



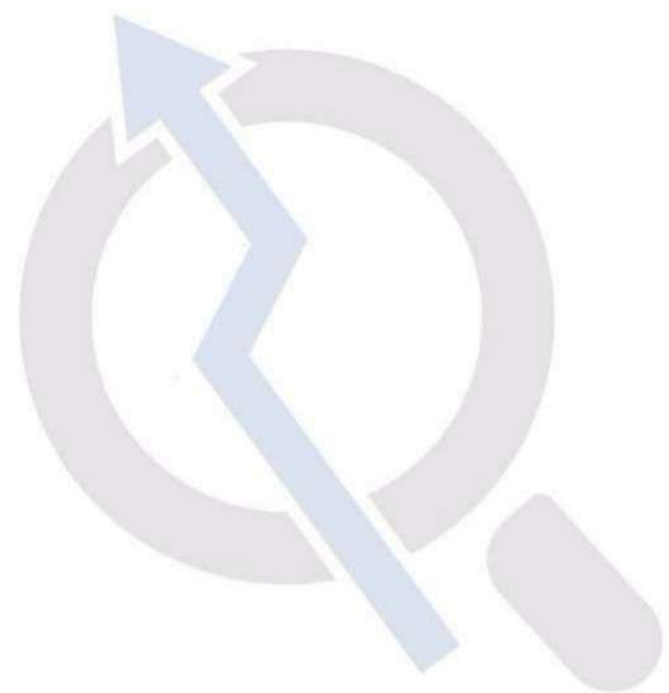
Moroccan MSMEs Observatory

ANNUAL REPORT

2019-2020



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Foreword by the President

In 2020, the national economy suffered an exceptional contraction of 6.3% under the effects of a dual shock of Covid-19 and unfavorable climate conditions that strongly impacted the economic fabric.

The unprecedented budgetary and monetary support measures put in place by the Government and by Bank Al-Maghrib have, nevertheless, mitigated the extent of the crisis repercussions on enterprises and households.

This crisis has revealed the vital importance of having the broadest possible overview of the productive fabric, with reliable, granular, and adequately updated data that would better inform any measures taken by decision-makers, particularly in matters of public policy.

Against this very difficult backdrop, the Observatory strengthened its cooperation with national and international institutions, contributing to studies and exchanges on MSMEs and the impact of the pandemic crisis on these enterprises.

After the publication of its first report, limited to indicators on Legal Entities in the 2018 financial year, the Observatory expanded the basis of its data and analysis in this second edition to include enterprises with the status of Natural Persons. In view of the current economic situation, this report also endeavored to measure the initial impact of the health crisis on employment.

Thus, for 2019, the Observatory put together a database of 571,989 active enterprises, including 303,013 enterprises with a Legal Entity status and 268,976 enterprises with a Natural Person status, based on information provided by the DGI, CNSS, OMPIC and Bank Al-Maghrib.

The report, which maps enterprises at the end of 2019, highlights findings that are largely in line with those of the 2018 report in terms of the fragmentation of the productive fabric and its tendency towards concentration at the regional level.

In fact, this fabric is formed, up to nearly 92%, by microenterprises with individual turnover below 3 million dirhams. It is concentrated up to 57% on the El Jadida-Tangier axis and generated 82% of total turnover.

This concentration is also observed at the sectorial level since nearly 48% of active companies operated in 2019 in commerce and construction. Moreover, more than half the companies created between 2017 and 2019 operated within these two branches.

The report further shows that MSMEs, despite employing 74% of the workforce declared to CNSS, have achieved less than 40% of the total turnover of non-financial enterprises, and 26.4% of their overall turnover in exports.

With regard to the pandemic impacts, CNSS data by end April 2020 show a year-on-year decline of 48.3% in the number of enterprises affiliated to the Fund, and a 35.3% drop in the number of declared jobs, representing some 900,000 employees.

Following the relaxation of the health restrictions decided by the authorities, the number of CNSS affiliations recovered in July 2020, reclaiming their level of the same period a year earlier, for all sectors except accommodation and catering which ended the year with a 13.2% decline.

The same applied to jobs declared at the end of August 2020 and that also recovered their level of the same period in 2019, except for the activity branches of accommodation and catering, administrative and support services and manufacturing industry which saw respective declines of 28.3%, 2.3% and 3.4%.

Across all the sectors, 15,226 enterprises, with 48,614 employees, 93.5% being microenterprises, did not resume their declarations to the CNSS at the end of 2020.

MSMEs, in particular microenterprises, entered the Covid-19 crisis with limited liquidity and solvency margins*. In addition, more than 51% of this category of enterprises were operating in 2019 in the branches worst hit by the crisis, namely accommodation and catering, commerce and transport. These branches have drained nearly 48% of their total turnover.

By highlighting the competitiveness of the productive fabric, and in order to prepare it for the post-Covid-19 era which continues to be characterized by the structural vulnerabilities of some of its segments, the conclusions of this report advocate an acceleration of the reforms necessary to engage the major changes, targeting, in particular, the digital transformation, greater ESG exigencies (Environmental, Social & Governance), the relocation of production and the reconfiguration of value chains.

* The cumulative balance sheets of a sample of 59,584 MSMEs by end 2019 show the following average ratios:

- Current assets /Current liabilities: equal to 1.1.
- Equity/Total balance sheet: equal to 23.4%.

1. ACTIVITY REPORT

- 1.1. Governance
- 1.2. Strategy
- 1.3. Cooperation and communication
- 1.4. Resources

1. Activity Report

The year 2020 was marked by the adoption of the OMTPE's second strategic plan for 2021-2023. This plan consecrates the continuity of the Observatory's achievements and seeks to accelerate, industrialize, and perpetuate the production of indicators and statistics on MSMEs, by making available the capacities needed to better accomplish its public utility mission. The past year marked the completion of its first strategic plan (2017-2020) which translated the Observatory's operationalization into a reality and allowed it to progress from the mode of a "project" to that of an autonomous institution.

This activity report addresses the following points:

- Governing bodies;
- Evaluation of the 2017-2020 Strategic Plan;
- Orientations of the 2021-2023 Strategic Plan;
- Communication and cooperation strategy; and
- Human and financial resources.

1.1. Governing bodies

The Moroccan Micro, Small and Medium Enterprises Observatory (OMTPME) was created in November 2013 as a non-profit association whose eleven founding members represent the public and private sectors.

The Observatory is governed by a General Assembly, a Board of Directors, an Executive Director, and a Technical Committee.

Chart 1 - Governing bodies of the Moroccan Micro, Small and Medium Enterprises Observatory



The General Assembly decides on all matters related to the Observatory's functioning, in particular the election of the Board of Directors and the defining of general orientations.

The Board of Directors holds all the powers necessary for the smooth running of the Observatory and validates its strategy, annual program and budget.

Since the creation of the Observatory, the Board of Directors has been chaired by the Wali of Bank Al-Maghrib. It is composed of the following founding members:

- The Minister of Industry, Commerce, and Green and Digital Economy;
- The Minister of Economy, Finance, and Reform of Administration, represented by the General Tax Directorate and the Directorate of Financial Studies and Forecasts;
- The Secretary General of the High Commission for Planning;
- The Director General of the National Social Security Fund (CNSS);
- The Director General of the Moroccan Office of Industrial and Commercial Property (OMPIC);
- The Director General of the National Company of Enterprise Guarantee and Financing (former Central Guarantee Fund);
- The Director General of Maroc PME;
- The President of the Professional Grouping of Banks of Morocco;
- The President of the General Confederation of Enterprises of Morocco.

The last meeting of the Board of Directors was held on November 24, 2020.

The Executive Director undertakes all the measures necessary for the proper day-to-day management of OMTPME. This position has been filled since 2018 by Ms. Amal Idrissi.

The Technical Committee is composed of the representatives of the Observatory's founding members. Its key mission is to ensure the monitoring of the institution's strategic projects, the implementation of its strategy and annual activity plans.

The last meeting of the Technical Committee took place in July 2021 and was attended by the following members

- Ms. Hakima El Alami, Ms. Chahrazad El Alaoui, and Ms. Ibtissame El Anzaoui: Bank Al-Maghrib
- Ms. Zineb Rhazouali, Mr. Hassan Mouftaqir and Mr. Brahim Hassnaou: Ministry of Economy, Finance and Reform of Administration (MEFRA)
- Ms. Soukaina Belemkaddem, Mr. Abderrahim Merzaoui and Mr. Mustapha Ait Lasri: General Tax Directorate (DGI)
- Mr. Mohamed Benayada: Ministry of Industry, Commerce, and Green and Digital Economy (MICEVN)
- Mr. Morad Feddoui: High Commission for Planning (HCP)
- Ms. Asmaa El Anbari and Mr. Youness El Hannaoui: National Social Security Fund (CNSS)
- Ms. Imane Lemtiri and Mr. Mustapha Lyamani: Moroccan Office of Industrial and Commercial Property (OMPIC)

- Mr. El Hadi Chaibainou: Professional Grouping of Banks of Morocco (GPBM)
- Ms. Nour El Houda Mountasser: Maroc PME
- Ms. Asmaa El Ouraoui and Mr. Mohamed Boukoutaya: National Company of Enterprise Guarantee and Financing (SNGFE)
- Ms. Khaoula Riffai: General Confederation of Enterprises of Morocco (CGEM)

1.2. Strategy

1.2.1. Review of the 2017-2020 Strategic Plan

The 2020 financial year was marked by the conclusion of the 2017-2020 Strategic Plan which materialized the presence of the OMTPME in the Moroccan economic landscape as the reference institution in terms of producing statistics and demographic, economic and financial indicators on MSMEs.

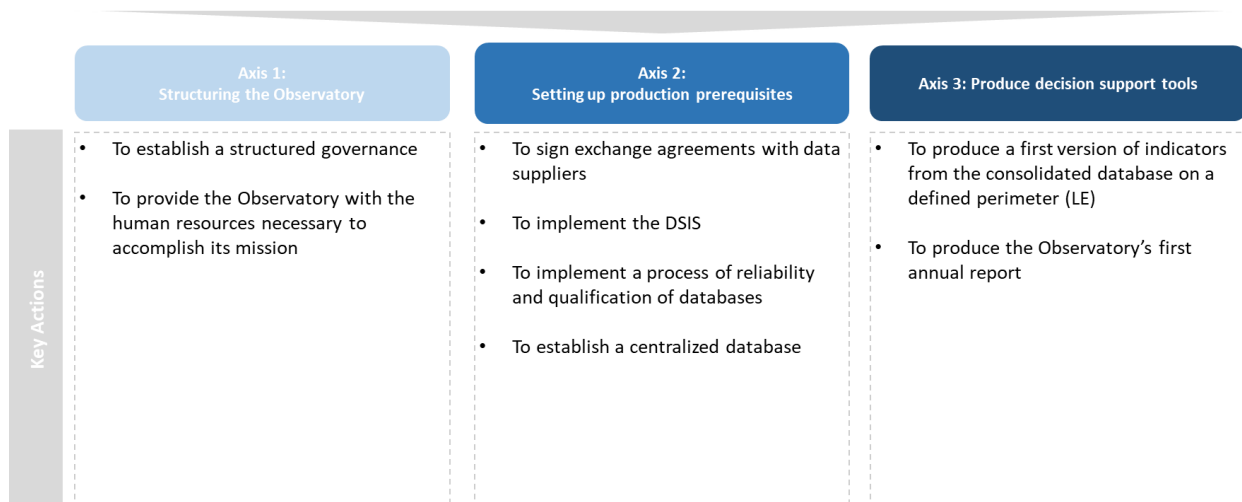
The Observatory published its first report on the situation of MSMEs in 2018, thanks to the consolidation and qualification of data obtained from its partners.

The 2017-2020 Strategic Plan was structured around three projects of strategic importance and that embody the prerequisites needed for the Observatory's productions:

- the formalization of data exchange processes with partners and actual reception of databases;
- the implementation of a methodological approach in the creation of consolidated databases;
- the framing of the underlying technology, particularly the decision support information system.

In light of this, three working areas were decided upon by the Board of Directors:

Chart 2 - Working areas of the 2017-2020 Strategic Plan

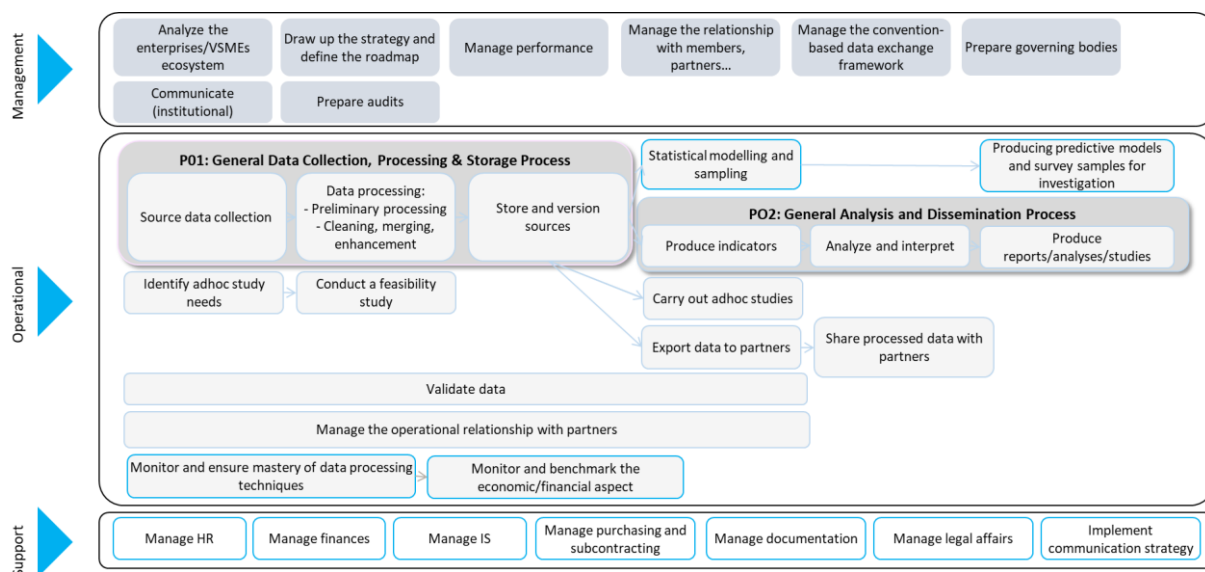


The Observatory endeavored to carry out all the identified actions, thus concluding its first strategic plan on a note of multiple achievements:

Development of business and support process mapping

In its drive to reinforce its organizational and operational capacities, the Observatory proceeded with a mapping process that charts all its business and support processes and covers data collection and processing, analysis of indicators, dissemination of reports and studies, and activities related to human, financial, and IT resources, finance, communication and cooperation.

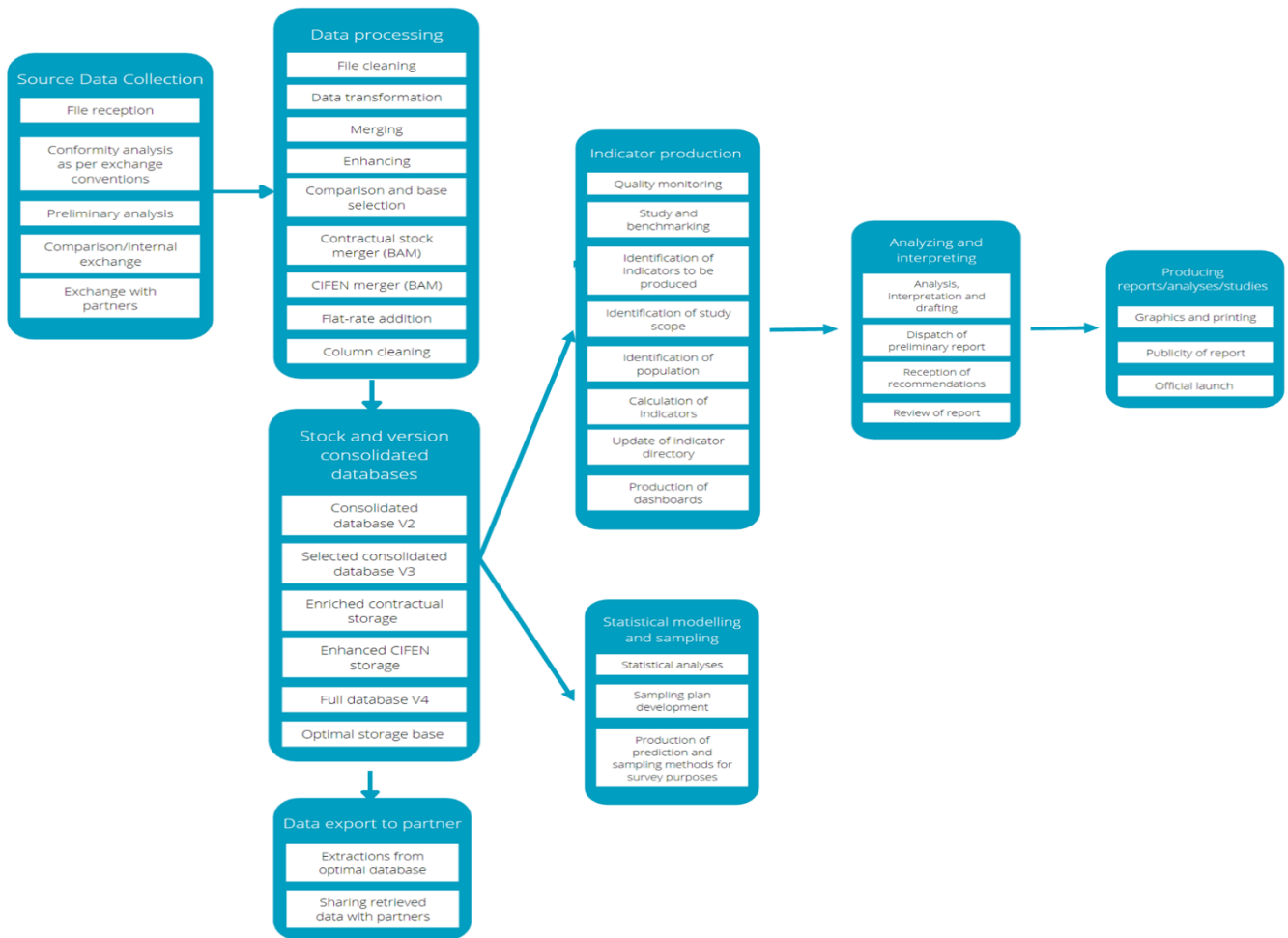
Chart 3 - Mapping of the Observatory's processes



All stages of statistical production and monitoring are aligned and charted by outputs, the objective being to monitor all database manipulation processes and all calculation phases, tests carried out, and decisions taken, while ensuring that the data life cycle and classification are continuously monitored.

These actions make it possible to minimize the risk of errors and ensure maximum transparency on the approaches used, the aim being to boost the confidence of partners, in particular, and the public in general (See methodology).

Chart 4 - Mapping of production processes



Contractual data exchange framework

After signing data exchange conventions with Bank Al-Maghrib, DGI, CNSS and OMPIC in 2017, the Observatory continued discussions with other partners to enrich its databases.

Thus, an addendum to the data exchange agreement with the CNSS was signed in January 2021 for a better understanding of the employment issue, particularly by obtaining data on a monthly rather than annual basis, in addition to payroll data. This exchange started in April 2021.

Another data exchange convention was concluded with the MICEVN, granting the Observatory access to the identification files of the manufacturing companies surveyed by this ministry, in order to enrich and enhance the reliability of enterprises in the industrial sector. The first exchange of such data took place in March 2021.

Agile and collaborative governance for an iterative and evolving methodological approach

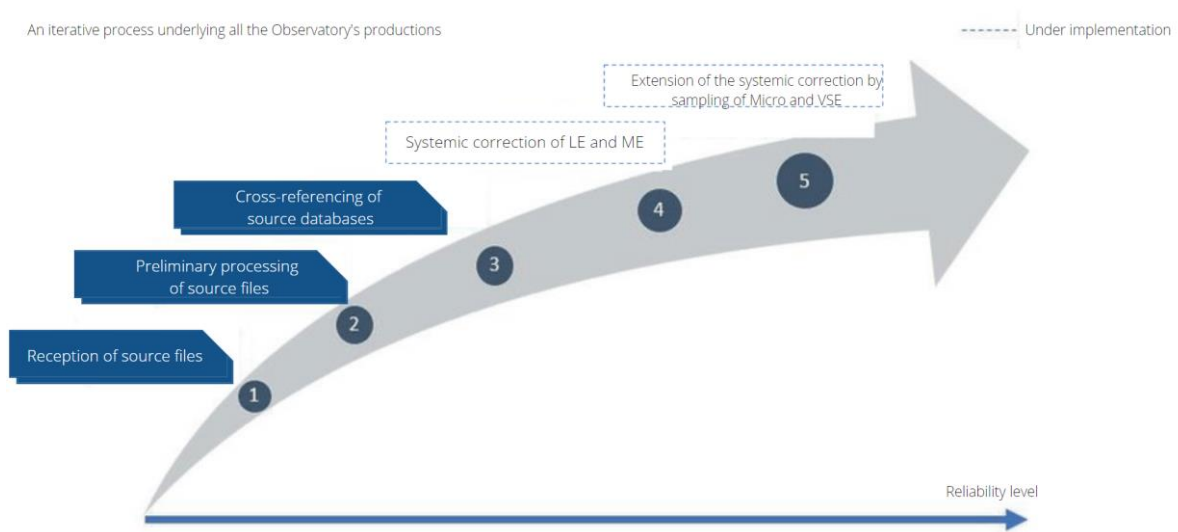
Working groups made up of the OMTPME team and representatives of data providing organizations made it possible to take significant strides in terms of data completeness, analysis, and interpretation, as well as of the consistency of results:

- DGI/OMTPME working group: the Observatory held several meetings with the DGI's Statistics Directorate to agree on methodological approaches in population identification (liberal professions, flat-rate taxpayers, Legal Entities, etc.) to define the indicator calculation perimeter, and build a datamart dedicated to calculating and examining the legal obstacles to data sharing.
- OMPIC/OMTPME working group: this group pored over the issue of data related to company creations and failures, as well as to female entrepreneurship. The production of this indicator is scheduled for the medium term.
- Bank Al-Maghrib/OMTPME working group: the Observatory team organized multiple meetings with the Directorate of Statistics and Data Management (DSGD) on methods of processing data on access to financing from the Credit Bureau as well as individual financial information. For its part, the Observatory collaborated with the DSGD on several projects, including the updating and improvement of the sample used in Bank Al-Maghrib's monthly business survey based on its consolidated database, as well as the improvement of the reliability of data related to the identification of enterprises in its reference directory.
- CNSS/OMTPME working group: this group determined the additional data that can be communicated by CNSS to the Observatory on employment, in particular the annual and monthly employee declarations, as well as payroll information.
- MICEVN/OMTPME working group: the representatives of the two institutions have initiated work on identifying and enhancing data on manufacturing companies in the MICEVN directory from the Observatory's consolidated databases. The ministry is moreover expected to provide the Observatory with data from the identification files of manufacturing enterprises, namely industrial production, industrial exports, industrial value-added and investment.

Implementation of data reliability processes

The Observatory has put in place multi-year processes of data qualification based on the company population census and reliability data. The aim is to use the most reliable information available in each of the databases, to complete missing information as much as possible and to guarantee the high probability uniqueness of the company, and thus eliminate the calculation bias caused by the presence of duplicate entries.

Chart 5 - Data reliability process



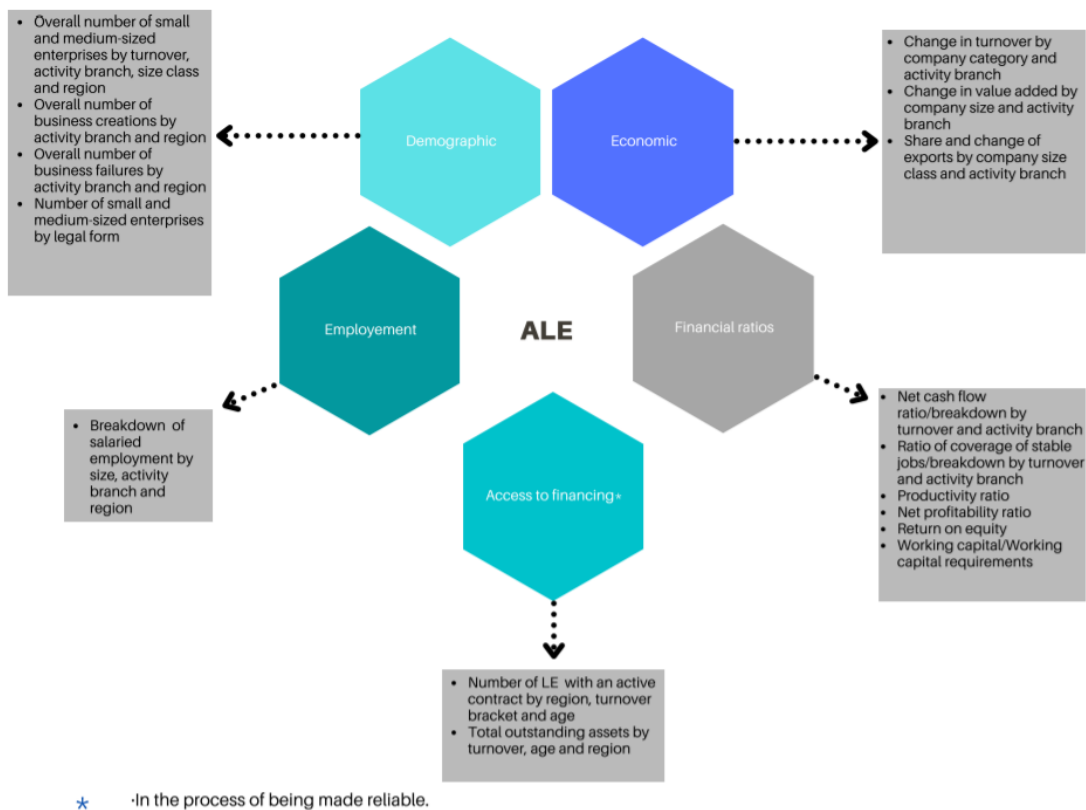
Development of the first directory of active formal enterprises operating in Morocco

Using data collected from its partners, the Observatory has put together a directory of formal Moroccan companies that have been active over a given period. This consolidated directory has made possible the first analyses of the Moroccan entrepreneurial fabric.

Indicator mapping

Based on data collected from various sources and their processing, and following several benchmarks and working group meetings, the Observatory produced a map of more than 40 indicators covering several dimensions: demographic, economic, financial and access to financing.

Chart 6 - Active Legal Entities (ALE) indicator mapping



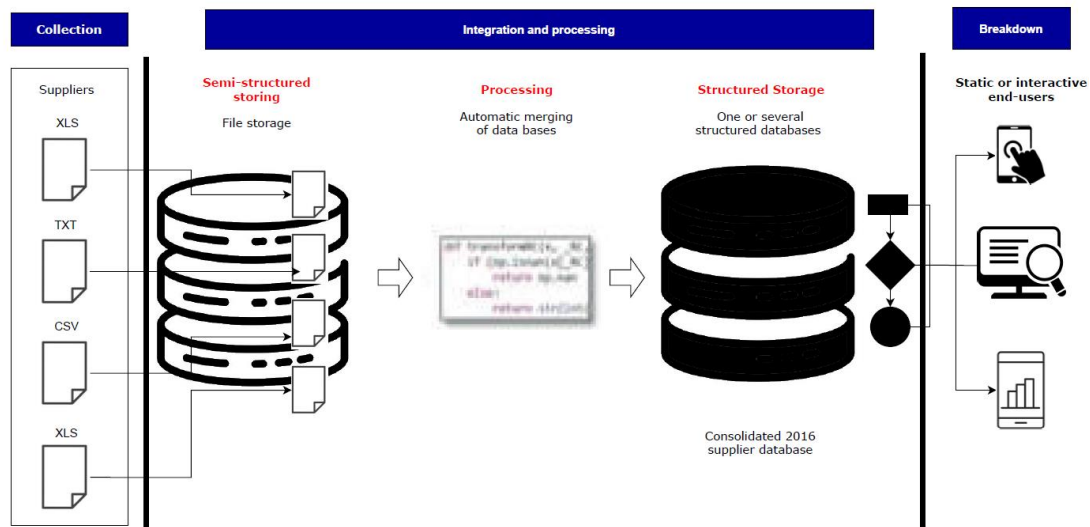
Publication of the first annual report

In September 2020, the Observatory published its first annual report on the situation of Active Legal Entities (ALE) in the 2018 and 2017 financial years.

Establishing the foundations for industrialization and automation of production

In 2020, the Observatory laid down the foundations of a decision support information system -DSIS- designed to strengthen its technical capabilities. Indeed, the DSIS will provide OMTPE with the technological foundation necessary for the industrialization and future development of its activities by setting up a "data factory" for the automation of the entire value chain, from the reception of data to its visualization and consumption.

Chart 7 - Overall plan of the DSIS architecture



The Observatory has benefited from funding from the MENA Transition Fund, created in 2013 as part of the Deauville Partnership, a multilateral initiative announced at the G8 Summit in Deauville, France, in May 2011. The initiative aims to put in place a series of actions to strengthen good governance practices within several emerging and developing countries, including Morocco.

This funding has allowed the Observatory to benefit from expert input in determining the broad lines and foundations of the planned DSS, and developing its specifications after on a contextualized study of the software market as part of the effort to identify key functionalities and secure market innovations.

In November 2020, and after studying various proposed scenarios, the Board of Directors approved the implementation of a DSIS customized for the Observatory in order to guarantee its functional and technical independence, while ensuring flexibility in terms of interaction with other existing tools and databases or those being acquired, thus making provision for the potential of a broader functional scope.

The functional study concluded that the following four types of needs should be covered:

- Data collection, verification and storage:
 - Collection of databases provided by partners;
 - Standardization, homogenization and ensuring the consistency of collected data.
- Data integration, processing and structured storage:
 - Data consolidation according to specified management rules.
- Data valuation, analysis and interpretation:
 - Establishment of indicators, machine learning, statistical analysis, etc.
- Development and distribution of products and services:
 - Production and distribution of reports and studies, both *ad hoc* and on demand;
 - Data sampling for survey purposes;
 - Presentation of analyses to the general public (web interfaces).

1.2.2. Orientations of the 2021-2023 Strategic Plan

Drawing on the lessons learned in the past, the Observatory's Board of Directors approved in 2020 the new 2021-2023 Strategic Plan. The new strategic plan aims to further anchor the Observatory in the era of "data science" by placing data at the service of support policies benefitting MSMEs.

Box 1. Data science as an innovation lever for MSMEs development

The exploitation of company data is a major tool in MSMEs development strategies. Indeed, "Big Data", artificial intelligence, value chain transformation, strategies and organizations based on "data culture" and transparency, characterize the current forms of digital revolution and allow an optimized exploitation of the company growth and innovation potential.

The digital revolution facilitates the production, dissemination, and processing of mass data. The opening up and sharing of this data has become a powerful tool in:

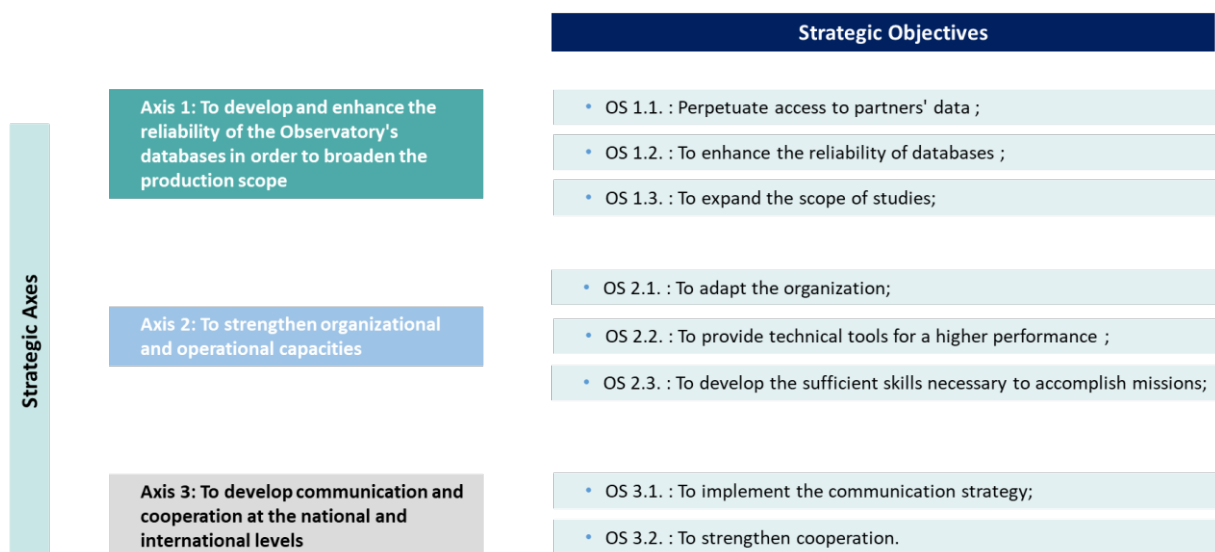
- boosting the confidence of entrepreneurs and investors through a greater transparency of public action;
- enabling and supporting the creation of innovative business support services;
- improving the effectiveness of government support programs for enterprises and creating useful tools for managing these programs;
- supporting economic dynamism by creating new resources for innovation and growth; and
- creating a data recording dynamic and structuring the ecosystem of their reuse in analysis and research (administrations, researchers, academics, startups, associations, etc.)

In order to benefit from this rapid transformation, the Observatory intends to strengthen its cooperation with academic and research circles and explores the option of creating a college of experts in technology, data science specialists, lawyers, economists, etc.

This plan comes at a time when Morocco's economic and entrepreneurial landscape is experiencing multiple mutations, as witness to the strategies and policies initiated by public authorities, such as the New Development Model, the National Financial Inclusion Strategy (for more information, See BAM's annual report on the "National Financial Inclusion Strategy"¹), as well as regional and sector-specific development plans.

¹ Annual Report on Financial Market Infrastructures, Payment Means, their Control and Financial Inclusion, 2019 Financial Year.

Chart 8 - 2021-2023 Strategic Plan



The Observatory's new strategic plan was translated into a 2021 roadmap that addresses priority measures. These pertain mainly to supporting the conclusion of new data exchange agreements to broaden the scope of the Observatory's studies, improve the data reliability process and implement the Decision Support Information System.

Sustainability of data collection

In order to expand the scope of its studies and productions and provide more detailed indicators on the Moroccan productive fabric, the Observatory intends to strengthen the framework of data exchange with its partners:

- DGI, in order to ensure the continuity of financial indicator production.
- OMPIC, in order to monitor business failures on a semi-annual basis and model their risk profiles. This will also involve the collection of data on the gender of company managers to produce indicators on female entrepreneurship, in support of the National Strategy for Financial Inclusion adopted by Bank Al-Maghrib and the Ministry of Finance.
- HCP, to grant the Observatory access to the identification files of enterprises within the framework of the annual company surveys and the economic structure surveys.
- Maroc PME, in order to collect data on enterprises that benefit from this institution's support.

Box 2. De-compartmentalizing administrative data affects international competitiveness rankings

The opening up of government data is a guarantee of transparency that positively influences countries in international competitiveness rankings and allows them to gain GDP points. Indeed, data is seen as a vehicle for better public information, and one that contributes to improving a country's business climate.

The World Bank Group's "Doing Business" ranking², which measures the favorable nature of a country's business environment, includes a criterion relating to the sharing of data related to the management, availability, transfer and transparency of information³. For example, the opening of the database "Request for Real Estate Value" (Demandes de Valeurs Foncières -DVF-) earned France two additional ranking points out of 100 in 2019⁴. In Morocco, the creation and transition to the Credit Bureau, allowing for the pooling and sharing of information among various credit agencies, has also contributed to improving its ranking.

In the same vein, a recent study published by the Organization for Economic Co-operation and Development (OECD) on the "Economic and Social Benefits of Data Access and Sharing" shows that better access to data can create new business opportunities for small and large enterprises. Better access to open government data can enable entrepreneurs to develop innovative business and social goods and services and generate positive social and economic benefits.⁵

On the other hand, at the initiative of the European Commission, the study on the "Economic Impact of Open data, Opportunities for Value Creation in Europe" published by the European Data Portal, estimates the economic value of products, services and content enriched or enabled by Open data at €184 billion at the European Union level in 2019, and €334 billion in 2025. As an example, on the scale of France, this would translate into an increase of 1.19% of its GDP.

Continuing the process of database reliability enhancement

The standards set in 2018 by the Observatory as part of the processes of reliability of identification, sectorial and balance sheet data received from partners, consists of 5 levels:

- Level 1: Data reception;
- Level 2: Preliminary processing of source files;
- Level 3: Application of the merging and cross-checking process;
- Level 4: Systematic correction of data relating to large and medium-sized enterprises;
- Level 5: Systematic correction, by sampling, of data relating to microenterprises and VSEs.

In 2020, the Observatory reached level 3 and aims to achieve level 5.

² <https://blogs.worldbank.org/fr/opendata/libre-acces-aux-donnees-developpement-et-secteur-prive>

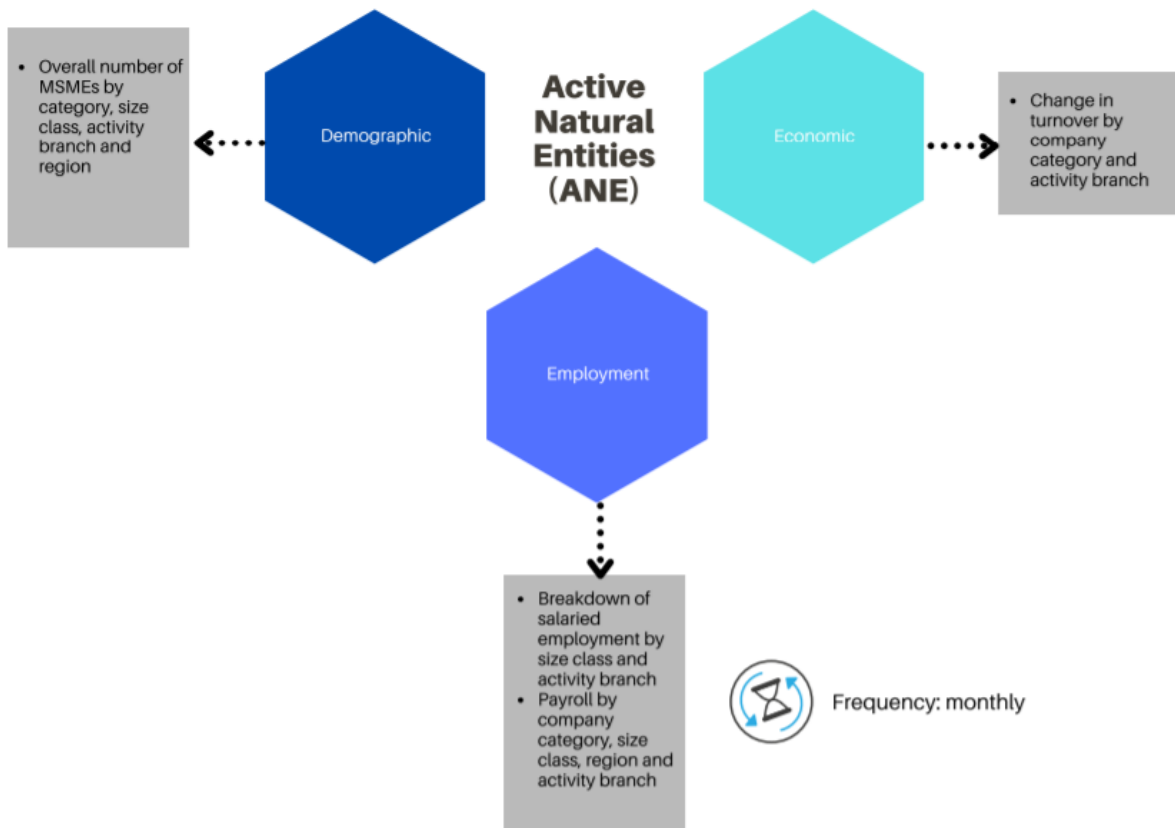
³ <https://www.doingbusiness.org/en/methodology>

⁴ Bothorel Mission (December 2020): "Towards a Public Policy on Data", commissioned by the Prime Minister, France.

⁵ <https://www.oecd-ilibrary.org/sites/90ebc73d-en/index.html?itemId=/content/component/90ebc73d-en>

Production of new indicators

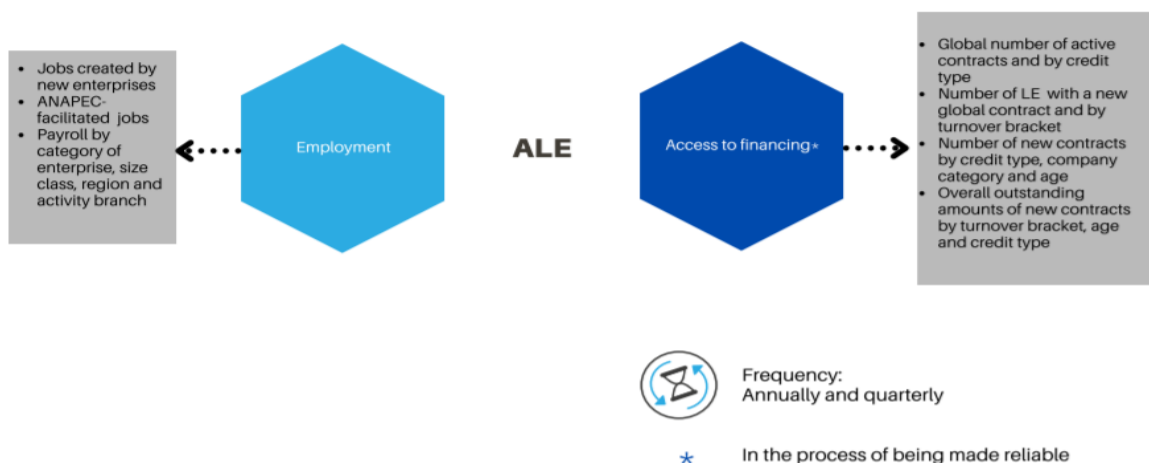
Chart 9 - New indicators for the ANE perimeter



After publishing indicators exclusive to the population of Legal Entities in 2018, the Observatory extended the scope of its study to the population of enterprises with the status of Natural Persons.

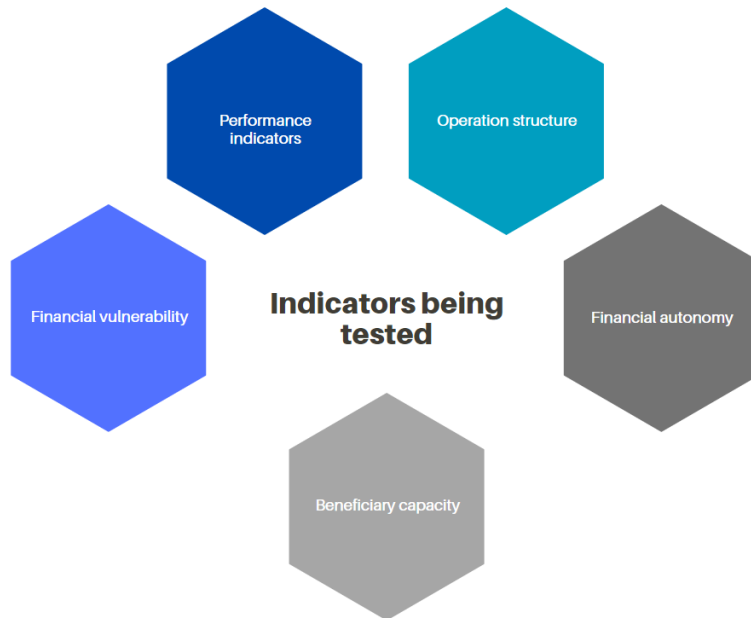
It has also worked on the production of new indicators relating to the population of Legal Entities, namely with regard to employment and access to financing.

Chart 10 - New indicators of the Active Legal Entities perimeter



The Observatory continues its reflection on other indicators based on international benchmarks that are currently being tested:

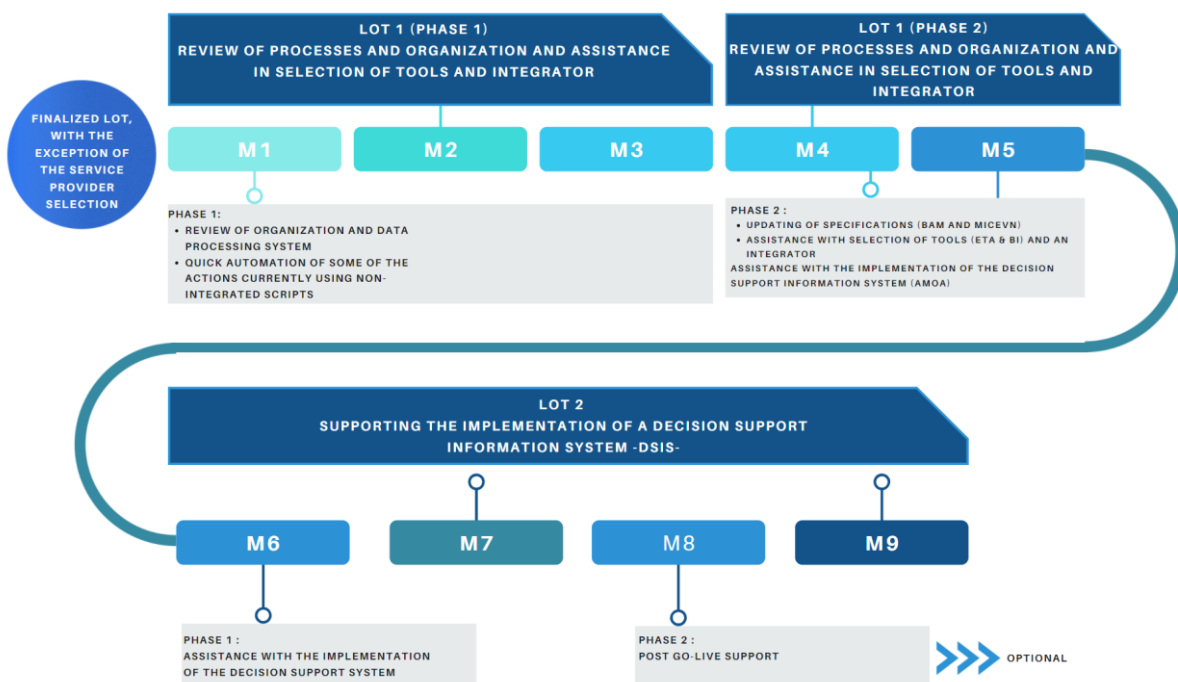
Chart 11 - Indicators in the process of testing



Status of DSIS implementation

In the first half of 2021, the Observatory finalized work on phase 1 of the first batch, which consisted of a review of the organization and the data processing processes.

Chart 12 - Project schedule for the Observatory's DSIS implementation



1.3. Cooperation and communication

The publication of the first annual report and its distribution to partners nationally and internationally enabled the OMTPE to carry out the first communication actions that would consecrate its image and reputation among its target audiences.

Thus, the OMTPE has made several media appearances on the contents of this report. It also participated in several webinars organized by national and international institutions on topics related to MSMEs.

Similarly, it has carried out several cooperation actions with partner institutions at the national and international levels:

Experience sharing with members of the Alliance for Inclusive Finance (AFI)

The Observatory regularly participates in the proceedings of the Alliance for Inclusive Finance (AFI)⁶.

This network develops its competencies through thematic working groups, including one dedicated to the financial inclusion of MSMEs, the "Small and Medium Enterprise Finance Working Group" or "SMEF-WG".

The OMTPE actively participated in the works of the SMEF-WG as a leader on the "Data & New Technologies" theme through various projects. These included a survey⁷ of countries comparable to Morocco in terms of the criteria used to define MSMEs, as well as the publication of a case study entitled "Case Study: Morocco Data Collection Process and MSME Definition", published in September 2021. The case study focuses on the process of collecting, cross-referencing, and merging databases, and on the justification of the indicators produced. The Observatory is a leader in the "Data & New Technologies" area.

The OMTPE is contributing to the production of a policy note, currently being drafted, on access to financing for women-led MSMEs. The note presents recommendations to regulators and policymakers for the development of policies and regulations to improve access to finance for this category of enterprises.

Partnership with the African Development Bank

Since August 2020, the OMTPE has been the technical partner of the regional platform for entrepreneurship "Souk At-tanmia", managed by the African Development Bank (AfDB).⁸ Within this framework, the OMTPE has participated in a study on the impact of

⁶ First international network pursuing the objective of promoting the sharing knowledge and experiences around financial inclusion in emerging and developing countries.

⁷ www.afi-dataportal.org

⁸ This platform seeks to strengthen knowledge sharing between economic actors and entrepreneurs, as well as to enrich the policy dialogue on entrepreneurship in order to improve the business climate and make it more conducive to MSMEs development and job creation, in addition to supporting entrepreneurship and private

the Covid-19 pandemic on employment, carried out jointly with the AfDB and the ILO (International Labor Office) and titled: "Policy brief: Impact of the COVID-19 crisis on employment and MSMEs in Morocco, emergency measures and prospects for recovery". The first part of this study was published in January 2021⁹.

Contribution to the work of the Economic Watch Committee

The Observatory collaborated with the Economic Watch Committee by providing it with indicators on the demographic and economic situation of MSMEs, of essential relevance to its mission.

Box 3. The Economic Watch Committee

In order to anticipate the economic fallout of the Covid-19 pandemic for the national economy, the Moroccan government set up an Economic Watch Committee on March 11, 2020.

This Committee, coordinated by the Minister of Economy, Finance and Administrative Reform, was put in charge of monitoring and analyzing the evolution of the national economic situation, with the objective of identifying and putting in place appropriate and suitable measures to support the various sectors that were directly and indirectly impacted by the effects of the health crisis.

The Economic Watch Committee includes:

- The Ministry of the Interior;
- The Ministry of Foreign Affairs, African Cooperation and Moroccans Residing Abroad;
- The Ministry of Agriculture, Maritime Fishing, Rural Development and Water and Forests;
- The Ministry of Health;
- The Ministry of Industry, Commerce, Green and Digital Economy;
- The Ministry of Tourism, Handicraft, Air Transport and Social Economy;
- The Ministry of Labor and Professional Integration;
- Bank Al-Maghrib;
- The Professional Grouping of Banks of Morocco;
- The General Confederation of Moroccan Enterprises;
- The Federation of Moroccan Chambers of Commerce, Industry and Services;
- The Federation of Chambers of Crafts.

The Committee may be joined by other institutional or private actors, depending on their areas of intervention.

sector development. The program, dubbed Souk At-Tanmia, was launched in 2012 and currently covers Morocco, Tunisia, Egypt and Jordan.

⁹ <https://www.afdb.org/fr/documents/note-dorientation-politique-impact-de-la-crise-covid-19-sur-lemploi-et-les-tpme>

Cooperation with the British Embassy in Morocco and the OFPPT

The purpose of this cooperation is to provide assistance from the Moroccan MSMEs Observatory in the implementation of a counselling and guidance center project (Cité des Métiers et des Compétences) of the Souss-Massa region, a pilot project that is part of a program that will cover the Kingdom's 12 regions. The program, supported by the British Embassy as a donor, is the flagship project of the new roadmap for the development of the vocational training sector.

The OMTPE is required to contribute by providing indicators on the entrepreneurial fabric of the region, in particular on MSMEs, and to propose a governance approach through surveys for which the samples would be drawn from the OMTPE's consolidated base.

Partnership with the Regional Investment Centers (CRI) of Casablanca-Settat and the Oriental

This partnership is focused on a regional version of the indicators produced by the OMTPE and that are made available to the CRIs for use in the context of policies encouraging investment and employment. Other collaboration avenues are being explored, including the qualification of regional data by putting to contribution the Regional Investment Centers' knowledge of the regional productive fabric, the enrichment of data and indicators with qualitative analysis, and the realization of thematic studies on the specificities of each region. Thus, a first report on the situation of Legal Entities in the Oriental region was published in September 2021 and a second study on the Casablanca-Settat region is being prepared. These two studies could represent pilot projects for the other CRIs of the Kingdom.

Cooperation with Bank Al-Maghrib and the World Bank Group on agri-finance

This project seeks to identify avenues to be explored by public and private actors in their drive to remove barriers to financial inclusion in the agricultural sector, on both the supply and demand sides. The Observatory contributes to this project by providing a statistical bulletin on enterprises operating in this sector.

Other cooperation projects

The Observatory has provided data and indicators to other institutions in order to meet the specific needs of their projects and missions. These were the Ministry of Foreign Affairs, the Ministry of Culture, the Digital Development Agency and the Arab Monetary Fund.

Future cooperation projects

- Cooperation with CDG Capital and Mohammed VI Polytechnic University

This cooperation pertains to the realization of a scoring model, based on "Machine Learning" methods, to facilitate access to financing for MSMEs. One of the obstacles that

were clearly identified was the lack of clarity of projects and the absence of decision-making tools adapted and available to lenders.

- Cooperation with the Directorate of Studies and Financial Forecasts of the Ministry of Economy and Finance

The Directorate of Studies and Financial Forecasts of the Ministry of Economy, Finance and Administrative Reform requested the Observatory to contribute to a study of the following 3 topics:

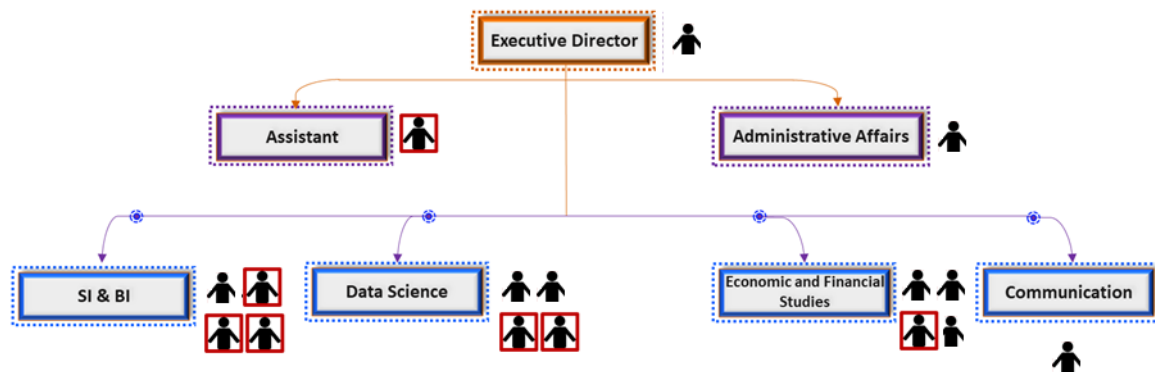
- Creation of an evaluation system of the effectiveness of public financial aid to MSMEs;
- Impact of Covid-19 on MSMEs;
- Review of the situation of zombie enterprises in Morocco¹⁰.

1.4. Resources

1.4.1. Human capital

The Observatory has brought together a pool of skills necessary for the accomplishment of its mission, organized according to their areas of expertise: data scientists, statisticians, and economic and financial analysts.

Chart 13 - OMTPE organizational chart



To be recruited

The Observatory welcomes higher education students for internships adapted to their profiles.

¹⁰ This concept was created by the OECD and studied in its member countries. ‘Zombie’ enterprises are companies that are at least 10 years old and have an insufficient operating profit to cover the interest burden for at least 3 consecutive years. They consume part of the State’s productive resources and aid, and thus hinder the development of sustainable enterprises.

1.4.2. Code of ethics

In order to align itself with best practices, the Observatory set up in 2020 a code of ethics defining the principles and values to which its managers, collaborators and potential partners must adhere, as well as the behaviors to be avoided. This code advocates respect for professional secrecy and the obligation of discretion, while emphasizing the possibility of conflicts of interest and the importance of identifying and managing them as called for by the different functions.

As part of a concerted and participatory approach, all Observatory staff members signed an undertaking to adhere to and respect the code. In order to complete its deontological system, the Observatory set up an anti-corruption policy and is developing the appropriate means to control this risk.

1.4.3. Financial resources

The Observatory's financial resources are made up of equal contributions from its founding members.

The Observatory's accounts have been audited annually since 2017. These accounts have been certified without any reservations.

2. METHODOLOGY

- 2.1. Definitions and concepts
- 2.2. Data providers
- 2.3. Production processes

2. Methodology

The purpose of this section is to present the methodological approaches, definitions and concepts used, as well as the production processes put in place to ensure traceability, fluidity and sustainability of data exploitation.

2.1. Definitions and concepts

The Moroccan Micro, Small and Medium Enterprises Observatory is working with stakeholders to unify and harmonize the statistical terminology used in order to standardize information on MSMEs. Thus, the Observatory has adopted the following concepts and definitions:

2.1.1. Components of the national productive fabric

According to the DGI, the populations of enterprises making up the national productive fabric can be subdivided into 4 main categories:

- Active Legal Entities (ALEs) registered for business tax, subject to corporate income tax, with the exception of partnerships, limited partnerships comprising only Natural Persons and joint ventures;
- Active Natural Persons, holding accounts and who are enrolled in the business tax roll, subject to income tax/professional income tax;
- Natural entities:
 - Liberal professions and self-employed persons who are enrolled in the business tax roll, subject to income tax/flat-rate scheme except for certain activities and professions excluded from the flat-rate scheme and subject to income tax/professional income tax by virtue of decree no. 2-08-124 of 28 May 2009¹¹;
 - Natural persons who have no accounting system, are enrolled in the business tax roll, and are subject to the income tax/ flat-rate scheme: some liberal professions and self-employed persons;
- Enterprises operating in the informal sector and that are neither registered in the trade register nor identified with the tax authorities.

¹¹ The provisions of articles 40 and 41 of the 2021 General Tax Code, introducing the modifications provided for by Finance Law 65-20 for 2021, promulgated by Dahir 1-20-90 of Joumada I 1st, 1442 (December 16, 2020), have introduced the Single Professional Contribution (CPU) for Natural Persons subjected to income tax (IR) according to the flat-rate tax regime. Taxpayers exercising regulated professions, activities or services are excluded from the regime of the single professional contribution.

2.1.2. Concepts adopted

- Active Legal Entity: is a company that has filed a tax return with the DGI, or has declared at least one employee with the CNSS, or has filed a balance sheet with the OMPIC during the year under review;
- Active Natural Entity that is:
 - a company that has filed a tax return with the DGI in one of the last three years;
 - a company benefitting from the flat-rate tax regime and that has had an interaction¹² with the DGI during the year under review;
 - or a company that declared at least one employee to the CNSS during the year under review.
- Cylindrical population: a population of enterprises common to two years. This approach makes it possible to neutralize the biases linked to enterprises' entries and exits in the database.
- Categories of enterprises:
 - Microenterprises (MICRO) are enterprises with an annual turnover not exceeding 3 million dirhams;
 - Very Small Enterprises (VSEs) are those with an annual turnover equal to or higher than 3 million dirhams and less than 10 million dirhams;
 - Small Enterprises (SE) are those with an annual turnover equal to or higher than 10 million dirhams and less than 50 million dirhams;
 - Medium-sized Enterprises (ME) are those with a turnover equal to or higher than 50 million dirhams and less than 175 million dirhams;
 - Large Enterprises (LE) are companies with an annual turnover of over 175 million dirhams.
- Company by size class:
 - Between 1 and 10 employees ;
 - Between 11 and 50 employees;
 - Between 51 and 100 employees;
 - Between 101 and 500 employees;
 - More than 500 employees.
- Company by age class:
 - Less than or equal to 2 years;
 - More than 2 years and less than or equal to 5 years;
 - More than or equal to 6 years and less than or equal to 10 years;
 - More than or equal to 11 years and less than or equal to 20 years;
 - More than 20 years.

¹² Payment, VAT refund, reimbursement of an overpayment by the administration, etc.

- Activity branches: The Observatory adopted the 2010 Moroccan Nomenclature of Activities "NMA", established by the HCP (2013) while drawing on the DGI and CNSS migration projects from NMA 99 to NMA 2010 (See Annexure 1);
- Geographical distribution: regions are defined according to the administrative division applied in Morocco.

2.2. Data Providers

Data analyzed in this report were largely sourced from the public organizations that are members of the Moroccan MSMEs Observatory:

2.2.1. The General Tax Administration (DGI)

The primary mission of the General Tax Administration is to ensure the collection of tax revenues. It provides the Observatory with a yearly database relating to enterprises (Legal and Natural Entities) that have given this administration some indication of activity¹³ over the last 4 years. This database contains, inter alia, descriptive information on the Legal and Natural Entities, and data on economic activity (turnover and value-added).

2.2.2. Moroccan Office for Industrial and Commercial Property (OMPIC)

The Moroccan Office for Industrial and Commercial Property is in charge of protecting industrial property (trademarks, patents, industrial designs and models), as well as of keeping the Central Commercial Register (RCC) which collects and reports all information relating to Natural and Legal Entities carrying out commercial activities or running a commercial undertaking.

The Observatory receives annually from the OMPIC information on the databases containing descriptive information, turnover and business activity as declared to the commercial courts, as well as on enterprises that initiated a process of early dissolution.

2.2.3. National Social Security Fund (CNSS)

The National Social Security Fund (CNSS) is a public institution in charge of managing the compulsory social security system. It provides the Observatory with an annual database listing the perimeter of enterprises affiliated to the CNSS, in addition to descriptive data on their activity, their payroll and monthly data on permanent jobs and ANAPEC-facilitated jobs.

2.2.4. Bank Al-Maghrib

Bank Al-Maghrib provides the Observatory with data on bank loans granted to enterprises registered in the database of Credit Bureau, which is an accredited delegate of this institution. The information contained in this database is transmitted on a monthly basis by the Moroccan credit institutions to Bank Al-Maghrib. They include:

¹³ Taxable income statement, VAT statement, application for the tax regularity declaration, etc.

- identification data of Legal and Natural Persons;
- credit data;
- data on negative information.

2.2.5. Ministry of Industry, Commerce, Green and Digital Economy (MICEVN)

The Ministry of Industry, Commerce, Green and Digital Economy (MICEVN) formulates and implements government policy in the industry, commerce and new technologies' sectors, subject to the powers devolved to other ministerial departments by the laws and regulations in force.

The Directorate of Statistics, Studies, Monitoring and Evaluation of the MICEVN provides the Observatory with an annual directory containing descriptive information, as well as the activity and ecosystem¹⁴ of industrial units.

2.3. Production processes

The Observatory's production processes involve the following actions:

1. Data collection, processing and storage;
2. Analysis and dissemination.

2.3.1. Data collection, processing and storage

The constitution of a consolidated database follows a gradual and iterative approach, from data reception to the production of pre-established indicators.

This process begins with data framing and identification of needs, carried out in collaboration with each data provider. This phase makes it possible to understand the data and define the target populations, as well as to formalize the collaboration within the framework of technical data exchange protocols and ensure a first level of conformity of the databases received.

Once the databases are received, qualitative analyses are carried out in order to evaluate the quality and potential of these data (filling rate of identifiers and other fields, duplication rate, etc.). These analyses also make it possible to define the type of pre-processing to be carried out on these databases (processing of duplicates, creation of new fields and normalization of fields). This procedure is formalized through the Template called "Preliminary Analysis of Received Databases".

From the evaluation of the identifiers' filling rates, a cross-checking process is used to ensure that the merging of databases is carried out in an optimal and reliable way, without

¹⁴ The MICEVN adopts an internal ecosystem classification developed within the framework of the 2014-2020 Industrial Acceleration Plan (Processing industry, services and offshoring, etc.).

loss of information or the presence of duplicates. This is completed by other forms of processing through the application of management rules and data enrichment.

Downstream of this process, centralized databases are created, guaranteeing the principles that govern the constitution of indicator production databases, namely the uniqueness of a company's representation in these databases, its active nature and its description with optimal information quality.

2.3.2. Analysis and dissemination process

Once the consolidated database has been created and is ready to be used to calculate indicators, a quality analysis is carried out to define the calculation scope of the various indicators. For this purpose, a repository is created that defines, in detail, the indicators, their calculation methods, their interpretation as well as their scope of study. This step is formalized through the "Indicator Calculation Guide" template.

Once the indicators have been produced, they are framed in terms of macroeconomic variables and compared with national and international trends. Exchanges within the working groups (See activity report) are carried out in case of identified inconsistencies. This procedure is formalized in the "Consistency Review Document" template.

As part of the process of enriching and updating the list of indicators to be produced, the Observatory continuously monitors national and international studies and publications, and also carries out benchmarks on indicators relating to MSMEs which are then included in the same consistency review template.

3. COMPANY DEMOGRAPHICS

- 3.1. Basic characteristics of Active Legal and Natural Entities
- 3.2. Creations of Legal Entities
- 3.3. Dissolutions of Legal Entities

3. Company demographics

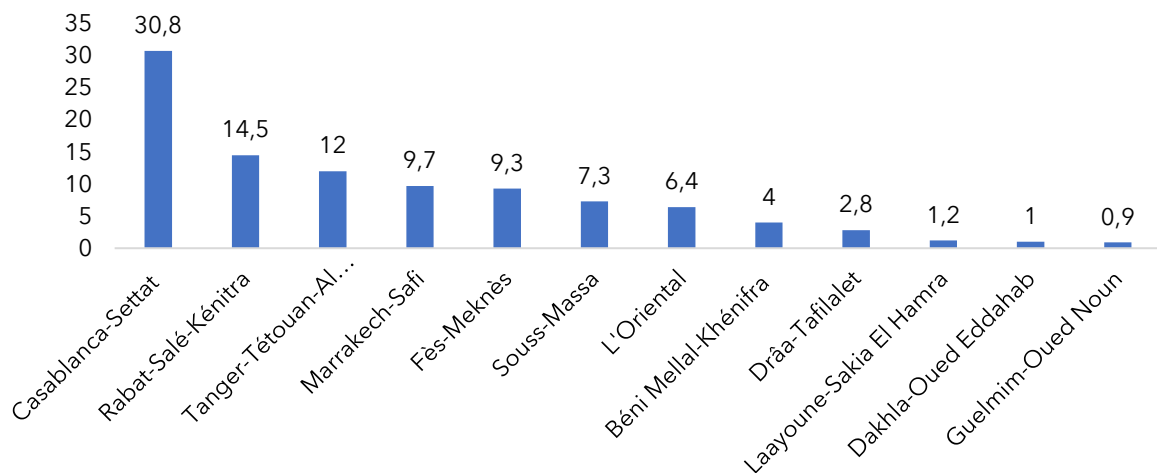
3.1. Basic characteristics of Active Legal and Natural Entities

This section presents indicators on the demographics of companies and their 2019 breakdown by region, activity and category. The Observatory identified 571,989¹⁵ enterprises in its consolidated database, based on data provided by the DGI, CNSS and OMPIC (See methodology section). This population is made up of 303,013¹⁶ Active Legal Entities (ALE) and 268,976 Active Natural Entities (ANE).

More than 57.3% of enterprises are located along the Tangier-El Jadida axis

The geographical breakdown of enterprises shows a concentration of up to 57.3% on the Tangier-El Jadida axis. The region of Casablanca-Settat accounts for 30.8% of the total, followed by the regions of Rabat-Salé-Kenitra and Tangier-Tetouan-Al Hoceima with respective shares of 14.5% and 12% (See Graph 1).

Graph 1 - Breakdown of enterprises by region in % - 2019



Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Compiled statistics reveal that active Legal Entities are predominantly concentrated in the Casablanca-Settat, Rabat-Salé-Kenitra and Marrakech-Safi regions, with respective shares of 66.8%, 53.1% and 53%. In the remaining regions, the productive fabric is constituted of more Natural Entities than Legal ones. This regional demographic divergence can also be observed between prefectures and provinces of the same region, as is the case with Tangier-Tetouan-Al Hoceima (See Table 1).

¹⁵ The 571,998 companies identified include both financial and non-financial enterprises.

¹⁶ The number of ALEs identified for 2018 and 2017 was 287,688 and 273,833, respectively. These figures have been updated in the present report.

Table 1 - Regional breakdown of enterprises into ALEs and ANEs -2019

| Region | ALEs | ANEs | Total | ALEs (In %) | ANEs (In %) |
|-----------------------------|---------|--------|----------------|-------------|-------------|
| Casablanca-Settat | 117 358 | 58 268 | 175 628 | 66.8 | 33.2 |
| Rabat-Salé-Kenitra | 44 011 | 38 870 | 82 881 | 53.1 | 46.9 |
| Tangiers-Tetouan-Al Hoceima | 33 507 | 34 806 | 68 313 | 49.0 | 51.0 |
| Marrakech-Safi | 29 247 | 25 866 | 55 113 | 53.0 | 46.9 |
| Fez-Meknes | 23 938 | 28 816 | 52 754 | 45.4 | 54.6 |
| Souss-Massa | 19 055 | 22 422 | 41 477 | 45.9 | 54.1 |
| Oriental | 13 005 | 23 551 | 36 556 | 35.6 | 64.4 |
| Beni Mellal-Khenifra | 8 257 | 14 800 | 23 057 | 35.8 | 64.2 |
| Draa-Tafilalet | 7 702 | 8 494 | 16 196 | 47.6 | 52.4 |
| Laayoune-Sakia El Hamra | 3 056 | 4 046 | 7 102 | 43.0 | 57.0 |
| Eddakhla-Oued Eddahab | 1 147 | 4 545 | 5 692 | 20.2 | 79.8 |
| Guelmim-Oued Noun | 1 638 | 3 269 | 4 907 | 33.4 | 66.6 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Commerce and construction occupy 1st and 2nd positions in terms of number of enterprises

Analysis by activity (See Table 2) reveals that almost 33% of the enterprises feature within the "Commerce; repair of automobiles and motorcycles" category, followed by "Construction", "Transport and warehousing" and "Specialized, scientific and technical activities"¹⁷ with respective shares of 15%, 9.2% and 7.7% (See Table 2).

Table 2 - Breakdown of enterprises by activity in % - 2019

| Activity branch | % of companies |
|--|----------------|
| Commerce; repair of automobiles and motorcycles | 33.0 |
| Construction | 15.0 |
| Transport and warehousing | 9.2 |
| Specialized, scientific and technical activities | 7.7 |
| Manufacturing industry | 6.7 |
| Accommodation and catering services | 6.0 |
| Agriculture, forestry and fisheries | 4.2 |
| Administrative and support service activities | 3.8 |
| Human health and social action | 3.6 |
| Other services | 2.7 |
| Education | 2.0 |
| Real estate activities | 1.9 |
| Information and communication | 1.5 |
| Financial and insurance activities | 1.3 |
| Arts, entertainment and recreation | 0.7 |
| Mining and quarrying | 0.3 |
| Others | 0.2 |
| Total | 100 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS.

¹⁷ This activity branch includes: legal and accounting activities, head office operations, management consulting, scientific R&D, advertising and market research, investigation and security, travel agencies, building and landscaping services, etc.

Nearly 96.5% of enterprises had a turnover not exceeding 10 million dirhams

Analysis of the fabric of active enterprises in 2019 by category reveals the predominance of microenterprises with a turnover between 0 and 1 million dirhams, constituting 84.4% of the total number of enterprises. This proportion is limited to 7.5% for companies with a turnover between 1 and 3 million dirhams. Medium and large enterprises represented only 0.6% and 0.3%, respectively, of the total number (See Table 3).

Table 3 - Enterprise breakdown by category in % - 2019

| Category | % of enterprises |
|--------------|------------------|
| [0, 3] | 91.9 |
| [0, 1] | 84.4 |
|]1, 3] | 7.5 |
|]3, 10] | 4.6 |
|]10, 50] | 2.7 |
|]50, 175] | 0.6 |
| Plus 175 | 0.3 |
| Total | 100 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS

If ALEs and ANEs are considered separately, companies generating a turnover between 0 and 1 million dirhams account for 95.1% of the total number of ANEs, compared with 76% for ALEs (See Table 4).

Table 4 - Company breakdown by category in % - 2019

| Company category | ANEs | ALEs |
|------------------|------|------|
| [0,1] | 95.1 | 76.0 |
|]1,3] | 3.8 | 10.5 |
|]3, 10] | 0.8 | 7.5 |
|]10, 50] | 0.3 | 4.5 |
|]50, 175] | - | 1.0 |
| >175 | - | 0.5 |

Source: Consolidated database provided by the DGI, OMPIC and CNSS.

In addition, analysis of the breakdown of MSMEs by activity reveals that 70.3% of these enterprises operate in the branches of "Commerce; repair of automobiles and motorcycles", "Construction", "Transport and warehousing" and "Specialized, scientific and technical activities", with respective shares of 35.2%, 16.3%, 10.6% and 8.2% (See Table 5).

Table 5 - Breakdown of MSMEs by activity - 2019

| Activity branch | Number of MSMEs | Share in total MSMEs (In %) |
|--|-----------------|-----------------------------|
| Commerce; repair of automobiles and motorcycles | 151 734 | 35.2 |
| Construction | 70 356 | 16.3 |
| Transport and warehousing | 45 444 | 10.6 |
| Specialized, scientific and technical activities | 35 151 | 8.2 |
| Manufacturing industry | 28 907 | 6.7 |
| Accommodation and catering services | 23 538 | 5.5 |
| Administrative and support service activities | 17 286 | 4.0 |
| Human health and social work | 11 576 | 2.7 |
| Other services | 10 447 | 2.4 |
| Real estate activities | 9 333 | 2.2 |
| Education | 7 278 | 1.7 |
| Information and communication | 6 650 | 1.5 |
| Financial and insurance activities | 6 022 | 1.4 |
| Arts, entertainment and recreation | 3 002 | 0.7 |
| Agriculture, forestry and fisheries | 1 564 | 0.4 |
| Mining and quarrying | 1 468 | 0.3 |
| Others | 816 | 0.19 |
| Total | 430 572 | 100 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS.

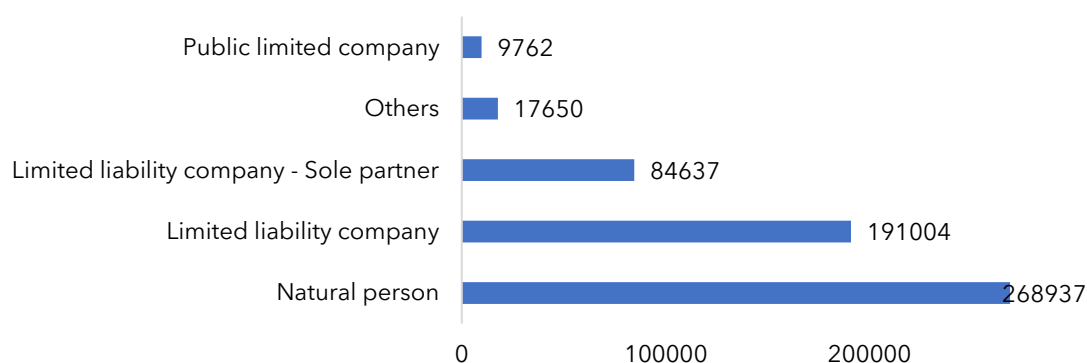
Focus on activity branches most affected by the Covid-19 crisis

More than 51% of MSMEs operate in activity areas that were severely affected by the Covid-19 crisis, namely "Commerce; repair of automobiles and motorcycles", "Transport and warehousing" and "Accommodation and catering", with respective shares of 35.2%, 10.6% and 5.5%.

The Natural Entity status is predominant

The breakdown of active enterprises by their legal form shows an overrepresentation of Active Natural Entities with a share of 47% of the total. In the case of limited liability enterprises (LLC), the second most important legal form, this proportion stands at 33.4%, followed by the sole-partner limited liability company with 14.8% (See Graph 2).

Graph 2 - Company breakdown by legal form - 2019



Source: Consolidated data provided by the DGI, OMPIC and CNSS.

3.2. Creations of Legal Entities

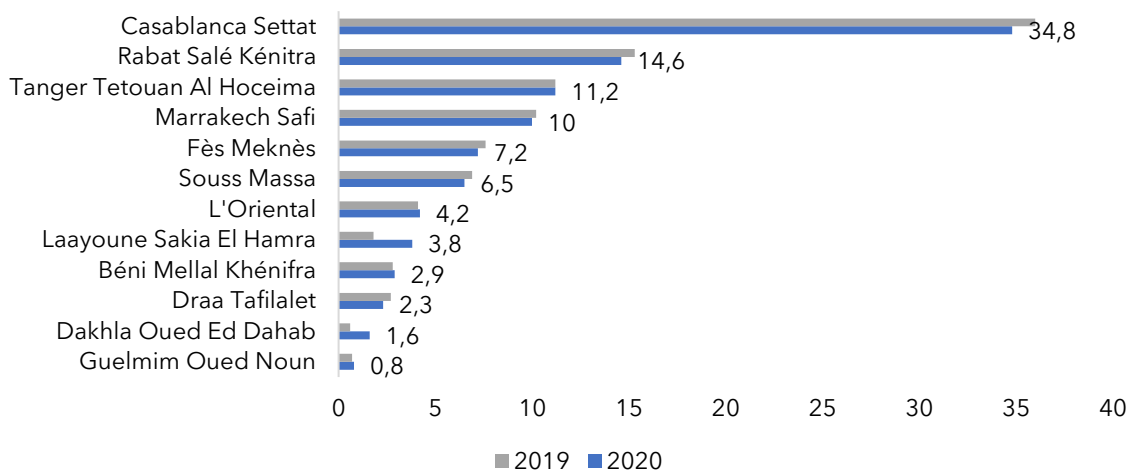
According to the OMPIC barometer, the year 2020, marked by the economic and health crisis, registered the creation of 84,956 enterprises, down 10.5% compared to 2019.

The population analyzed in the following section is made up of 55,037 Legal entities¹⁸.

The Casablanca-Settat region accounted for almost 35% of all ALE creations in 2020.

A significant proportion of ALEs created in 2020, i.e. 34.8% compared with 36% in 2019, saw light in the Casablanca-Settat region. This region is followed by the Rabat-Salé-Kénitra and the Tangier-Tetouan-Al Hoceima regions with respective shares of 14.6% and 11.2% (See Graph 3).

Graph 3 - Regional breakdown of ALEs in %



Source: Consolidated data provided by the DGI, OMPIC and CNSS

Enterprise creations continue to be higher in commerce and construction

The breakdown of company creations by activity branch in 2019 shows that "Commerce; repair of automobiles and motorcycles" accounted for 30% of the total number of creations, against 28.8% in 2018. It is followed by "Construction" and "Specialized, scientific and technical activities", with respective shares of 21.4% and 9.2%. For "Transport and warehousing" and "Administrative and support services", these proportions stood at 8.2% and 8%, respectively (See Table 6).

¹⁸ Detailed data on individual enterprises were not available at the time of drafting this report.

Table 6 - Breakdown of ALE creations by activity branch in %

| Activity branch | Creation of ALEs | | |
|--|------------------|------------|------------|
| | 2017 | 2018 | 2019 |
| Commerce; repair of automobiles and motorcycles | 29.0 | 28.8 | 29.8 |
| Construction | 22.0 | 22.2 | 21.4 |
| Specialized, scientific and technical activities | 9.5 | 9.6 | 9.2 |
| Transport and warehousing | 7.1 | 7.4 | 8.2 |
| Administrative and support services | 7.5 | 7.6 | 8.0 |
| Manufacturing industry | 5.6 | 5.5 | 5.5 |
| Accommodation and catering services | 5.3 | 5.2 | 4.6 |
| Information and communication | 2.5 | 2.4 | 2.0 |
| Real estate activities | 1.7 | 1.9 | 2.0 |
| Education | 2.2 | 1.8 | 1.8 |
| Financial and insurance activities | 1.5 | 2.2 | 1.4 |
| Others | 6.3 | 5.6 | 6.1 |
| Total | 100 | 100 | 100 |

Source: Consolidated data provided by the DGI, OMPIC and the CNSS.

As shown in Table 7, almost all companies created in 2019 were microenterprises. Those with a turnover above 3 million dirhams accounted for around 2% of all creations.

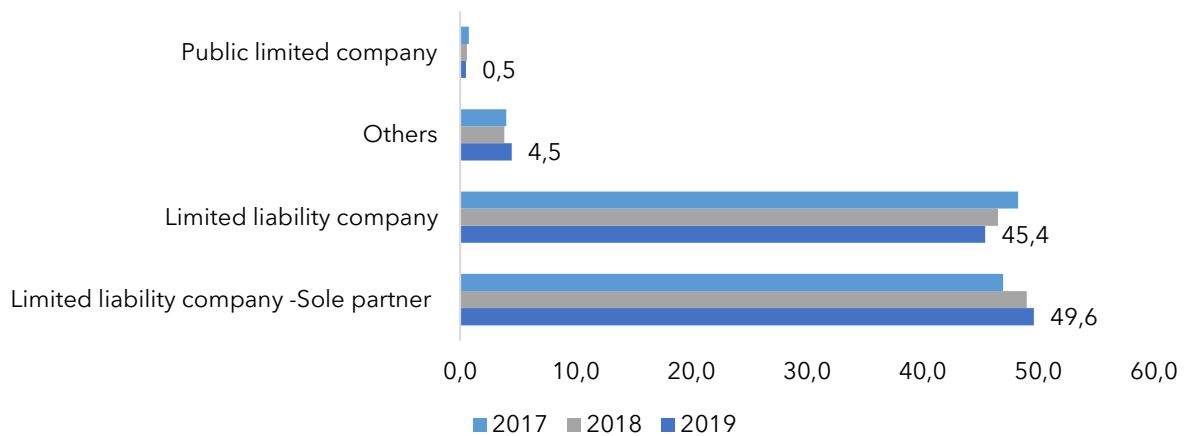
Table 7 - Breakdown of new ALEs by activity and company category in % - 2019

| Activity branch | [0,3] | MSMEs (%) | | | LEs (%) |
|---|-------------|------------|------------|-----------|-----------|
| | | [3,10] | [10,50] | [50,175] | >175 |
| Primary | | | | | |
| Agriculture, forestry and fisheries | 96.9 | 1.9 | 1.3 | | |
| Secondary | | | | | |
| Construction | 98.1 | 1.2 | 0.7 | 0.0 | 0.0 |
| Manufacturing industry | 97.6 | 1.7 | 0.6 | 0.1 | 0.1 |
| Extractive industries | 99.4 | 0.6 | | | |
| Water production and distribution; sanitation, waste management and remediation | 96.1 | 2.0 | 2.0 | | |
| Production and distribution of electricity, gas, steam and air conditioning | 100 | | | | |
| Tertiary | | | | | |
| Administrative and support service activities | 98.7 | 0.8 | 0.5 | | 0.0 |
| Financial and insurance activities | 98.6 | 0.4 | 1.0 | | |
| Real estate activities | 99.3 | 0.4 | 0.3 | | |
| Specialized, scientific and technical activities | 99.0 | 0.9 | 0.2 | | |
| Arts, entertainment and leisure | 98.7 | 0.6 | 0.6 | | |
| Other service activities | 99.6 | 0.4 | | | |
| Commerce; repair of automobiles and motorcycles | 97.0 | 2.0 | 0.9 | | 0.0 |
| Education | 99.7 | 0.2 | 0.2 | 0.1 | |
| Accommodation and catering | 99.6 | 0.4 | | | |
| Information and communication | 98.2 | 1.2 | 0.5 | | |
| Human health and social action | 93.5 | 3.8 | 2.7 | | |
| Transport and warehousing | 98.6 | 1.0 | 0.3 | 0.1 | |
| Total | 98.0 | 1.3 | 0.6 | ~0 | ~0 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS.

A look at the breakdown of ALE creations by legal form confirms the downward trend of LLCs over the period of 2017-2019. This category represented 45.4% of total creations in 2019 against 48.3% in 2017. On the other hand, the share of sole-member LLCs increased by 2.6 points to 49.6% from 47% in 2017 (See Graph 4).

Graph 4 - Breakdown of ALE creations by legal form in %



Source: Consolidated data provided by the DGI, OMPIC and CNSS.

3.3. Dissolutions of Legal Entities

2019 recorded a 6.3% increase in the number of Legal Entity dissolutions¹⁹, reaching 7,654²⁰ compared to 7,200 in 2018.

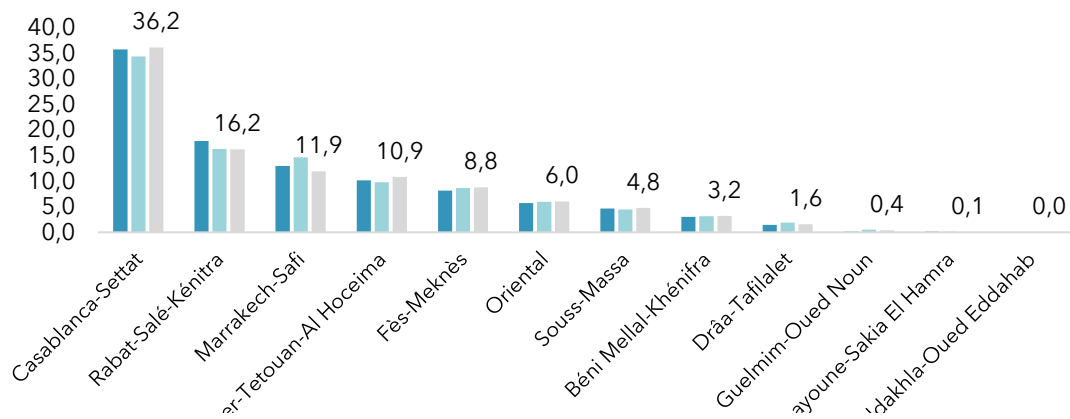
The following analyses are based on a population compiled by the Observatory of 6,784 enterprises that engaged dissolution procedures in 2019, compared to 6,207 in 2018.

The regional breakdown of these dissolutions reveals the predominance of the Casablanca-Settat region which alone accounts for 36.2% of all dissolution processes. In second place comes the region of Rabat-Salé-Kénitra with a 16.2% share, a percentage that remained unchanged from 2018. As for the Marrakech-Safi region, this proportion stood at 11.9% against 14.7% in 2018 (See Graph 5).

¹⁹ Data on dissolutions of Natural Person enterprises were not available from the OMPIC.

²⁰ Data received from the OMPIC (slight variation from the OMPIC barometer due to database updating).

Graph 5 - Evolution of the regional breakdown of Legal Entities being dissolved in %

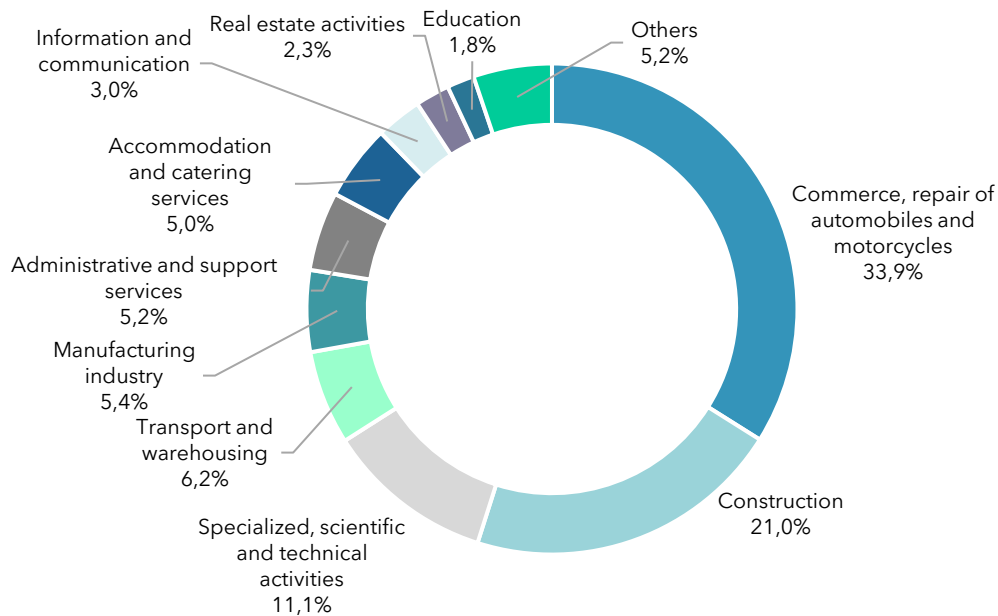


Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Commerce is the sector most affected by dissolutions

The sector-specific breakdown of enterprises dissolved in 2019 shows that the most affected branches were "Commerce; repair of motor vehicles and motorcycles", "Construction" and "Specialized, scientific and technical activities", with respective shares of 33.9%, 21% and 11.1%. These levels remained almost identical to those of 2018 (See Graph 6).

Graph 6 - Sector-specific breakdown of ALE dissolutions in % - 2019

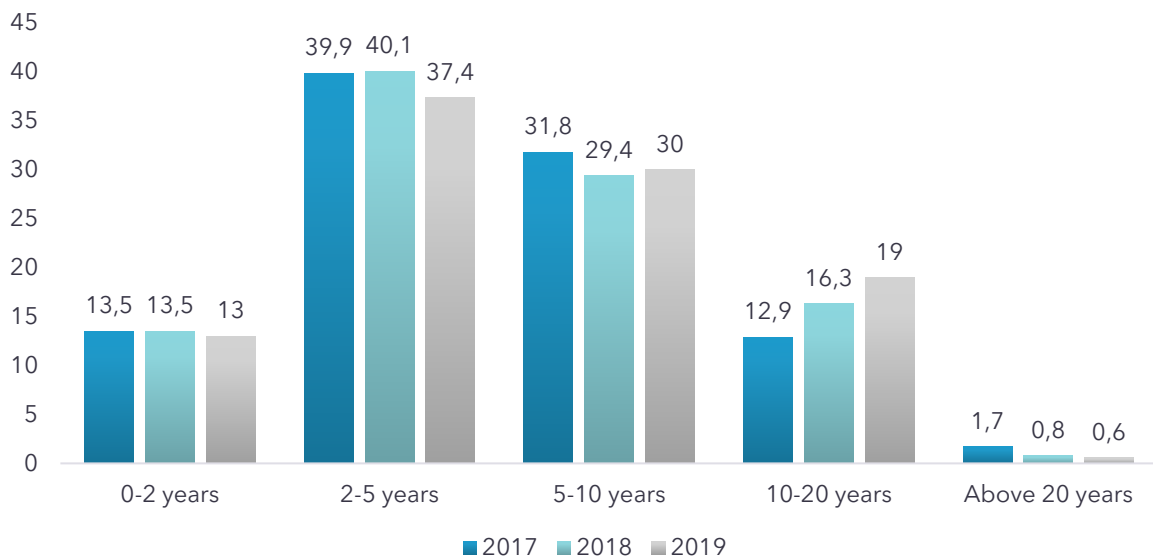


Source: Consolidated data provided by the DGI, OMPIC and CNSS.

More than half the ALEs dissolved in 2019 were less than 5 years old

OMPIC data show that in 2019, enterprises dissolved before reaching 5 years of existence represented, on annual average, more than 50% of total dissolutions (See Graph 7). These proportions were 30% and 19%, respectively, for companies with 5 - 10 years of existence and 10 - 20 years of existence. Conversely, the share of dissolved enterprises older than 20 years was limited to 0.6%, down 1.1 points from 2017.

Graph 7 - Percentage change in Legal Entity dissolutions by age bracket



Source: OMPIC data.

4. ECONOMIC INDICATORS OF ENTERPRISES

- 4.1. Turnover of Active Legal and Natural Entities
- 4.2. Evolution of turnover of Active Legal Entities
- 4.3. Export turnover of Active Legal Entities
- 4.4. Value-added of Active Legal Entities

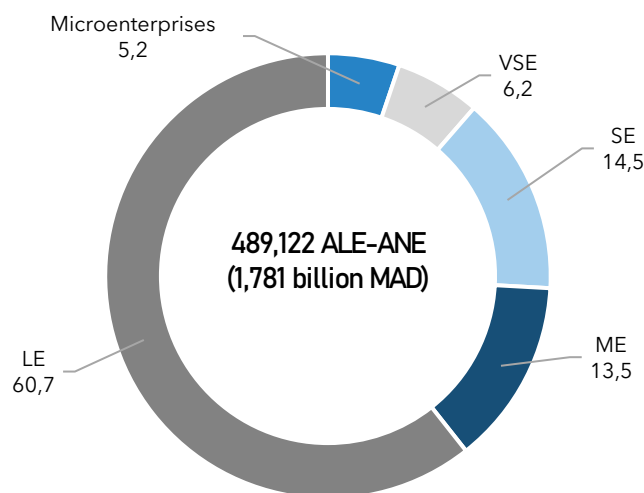
4. Economic indicators of enterprises

This section analyses the turnover of 489,122²¹ ALEs and ANEs in the 2019 financial year. It also shows the change in turnover for ALEs between 2018 and 2019, as well as in their export turnover and value added for 2019. Depending on the availability of data, these analyses are presented along three axes: category, activity branch and region.

4.1. Turnover of Active Legal and Natural Entities

ALEs and ANEs generated a turnover of nearly 1,781 billion dirhams in 2019. Of these, 39.3% was generated by MSMEs and 60.7% by LE (See Graph 8).

Graph 8 - Breakdown of cumulative turnover by category -2019



Source: DGI.

An 82% concentration of turnover with enterprises located along the Tangier-Casablanca axis

The regional breakdown of the overall turnover (See Table 8) shows that in 2019, the Casablanca-Settat and Rabat-Salé-Kenitra regions alone contributed more than 73% of the overall ALE and ANE turnover. They were followed by the Tangier-Tetouan-Al Hoceima region which registered a 9% share.

²¹ The financial and insurance activity branch is excluded. The ALE population is cylindrical across FY 2018 and FY 2019 to remove the bias resulting from company additions or withdrawals each year.

Table 8 - Breakdown of ALE-ANE cumulative turnover by region -2019

| Region | Cumulative turnover (In billion Dirhams) | Cumulative turnover (In %) |
|-----------------------------|---|-------------------------------|
| Casablanca-Settat | 1 042.81 | 58.55 |
| Rabat-Salé-Kenitra | 259.77 | 14.59 |
| Tangiers-Tetouan-Al Hoceima | 161.06 | 9.04 |
| Souss-Massa | 82.99 | 4.66 |
| Marrakech-Safi | 76.61 | 4.30 |
| Fez-Meknes | 69.31 | 3.89 |
| Oriental | 33.91 | 1.90 |
| Beni Mellal-Khenifra | 13.70 | 0.77 |
| Draa-Tafilalet | 9.22 | 0.52 |
| Laayoune-Sakia El Hamra | 6.98 | 0.39 |
| Guelmim-Oued Noun | 2.39 | 0.13 |
| Eddakhla-Oued Eddahab | 2.15 | 0.12 |
| Not documented | 20.04 | 1.13 |
| Total | 1 780.95 | 100 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Commerce and industry account for 57.4% of total ALE and ANE turnover

Analysis by activity branch reveals that in 2019, the "Commerce; repair of motor vehicles and motorcycles" and "Manufacturing industry" branches alone contributed more than 57.4% of the total turnover of ALEs and ANEs, with respective shares of 35.1% and 22.3%, followed by "Construction" (12.8%), and "Transport and warehousing" (5.7%), (See Table 9).

Table 9 - Breakdown of the cumulative ALE-ANE turnover by activity branch -2019

| Activity branch | Cumulative turnover (In billion Dirhams) | Cumulative turnover (In %) |
|---|---|----------------------------------|
| Commerce; repair of automobiles and motorcycles | 625.5 | 35.1 |
| Manufacturing industry | 397.8 | 22.3 |
| Construction | 228.6 | 12.8 |
| Transport and warehousing | 101.9 | 5.7 |
| Information and communication | 72.1 | 4.1 |
| Specialized, scientific and technical activities | 69.5 | 3.9 |
| Mining and quarrying | 65.7 | 3.7 |
| Production and distribution of electricity, gas, steam and air conditioning | 61.6 | 3.5 |
| Administrative and support services | 44.2 | 2.5 |
| Accommodation and catering services | 31.2 | 1.8 |
| Real estate activities | 16.2 | 0.9 |
| Water production and distribution; sanitation, waste management and remediation | 15.8 | 0.9 |
| Education | 11.6 | 0.7 |
| Others | 39.1 | 2.2 |
| Total | 1,780.9 | 100 |

Source: Consolidated data provided by DGI, OMPIC and CNSS.

If we look at ANEs only, a very high concentration of turnover is notable in the "Commerce; repair of motor vehicles and motorcycles" branch, standing at 61% of their total turnover (See Table 10).

Table 10 - Breakdown of ANE cumulative turnover by activity-2019

| Activity | Number of ANEs | Turnover of ANEs | |
|--|----------------|--------------------|------------|
| | | In billion Dirhams | In % |
| Commerce; repair of automobiles and motorcycles | 74 317 | 21.12 | 61.07 |
| Construction | 8 438 | 3.34 | 9.66 |
| Human health and social work | 9 885 | 2.31 | 6.68 |
| Specialized, scientific and technical activities | 9 188 | 1.83 | 5.30 |
| Manufacturing industry | 12 253 | 1.07 | 3.10 |
| Transport and warehousing | 28 240 | 1.07 | 3.08 |
| Accommodation and catering services | 10 846 | 1.02 | 2.95 |
| Real estate activities | 1 889 | 0.97 | 2.79 |
| Education | 2 215 | 0.51 | 1.49 |
| Information and communication | 2 380 | 0.41 | 1.20 |
| Other service activities | 7 254 | 0.39 | 1.12 |
| Agriculture, forestry and fisheries | 734 | 0.20 | 0.59 |
| Administrative and support service activities | 1 968 | 0.16 | 0.46 |
| Others | 1 649 | 0.17 | 0.50 |
| Total | 171 256 | 34.58 | 100 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Analysis of the turnover generated by MSMEs and broken down by activity branch shows that 72.6% of the overall turnover is divided over the "Commerce; repair of automobiles and motorcycles", "Construction" and "Manufacturing industry" activity branches, with respective shares of 39.2%, 20.4% and 13% (See Table 11).

Table 11 - Breakdown of MSMEs cumulative turnover by activity branch -2019

| Activity branch | Number of MSMEs | Turnover of MSMEs (In billion Dirhams) | Share in |
|--|-----------------|--|----------------------------------|
| | | | overall turnover of MSMEs (In %) |
| Commerce; repair of automobiles and motorcycles | 139 905 | 274.9 | 39.2 |
| Construction | 62 873 | 143.1 | 20.4 |
| Manufacturing industry | 27 164 | 91 | 13 |
| Others | 69 221 | 46.3 | 6.6 |
| Specialized, scientific and technical activities | 31 529 | 43.4 | 6.2 |
| Transport and warehousing | 42 638 | 41.5 | 5.9 |
| Administrative and support service activities | 14 712 | 26.4 | 3.8 |
| Accommodation and catering services | 22 005 | 18 | 2.6 |
| Information and communication | 5 992 | 7 | 1 |
| Mining and quarrying | 1 172 | 4.5 | 0.6 |
| Production and distribution of water; sewerage, waste management and remediation | 302 | 2.5 | 0.4 |
| Electricity, gas, steam and air conditioning supply | 474 | 1.9 | 0.3 |
| Total | 417 987 | 700.6 | 100 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Focus on the activity branches most affected by the Covid-19 crisis

The sectors most affected by the Covid-19 crisis accounted for 47.7% of the turnover of MSMEs²², divided over the "Commerce; repair of automobiles and motorcycles", "Transport and warehousing" and "Accommodation and catering" activity branches with respective shares of 39.2%, 5.9% and 2.6%.

4.2. Evolution of turnover of Active Legal Entities

Between 2018 and 2019, the cumulative turnover of ALEs²³ recorded an increase of 4.1%, from 1,676.5 to 1,745.4 billion dirhams. VSEs and SEs experienced a respective 6.3% and 5.6% growth of their turnover during the same period (See Table 12).

Table 12 - Annual change in the breakdown of cumulative turnover by company category

| Company category | ALE 2018 | 2018 cumulative turnover | ALE 2019 | 2019 cumulative turnover | 2018-2019 turnover evolution |
|-----------------------------------|----------------|-----------------------------|----------------|--------------------------|------------------------------|
| | In number | In billion Dirhams | In number | In billion Dirhams | In % |
| MSMEs Turnover=<175 | 218 945 | 633.9 | 218 897 | 665.1 | 4.9 |
| Microenterprises [0,3] | 187 690 | 71.2 | 185 756 | 73.3 | 2.9 |
| [0,1] | 162 287 | 25.8 | 159 142 | 25.9 | 0.4 |
| [1,3] | 25 403 | 45.4 | 26 614 | 47.4 | 4.4 |
| VSE [3,10] | 17 967 | 98.1 | 19 078 | 104.3 | 6.3 |
| SE [10,50] | 10 715 | 234.4 | 11 395 | 247.6 | 5.6 |
| ME [50,175] | 2 573 | 230.1 | 2 668 | 239.9 | 4.2 |
| LE Turnover > 175 | 1 201 | 1 042.7 | 1 249 | 1 080.3 | 3.6 |
| Total | 220 146 | 1 676.5²⁴ | 220 146 | 1 745.4 | 4.1 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS.

The variation in the regional breakdown of ALEs' cumulative turnover between 2018 and 2019 remained broadly stable (See Table 13).

²² The difference noted with the proportions listed in the demographic section is due to the use of a cylindrical ALE population of 218,238 MSMEs for the calculation of turnover, and an ANE population of 199,749 MSMEs, i.e. an overall population of 417,987 MSMEs.

²³ Data on the 2018-2019 variations are not available for ANEs.

²⁴ 2018 data on turnover were updated.

Table 13 - Annual change in breakdown of cumulative turnover by region

| Region | ALE turnover in 2018 | | ALE turnover in 2019 | |
|-----------------------------|----------------------|------------|----------------------|------------|
| | (In billion Dirhams) | (In %) | (In billion Dirhams) | (In %) |
| Casablanca-Settat | 999.27 | 59.6 | 1 032.62 | 59.2 |
| Rabat-Salé-Kenitra | 238.61 | 14.2 | 253.30 | 14.5 |
| Tangiers-Tetouan-Al Hoceima | 151.85 | 9.1 | 157.74 | 9.0 |
| Souss-Massa | 72.74 | 4.3 | 80.72 | 4.6 |
| Marrakech-Safi | 67.67 | 4.0 | 72.31 | 4.1 |
| Fez-Meknes | 62.15 | 3.7 | 65.93 | 3.8 |
| Oriental | 30.82 | 1.8 | 31.95 | 1.8 |
| Beni Mellal-Khenifra | 10.83 | 0.6 | 11.30 | 0.6 |
| Draa-Tafilalet | 7.26 | 0.4 | 8.19 | 0.5 |
| Laayoune-Sakia El Hamra | 7.17 | 0.4 | 6.92 | 0.4 |
| Guelmim-Oued Noun | 2.13 | 0.1 | 2.23 | 0.1 |
| Eddakhla-Oued Eddahab | 1.99 | 0.1 | 2.15 | 0.1 |
| Not documented | 24.03 | 1.4 | 20.02 | 1.1 |
| Total | 1 676.53 | 100 | 1 745.38 | 100 |

Source: Consolidated data from the DGI, OMPIC and CNSS.

With regard to changes in the sector-specific breakdown of ALE cumulated turnover over the same period, the share of "Commerce; repair of automobiles and motorcycles" dropped to 34.6% against 35.7%, and that of the "Manufacturing industry" branch improved from 21.1% to 22.7% (See Table 14).

Table 14 - Annual change of cumulative turnover breakdown by activity branch

| Activity branch | 2018 | | | 2019 | | |
|--|-----------------------|---------------------|------------|-----------------------|---------------------|------------|
| | Number of enterprises | Cumulative turnover | | Number of enterprises | Cumulative turnover | |
| | | In billion Dirhams | In % | | In billion Dirhams | In % |
| | 59 314 | 598.4 | 35.7 | 59 314 | 604.4 | 34.6 |
| Commerce; repair of automobiles and motorcycles | 16 320 | 353.0 | 21.1 | 16 320 | 396.8 | 22.7 |
| Manufacturing industry | 57 030 | 208.7 | 12.4 | 57 030 | 225.3 | 12.9 |
| Construction | 14 215 | 86.1 | 5.1 | 14 215 | 100.8 | 5.8 |
| Transportation and warehousing | 5 682 | 70.8 | 4.2 | 5 682 | 71.7 | 4.1 |
| Information and communication | 603 | 62.1 | 3.7 | 603 | 65.7 | 3.8 |
| Mining and quarrying | 13 522 | 58.1 | 3.5 | 13 522 | 44.0 | 2.5 |
| Administrative and support services | | | | | | |
| Specialized, scientific and technical activities | 21 002 | 57.6 | 3.4 | 21 002 | 67.7 | 3.9 |
| Production and distribution of electricity and gas | 312 | 49.6 | 3.0 | 312 | 61.6 | 3.5 |
| Accommodation and catering services | 12 125 | 26.7 | 1.6 | 12 125 | 30.2 | 1.7 |
| Production and distribution of water | 437 | 22.6 | 1.3 | 437 | 15.8 | 0.9 |
| Agriculture, forestry and fisheries | | | | | | |
| Education | 1 687 | 16.3 | 1.0 | 1 687 | 10.7 | 0.6 |
| Real estate activities | 4 703 | 13.1 | 0.8 | 4 703 | 11.1 | 0.6 |
| Other service activities | 5 535 | 11.9 | 0.7 | 5 535 | 15.3 | 0.9 |
| Others | 3 349 | 10.4 | 0.6 | 3 349 | 3.7 | 0.2 |
| Total | 4 310 | 31.2 | 1.9 | 4 310 | 20.7 | 1.2 |
| | 220 146 | 1 676.6 | 100 | 220 146 | 1 745.4 | 100 |

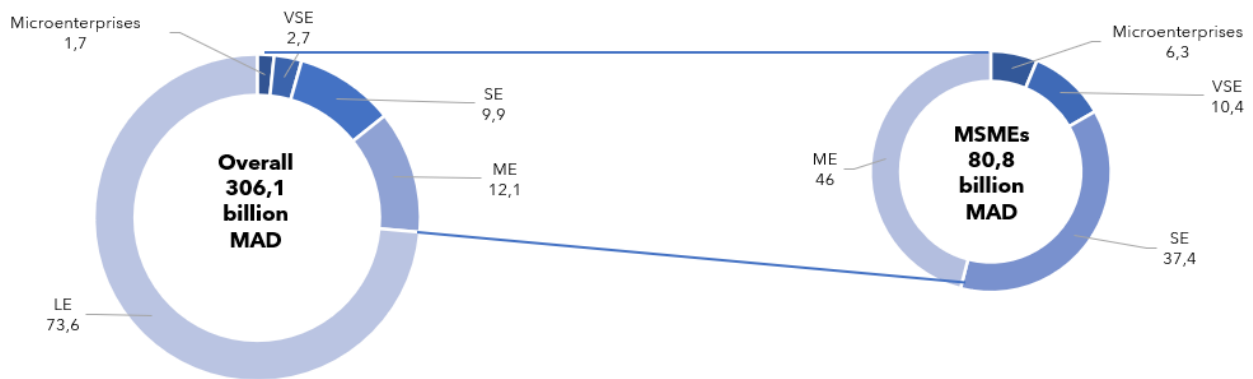
Source: Consolidated data provided by the DGI, OMPIC and CNSS.

4.3.Export turnover of Active Legal Entities

In 2019, the cumulative export turnover of ALEs amounted to 306 billion dirhams, 73.6% of which was generated by large enterprises and 26.4% by MSMEs.

If the cumulative export turnover of MSMEs is considered on its own, we will note that medium-sized enterprises achieved almost 46% of this total, while the share of microenterprises was limited to 6.3% (See Graph 9).

Graph 9 - Breakdown of cumulative export turnover by category -2019



Source: DGI

Table 15 shows that the "Manufacturing industry" activity branch generated the largest share of ALE export turnover, i.e., 46%, followed by "Commerce; repair of automobiles and motorcycles" (17%) and "Mining and quarrying" (13.3%).

Table 15 - Breakdown of cumulative export turnover by activity branch - 2019

| Activity branch | Cumulative export turnover | |
|--|----------------------------|------------|
| | (In billion Dirhams) | (In %) |
| Manufacturing industry | 140.8 | 46.0 |
| Commerce; repair of automobiles and motorcycles | 52.1 | 17.0 |
| Mining and quarrying | 40.7 | 13.3 |
| Transportation and warehousing | 24.1 | 7.9 |
| Specialized, scientific and technical activities | 14.2 | 4.6 |
| Administrative and support services | 12.5 | 4.1 |
| Construction | 7.7 | 2.5 |
| Information and communication | 8.2 | 2.7 |
| Accommodation and catering services | 1.8 | 0.6 |
| Others | 4.0 | 1.3 |
| Total | 306.1 | 100 |

Source: DGI

The international positioning of MSMEs is particularly limited in the "Mining and quarrying", "Manufacturing industry", and "Transport and warehousing" activity branches, with respective shares of 2.6%, 17.1% and 25.6 %. On the other hand, the "Commerce;

repair of automobiles and motorcycles" and "Specialized, scientific and technical activities" branches show an almost balanced breakdown of export turnover among large and small enterprises (See table 16).

Table 16 - Breakdown of cumulative export turnover by enterprise category and activity branch- 2019

| Activity branch | LEs | MSMEs | Total | Share of LEs | Share of MSMEs |
|--|--|--------------|---------------|--------------|----------------|
| | Export cumulative turnover (In billion Dirhams) | | | (In %) | |
| Manufacturing industry | 116.72 | 24.04 | 140.76 | 82.9 | 57.7 |
| Commerce; repair of automobiles and motorcycles | 26.85 | 25.27 | 52.12 | 51.5 | 39.1 |
| Mining and quarrying | 39.66 | 1.04 | 40.70 | 97.4 | 49.0 |
| Transportation and warehousing | 17.94 | 6.17 | 24.12 | 74.4 | 26.4 |
| Specialized, scientific and technical activities | 6.97 | 7.20 | 14.17 | 49.2 | 17.1 |
| Administrative and support services | 5.28 | 7.21 | 12.49 | 42.3 | 48.5 |
| Construction | 4.71 | 3.02 | 7.73 | 60.9 | 2.6 |
| Others | 7.15 | 6.87 | 14.02 | 51.0 | 25.6 |
| Total | 225.28 | 80.82 | 306.10 | 73.6 | 50.8 |

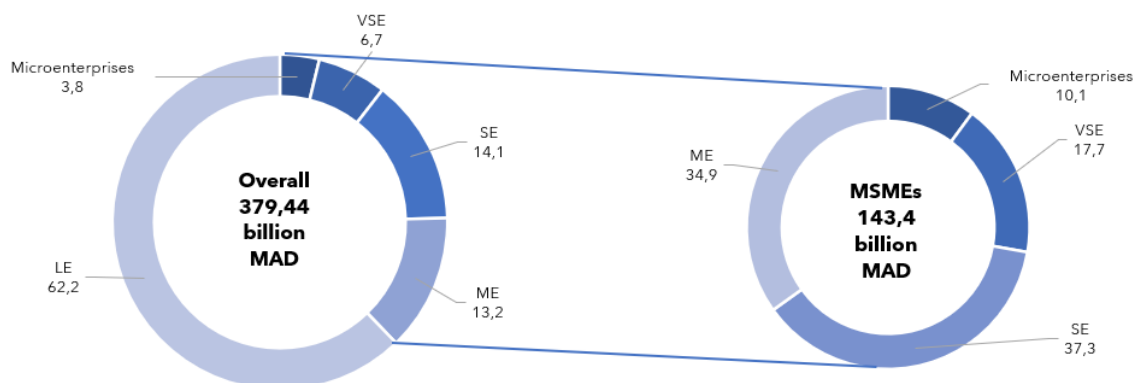
Source: DGI

4.4. Value-added of Active Legal Entities

This section presents the Value-Added (VA) of ALEs for 2019, along with its analysis by company category and activity branch.

The cumulative value-added of ALEs amounted to 379.4 billion dirhams, of which 62.2% was achieved by large enterprises and 37.8% by MSMEs (See Graph 10).

Graph 10 - Breakdown of cumulative VA by company category - 2019



Source: DGI

Together, "Manufacturing industry" and "Commerce; repair of automobiles and motorcycles" account for a 40.3% share of the overall value-added of ALEs. They are followed by "Construction" (11.5%) and "Specialized, scientific and technical activities" (7.9%) (See Table 17).

Table 17 - Breakdown of cumulative VA by activity branch - 2019

| Activity branch | Cumulative VA (In billion Dirhams) | (In %) |
|--|---------------------------------------|------------|
| Manufacturing industry | 77.13 | 20.3 |
| Commerce; repair of automobiles and motorcycles | 75.81 | 20.0 |
| Construction | 43.77 | 11.5 |
| Specialized, scientific and technical activities | 30.08 | 7.9 |
| Information and communication | 25.61 | 6.8 |
| Mining and quarrying | 25.18 | 6.6 |
| Transport and warehousing | 23.28 | 6.1 |
| Electricity, gas, steam and air conditioning supply and distribution | 22.82 | 6.0 |
| Administrative and support service activities | 20.11 | 5.3 |
| Accommodation and catering services | 11.64 | 3.1 |
| Education | 9.58 | 2.5 |
| Real estate activities | 7.28 | 1.9 |
| Others | 7.14 | 1.9 |
| Total | 379.44 | 100 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Box 4. Structure of national value-added

HCP National Accounts (HCP, 2019) indicate that the national value-added amounted to 1,018 billion dirhams. The tertiary sector leads the way in terms of the sector generating the largest share of the global value-added, with more than 586.2 billion dirhams, or 57.6% in 2019 against 56.8% in 2018. The tertiary sector's share grew from 3.8% in 2018 to 5.5% in 2019, driven mainly by the acceleration from 5% to 6.6% of the value-added of "General public administration and social security", resulting of the revaluation of wages and family allowances, and from 6.6% to 11.6% of the VA of Transport services.

Representing 28.6% in 2019, against 29.3% the previous year, the secondary sector comes second in terms of contribution to the global value-added, or 291.76 billion dirhams, posting an increase of 1.73%. This share is largely made up of activities related to the processing industry which represented 16.9% of this overall value-added. The primary sector, with 140 billion dirhams, up 3.4%, contributed 13.8% to the overall value-added in 2019, mainly generated by "Agriculture, hunting and related services", with a share of 12.6%, against 1.1% for "Fisheries and aquaculture".

MSMEs account for the largest share of VA generated under several activity branches

A cross-analysis of the overall VA, broken down by company category and activity branch (See Table 18), reveals the predominance of large enterprises, particularly in the "Mining

and quarrying” (96.1%), “Information and communication” (87.9%), and “Manufacturing industry” (74.2%) branches.

Table 18 - Breakdown of cumulative VA by company category and activity branch -2019

| Activity branch | MSMEs | LEs | Total | Share of MSMEs | Share of LEs |
|---|----------------------|--------------|--------------|----------------|--------------|
| | (In billion dirhams) | | | In % | |
| Manufacturing industry | 19.9 | 57.2 | 77.1 | 25.8 | 74.2 |
| Commerce; repair of automobiles and motorcycles | 36.4 | 39.4 | 75.8 | 48.0 | 52.0 |
| Construction | 25.7 | 18.1 | 43.8 | 58.7 | 41.3 |
| Specialized, scientific and technical services | 16.1 | 14.0 | 30.1 | 53.5 | 46.5 |
| Information and communication | 3.1 | 22.6 | 25.7 | 12.1 | 87.9 |
| Mining and quarrying | 1.0 | 24.2 | 25.2 | 4 | 96.1 |
| Transport and warehousing | 9.5 | 13.8 | 23.3 | 40.8 | 59.2 |
| Production and distribution of electricity, gas, steam... | 0.3 | 22.5 | 22.8 | 1.3 | 98.7 |
| Administrative and support service activities | 11.6 | 8.5 | 20.1 | 57.8 | 42.2 |
| Accommodation and catering | 6.1 | 5.5 | 11.6 | 52.6 | 47.4 |
| Education | 6.8 | 2.8 | 9.6 | 70.9 | 29.1 |
| Real estate activities | 2.9 | 4.4 | 7.3 | 39.7 | 60.3 |
| Production and distribution of water; sewerage, waste management... | 0.4 | 1.8 | 2.2 | 18.2 | 81.8 |
| Agriculture, forestry and fisheries | 1.4 | 0.5 | 1.9 | 73.7 | 26.3 |
| Other service activities | 1.1 | 0.1 | 1.2 | 91.7 | 8.3 |
| Human health and social action | 0.5 | 0.6 | 1.0 | 45.4 | 54.6 |
| Arts, entertainment and recreation | 0.6 | 0.2 | 0.9 | 75 | 25 |
| Total | 143.4 | 236.0 | 379.6 | 37.8 | 62.2 |

Source: DGI

On the other hand, small enterprises hold respective majority shares of 58.7%, 70.9%, 52.6% and 57.8% in the “Construction”, “Education”, “Accommodation and catering” and “Administrative and support service activities” branches. The “Commerce, repair of automobiles and motorcycles” posted an almost balanced distribution between large and small enterprises, with respective shares of 52% and 48%.

5. COMPANY EMPLOYMENT

- 5.1. Company employment characteristics
- 5.2. Contribution to employment by Legal Entities created in 2018 and 2019
- 5.3. Impact of Covid-19 on enterprises and jobs declared to CNSS

5. Company employment

5.1. Company employment characteristics

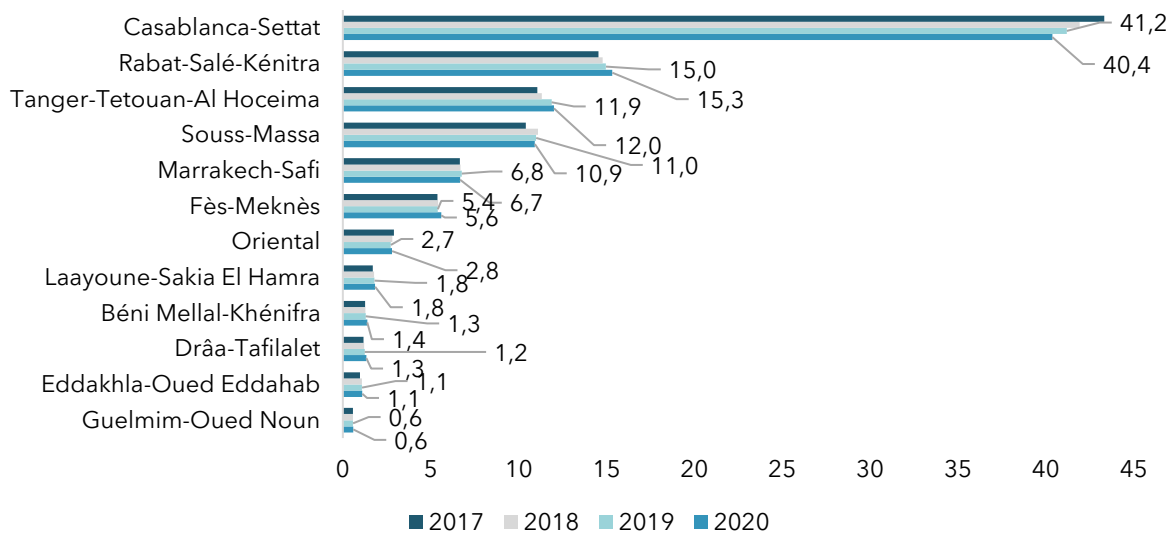
This section provides indicators on populations employed by ALEs and ANEs²⁵ that reported to CNSS during the period 2017-2020, notably their breakdown by region, size class, enterprise category and activity branch, as well as payroll data. It also presents an analysis of the impact of the Covid-19 pandemic on jobs and enterprises.

This analysis covers a population of 269,627²⁶ enterprises affiliated to CNSS in 2020 and declaring a total number of 3,300,000 employees, against 254,895²⁷ enterprises that declared 3,280,000 employees in 2019²⁸.

The Casablanca-Settat region accounts for more than 40% of all jobs

Analysis of the geographical breakdown of jobs shows that the Casablanca-Settat region accounted for 40.4% of all jobs declared in 2020, down 3 points from 2017. Conversely, the Rabat-Salé-Kénitra, Tangiers-Tetouan-Al Hoceima and Souss-Massa regions experienced respective increases of their percentages by 0.8, 0.9 and 0.5 points over the same period (See Graph 11).

Graph 11 - Regional Breakdown of salaried jobs in %



Source: Consolidated data provided by the DGI, OMPIC and CNSS

²⁵ Financial and non-financial enterprises reporting to CNSS.

²⁶ Including 191,004 ALEs and 78,623 ANEs.

²⁷ Including 179,045 ALEs and 75,850 ANEs.

²⁸ According to the CNSS 2019 Annual Report, affiliated enterprises for 2019 totaled 252,000 enterprises employing 3,540,000 declared employees. This report takes into consideration the figures updated by the CNSS.

Manufacturing and commerce employ more than 31% of the workforce declared in 2020

Analysis of ALE and ANE employment trends over 2017-2020 shows that “Manufacturing industry” was the main provider of employment with a 16.1% share, down by one percentage point compared to 2017. The “Commerce, repair of automobiles and motorcycles” branch comes second with a 15.2% share, up 0.3 point. With a share of 14.4%, “Construction” also recorded a drop of 0.5 point. With the exception of “Accommodation and catering” and “Education”, of which the shares also experienced slight decreases, the other branches saw their percentages increase, although not significantly (See Table 19).

Table 19 - Breakdown of ALE and ANE salaried jobs by activity branch in %

| Activity branch | Employment Breakdown | | | |
|---|----------------------|------------|------------|------------|
| | 2017 | 2018 | 2019 | 2020 |
| Manufacturing industry | 17.2 | 16.7 | 16.5 | 16.1 |
| Commerce; repair of automobiles and motorcycles | 14.9 | 14.9 | 14.9 | 15.2 |
| Construction | 14.9 | 14.4 | 14.2 | 14.4 |
| Administrative and support service activities | 13.9 | 14.1 | 14.1 | 14.2 |
| Agriculture, forestry, and fisheries | 12.4 | 13.3 | 13.6 | 13.7 |
| Specialized scientific and technical services | 5.4 | 5.6 | 5.6 | 5.5 |
| Accommodation and catering | 4.6 | 4.5 | 4.5 | 4.3 |
| Education | 3.6 | 3.4 | 3.4 | 3.5 |
| Transport and warehousing | 3.5 | 3.5 | 3.6 | 3.7 |
| Others | 9.6 | 9.6 | 9.5 | 9.5 |
| Total | 100 | 100 | 100 | 100 |

Source: Consolidated data provided by DGI, OMPIC and CNSS.

86.8% of enterprises have no more than 10 employees

In 2020, and as detailed in Table 20, 86.8% of enterprises had a workforce of no more than 10 employees. Those employing between 11 and 50 employees represented 10% of the company population. Large enterprises employing more than 500 people accounted for a limited 0.3%.

Table 20 - Breakdown of enterprises by size class in %

| Size class | Breakdown of ALEs-ANEs | | | |
|--------------|------------------------|------------|------------|------------|
| | 2017 | 2018 | 2019 | 2020 |
| [0,10] | 86 | 86.1 | 86.3 | 86.8 |
| [11, 50] | 10.4 | 10.4 | 10.3 | 10 |
| [51, 100] | 1.7 | 1.6 | 1.6 | 1.5 |
| [101, 500] | 1.5 | 1.5 | 1.5 | 1.4 |
| 500 | 0.4 | 0.4 | 0.3 | 0.3 |
| Total | 100 | 100 | 100 | 100 |

Source: Consolidated data provided by DGI, OMPIC and CNSS.

Small enterprises employ nearly 74% of the declared workforce

The breakdown of jobs by enterprise category shows that enterprises with a turnover of less than 175 million dirhams employed 73.7% of the workforce declared to CNSS in 2020.

If we consider only microenterprises, this proportion drops to 23.6% against 21.5% in 2019. As for LEs, their share decreased from 26.9% to 26.3% (See Table 21).

Table 21 - Breakdown of jobs by company category in %

| Enterprise category | Breakdown of jobs | | |
|---------------------|-------------------|------------|------------|
| | 2018 | 2019 | 2020 |
| Micro [0,3] | 21 | 21.5 | 23.6 |
| VSE [3,10] | 12.6 | 12.4 | 12.4 |
| SE [10,50] | 22.9 | 22.1 | 21.6 |
| ME [50,175] | 16.9 | 17.1 | 16.1 |
| LE > 175 | 26.6 | 26.9 | 26.3 |
| Total | 100 | 100 | 100 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS.

This analysis also reveals that small and medium-sized enterprises that have been in existence less than or equal to 5 years employed, in 2020, 19.6% of the total declared jobs, down 1.1 points from 2019. This proportion was 1.1% for large enterprises, i.e. marking a decline of 0.4 point (See Table 22).

Table 22 - Employment by business category and age group in %

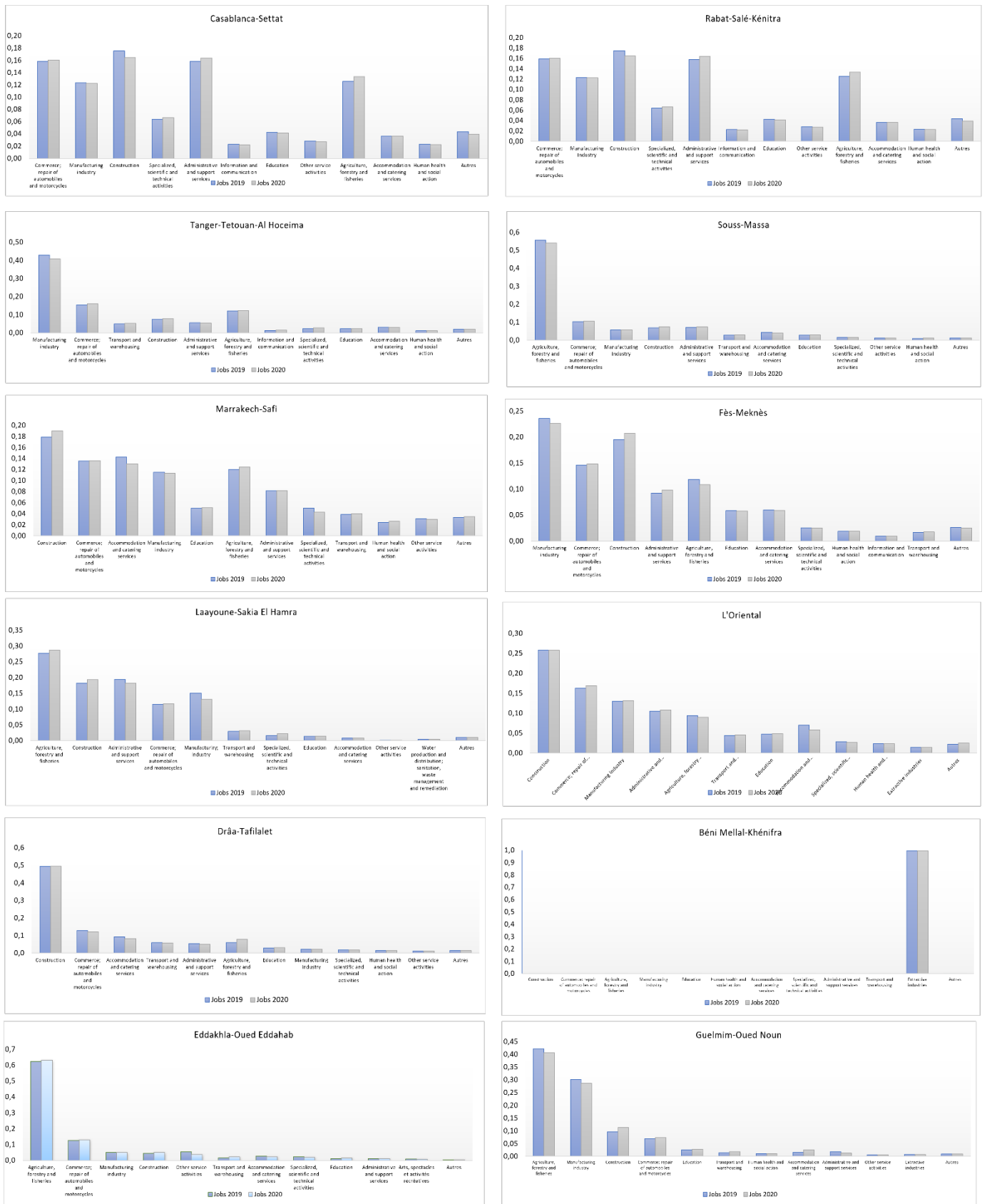
| Year | MSMEs | | LEs | |
|------|------------|-----------|------------|-----------|
| | <= 5 years | > 5 years | <= 5 years | > 5 years |
| 2017 | 20.3 | 53.4 | 2.1 | 24.1 |
| 2018 | 21.4 | 50.6 | 2.3 | 25.8 |
| 2019 | 20.7 | 52.4 | 1.5 | 25.3 |
| 2020 | 19.6 | 54.2 | 1.1 | 25.2 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS.

The cross-analysis of jobs numbers by activity branch and by region reveals that "Administrative and support service activities"²⁹ accounts for the highest number of jobs in the Casablanca-Settat region, i.e. nearly 22% of the total number of employees declared in this region (See Graph 12). In the Tangiers-Tetouan-Al Hoceima and Fez-Meknes regions, the "Manufacturing industry" represented the first contributor to employment with respective shares of 40.7% and 22.7%. Regarding the regions of Draa-Tafilalet, the Oriental, Marrakech-Safi and Rabat-Salé-Kenitra, the main branch contributing to employment was "Construction", with respective shares of 49.5%, 26%, 19% and 16.5%. As for the Souss-Massa, Laayoune-Sakia El Hamra, Guelmim-Oued Noun and Dakhla-Oued Eddahab regions, "Agriculture, forestry and fisheries" was the first job-creator. In the Beni Mellal-Khenifra region, almost all the jobs (99.7%) were concentrated under the "Mining and quarrying" branch.

²⁹ This sector includes rental and leasing activities, recruitment -related activities, travel agencies, investigation and security, building and landscaping services and administrative and other business support activities.

Graph 12 - Breakdown of company employment by region in %



Source: Consolidated data provided by the DGI, OMPIC and CNSS.

In 2020, the overall payroll amounted to 149.8 billion dirhams. Its breakdown by size class shows that 37.3% of the total payroll was accounted for by enterprises with workforces higher than 500 persons. Enterprises employing between 101 & 500 people came in second (24.9%), followed by enterprises with a workforce between 11 and 50 people (15.9%). These proportions recorded a drop of around 0.5 point for enterprises with a workforce of no more than 50 employees and an increase of nearly 0.4 point for other enterprises (See Table 23).

Table 23 - Payroll evolution by size class, in billion dirhams

| Size class | 2017 | | 2018 | | 2019 | | 2020 | |
|--------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|
| | Payroll | In % | Payroll | In % | Payroll | In % | Payroll | In % |
| [0,10] | 17.28 | 12.7 | 18.52 | 12.8 | 19.98 | 12.8 | 18.26 | 12.2 |
| [11 , 50] | 22.42 | 16.5 | 24.04 | 16.6 | 25.48 | 16.4 | 23.86 | 15.9 |
| [51, 100] | 12.58 | 9.3 | 13.09 | 9 | 14.34 | 9.2 | 13.88 | 9.3 |
| [101, 500] | 33.21 | 24.5 | 35.87 | 24.8 | 38.18 | 24.5 | 37.31 | 24.9 |
| 500 | 50.1 | 36.9 | 53.41 | 36.8 | 57.73 | 37.1 | 56.47 | 37.3 |
| Total | 135.61 | 100 | 144.94 | 100 | 155.72 | 100 | 149.78 | 100 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Commerce and manufacturing represented nearly 36% of the 2020 payroll

The breakdown of payroll by activity branch over 2017-2020 (See Table 24) reveals that "Commerce, repair of automobiles and motorcycles" accounted for the largest share, i.e. 18.7%. The "Manufacturing industry" and "Construction" branches ranked 2nd and 3rd at, respectively 17.2% and 10%.

Table 24 - Breakdown of payroll by activity branch in %

| Activity branch | Payroll Breakdown | | | |
|---|-------------------|------------|------------|------------|
| | 2017 | 2018 | 2019 | 2020 |
| Commerce; repair of automobiles and motorcycles | 18.5 | 18.4 | 18.2 | 18.7 |
| Manufacturing industry | 18.2 | 17.9 | 17.6 | 17.2 |
| Others | 13.4 | 13.6 | 14 | 14.5 |
| Construction | 10.8 | 10.5 | 10.4 | 10 |
| Specialized, scientific and technical services | 8.2 | 8.6 | 8.9 | 9.2 |
| Administrative and support service activities | 8.4 | 8.6 | 8.8 | 9.1 |
| Financial and insurance activities | 8.4 | 8.3 | 8.1 | 8.6 |
| Agriculture, forestry and fisheries | 4.9 | 5 | 5 | 5.3 |
| Transport and warehousing | 5.2 | 5.1 | 5.1 | 4.9 |
| Accommodation and catering | 4 | 4 | 4 | 2.7 |
| Total | 100 | 100 | 100 | 100 |

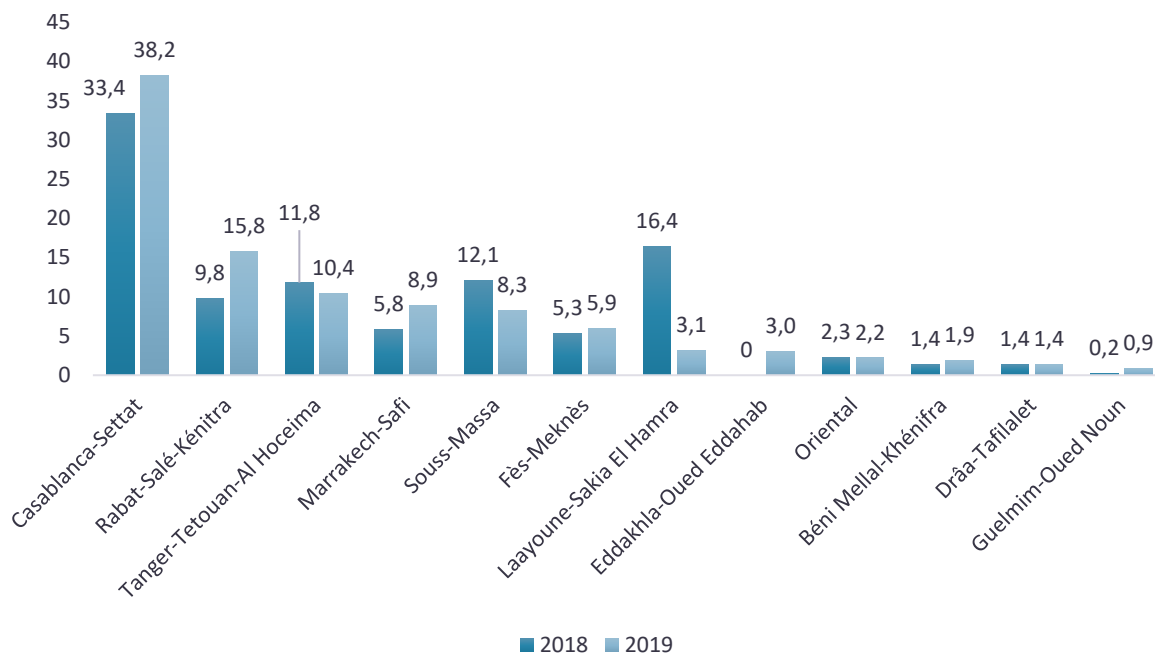
Source: Consolidated data provided by the DGI, OMPIC and CNSS.

5.2. Contribution to employment by Legal Entities created in 2018 and 2019

This subsection presents an analysis of the jobs created by ALEs in 2018 and 2019 by region, activity branch and turnover segment.

2019 witnessed the creation of 71,278 jobs against 50,673 a year earlier, by enterprises that started their activities during this year. Enterprises in the Casablanca-Settat region contributed nearly 38.2%, followed by the Rabat-Salé-Kenitra region with 15.8% and the Tangiers-Tetouan-Al Hoceima region with 10.4% (See Graph 13).

Graph 13 - Regional breakdown of jobs created by new enterprises in %



Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Box 5. ANAPEC-facilitated employment

The Moroccan State makes youth employment contracts available to enterprises wishing to recruit young graduates. These contracts, dubbed IDMAJ, allow the company to recruit young graduates with reduced salary costs while training them.

Youth employment contracts are available in 3 models and give rise to exemptions from charges modulated according to the monthly salary level, the diploma of the recruited person and the duration of their registration with ANAPEC. Different ANAPEC contract models exist and can be presented as follows:

| Contract type | Eligible population | Duration | Training grant | Exemptions | | Conditions |
|----------------|--|-----------|------------------------------------|------------------------------------|------------|---|
| | | | | CNSS/VTT (vocational training tax) | Income Tax | |
| Model 1 | Graduates of schools and vocational training, and holders of school leaving certificates | 24 months | Between 1,600 and 2,409.64 dirhams | YES | YES | Registered at ANAPEC |
| Model 2 | Graduates of schools and vocational training, and holders of school leaving certificates | 24 months | Between 1,600 and 6,000 dirhams | YES | YES | Registered at ANAPEC for more than 6 months |
| Model 3 | Graduates of schools and vocational training, and holders of school leaving certificates | 24 months | Between 2,409.64 and 6,000 dirhams | YES | NO | Registered at ANAPEC |

To promote youth employment, the 2017 Finance Bill provided for the tax exemption of traineeship grants on a permanent basis. This exemption concerns graduates of higher education and vocational training institutions recruited by private enterprises. This tax incentive is granted to trainees for a period of 24 months, renewable for another 12 months if they are permanently recruited, provided that this allowance does not exceed 6,000 dirhams per month. In addition, trainees are no longer required to be registered with ANAPEC for 6 months to benefit from the exemption. However, trainees can only benefit from this provision once if they change jobs.

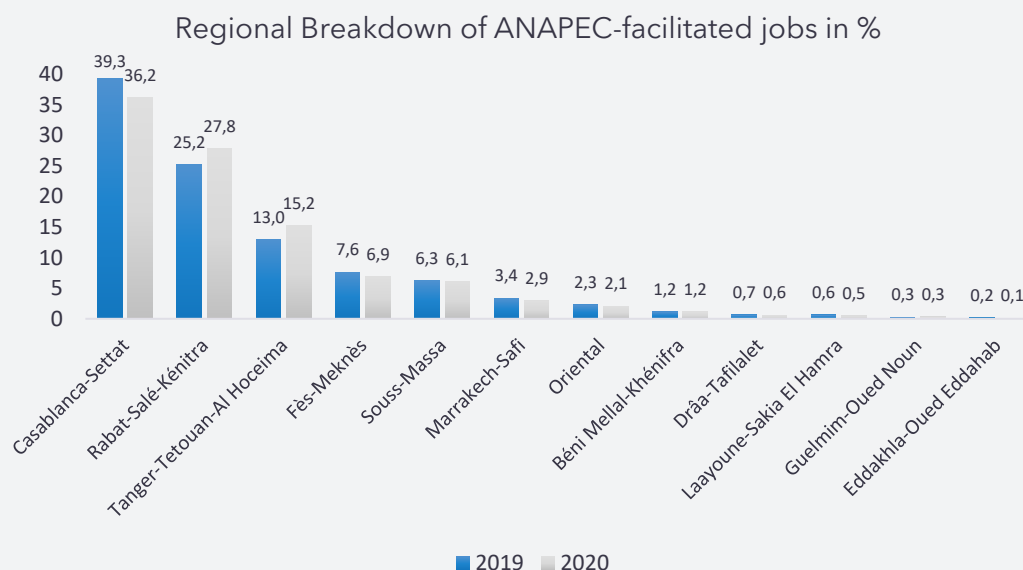
The General Tax Code (CGI) provides for several exemptions, including one related to research contracts. This measure is offered to enterprises to build-up their human capital and involves the exoneration of remunerations paid to their doctoral employees. The tax exemption is limited to a period of 24 months from the date of signature of the research contract and is conditional on the capping of the gross remuneration at 6,000 dirhams per month. The remuneration and allowances must be paid under a research contract and the doctoral students can only benefit from this facility once.

The Observatory carried out an analysis of ANAPEC-facilitated employees of ALEs and ANEs and declared to CNSS during 2019-2020, namely their breakdown by region, enterprise category, size class and activity branch. The analysis covered 117,302 employees declared in 2020 against 118,738 in 2019, or nearly 3.6 of the overall workforce.

The Casablanca-Settat region provided 36.2% of ANAPEC-facilitated jobs

Analysis of the geographical breakdown of ANAPEC-facilitated jobs shows that the Casablanca-Settat region accounted for 36.2% of the workforce declared in 2020, down

3.1 points compared to 2019, followed by Rabat-Salé-Kenitra (27.8%) and Tangiers-Tétouan-Al Hoceima (15.2%), up 2.6 and 2.2 points, respectively.



Source: Consolidated data provided by the DGI, OMPIC and CNSS.

The majority of ANAPEC-facilitated jobs were concentrated in enterprises with more than 500 people

In 2020, 60.3% of ANAPEC-facilitated jobs were concentrated in enterprises employing more than 500 people, up 3.2 points from 2019. Enterprises employing a workforce between 101 and 500 people came second with 16.3% of ANAPEC-facilitated jobs, followed by enterprises employing between 11 and 50 people with 10.7%, down 1.7 and 1.2 points respectively compared to 2019.

Breakdown of ANAPEC-facilitated jobs by size class in %

| Size class | ANAPEC-facilitated jobs | |
|--------------|-------------------------|------------|
| | 2019 | 2020 |
| [0,10] | 7.0 | 7.5 |
| [11 , 50] | 11.9 | 10.7 |
| [51, 100] | 6.0 | 5.2 |
| [101, 500] | 18.0 | 16.3 |
| + 500 | 57.1 | 60.3 |
| Total | 100 | 100 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Commerce and manufacturing attracted more than half of ANAPEC-facilitated jobs declared in 2020

In 2020, the breakdown of declared ANAPEC-facilitated jobs by activity branch revealed that "Commerce, repair of automobiles and motorcycles" was the top employer with 30.5% of the total workforce, followed by "Manufacturing industry" (28.6%), "Administrative and support service activities" (8.3%), and "Education" (7.7%).

Breakdown of ANAPEC-facilitated jobs by activity branch in %

| Activity branch | Breakdown of ANAPEC-facilitated jobs | |
|--|--------------------------------------|------------|
| | 2019 | 2020 |
| Commerce ; repair of automobiles and motorcycles | 31.2 | 30.5 |
| Manufacturing industry | 23.2 | 28.6 |
| Administrative and support service activities | 9.7 | 8.3 |
| Education | 3.9 | 3.4 |
| Specialized, scientific and technical services | 6.4 | 5.1 |
| Financial and insurance activities | 3.9 | 3.4 |
| Human health and social security | 3.0 | 3.1 |
| Construction | 3.2 | 3.1 |
| Other service activities | 2,8 | 2,6 |
| Others | 8.7 | 7.7 |
| Total | 100 | 100 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS.

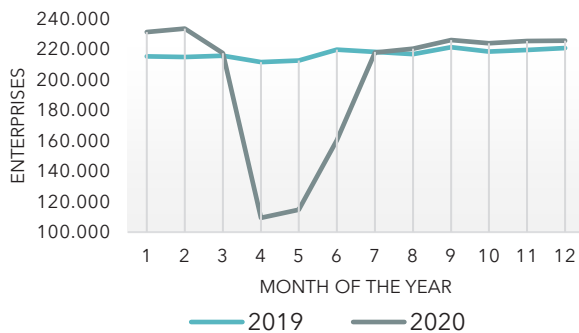
5.3. Impact of Covid-19 on enterprises and jobs declared to CNSS

This section analyses the impact of the Covid-19 pandemic on CNSS affiliations and declared jobs in 2020 as per three dimensions: geographical location, size class, and activity branch.

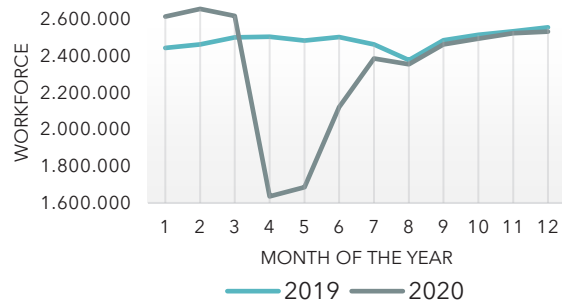
Decrease in the number of CNSS-affiliated enterprises and declared jobs

CNSS data show a significant decline in the number of CNSS affiliates, which number reached a low by end April 2020 with a year-on-year decline of 48.3% (see Graph 14). The same applied to the number of jobs registered with this Fund, which fell by 35.4%, translating into 899,844 employees, as a result of the pandemic-induced temporary or permanent cessation of activities by several enterprises (See Graph 15). These declines cover levels that are differentiated by region, activity branch and size class.

Graph 14 - Monthly evolution of enterprises reporting to CNSS



Graph 15 - Monthly evolution of jobs declared to CNSS



Source: Consolidated data provided by DGI, OMPIC and CNSS.

Box 6. Employment situation in 2020

According to the HCP, the Moroccan economy lost 589,000 jobs between the second quarter of 2019 and the same period of 2020. This resulted from the loss of 520,000 jobs in rural areas and 69,000 in urban areas, in contrast with an average annual creation of 64,000 jobs over the previous three years.

According to data obtained by CNSS, private sector enterprises in all sectors experienced a significant year-on-year decrease in registered jobs in Q2 of 2020.

By activity branch, enterprises in the "Accommodation and catering", "Manufacturing", "Construction" and "Commerce; repair of automobiles and motorcycles" branches recorded the most significant decreases of respectively 67.6%, 15.5%, 18.9% and 11.9%, due to temporary or permanent activity cessations.

Variations in employee numbers declared between Q2 2019 and Q2 2020, by activity branch³⁰

| Activity branch | Q2 variation (2019/2020) | Job losses |
|--|-----------------------------|----------------|
| Accommodation and catering | -67.6% | 86 094 |
| Manufacturing industry | -15.5% | 72 521 |
| Construction | -18.9% | 63 809 |
| Commerce; repair of automobiles and motorcycles | -11.9% | 50 442 |
| Administrative and support service activities | -8.5% | 26 594 |
| Specialized, scientific and technical activities | -16.9% | 24 761 |
| Transport and warehousing | -19.5% | 19 634 |
| Education | -18.4% | 18 516 |
| Agriculture, forestry, and fisheries | -6.8% | 15 991 |
| Other service activities | -20.2% | 10 488 |
| Information and communication | -11.5% | 5 310 |
| Arts, entertainment, and recreation | -51.7% | 5 199 |
| Human health and social action | -7.9% | 4 146 |
| Real estate activities | -28.8% | 2 936 |
| Mining and quarrying | -12.5% | 2 150 |
| Financial and insurance activities | -1.9% | 1 300 |
| Total | -16.1% | 409 891 |

Source : Consolidated data provided by the DGI, OMPIC and CNSS.

In terms of CNSS affiliation, the largest decreases were recorded as follows:

- Per region: in Draa-Tafilalet (56%), followed by Marrakech-Safi (53%), Rabat-Salé-Kénitra (49%) and Casablanca-Settat (47%) (See Graph 16).
- Per size class: among enterprises with between 0 and 10 employees at 53.5%, while enterprises with more than 500 employees experienced a drop of 8.2% (Graph 18).
- Per activity branch: the most significant declines were recorded in "Accommodation and catering", "Administrative and support services" and "Construction", with respective drops of 87.2%, 61.9% and 56.6% (See Graph 20).

³⁰ Changes in Q2 of 2020, compared to the same period in 2019 and calculated using data provided by the CNSS, were used to estimate the active employed population operating exclusively within the formal private sector, as defined by the HCP.

In terms of declared jobs, the largest declines were recorded as follows:

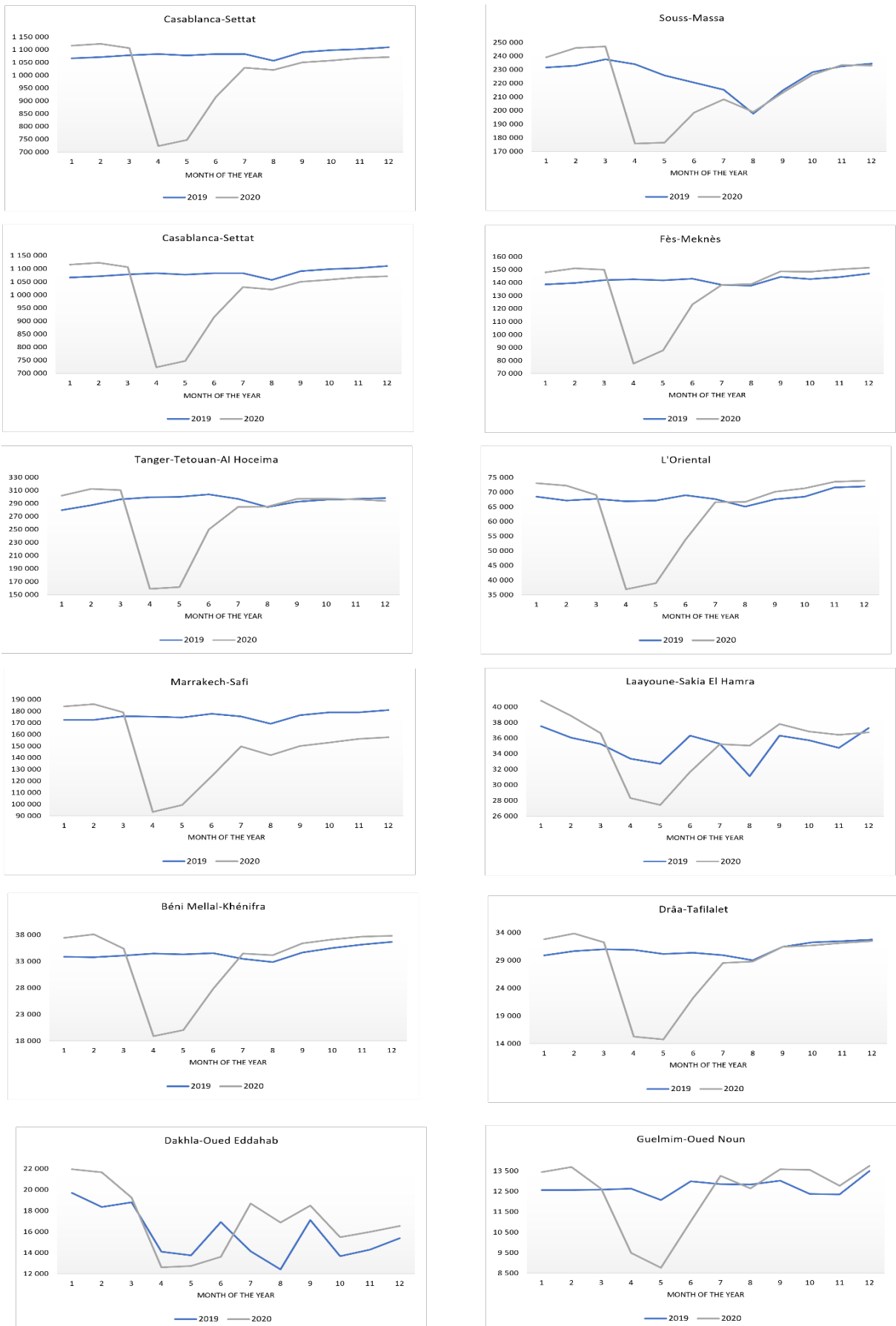
- Per region: the region of Drâa-Tafilalet (51%), followed by Tangier-Tetouan-Al Hoceima (47%), Casablanca-Settat (33.2%) and Rabat-Salé-Kenitra (27.8%) (See Graph 17).
- Per size class: the most significant declines were experienced by enterprises with between 0 and 10 employees at 57.4%, while enterprises with more than 500 employees experienced a decline of 23.6% (See Graph 19).
- Per activity branch: the "Accommodation and catering", "Manufacturing industry" and "Construction" branches were the worst affected with respective declines of 77%, 51% and 50.5% (See Graph 21).

Graph 16 - Monthly evolution of enterprises reporting to CNSS by region



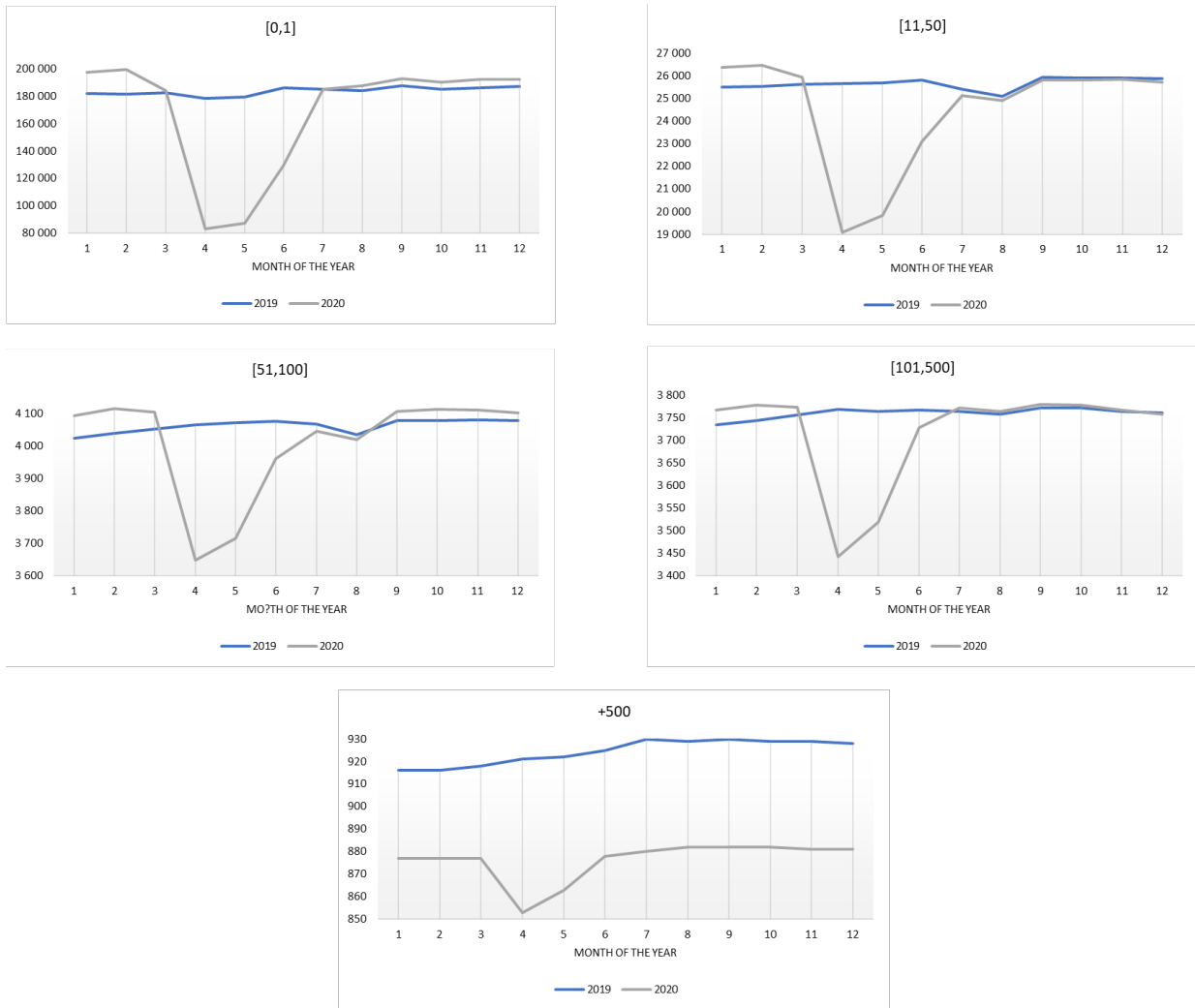
Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Graph 17 - Monthly evolution of jobs declared to CNSS by region



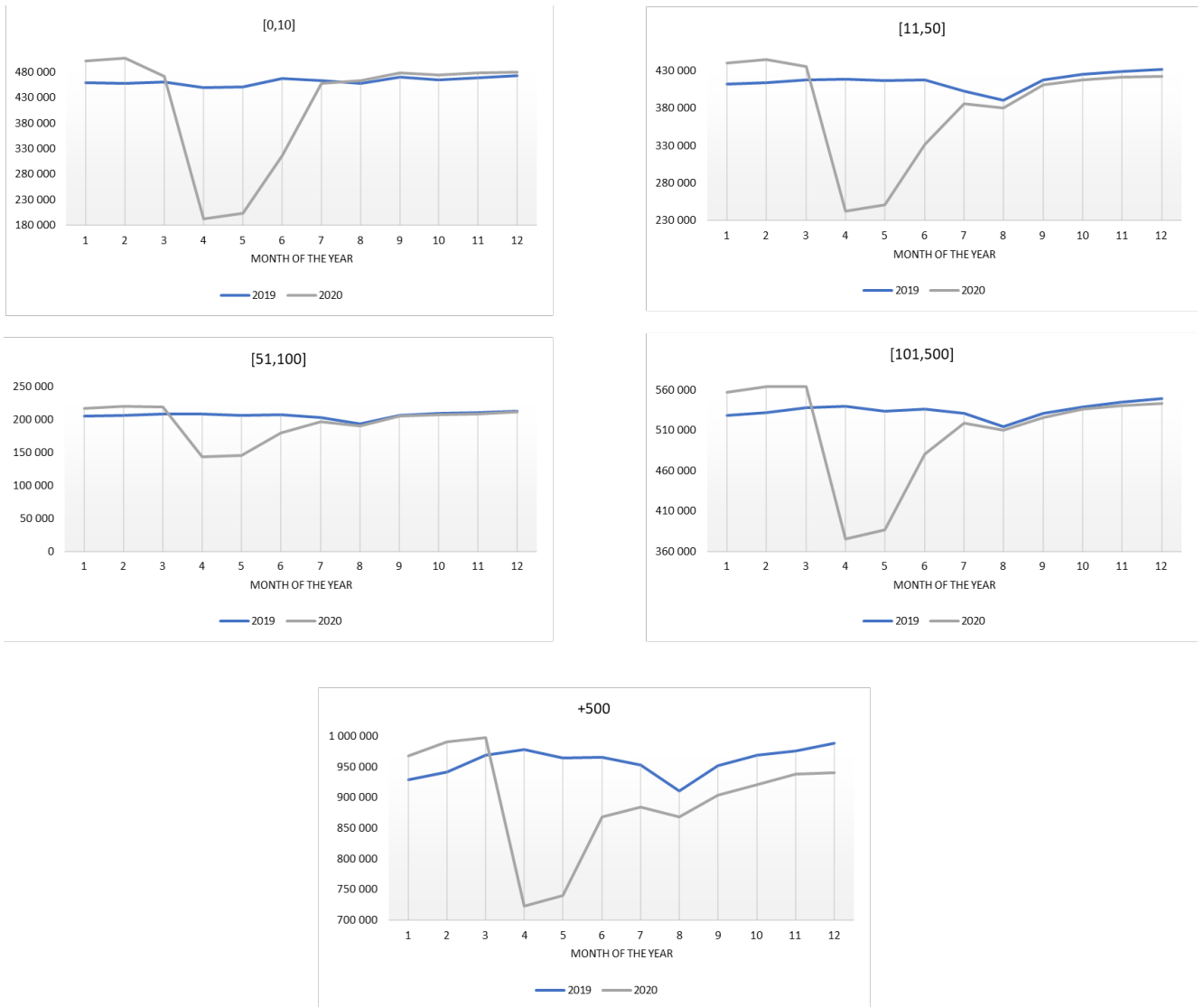
Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Graph 18 - Monthly evolution of enterprises reporting to CNSS by size class



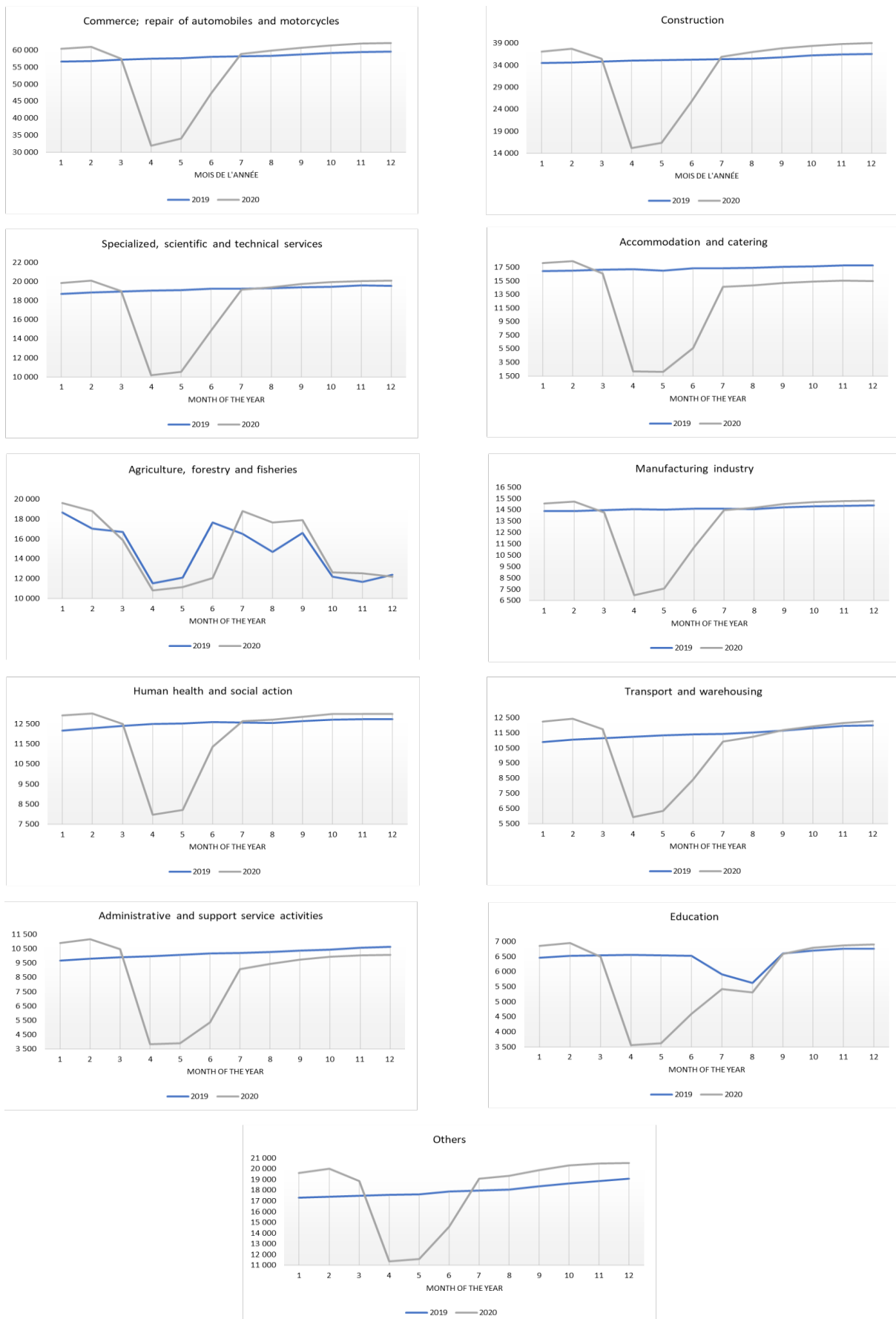
Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Graph 19 - Evolution of jobs declared to CNSS by size class



Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Graph 20 - Monthly evolution of enterprises reporting to CNSS by activity branch



Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Graph 21 - Monthly evolution of jobs declared to CNSS by activity branch

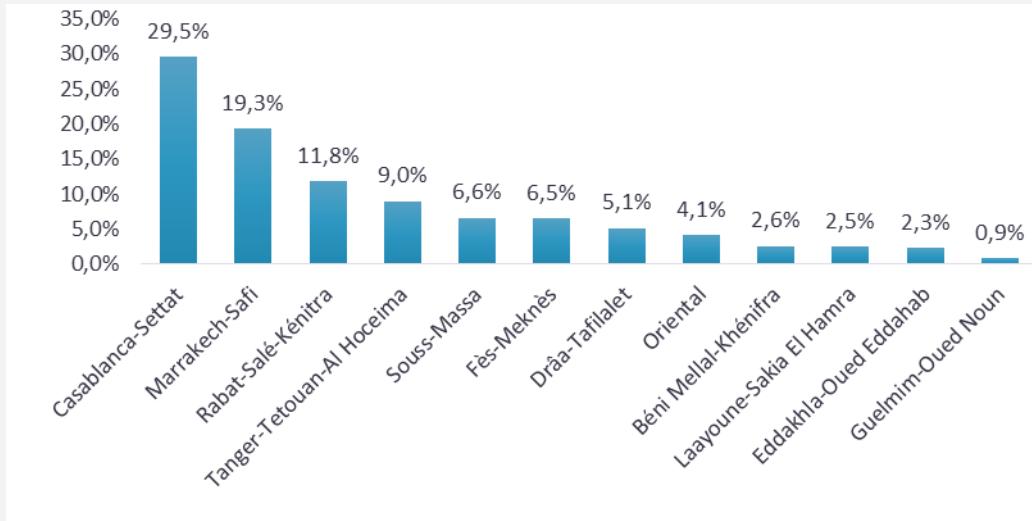


Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Box 7. Profile of companies that deregistered from CNSS after the pandemic start

Companies that ceased to be registered with CNSS since the start of the pandemic reached 15,266 in number by end 2020, representing a workforce of 48,614 persons. 29.5% of these companies were located in the Casablanca-Settat region, 19.3% in Marrakech-Safi and 11.8% in Rabat-Salé-Kénitra.

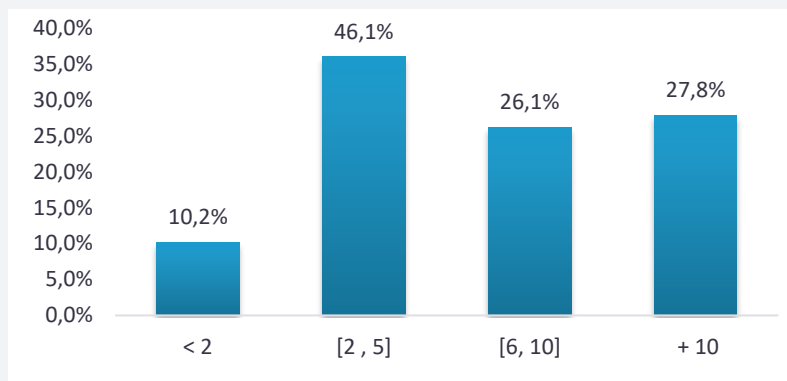
Regional breakdown of companies that deregistered from CNSS in %



Source: Consolidated data provided by the DGI, OMPIC and CNSS

Companies that underwent deregistration from CNSS were for the most part enterprises that had been in existence for 2 to 5 years (46.1%), followed by companies with more than 10 years in existence and those that had been operating for 6 to 10 years, with respective shares of 27.8% and 26.1%.

Breakdown by age of companies that deregistered from CNSS in %



Source: Consolidated data provided by the DGI, OMPIC and CNSS

In terms of activity branch, the worst hit companies operated in "Accommodation and catering" with a share of 18.4%, followed by "Commerce; repair of automobiles and motorcycles" (16.5%), "Construction" (13.8%) and "Administrative and support services" (10.6%).

Breakdown of enterprises that deregistered from CNSS by activity branch

| Activity branch | % of companies |
|--|-----------------------|
| Accommodation and catering | 18.42 |
| Commerce; repair of automobiles and motorcycles | 16.49 |
| Construction | 13.83 |
| Administrative and support service activities | 10.58 |
| Agriculture, forestry and fisheries | 9.10 |
| Transport and warehousing | 8.84 |
| Specialized, scientific and technical activities | 6.66 |
| Manufacturing industry | 4.11 |
| Other service activities | 2.29 |
| Human health and social action | 2.00 |
| Education | 1.83 |
| Information and communication | 1.72 |
| Real estate activities | 1.40 |
| Arts, entertainment and recreation | 1.35 |
| Financial and insurance activities | 0.77 |
| Others | 0.60 |
| Total | 100 |

Source: Consolidated data provided by DGI, OMPIC and CNSS.

An uneven resumption of activities both regionally and by activity branch

The decision to end the lockdown, taken by the Moroccan authorities in June, had an immediate impact on both the number of affiliated companies and on job declarations.

Thus, the number of affiliation operations recovered, reaching in July 2020 a level almost similar to that of the same month of 2019. This was the case for all companies, except those operating in:

- Draa-Tafilalet and Marrakech-Safi regions, which concluded the year with respective declines of 1.1% and 4.6% (See Chart 16);
- The "Accommodation and catering" and "Administrative and support services" activity branches which ended the year with respective declines of 13.2% and 5.2% (See Chart 20).

The number of jobs declared to CNSS also recovered in August 2020 to a level almost identical to the levels recorded a year earlier, with the exception of employment in:

- the regions of Casablanca-Settat and Marrakech-Safi, which concluded the year with respective declines of 3.5% and 13% (See Graph 17);
- the "Accommodation and catering services", the "Administrative and support services" and the "Manufacturing industry" activity branches which ended the year with respective drops of 28.3%, 2.3% and 3.4% (See Graph 21).

6. FINANCIAL SITUATION OF ACTIVE LEGAL ENTITIES

6. Financial situation of Active Legal Entities

This section analyzes the structure of liabilities of a company population common to the two financial years of 2018 and 2019 and of which the number was 60,812.³¹

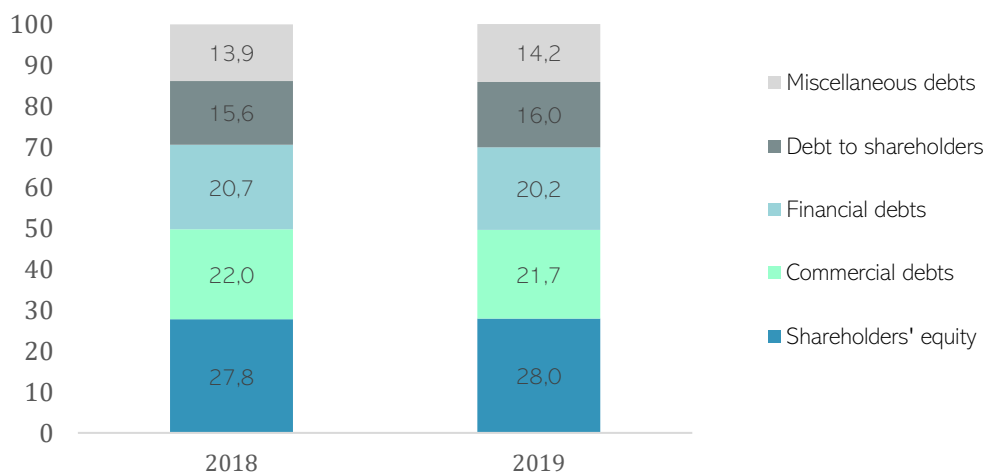
The corporate liability structure includes:

- shareholders' equity consisting of equity and similar capital;
- financial debt, including bank debt and bond debt;
- commercial debt measured by trade payables;
- debt to shareholders; and
- miscellaneous debts including mainly debts to the State and social security bodies.

Analysis of these companies' liabilities by end 2019 shows that, in general, equity capital constituted their first source of financing with a share of 28%, followed by commercial debt at 21.7%. These levels were almost identical to those of 2018.

Financial debt came third with a 20.2% share, down 0.5 points. Recourse to debt owed to partners, contracted in the form of unblocked current accounts, came in the fourth position among the different business financing instruments with a proportion of 16%, up 0.4 points (See Graph 22).

Graph 22 - Structure of ALE liabilities in %



Source: Consolidated data provided by the DGI, OMPIC, CNSS.

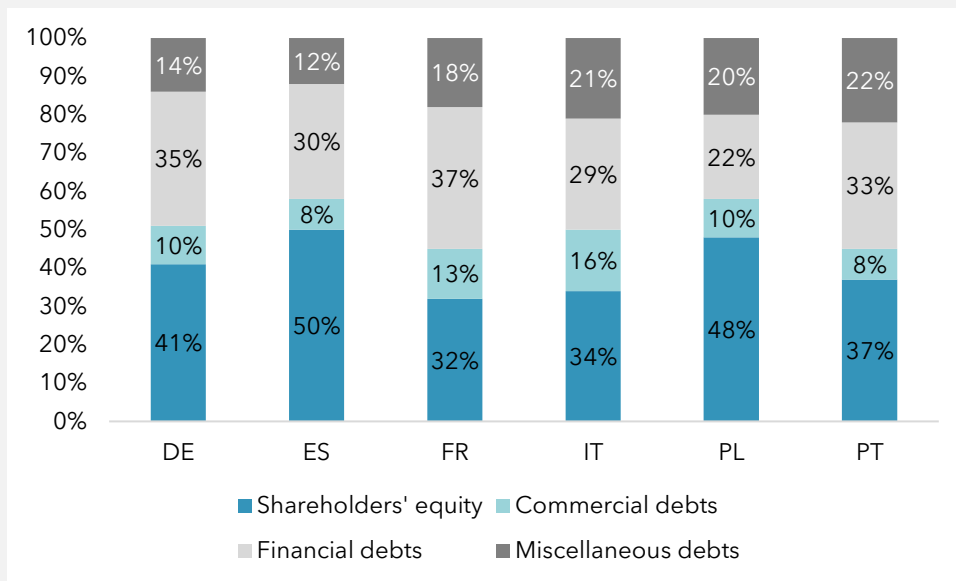
³¹ Cylindrical population of non-financial enterprises common to 2018 and 2019.

Box 8. Benchmarking the structure of corporate finance

In order to compare the structure of corporate finance in Morocco with other countries, a benchmark was carried out with a number of European countries of which the data are available in the BACH 2019 database.

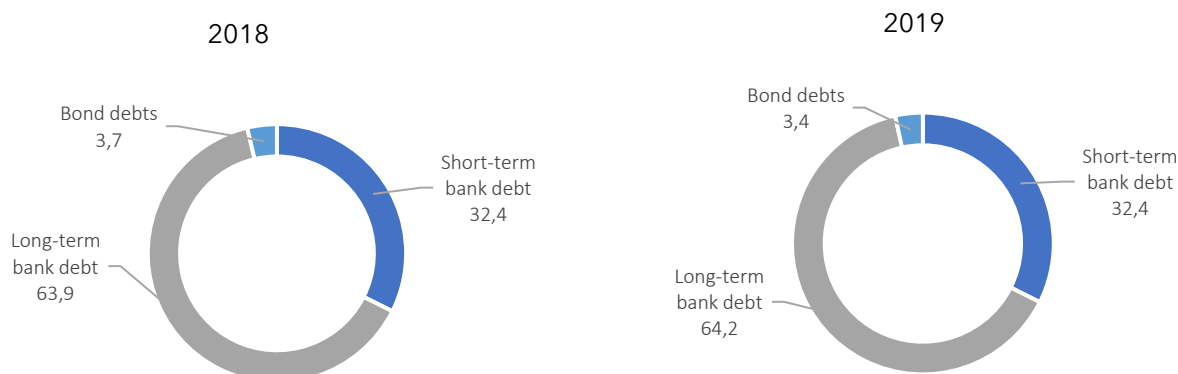
Equity capital is the main source of financing for companies in all benchmarked countries. Its share in their total resources ranges between 32% in France and 50% in Spain. Financial debt is the second most important source of financing, with a share of 37% in France, 30% in Spain and 33% in Portugal. Poland has the lowest share at 22%. As for commercial debt, its share varies from 8% in Spain to 16% in Italy.

Structure of corporate financing in some European countries (2019), in %



Bank loans accounted for 96.6% of financial debt, which proportion is almost identical to that of 2018, the remainder being in the form of bonds (See Graph 23). This reflects a marginal recourse by enterprises to the private debt market which remains largely dominated by the issues of financial institutions and a few large companies.

Graph 23 - Breakdown of financial debt in %



Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Analysis of the financing structure by company category at end 2019, reveals very distinct situations as was the case in 2018 (See Table 25). Thus, in the case of microenterprises, debt to partners, accounting for 47.4% of their total liabilities, continued to constitute the first component of their resources. Their equity share represented less than 20%, and that of their financial debt was limited to about 12%.

In contrast, large enterprises have relatively high levels of equity and financial debt, standing at proportions of almost 32% and 26% respectively, followed by commercial debt at 23.5%, while debt to partners is limited to 5.2%. VSEs recorded an increase of 4.1 points of their equity reaching 20.6%, while debt to partners dropped from 38.9% to 37.4% in 2019.

For SEs and MEs, equity was the leading financing source, with shares of 30.5% and 28.2% of their total liabilities, up 1.9 and 1.2 percentage points, respectively. Commercial debt ranked second with respective shares of 23.6% and 23%.

Table 25 - ALE financing structure by company category in %

| Financing sources | Micro [0,3] | | VSE [3 , 10] | | SE [10 , 50] | | ME [50 , 175] | | LE > 175 | |
|-------------------|-------------|------|--------------|------|--------------|------|---------------|------|----------|------|
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| Equity capital | 17.6 | 16.1 | 16.5 | 20.6 | 28.6 | 30.5 | 27.0 | 28.2 | 31.7 | 31.8 |
| Financial debt | 12.2 | 12.1 | 8.1 | 7.1 | 13.0 | 12.6 | 18.8 | 17.9 | 26.3 | 26.2 |
| Commercial debt | 10.4 | 11.4 | 22.9 | 22.0 | 23.4 | 23.6 | 24.0 | 23.0 | 23.8 | 23.5 |
| Debts to partners | 47.1 | 47.4 | 38.9 | 37.4 | 20.5 | 18.8 | 10.9 | 10.1 | 5.1 | 5.2 |
| Misc. debts | 12.7 | 13.0 | 13.7 | 12.8 | 14.6 | 14.5 | 19.3 | 20.8 | 13.1 | 13.4 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Generally, MSMEs have a positive net cash position, which reflects more of a lack of dynamism in some of these enterprises' activities

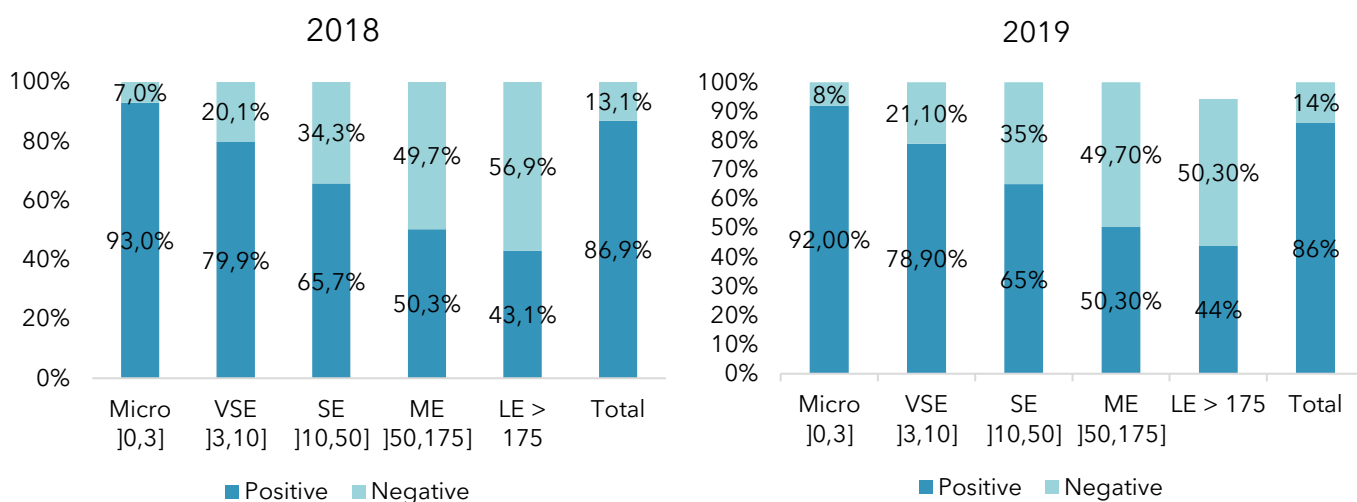
The net cash position of a company is calculated as the difference between its working capital and its working capital requirements, or between its cash assets and its cash liabilities. A positive cash position reflects the company's ability to cover its short-term commitments with its most liquid assets. In contrast, a negative cash position reflects a need for liquidity, prompting recourse to new resources, such as loans.

Analysis of net cash by company category shows that 86.7% of MSMEs posted a cash surplus in 2019, with no significant change compared to 2018 (See Graph 24). However, this proportion reflects disparate situations. In fact, 92% of microenterprises, 78.9% of VSEs, 65% of SEs and 50.3% of MEs had a positive cash position in 2019. But rather than being positive indicators, these ratios generally confirm the low level of investments and the lack of dynamism in the activity of these classes of companies.

On the other hand, 56% of LEs posted a negative cash flow balance, which reflects relatively larger size fixed and operating assets, generating WCR that are covered through recourse to bank loans and commercial debt in particular.

On the other hand, 54.7% of the MEs posted a negative cash position in 2018, similar to LEs (59.4%). These indicators reflect a relatively larger size of fixed and operating assets, generating WCR that covered by recourse to bank loans and commercial debt.

Graph 24 - Breakdown of ALEs by net cash position and company category



Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Several companies experienced a deterioration of their cash position in 2020 due to the impact of the pandemic crisis (See Box 9).

MSMEs liquidity margins are generally limited

The overall liquidity of the company population at end 2019, determined through the ratio of current assets to current liabilities, revealed average ratios ranging from 0.96 for microenterprises to 1.36 for LEs, which levels were almost identical to those of 2018.

Thus, a large proportion of MSMEs entered the pandemic crisis with limited liquidity margins and would have seen their cash position worsen in 2020 as a result of the crisis fallout (See Box 9).

Table 26 - Current ratio by company category

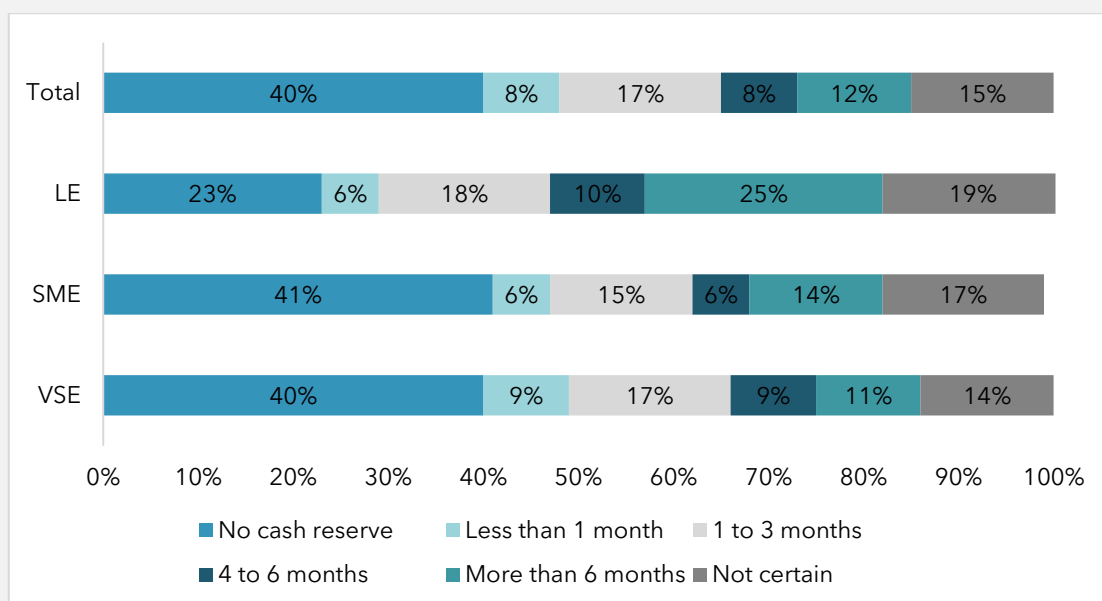
| Company category | Current ratio | |
|---------------------|---------------|-------------|
| | 2018 | 2019 |
| MSMEs | 1.08 | 1.15 |
| Micro [0,3] | 0.94 | 0.96 |
| VSE]3 , 10] | 0.88 | 1.15 |
| SE]10 , 50] | 1.23 | 1.24 |
| ME]50 , 175] | 1.33 | 1.38 |
| LEs > 175 | 1.40 | 1.36 |

Source: Consolidated data provided by DGI, OMPIC, and CNSS.

Box 9. Impact of Covid-19 on business cash flow

According to the HCP paper on the "Effects of Covid-19 on Business Activity", a survey conducted in January 2021 of a sample of 3,600 organized enterprises representing all units operating in manufacturing, construction, energy, mining, fisheries, commerce and non-financial market services, showed that 40% of the enterprises that took part in the survey had no cash reserves, and that for 8% of them, this reserve covered less than one month. 25% of the large enterprises surveyed had reserves covering more than 6 months, while this proportion stood at 14% for SEs and 11% for VSEs.

Cash reserves by company category (% enterprises)



According to the same source, the results of the survey revealed that 44% of companies with less than 10 years in existence had no cash reserves. This proportion drops to 38% for SEs and 36% for large enterprises in the same age bracket.

Furthermore, the survey findings showed that the effects of the crisis on enterprises' cash flow remained heterogeneous by activity branch. In the second half of 2020, 54% of business owners in the "Accommodation and catering" branch said they had no cash reserves, while 9% had less than one month's reserves. The impact has also been

significant in the "Construction" branch, with 46% of enterprises having no cash reserves and 12% having a reserve of less than one month.

Conversely, other sectors were more resilient. These include "Energy" and "Education and health" where 24% and 27% of enterprises, respectively, had a cash reserve of more than 6 months.

APPENDICES

1. Démographie des entreprises
2. Indicateurs économiques des entreprises
3. Emploi

1. Company demographics

Sectorial breakdown of enterprises into ALEs and ANEs - 2019

| Activity branch | ALEs | ANEs |
|--|------------|------------|
| Commerce; repair of automobiles and motorcycles | 28.6 | 38.9 |
| Construction | 23.1 | 4.5 |
| Specialized, scientific and technical activities | 9.5 | 5.5 |
| Manufacturing industry | 6.5 | 6.9 |
| Transport and warehousing | 6.6 | 12.7 |
| Administrative and support service activities | 6.0 | 1.0 |
| Accommodation and catering services | 5.1 | 7.3 |
| Real estate activities | 2.7 | 0.9 |
| Financial and insurance activities | 2.1 | 0.2 |
| Education | 2.1 | 1.8 |
| Information and communication | 1.7 | 1.3 |
| Agriculture, forestry and fisheries | 1.6 | 7.7 |
| Human health and social action | 1.1 | 6.9 |
| Others | 3.5 | 4.5 |
| Total | 100 | 100 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Breakdown of enterprises by activity branch and company category in % - 2019

| Activity branch | | MSMEs (%) | LEs (%) |
|---|------------------|-------------|------------|
| | Primary | | |
| Agriculture, forestry and fisheries | | 99.2 | 0.8 |
| | Secondary | | |
| Construction | | 99.8 | 0.2 |
| Manufacturing industry | | 98.7 | 1.3 |
| Extractive industries | | 98.9 | 1.1 |
| Water production and distribution; sanitation, waste management and remediation | | 97.7 | 2.3 |
| Production and distribution of electricity, gas, steam and air conditioning | | 96.7 | 3.3 |
| | Tertiary | | |
| Administrative and support service activities | | 99.7 | 0.3 |
| Financial and insurance activities | | 99.0 | 1.0 |
| Real estate activities | | 99.9 | 0.1 |
| Specialized, scientific and technical activities | | 99.9 | 0.1 |
| Arts, entertainment and leisure | | 99.9 | 0.1 |
| Other service activities | | 99.99 | 0.01 |
| Commerce; repair of automobiles and motorcycles | | 99.7 | 0.3 |
| Education | | 99.9 | 0.1 |
| Accommodation and catering | | 99.9 | 0.1 |
| Information and communication | | 99.8 | 0.2 |
| Human health and social action | | 99.99 | 0.01 |
| Transport and warehousing | | 99.9 | 0.1 |
| Total | | 98.4 | 1.6 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS.

2. Economic indicators of enterprises

Breakdown of ANE turnover by company category and activity in % - 2019

| Activity | [0, 1] | [1, 3] | [3, 10] | [10, 50] |
|--|-------------|-------------|-------------|-------------|
| Commerce; repair of automobiles and motorcycles | 20.7 | 27.8 | 14.5 | 37.0 |
| Construction | 19.7 | 28.1 | 26.3 | 26.0 |
| Human health and social action | 51.9 | 21.2 | 15.6 | 11.3 |
| Specialized, scientific and technical activities | 41.0 | 25.1 | 20.8 | 13.1 |
| Manufacturing industry | 48.6 | 13.1 | 15.0 | 23.4 |
| Transportation and warehousing | 63.2 | 14.2 | 10.4 | 12.3 |
| Accommodation and catering services | 52.9 | 21.6 | 12.7 | 12.7 |
| Real estate activities | 17.7 | 24.0 | 30.2 | 28.1 |
| Education | 30.8 | 36.5 | 28.8 | 3.8 |
| Information and communication | 31.7 | 41.5 | 24.4 | 2.4 |
| Other service activities | 76.9 | 5.1 | 10.3 | 7.7 |
| Agriculture, forestry and fisheries | 33.3 | 28.6 | 28.6 | 9.5 |
| Administrative service and support activities | 43.8 | 18.8 | 31.3 | 6.3 |
| Others | 52.9 | 23.5 | 23.5 | - |
| Total | 28.1 | 26.0 | 16.8 | 29.1 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS

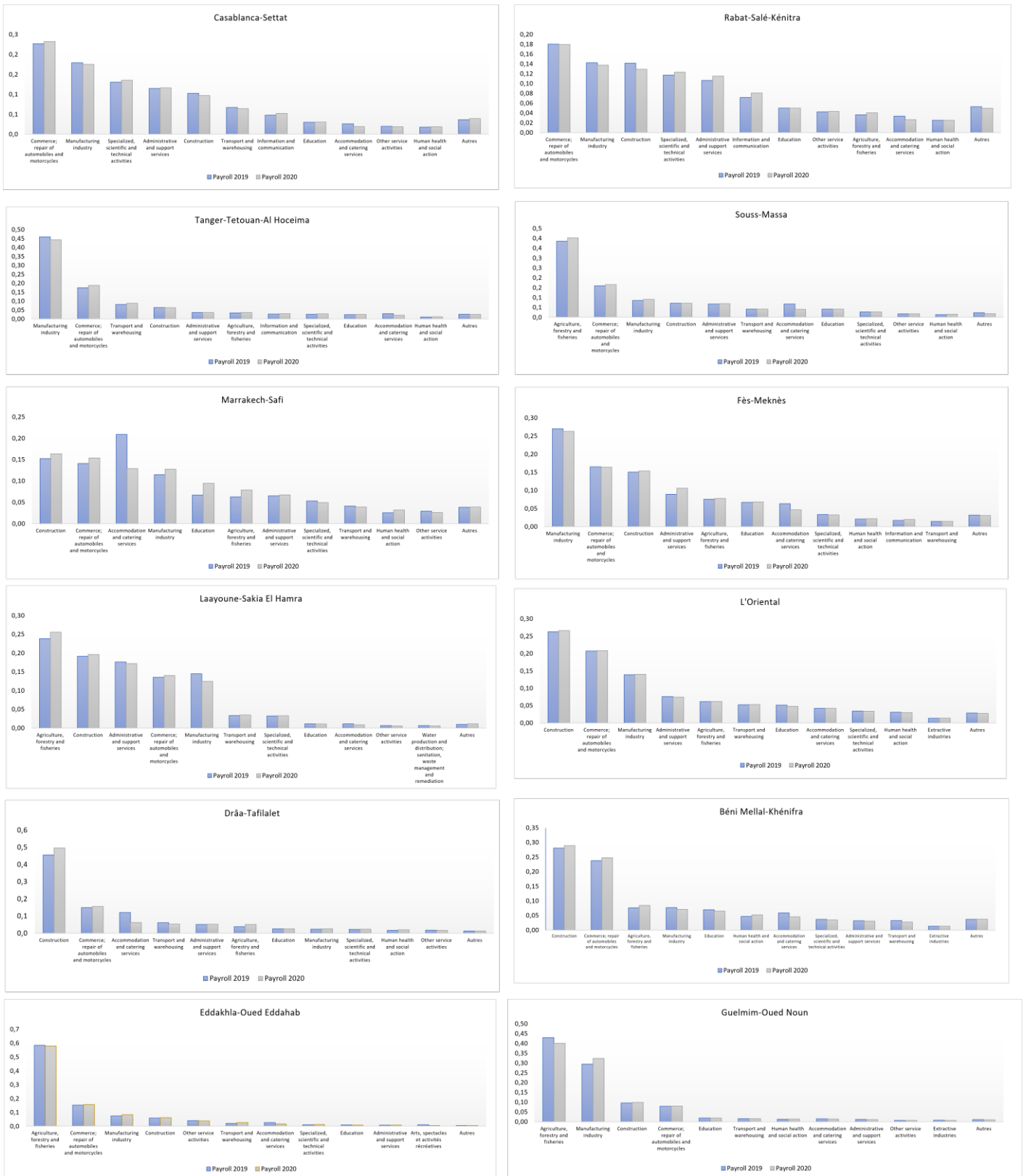
Breakdown of cumulative turnover of ALEs and ANEs by company category and activity branch- 2019

| Activity | MSMEs turnover (In billion Dirhams) | % of global turnover | LEs turnover (In billion Dirhams) | % of global turnover |
|---|-------------------------------------|----------------------|-----------------------------------|----------------------|
| Commerce; repair of automobiles and motorcycles | 274.87 | 15.43 | 350.61 | 19.69 |
| Manufacturing industry | 91.01 | 5.11 | 306.81 | 17.23 |
| Construction | 143.07 | 8.03 | 85.58 | 4.81 |
| Information and communication | 7.03 | 0.39 | 65.11 | 3.66 |
| Mining and quarrying | 4.46 | 0.25 | 61.21 | 3.44 |
| Transport and warehousing | 41.64 | 2.34 | 60.26 | 3.38 |
| Production and distribution of electricity, gas, steam and air conditioning | 1.91 | 0.11 | 59.65 | 3.35 |
| Specialized, scientific and technical activities | 43.40 | 2.44 | 26.10 | 1.47 |
| Administrative and support services | 26.43 | 1.48 | 17.75 | 1.00 |
| Water production and distribution; sanitation, waste management and remediation | 2.53 | 0.14 | 13.26 | 0.74 |
| Accommodation and catering services | 18.00 | 1.01 | 13.23 | 0.74 |
| Others | 46.26 | 2.60 | 20.74 | 1.16 |
| Total | 700.63 | 39.34 | 1 080.3 | 60.66 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS.

3. Employment

Sectorial breakdown of payroll by region in %



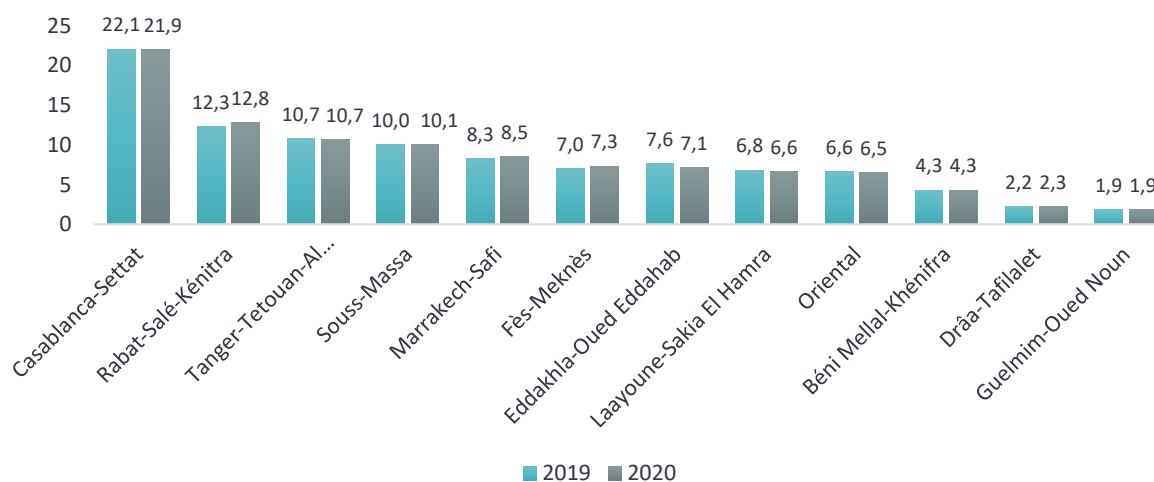
Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Sectorial breakdown of jobs by newly-created companies in %

| Activity branch | 2018 | 2019 |
|---|------------|------------|
| Commerce; repair of automobiles and motorcycles | 13.5 | 21.9 |
| Administrative and support service activities | 31.7 | 16.5 |
| Construction | 13 | 13.8 |
| Manufacturing industry | 16.3 | 11.9 |
| Transport and warehousing | 3.5 | 10.7 |
| Agriculture, forestry and fisheries | 0.9 | 7.3 |
| Specialized scientific and technical services | 8.3 | 4.5 |
| Accommodation and catering | 3.4 | 3 |
| Others | 3.4 | 2.9 |
| Water production and distribution, sewage | 1.8 | 2.6 |
| Education | 2.2 | 2 |
| Information and communication | 2 | 1.6 |
| Human health and social action | 0.9 | 1.3 |
| Total | 100 | 100 |

Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Regional breakdown of employment by ANEs in %



Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Breakdown of salaried jobs by ANEs by activity branch in %

| Activity branch | 2017 | 2018 | 2019 | 2020 |
|---|------------|------------|------------|------------|
| Agriculture, forestry and fisheries | 34.6 | 33.8 | 34.4 | 33.4 |
| Commerce; repair of automobiles and motorcycles | 18.2 | 18.8 | 18.9 | 19.2 |
| Accommodation and catering | 9.9 | 10 | 9.9 | 10 |
| Human health and social action | 6.8 | 7.6 | 7.8 | 8.1 |
| Education | 7.5 | 7.3 | 7.1 | 6.9 |
| Manufacturing industry | 6.3 | 6.1 | 5.9 | 5.6 |
| Specialized scientific and technical services | 5.4 | 5.6 | 5.6 | 5.7 |
| Construction | 5.6 | 5.2 | 4.7 | 4.5 |
| Other service activities | 1.7 | 1.7 | 1.7 | 1.7 |
| Transport and warehousing | 1.35 | 1.4 | 1.4 | 1.3 |
| Administrative and support service activities | 1.27 | 1.2 | 0.9 | 1.1 |
| Information and communication | 0.6 | 0.5 | 0.5 | 0.5 |
| Others | 0.9 | 0.9 | 1.3 | 2 |
| Total | 100 | 100 | 100 | 100 |

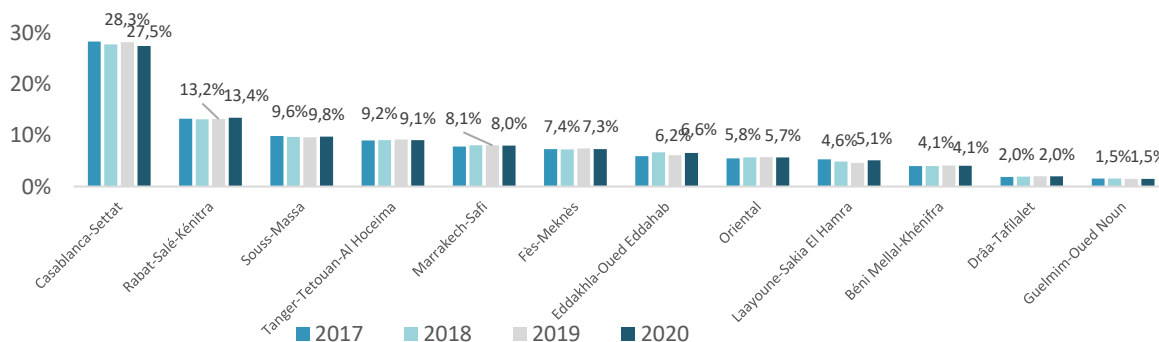
Source: Consolidated data provided by DGI, OMPIC and CNSS.

Breakdown of employment by ANEs by size class in %

| Size class | Breakdown of jobs by ANEs | | | |
|--------------|---------------------------|--------------|--------------|--------------|
| | 2017 | 2018 | 2019 | 2020 |
| [0,10] | 68.3 | 70.5 | 71.6 | 72.1 |
| [11 , 50] | 18.2 | 18.2 | 18.6 | 18.6 |
| [51, 100] | 3.3 | 3.3 | 3.5 | 3.3 |
| [101, 500] | 5.2 | 5.0 | 5.2 | 4.4 |
| + 500 | 5.0 | 3.0 | 1.1 | 1.6 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Consolidated data provided by DGI, OMPIC and CNSS.

Regional breakdown of ANE payroll in %



Source: Consolidated data provided by DGI, OMPIC and CNSS

Breakdown of ANE payroll by activity branch on %

| Activity branch | 2017 | 2018 | 2019 | 2020 |
|---|------------|------------|------------|------------|
| Commerce; repair of automobiles and motorcycles | 22.94 | 23.35 | 23.94 | 25.05 |
| Agriculture, forestry and fisheries | 24.47 | 23.68 | 22.24 | 24.07 |
| Human health and social action | 8.83 | 9.58 | 10.32 | 11.27 |
| Specialized, scientific and technical services | 9.67 | 9.84 | 10.14 | 9.88 |
| Accommodation and catering | 9.47 | 9.46 | 9.57 | 7.57 |
| Education | 7.20 | 7.29 | 7.53 | 7.15 |
| Manufacturing industry | 6.49 | 6.19 | 6.06 | 5.52 |
| Construction | 4.84 | 4.67 | 4.35 | 4.09 |
| Other service activities | 1.79 | 1.81 | 1.85 | 1.52 |
| Transport and warehousing | 1.57 | 1.58 | 1.63 | 1.49 |
| Administrative and support service activities | 0.90 | 0.80 | 0.70 | 0.93 |
| Information and communication | 0.62 | 0.58 | 0.57 | 0.49 |
| Financial and insurance activities | 0.52 | 0.49 | 0.47 | 0.49 |
| Real estate activities | 0.29 | 0.27 | 0.26 | 0.21 |
| Arts, entertainment and recreational activities | 0.23 | 0.22 | 0.22 | 0.13 |
| Mining and quarrying | 0.16 | 0.15 | 0.14 | 0.12 |
| Water production and distribution, sewage... | 0.017 | 0.017 | 0.019 | 0.021 |
| Production and distribution of electricity, gas, steam... | 0.001 | 0.001 | 0.001 | 0.001 |
| Total | 100 | 100 | 100 | 100 |

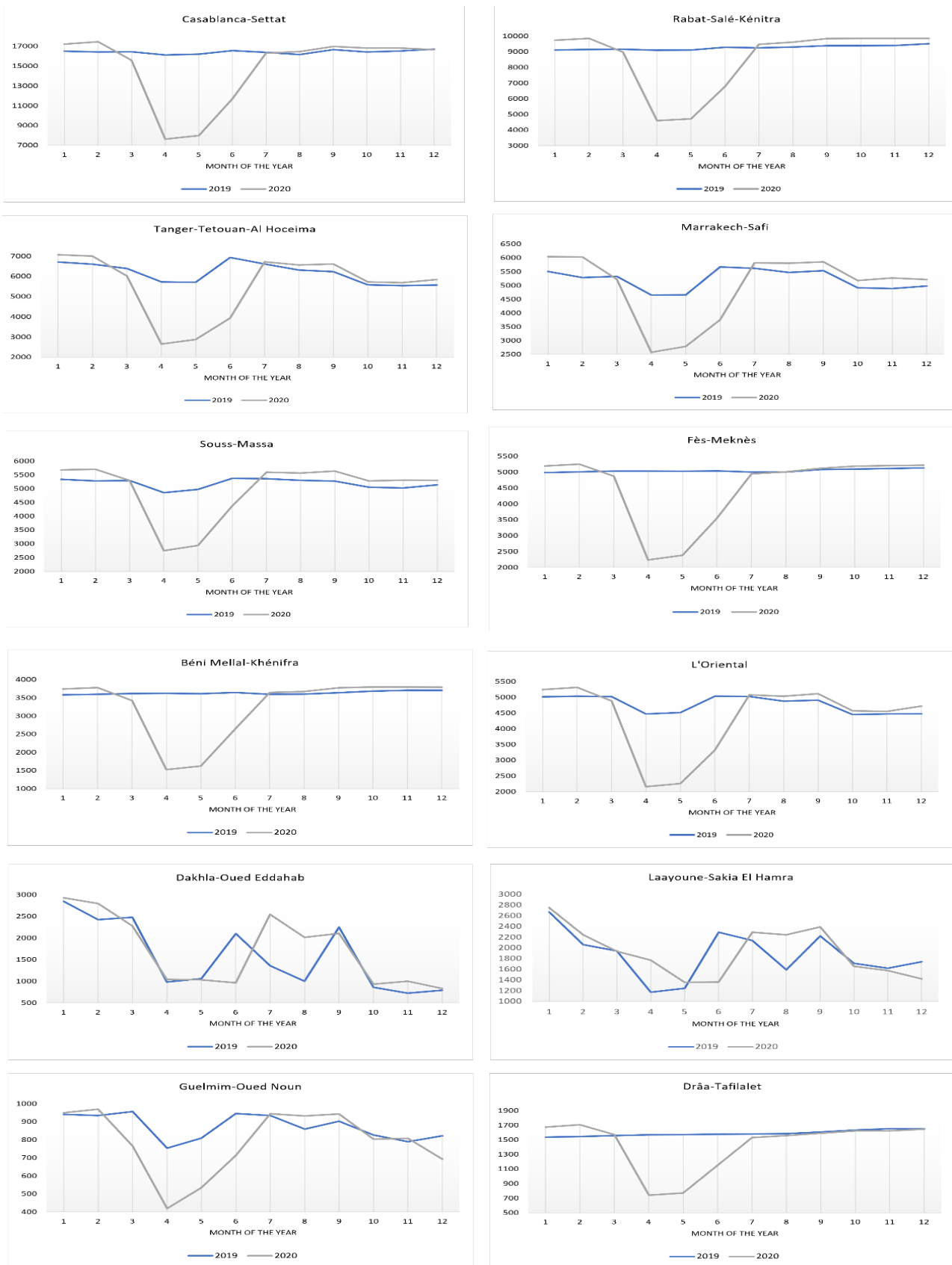
Source: Consolidated data provided by DGI, OMPIC and CNSS

Breakdown of ANE jobs and payroll by company category in %

| Company category | Job breakdown | | Payroll breakdown | |
|------------------|---------------|------------|-------------------|------------|
| | 2019 | 2020 | 2019 | 2020 |
| Micro [0,3] | 78.9 | 79 | 73.7 | 72.4 |
| VSE]3 , 10] | 11 | 10.7 | 13.1 | 13.7 |
| SE]10 , 50] | 7.6 | 7.7 | 9.3 | 9.8 |
| ME]50 , 175] | 1.9 | 1.9 | 2.5 | 2.4 |
| LE > 175 | 0.6 | 0.7 | 1.5 | 1.8 |
| Total | 100 | 100 | 100 | 100 |

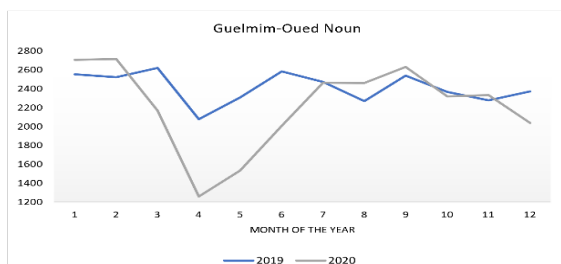
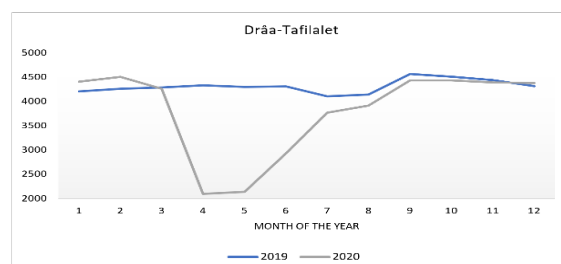
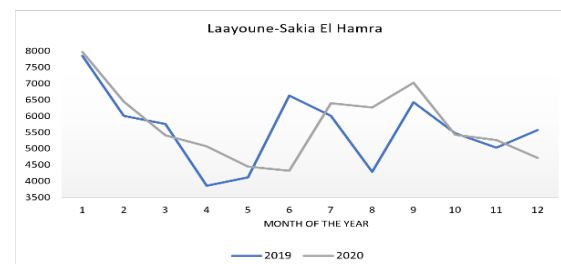
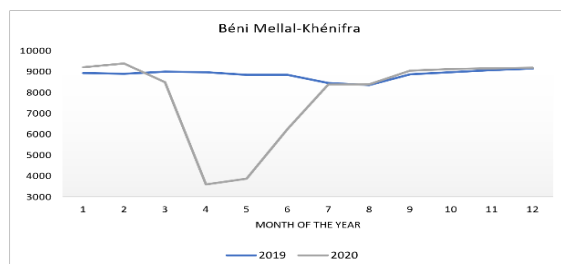
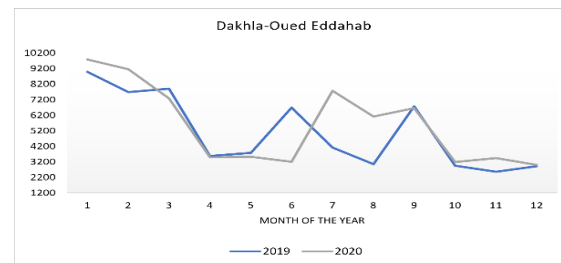
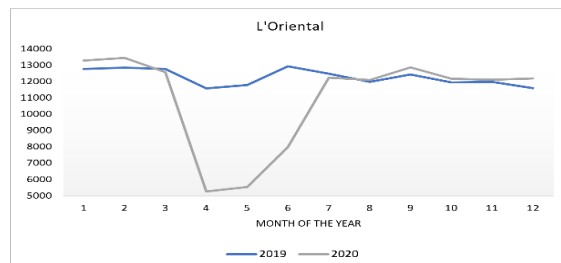
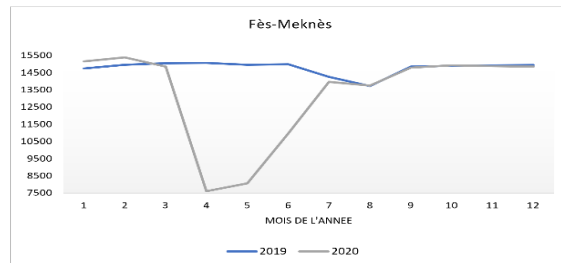
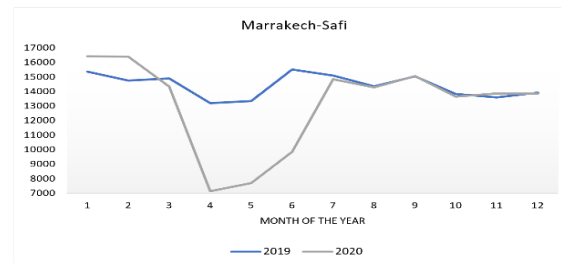
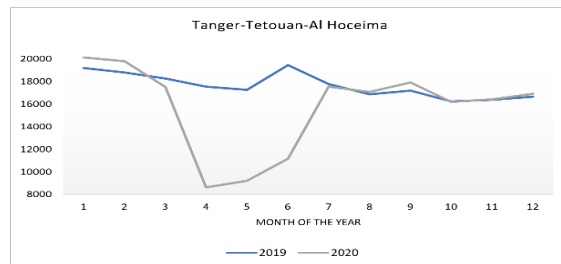
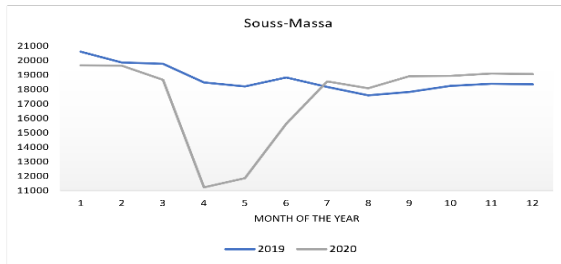
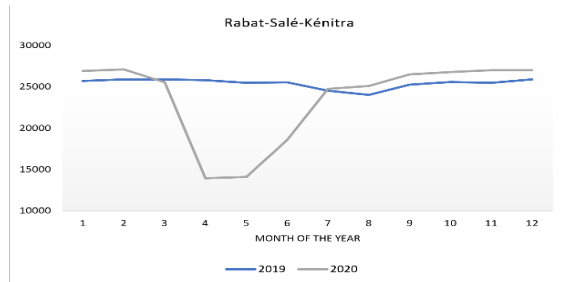
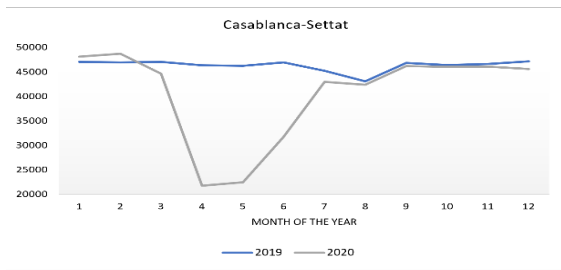
Source: Consolidated data provided by DGI, OMPIC and CNSS

Monthly evolution of ANEs registered with CNSS by region



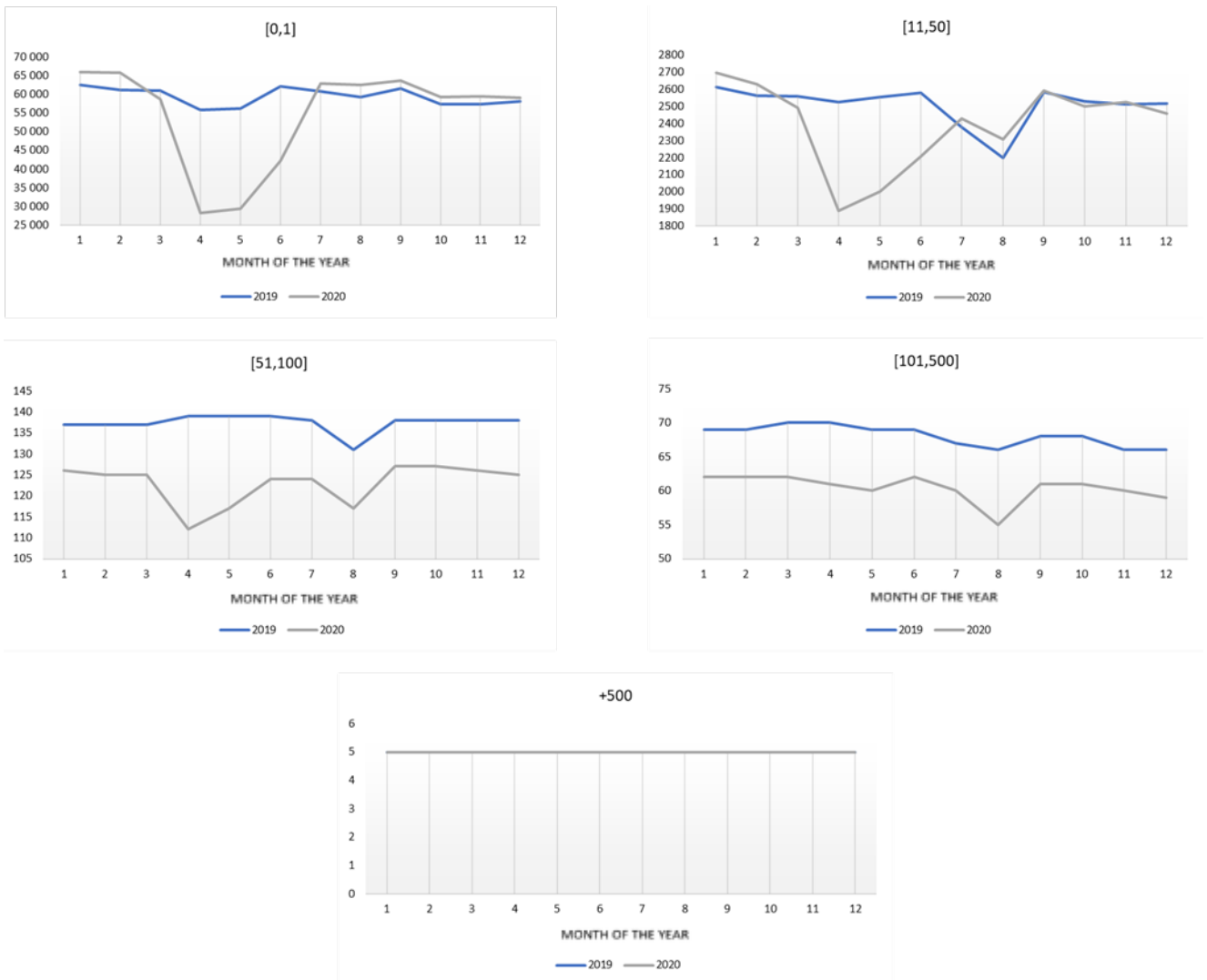
Source: Consolidated data provided by DGI, OMPIC and CNSS.

Monthly evolution of ANE job declarations to CNSS by region



Source: Consolidated data provided by DGI, OMPIC and CNSS.

Monthly evolution of ANEs registered with CNSS by size class



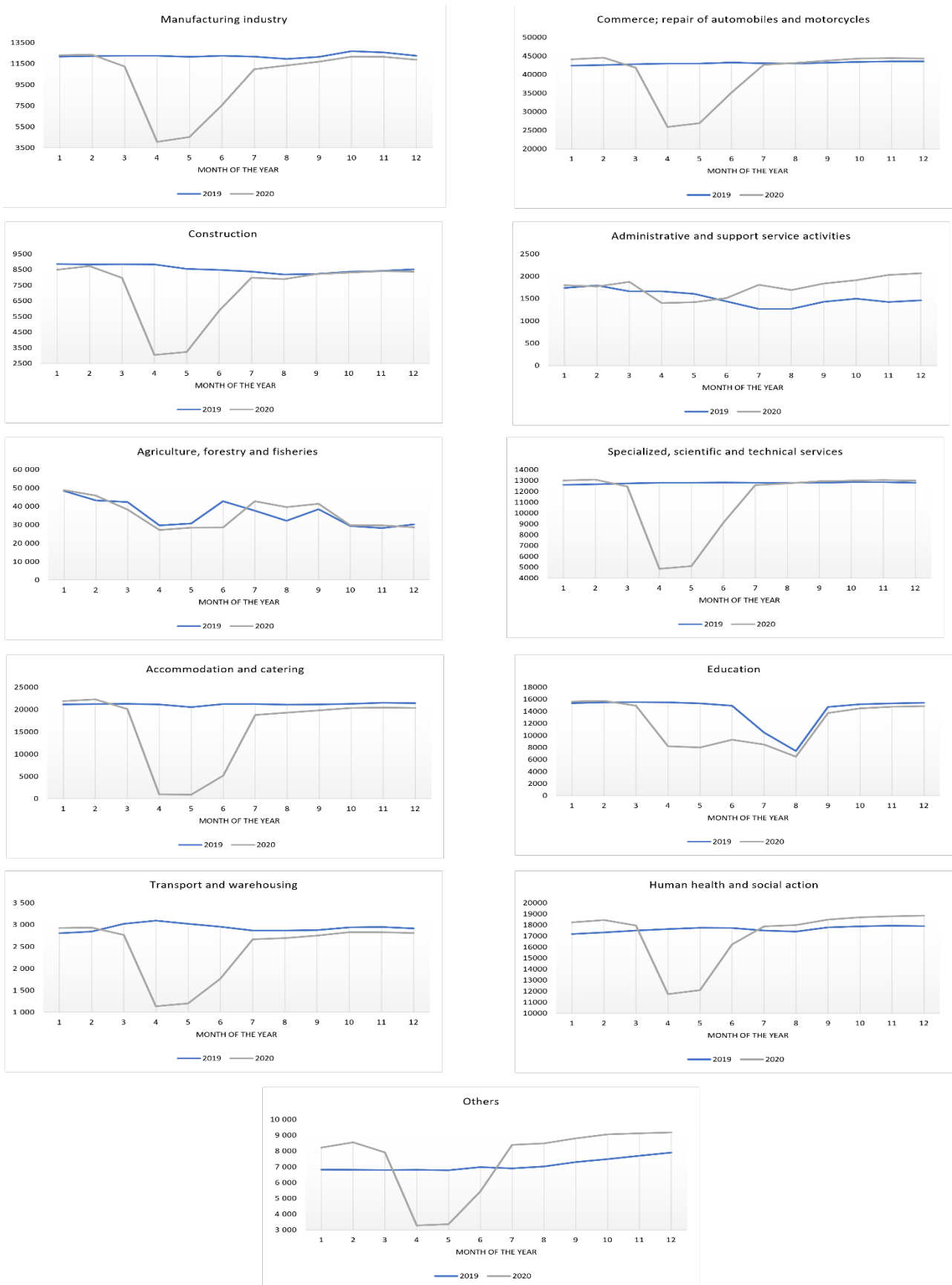
Source: Consolidated data provided by DGI, OMPIC and CNSS.

Monthly evolution of ANE job declarations to CNSS by size class



Source: Consolidated data provided by DGI, OMPIC and CNSS.

Monthly evolution of ANE job declarations to CNSS by activity branch



Source: Consolidated data provided by the DGI, OMPIC and CNSS.

Monthly evolution of ANEs registered with CNSS by activity branch



Source: Consolidated data provided by the DGI, OMPIC and CNSS.

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