	80-96
CAD	2.8	-79.9	-96.1	5.8	-89.7	-100.9	-5.2
BOPs	-130.2	16.0	23.7	-20.3	-125.7	-0.8	-112.4
	Ratios (as percent of GDP)						
	1980	1984	1988	1990	1992	1996	
	CAB/GDP	-7.5	-7.8	2.1	-0.8	-1.5	-1.8
BOPs/GDP	-0.2	0.5	0.9	6.4	2.4	0.7	

Notes:

CAD: Current Account Deficit.

BOP: Balance of Payments.





7. CONCLUDING REMARKS

In Morocco, an ERL policy package was introduced to achieve a set of numerous objectives. The objectives were mostly problem-driven but some were also rooted in the liberal philosophy of reforms. Some of the policy aims are of a short-term nature while others are more strategic. In line with the objectives stated at the beginning of this paper, we may state the following conclusions:

7.1. On ERL Policy and Adjustment

The policies managed to fulfil their initial aims of correcting the country's domestic and external imbalances. In this respect:

First, on the domestic side:

7.1.1. Morocco's acute budget deficit problem has been addressed through reductions of public expenditure in general. Expenditure on social services and public investments have suffered the most cuts. Moroccan governments, with some support of international bodies, have maintained a tight policy which succeeded in resisting expansionary pressure and bringing down budgetary deficits. These tight policies were gradually relaxed in the latter stages of the programme. Ironically, the start of this policy change coincided with the expiration of the last IMF standby agreement.

7.1.2. As contractionary policies suppressed the expenditure side of the budget, revenues increased. This was the case despite the loss of revenue as a result of the lowering of tariffs. Thus, the use of prudent financial and debt management policies have managed to alleviate the domestic imbalance of the economy.

Second, on the external side:

7.1.3. The chronic deficit problem in the country's balance of payments in the late 70s and early 80s has been successfully addressed. Since 1984, and up to 1996, Morocco was able to sustain a surplus BOPs, except for a slip in 1995.

7.1.4. For Morocco, external financing had become very limited, and the country had to dig deep into its already fully stretched domestic sources to meet its budgetary and investment financing requirements. This had put extra strain on the country's domestic balance.

7.2. On Supply and the Structure of Production

7.2.1. Our analysis of Morocco's production and sectoral composition provides no clear evidence of a major structural transformation taking place in Morocco. The public-private mix as well as the relative weight of the three main sectors in the Moroccan economy remained more or less the same. Yet, the policy seems to have laid the foundation for change in the Moroccan economy. The country's output base is sufficiently diversified and is not solely dependent on primary production. However, we have to acknowledge that, at

this level of aggregation, such results can only be tentative, and should be read as such.

7.2.2. Morocco's production growth record, during the study period, is pointing to the reality that the country has been on a sustainable growth path. The economy is more open and more integrated into the world market. Accordingly, the stabilisation objectives of the reforms have largely been secured.

7.2.3. The policy has reduced the direct control of the state over economic activity. However, it has not yet fully realised the strategic objective of limiting the state only to a facilitator role. The Moroccan government kept control over what it refers to as the 'strategic sectors' of the Moroccan economy.

7.2.4. Notable progress has been made to adapt the Moroccan economy to global changes. There are some preliminary signs indicating that Morocco may be going through a structural transition.

7.2.5. The ERL policies produced reasonable growth rates in the three productive sectors of the economy. Our exploration confirmed that tradable sectors grew faster than non-tradable ones.

7.3. On ERL Policy and Demand

7.3.1. The ERL policy appears to have had a mixed impact regarding the control of aggregate demand. It could not arrest the pressure of all the demand component. However, on the limited occasions when it did succeed, it appears to have done so on a background of lower economic activity.

7.3.2. Real disposable income has steadily increased during the programme years. However, more in that respect was achieved during the earlier than in the later years of the ERL programme. Per capita income too has generally increased over the programme years. However, slips in 1993 and 1995 appear to have slightly altered this trend.

7.3.3. Overall domestic demand has increased, but various components have performed differently, both in the timing and in the magnitude of change. Final consumption did not show a notable response to the policy as it continued to increase, in almost full correlation, with increases in income. National saving behaved more independently of income, which may have something to do with the ERL policy. National savings rose more rapidly in the earlier years to make

up for the shortfalls in foreign financing. After 1990, national savings declined with the pick-up of external financing.

7.3.4. The policies seem to have had negative impacts on the performance of net financing. It may have also been responsible for the shaky investment trend experienced particularly in the earlier parts of the programme.

7.3.5. Morocco's overall real external trade value has notably risen over the study period. The real values of exports and imports have both risen and so has the trade deficit. In Morocco, real values of imports were uniformly above the respective exports values.

7.3.6. The effect of ERL policy on trade was more pronounced during the earlier part of the programme years than in the later years. Nevertheless, the patterns of effect during the two periods were both cyclical, and in that sense, similar.

Overall, we noticed that the effect of the reforms was stronger the in earlier years of the programme but tended to fade in the later years. This observation leads us to the following general conclusion. For the gains of reforms to be sustained, their spirit has to stay alive. New avenues and dimensions to be explored and old ones to be continually monitored and reviewed. Reforms, like all courses of change, are dynamic regenerative processes, they need to be adhered to for their benefits to continue.

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APPENDIX TABLE 1																	
COMPREHENSIVE DATA SHEET OF THE MOROCCAN ECONOMY 1980-1996																	
Indicators	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996p
In billions of Moroccan dirhams (MDs)																	
I.a. Constant-price variables, 1980 prices																	
GDP at constant prices	74.09	72.04	78.97	78.53	81.94	87.12	94.47	91.94	101.53	104.03	108.07	115.58	110.92	109.80	121.17	112.23	126.23
Agricultural GDP	13.65	9.75	13.15	11.79	12.23	14.48	19.80	15.11	19.89	20.80	19.76	24.05	15.16	14.46	23.33	13.09	23.40
Secondary sector (2NDS)	22.92	23.52	24.18	24.50	24.84	26.28	26.53	26.96	29.19	28.85	31.41	31.60	32.35	32.02	33.30	34.49	36.05
Tertiary sector (3TS)	28.73	28.91	30.90	30.21	32.09	33.06	33.98	34.82	36.93	38.08	40.32	42.11	45.07	44.08	45.36	45.07	46.21
General government (G)	8.79	9.87	10.74	12.02	12.78	13.30	14.17	15.03	15.52	16.30	16.57	17.82	18.34	19.25	19.18	20.09	20.57
Market GDP	65.30	62.17	68.23	66.51	69.16	73.82	80.30	76.91	86.00	87.73	91.50	97.76	92.58	90.55	101.99	92.65	105.66
I.b. Current-market price variables																	
GDP at current prices	74.09	79.03	92.90	99.14	112.35	129.51	154.73	156.69	182.23	193.93	212.86	242.36	242.91	249.22	279.32	281.21	320.92
Net foreign income (NFI)	1.63	1.23	0.89	1.77	2.64	2.56	7.60	8.04	4.38	3.52	5.87	9.27	11.94	9.06	10.12	8.05	9.41
G.N. disposable income	75.72	80.26	93.79	100.92	114.99	132.07	162.33	164.73	186.61	197.46	218.72	251.63	254.85	258.29	288.44	289.26	330.33
Final consumption FC	63.09	68.77	78.49	83.18	94.90	104.99	128.48	129.71	144.02	157.61	170.41	199.38	201.20	206.17	236.47	241.75	270.06
Gs national savings GNS	12.63	11.49	15.30	17.74	20.09	27.07	33.85	35.02	42.59	39.85	52.89	52.25	53.65	52.11	52.97	47.51	60.27
Investment (I)	17.93	20.64	26.22	23.79	28.41	35.12	35.17	33.04	38.26	45.94	53.73	54.82	56.37	55.98	59.62	60.50	66.00
Fixed capital formation GFCF	16.48	20.51	25.38	24.23	25.95	29.93	32.99	31.63	37.24	44.17	51.06	53.86	54.36	56.72	57.90	62.90	64.74
Net capital transfers NKT	0.17	0.18	0.23	0.17	0.22	0.22	0.20	0.13	0.23	0.24	0.24	0.21	0.21	0.20	-0.03	-0.05	-0.04
Nationals transfers-in	0.00	5.48	5.70	6.50	7.70	8.80	12.80	13.30	10.70	11.30	16.54	17.33	18.50	18.20	16.80	16.30	
Imports C.I.F.(VM)	16.79	22.46	25.99	25.59	34.40	38.68	34.61	35.27	39.13	46.59	57.02	59.72	62.81	61.91	65.96	72.87	71.91
Exports F.O.B. (VX)	9.65	12.00	12.44	14.72	19.11	21.74	22.10	23.39	29.75	28.27	34.86	37.28	33.96	34.37	36.55	40.24	41.35

APPENDIX TABLE 1 (cont'd)

Trade balance	-7.15	-10.45	-13.55	-10.87	-15.29	-16.94	-12.50	-11.88	-9.38	-18.32	-22.17	-22.44	-28.85	-27.54	-29.42	-32.63	-30.57
Indicators	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996p
Current account position	-5.589		-11.44	-6.41	-8.79	-8.641	-1.962	1.371	3.756	-6.841	-1.721	-3.64	-3.748	-4.877	-6.652	-12.99	-5.76
Balance of payments position	-0.117				0.6	1.18	0.742	1.502	1.651	0.039	13.524	6.806	5.831	2.642	3.323	-7.361	2.18
Total revenue	0.00	17.97	20.48	21.09	23.47	26.75	29.15	32.75	41.62	44.09	50.96	55.54	63.66	68.34	69.62	67.46	75.08
Total expenditure	0.00	29.98	34.31	29.12	30.65	37.34	41.07	39.49	47.58	54.29	58.50	62.46	68.30	74.35	78.47	82.26	84.73
Budget deficit	0.00	-12.01	-13.83	-8.03	-7.18	-10.60	-11.92	-6.75	-5.95	-10.20	-7.55	-6.93	-4.64	-6.02	-8.85	-14.80	-9.65
Living cost index (base 1989)	51.80	58.30	64.40	68.30	76.90	82.80	90.10	97.60	98.00	100.00	107.00	115.60	122.20	128.50	135.10	143.40	147.70
Food index	55.00	63.00	71.20	74.60	85.70	90.80	99.20	94.80	97.00	100.00	108.00	118.20	125.30	133.20	142.50	153.90	155.00
Price subsidies	2.40	2.10	2.00	1.63	2.16	2.69	1.53	0.63	1.28	1.70	0.00	1.19	1.58	1.92	3.20	2.75	4.26
Total money supply (At year end)	30.83	35.60	39.25	46.14	50.48	59.42	68.85	75.55	86.66	96.85	114.81	134.10	146.51	158.15	174.24	186.52	198.78

Notes:

Changes, balances and ratios are calculated on the basis of the amounts in billions of dirhams.

p: Preliminary figures.

Source: Bank Al-Maghrib Reports, 1980 - 1996.

APPENDIX TABLE 2																	
ALL REAL VARIABLES DATA SHEET OF THE MOROCCAN ECONOMY 1980-1996 ^a																	
(At 1980 constant prices)																	
In billions of Moroccan dirhams (MD)																	
Indicators	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996 ^P
GDP at constant prices	74.09	72.04	78.97	78.53	81.94	87.12	94.47	91.94	101.53	104.03	108.07	115.58	110.92	109.80	121.17	112.23	126.23
Agricultural (Ag) GDP	13.65	9.75	13.15	11.79	12.23	14.48	19.80	15.11	19.89	20.80	19.76	24.05	15.16	14.46	23.33	13.09	23.40
Secondary sector (2NDS)	22.92	23.52	24.18	24.50	24.84	26.28	26.53	26.96	29.19	28.85	31.41	31.60	32.35	32.02	33.30	34.49	36.05
Tertiary sector (3TS)	28.73	28.91	30.90	30.21	32.09	33.06	33.98	34.82	36.93	38.08	40.32	42.11	45.07	44.08	45.36	45.07	46.21
Government	8.79	9.87	10.74	12.02	12.78	13.30	14.17	15.03	15.52	16.30	16.57	17.82	18.34	19.25	19.18	20.09	20.57
Market GDP	65.30	62.17	68.23	66.51	69.16	73.82	80.30	76.91	86.00	87.73	91.50	97.76	92.58	90.55	101.99	92.65	105.66
G.N. Disposable income	75.72	73.16	79.73	79.94	83.86	88.84	99.12	96.66	103.97	105.92	111.05	120.00	116.37	113.79	125.12	115.44	129.93
Net Foreign income	1.63	1.12	0.75	1.40	1.93	1.72	4.64	4.72	2.44	1.89	2.98	4.42	5.45	3.99	4.39	3.21	3.70
Final consumption	63.09	62.69	66.72	65.88	69.21	70.63	78.45	76.11	80.24	84.55	86.52	95.08	91.87	90.83	102.58	96.48	106.22
Gross national savings	12.63	10.48	13.00	14.05	14.65	18.21	20.67	20.55	23.73	21.38	26.85	24.92	24.50	22.96	22.98	18.96	23.71
Investment	17.93	18.81	22.29	18.84	20.72	23.63	21.48	19.39	21.32	24.64	27.28	26.15	25.74	24.66	25.86	24.15	25.96
Fixed capital formation	16.48	18.70	21.57	19.19	18.93	20.13	20.14	18.56	20.74	23.70	25.92	25.69	24.82	24.99	25.12	25.10	25.47
Net capital transfers	0.17	0.16	0.20	0.13	0.16	0.15	0.12	0.08	0.13	0.13	0.12	0.10	0.09	0.09	-0.01	-0.02	-0.02
Nationals in-transfers	0.00	5.00	4.85	5.15	5.62	5.92	7.82	7.80	5.96	6.06	8.40	8.26	8.45	8.02	7.29	6.51	0.00

APPENDIX TABLE 2 (cont'd)

Indicators	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996 ^P
Imports C.I.F. (VM)	16.79	20.47	22.09	20.27	25.09	26.02	21.13	20.70	21.80	24.99	28.95	28.48	28.68	27.27	28.61	29.08	28.29
Exports F.O.B. (VX)	9.65	10.94	10.58	11.66	13.94	14.62	13.50	13.72	16.58	15.17	17.70	17.78	15.51	15.14	15.85	16.06	16.26
Balance of trade	-7.15	-9.53	-11.52	-8.61	-11.15	-11.39	-7.63	-6.97	-5.23	-9.83	-11.25	-10.70	-13.17	-12.13	-12.76	-13.02	-12.02
Current account	-5.59	0.00	-9.73	-5.08	-6.41	-5.81	-1.20	0.80	2.09	-3.67	-0.87	-1.74	-1.71	-2.15	-2.89	-5.15	-2.26
Balance of payments	-0.12	0.00	0.00	0.00	0.44	0.79	0.45	0.88	0.92	0.02	6.87	3.25	2.66	1.16	1.44	-2.94	0.86
Total revenue	0.00	16.38	17.41	16.71	17.12	17.99	17.80	19.22	23.19	23.65	25.87	26.49	29.07	30.11	30.20	26.92	29.53
Total expenditure	0.00	27.33	29.17	23.07	22.36	25.12	25.08	23.17	26.51	29.12	29.70	29.79	31.19	32.76	34.04	32.83	33.33
Budget deficit	0.00	-10.94	-11.76	-6.36	-5.24	-7.13	-7.28	-3.96	-3.32	-5.47	-3.83	-3.30	-2.12	-2.65	-3.84	-5.91	-3.80
Cost of living index (1989)	51.80	53.14	54.75	54.10	56.09	55.70	55.01	57.27	54.60	53.64	54.33	55.13	55.80	56.61	58.61	57.23	58.10
Food index	55.00	57.43	60.53	59.09	62.50	61.08	60.57	55.63	54.04	53.64	54.83	56.37	57.22	58.68	61.82	61.42	60.97
Price subsidies	2.40	1.92	1.70	1.29	1.57	1.81	0.94	0.37	0.71	0.91	0.00	0.57	0.72	0.84	1.39	1.10	1.67
Total money supply (31/12)	30.83	32.45	33.36	36.55	36.82	39.97	42.04	44.33	48.28	51.96	58.29	63.95	66.90	69.67	75.59	74.44	78.19

Notes: a: All data are constant price data calculated by deflating current price data by the implicit GDP deflator.

p: Preliminary figures.

Source: Bank Al-Maghrib Reports, 1980 - 1996.

Indicators	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Ag. GDP	18.4	13.5	16.7	15.0	14.9	16.6	21.0	16.4	19.6	20.0	18.3	20.8	13.7	13.2	19.3	11.7	18.5
2NDS	30.9	32.6	30.6	31.2	30.3	30.2	28.1	29.3	28.8	27.7	29.1	27.3	29.2	29.2	27.5	30.7	28.6
3TS	38.8	40.1	39.1	38.5	39.2	37.9	36.0	37.9	36.4	36.6	37.3	36.4	40.6	40.1	37.4	40.2	36.6
G	11.9	13.7	13.6	15.3	15.6	15.3	15.0	16.3	15.3	15.7	15.3	15.4	16.5	17.5	15.8	17.9	16.3
Market GDP	88.1	86.3	86.4	84.7	84.4	84.7	85.0	83.7	84.7	84.3	84.7	84.6	83.5	82.5	84.2	82.6	83.7
GNDI	102.2	101.6	101.0	101.8	102.4	102.0	104.9	105.1	102.4	101.8	102.8	103.8	104.9	103.6	103.3	102.9	102.9
FC	85.1	87.0	84.5	83.9	84.5	81.1	83.0	82.8	79.0	81.3	80.1	82.3	82.8	82.7	84.7	86.0	84.2
GNS	17.0	14.5	16.5	17.9	17.9	20.9	21.9	22.3	23.4	20.5	24.8	21.6	22.1	20.9	19.0	16.9	18.8
Investment	24.2	26.1	28.2	24.0	25.3	27.1	22.7	21.1	21.0	23.7	25.2	22.6	23.2	22.5	21.3	21.5	20.6
NFI	2.2	1.6	1.0	1.8	2.4	2.0	4.9	5.1	2.4	1.8	2.8	3.8	4.9	3.6	3.6	2.9	2.9
GFCF	22.2	26.0	27.3	24.4	23.1	23.1	21.3	20.2	20.4	22.8	24.0	22.2	22.4	22.8	20.7	22.4	20.2
NCT	0.2	0.2	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Imp (VM)	22.7	28.4	28.0	25.8	30.6	29.9	22.4	22.5	21.5	24.0	26.8	24.6	25.9	24.8	23.6	25.9	22.4
Exp (VX)	13.0	15.2	13.4	14.9	17.0	16.8	14.3	14.9	16.3	14.6	16.4	15.4	14.0	13.8	13.1	14.3	12.9
Trade balance	-9.6	-13.2	-14.6	-11.0	-13.6	-13.1	-8.1	-7.6	-5.1	-9.4	-10.4	-9.3	-11.9	-11.0	-10.5	-11.6	-9.5
Budget deficit	0.0	-15.2	-14.9	-8.1	-6.4	-8.2	-7.7	-4.3	-3.3	-5.3	-3.5	-2.9	-1.9	-2.4	-3.2	-5.3	-3.0
Cost of living	69.9	73.8	69.3	68.9	68.4	63.9	58.2	62.3	53.8	51.6	50.3	47.7	50.3	51.6	48.4	51.0	46.0
Food index	74.2	79.7	76.6	75.2	76.3	70.1	64.1	60.5	53.2	51.6	50.7	48.8	51.6	53.4	51.0	54.7	48.3
Price subsidies	3.2	2.7	2.2	1.6	1.9	2.1	1.0	0.4	0.7	0.9	0.0	0.5	0.7	0.8	1.1	1.0	1.3
Money supply	41.6	45.0	42.2	46.5	44.9	45.9	44.5	48.2	47.6	49.9	53.9	55.3	60.3	63.5	62.4	66.3	61.9
CAB	-7.5	0.0	-12.3	-6.5	-7.8	-6.7	-1.3	0.9	2.1	-3.5	-0.8	-1.5	-1.5	-2.0	-2.4	-4.6	-1.8
B of P	-0.2	0.0	0.0	0.0	0.5	0.9	0.5	1.0	0.9	0.02	6.4	2.8	2.4	1.1	1.2	-2.6	0.7

Notes: ^a: Ratios of constant price values to constant price GDP.

APPENDIX TABLE 4																
ANNUAL PERCENTAGE CHANGE OF THE KEY PERFORMANCE VARIABLES IN MOROCCO 1980-96																
Indicators	81/80	82/81	83/82	84/83	85/84	86/85	87/86	88/87	89/88	90/89	91/90	92/91	93/92	94/93	95/94	96/95
GDP	-2.76	9.62	-0.56	4.34	6.32	8.44	-2.68	10.42	2.47	3.88	6.95	-4.03	-1.01	10.36	-7.38	12.47
Ag. GDP	-28.61	34.95	-10.36	3.69	18.45	36.73	-23.68	31.58	4.59	-4.99	21.70	-36.95	-4.66	61.40	-43.92	78.83
2NDS	2.58	2.82	1.34	1.39	5.78	0.94	1.64	8.26	-1.15	8.88	0.59	2.37	-1.02	4.00	3.58	4.52
3TS	0.64	6.87	-2.22	6.21	3.04	2.77	2.47	6.07	3.11	5.90	4.44	7.02	-2.20	2.91	-0.62	2.52
Government	12.30	8.84	11.96	6.29	4.05	6.56	6.08	3.26	5.04	1.65	7.52	2.94	4.93	-0.33	4.72	2.38
Market GDP	-4.79	9.74	-2.53	3.98	6.75	8.78	-4.23	11.82	2.00	4.30	6.85	-5.30	-2.19	12.63	-9.16	14.04
GNDI	-3.37	8.97	0.26	4.91	5.93	11.57	-2.48	7.56	1.88	4.84	8.06	-3.02	-2.22	9.96	-7.74	12.55
FC	-0.63	6.44	-1.26	5.05	2.05	11.07	-2.98	5.42	5.37	2.33	9.90	-3.38	-1.13	12.93	-5.95	10.10
GNS	-17.07	24.14	8.06	4.27	24.29	13.50	-0.59	15.47	-9.91	25.64	-7.22	-1.68	-6.29	0.09	-17.48	25.02
Invest.	4.92	18.45	-15.46	9.96	14.04	-9.10	-9.72	9.95	15.59	10.70	-4.16	-1.54	-4.20	4.88	-6.64	7.51
NFI	-31.09	-32.67	86.04	37.15	-10.66	169.82	1.59	-48.24	-22.57	57.55	48.45	23.31	-26.76	9.90	-26.75	15.20
GFCF	13.47	15.37	-11.02	-1.38	6.36	0.06	-7.86	11.76	14.23	9.40	-0.91	-3.36	0.66	0.52	-0.06	1.45
N CT	-4.56	22.60	-32.31	19.16	-7.77	-18.31	-37.87	69.12	1.35	-5.35	-18.59	-5.17	-6.33	-115.26	45.42	-17.53
Imp (VM)	21.89	7.94	-8.25	23.76	3.71	-18.78	-2.06	5.34	14.64	15.83	-1.63	0.70	-4.90	4.92	1.63	-2.74
Exp (VX)	13.44	-3.34	10.29	19.50	4.93	-7.71	1.69	20.77	-8.50	16.70	0.46	-12.79	-2.36	4.71	1.30	1.27
Trade balance	33.29	20.90	-25.27	29.52	2.18	-32.98	-8.69	-25.02	88.05	14.49	-4.92	23.10	-7.89	5.18	2.05	-7.68
Budget deficit	na	7.44	-45.93	-17.58	36.05	2.08	-45.61	-16.20	64.96	-29.96	-13.79	-35.90	25.15	44.94	53.79	-35.73
Cost of living	2.59	3.02	-1.18	3.67	-0.69	-1.23	4.10	-4.66	-1.75	1.27	1.48	1.22	1.45	3.52	-2.35	1.51
Food index	4.41	5.40	-2.37	5.78	-2.28	-0.84	-8.16	-2.85	-0.74	2.22	2.80	1.50	2.56	5.34	-0.64	-0.74
Price subsidies	-20.17	-11.27	-23.97	21.58	15.26	-48.33	-60.38	91.85	27.88	na	na	26.92	17.12	64.02	-20.96	52.81
Money supply	5.25	2.83	9.55	0.74	8.55	5.18	5.45	8.91	7.61	12.20	9.71	4.61	4.15	8.48	-1.52	5.04
CAB	na	na	-47.79	26.26	-9.33	-79.39	-167.15	160.12	-275.37	-76.19	98.66	-1.41	25.54	34.30	78.38	-56.01

BOP	na	na	na	na	81.39	-42.92	94.53	4.36	-97.73	32720	-52.73	-17.97	-56.28	23.85	-303.79	-129.19
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