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HIGHTLIGHTS: FIRST WAVE FEBRUARY 2021

Rapid Labour Force Survey of COVID-19 Impact on Small and Medium Enterprises in Morocco

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Key Findings

- By early July 2021, the number of confirmed Covid-19 cases in Morocco reached 531,361 with 9,296 deaths due to the virus. What started as a global pandemic in February 2020, soon evolved into a large-scale economic crisis, the effects of which reaching businesses and households in Morocco and the Middle East. As the first case of Covid-19 was detected in Morocco in 2 March 2020, the government imposed travel restrictions and closed borders by mid-March 2020. The Moroccan government enacted a strict lockdown, restricting movement, including public inter-city transportation and closing all businesses (except for essential businesses). The strict lockdown and mandatory confinement continued until partial lockdown measures were introduced on 20 June 2020. Using firm-level data from the first wave, the firms' section extends on the household survey analysis, by looking at the key findings from the data collected on small and medium enterprises in Morocco. The firms' survey was conducted by phone for firms that had 6-199 workers before the pandemic (February 2020).

- As of Februay 2020, more than half of the firms surveyed in Morocco operated in services and food and accommodation (38 and 24 percent, respectively), while 20 per cent were in construction and 13 percent were in trade and retail. Only five percent of the firms surveyed in Morocco operated in manufacturing and agriculture. The median number of workers in the full sample and for firms in services and in manufacturing and agriculture remained the same (16, 20 and 38 workers, respectively). Meanwhile, there is an increase of one worker for the median firm operating in food and accommodation (compared to 10 workers in Februay 2020). Over all economic activities, the mean number of all workers increased slightly between Februay 2020 and the time of the interview for the first wave (from 26.5 to 26.8), with the largest increase in the category of definite duration contract workers (from 4.6 workers in Februay 2020 to 4.9 currently). Most of the increase in average number of definite duration contract workers in Morocco, comes from firms in construction. With an increase of 0.5 workers, from seven workers in Februay 2020 to 7.5 currently. Notably, there has been a decline in the number of all types of workers for firms in services from Februay 2020 to the time of the interview.

- Nearly one quarter of the firms surveyed in Morocco either imported or exported in the year 2019. The economic sector with the highest mean share of importing and/or exporting firms (traders) is manufacturing and agriculture, where nearly 74.5 percent of firms were traders. In all economic activities, only 11.5 percent of firms (on average) were either partially or fully foreign owned in Morocco (57 firms, see Table 3-3). Out of those partially or fully foreign owned firms, 25 were in food and accommodation, 16 in services, and nine trade and retail.

- Most of the firms surveyed in Morocco reported adopting no coping strategies (72 per cent), and only 23 per cent reported contracting bank credit. Quite a few firms reported adopting other coping strategies. Out of 112 firms contracting bank credit, 36 were in services, 33 in construction, 21 in trade and retail and 19 in food and accommodation. The majority of firms surveyed in Morocco reported having business as usual (nearly 64 percent, 321 firms). Most of the firms having their business as usual were in services (134 firms) followed by firms in construction and in trade and retail (86 and 53, respectively). Out of the firms that experienced disruptions due to the pandemic, most reported reducing hours as a change to their current business status (28 per cent, 142 firms) and 5 per cent reported temporarily or permanently closing down (23 firms).

Introduction

By early July 2021, the number of confirmed Covid-19 cases in Morocco reached 531,361 with 9,296 deaths due to the virus. What started as a global pandemic in Februayruary 2020, soon evolved into a large-scale economic crisis, the effects of which reaching businesses and households in Morocco and the Middle East. Severe disruptions to supply chains, international trade, and travel had its toll on livelihoods and business activities in several sectors (Abay et al., 2021). As the first case of Covid-19 was detected in Morocco in 2 March 2020, the government imposed travel restrictions and closed borders by mid-March 2020. The Moroccan government enacted a strict lockdown, restricting movement, including public inter-city transportation and closing all businesses (except for essential businesses). The strict lockdown and mandatory confinement continued until partial lockdown measures were introduced on 20 June 2020 (Abouzzohour, 2020).

In an attempt to ease the impact of the pandemic on businesses and household, the Central Bank of Morocco introduced monetary policies on 29 March 2020 enhancing the banks' financing capacity and to support access to credit (IMF, 2021b; OECD, 2020). On 15 April, the Central Bank established a credit line to refinance new loans for SMEs for a period of two years. Towards the end of April 2020, the Government announced the creation of a new fund of MAD 32 bn to reinforce the healthcare system, provisions of social protection benefits such as food assistance and cash transfers in the forms of support to workers and the social security system (MEED, 2020; OECD, 2020). To support firms, the government suspended payments of all social taxes and established moratorium on the repayment of bank credit maturities without penalties until 30 June 2020. In addition, firms with revenues in the 2019 fiscal year less than MAD 20 mn were also offered the opportunity to postpone declaring their taxes until 30 June 2020.

Aside from the adverse economic effects of the pandemic, Morocco also experienced a sharp drop in exports in 2020 and a drought severely dropping its agriculture output (Abouzzohour, 2020). Recent estimates from the Centre Marocain de Conjoncture show that Morocco's GDP growth would decline to 0.8 compared to a forecasted 3.5 percent growth in January 2020 (IMF, 2021a; OECD, 2020). During the first quarter of 2021, unemployment rates in Morocco increased from 10.5 to 12.5 percent compared to the same period last year, with an estimated job loss of 600,000 jobs (Williams, 2021).

Using firm-level data from the first wave, the firms' section extends on the household survey analysis, by looking at the key findings from the data collected on small and medium enterprises in Morocco. **Table 2-1** below show the distribution of the firms (number of firms) surveyed by size and economic activity with row percentages in parenthesis[1].

Firm size		Manu. & Agri.	Const.	Trade & retail	Accom. & food	Services	All activities
6-9 workers	Feb-20	2 (1.5)	19 (16)	15 (12.2)	44 (36.3)	41 (34.1)	122 (100)
	Current	1 (1)	19 (15.5)	12 (10)	46 (38.1)	42 (35.4)	120 (100)
10-24 workers	Feb-20	6 (3.1)	42 (20.3)	30 (14.5)	58 (28.1)	70 (33.9)	206 (100)
	Current	7 (3.4)	42 (20.1)	33 (15.6)	58 (27.6)	70 (33.4)	209 (100)

[1] Figures in table 2.1 are weighted using firm weights.

25-49 workers	Feb-20	10 (9.1)	21 (20.2)	12 (11.1)	14 (13.1)	49 (46.5)	105 (100)
	Current	10 (9.6)	19 (19.4)	10 (10.2)	13 (12.8)	48 (48)	99 (100)
50+ workers	Feb-20	9 (13.1)	19 (28.2)	9 (13.3)	3 (5)	27 (40.4)	67 (100)
	Current	9 (12.4)	21 (30.3)	10 (14.7)	3 (4.2)	27 (38.4)	71 (100)
Total	Feb-20	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)
	Current	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

The firms' survey was conducted by phone for firms that had 6-199 workers before the pandemic (February 2020). In Morocco, the sample was randomly drawn using Yellow Pages. The stratification was done using three regions, namely: Casa-Rabat, North, and South[2]. As there is no efficient digital copy of the Yellow Pages available in Morocco, a hard copy was used. A random page within each stratum was selected, and then a random firm on that page was selected (without replacement). The number of firms on the page was recorded and incorporated into the inverse probability weights.

The sample was restricted to firms with 6-199 workers in February 2020 based on an eligibility question during the phone interview. Up to three attempts were made to ensure response if a phone number was not picked up/answered, was disconnected or busy, or picked up but could not complete the interview at that time. After the third failed attempt, a firm was treated as a non-response and a random firm from the same stratum was used as an alternate. **Table 2-1** below shows the response rates by response for Morocco.

Table 2-1: Firm response rates by response (%)

Response	(%)
Phone disconnected/busy	2
Not in service	41
Did not answer	10
Picked up and refused	8
Incomplete, and refused	3
Incomplete, return call	0
Complete	17

[2] See ERF sample and weighting technical documentation for more details.

Not Eligible	20
Total	100
Response rate	45

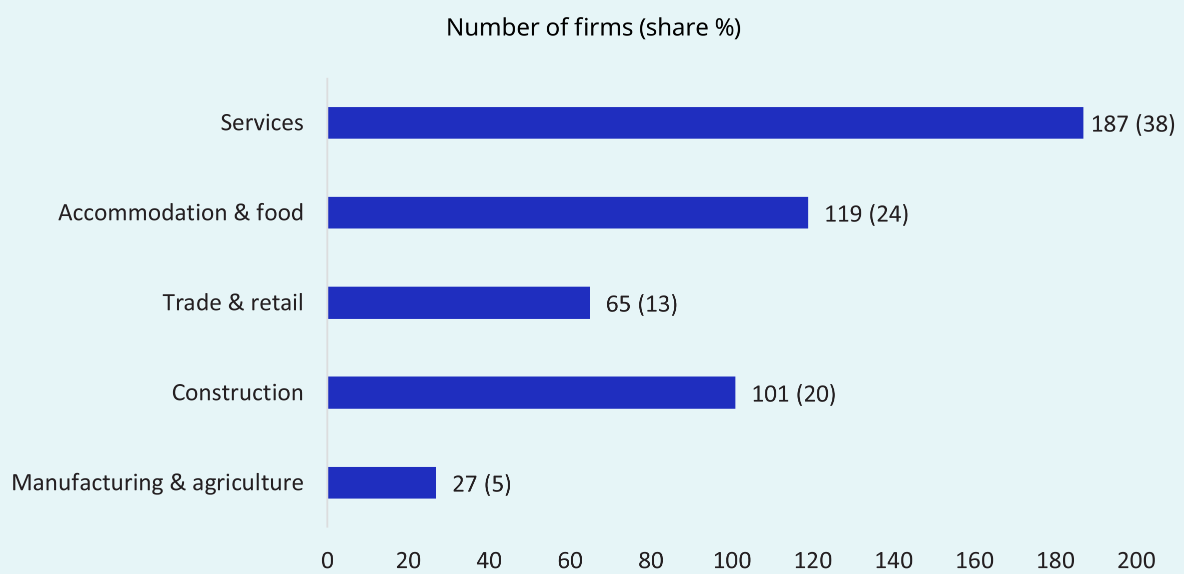
An inverse probability weighting was used to weight the firms' sample in Morocco to account for non-response rates and the sampling strategy, the weights are then normalized to have a mean of one. In Morocco the weights also account for the number of firms on the randomly selected page. All analysis presented in this report are weighted. Firms who were not eligible are excluded from the response rate calculations. The responses are based on the final result, which may have been on the first, second, or third attempt. Weights are used in all the analyses in this report to ensure the basic characteristics of the sample reflect the underlying universe of firms. However, the weights used cannot overcome the unobservable characteristics of firms and their respective non-response bias. The weighting of the firms' data is discussed in further detail in the appendix of this report.

The following section summarizes the main findings from the firms' data, section 3 shows analysis for firm characteristics, firm survival, and coping strategies. Sections 4 and 5 presents stylized facts on sales and revenues and employment for firms in Morocco, respectively. Sections 6 and 7 analyze data on the input challenges faced by the firms due to the pandemic and their business model adaptation. Finally, section 8 presents the future expectations of the firms and their policy needs.

Firm characteristics, survival, and coping strategies

As of Feb 2020, more than half of the firms surveyed in Morocco operated in services and food and accommodation (38 and 24 percent, respectively), while 20 percent were in construction and 13 percent were in trade and retail. Only five percent of the firms surveyed in Morocco operated in manufacturing and agriculture. The latest estimates from the World Bank's World Development Indicators, also show that the majority of value added economic activity in 2019 was from services (51 percent of GDP), while industry and agriculture contributed around 25 and 12 percent of GDP, respectively (World Bank, 2019). **Figure 3-1** below shows the distribution of the 499 firms based on aggregated economic activities, due to low variation at a disaggregated level (given the sample size).

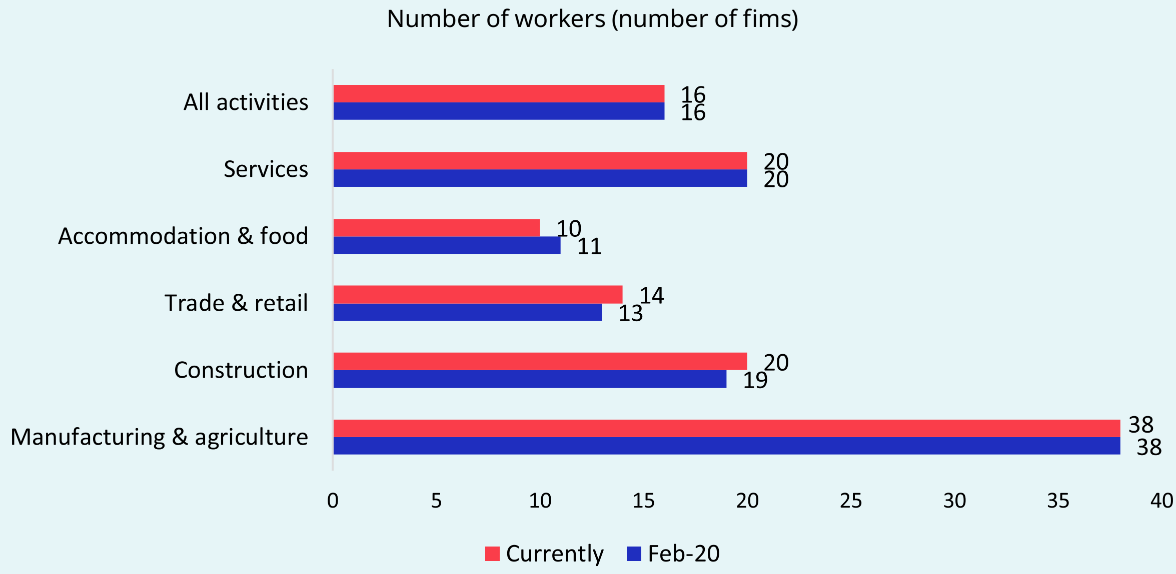
Figure 3-1: Share of firms by economic activity



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Figure 3-2 below shows the median number of workers comparison between February 2020 and at the time of interview by economic activity for all firms surveyed in Morocco. The median number of workers in the full sample and for firms in services and in manufacturing and agriculture remained the same (16, 20 and 38 workers, respectively). Meanwhile, there is an increase of one worker for the median firm operating in food and accommodation (compared to 10 workers in Februay 2020). The median firm in trade and retail and in construction lost one worker each (compared to 14 and 20 in Februay 2020, respectively).

▶ **Figure 3-2:** Median number of workers by economic activity



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Looking at the total number of workers by economic activity before and after the pandemic, shows a holistic view of how firms and workers were impacted. In the following **Table 3-1**, we show the impact of the pandemic on firms for different types of workers, from the most stable type of employment (indefinite duration contract workers) to the least (unpaid workers); in addition to other types of employment such as definite duration contract workers and workers without contracts. **Table 3-1** provides more detailed summary statistics on the impact of Covid-19 on firms and workers. More detailed employment analysis will be presented in section 5.

Table 3-1 below shows the summary statistics of the number of workers by type of employment and economic activity for firms in Morocco. In the survey, firms were only asked to report on the number of unpaid workers as of February 2020. Over all economic activities, the mean number of all workers increased slightly between Februay 2020 and the time of the interview for the first wave (from 26.5 to 26.8)[3], with the largest increase in the category of definite duration contract workers (from 4.6 workers in Februay 2020 to 4.9 currently). Within that type of employment however, the median firm in all activities seems to have zero definite duration contract workers in Februay 2020 and at the time of the interview.

Most of the increase in average number of definite duration contract workers in Morocco, comes from firms in construction. With an increase of 0.5 workers, from seven workers in Februay 2020 to 7.5 currently. Followed by an increase of 0.4 and 0.3 workers on average in firms in manufacturing and agriculture and in services, respectively.

A high standard deviation within all types of employment (higher than the mean in almost all cases) can explain the notable difference between the median number of workers and the mean, indicating that the data on the number of workers by economic activity are spread over a large range of values. This low variation can also be due to the low sample size within each economic activity, since the standard deviation for all workers in all activities is slightly higher than the mean for the full sample.

[3] Compared to an unchanged number of all workers for the median firm between Febr 2020 and the time of the interview, as shown in figure 3.2.

Although the number of workers in the median firm did not change (see **Figure 3-2**), the mean total number of workers for firms operating in services slightly declined by 0.2 workers, and in manufacturing and agriculture saw an increase of 1 worker, from Februay 2020 to the time of the interview. Also, the average number of all workers in firms in food and accommodation decreased from 15 workers in Februay 2020 to 14.7 at the time of the interview.

Table 3-1: Workers by employment type and activity

			Manu. & Agri.	Const.	Trade & retail	Accom. & food	Services	All activities
Total workers	Mean	Feb-20	42.5	31	22.1	15	30.6	26.5
		Current	43.5	32.3	23	14.7	30.4	26.8
	Median	Feb-20	38	19	13	11	20	16
		Current	38	20	14	10	20	16
	Sd	Feb-20	28.8	31.4	20.1	12.8	35.1	29.1
		Current	31.4	32.4	20.4	12.3	35.4	29.7
Indefinite duration contract workers	Mean	Feb-20	29.4	21.5	18.3	11.3	19.2	18.2
		Current	30.4	22.1	19.2	11	18.7	18.3
	Median	Feb-20	20	13	12	8	12	10
		Current	20	13	12	8	12	10
	Sd	Feb-20	25.2	24.7	20.8	11.8	21.3	20.8
		Current	26.2	25.6	21.2	11.4	21.5	21.3
Definite duration contract workers	Mean	Feb-20	6.3	7	0.8	1.2	6.6	4.6
		Current	6.7	7.5	0.8	1.2	6.9	4.9
	Median	Feb-20	0	0	0	0	0	0
		Current	0	0	0	0	0	0
	Sd	Feb-20	14.3	20.7	2.6	4.6	23.6	17.8
		Current	14.2	21.1	2.6	4.6	23.9	18.1
No contract workers	Mean	Feb-20	3.3	1.4	2.3	0.4	1.4	1.4
		Current	2.9	1.6	2.4	0.4	1.3	1.4
	Median	Feb-20	0	0	0	0	0	0
		Current	0	0	0	0	0	0
	Sd	Feb-20	11.9	5.2	5.4	1.2	3.8	4.8
		Current	11.5	5.5	5.4	1.2	3.6	4.7

Unpaid workers	Mean	Feb-20	3.5	1.1	0.6	2.1	3.4	2.3
	Median	Feb-20	0	0	0	0	0	0
	Sd	Feb-20	10	6.5	2.3	3.9	12.3	8.7

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Notably, there has been a decline in the number of all types of workers for firms in services from Februay 2020 to the time of the interview. Indefinite duration contract workers declined from 19.2 to 18.7, while definite duration contract workers and workers without contract also declined from 6.6 to 6.9 and 1.4 to 1.3 workers, respectively within the same period.

Table 3-2 below shows other firms' characteristics, including the percentage of firms who import and/or export (traders), the share of firms that are foreign owned (partly or fully), the size of foreign ownership, whether the firm keeps inventory or not and the number of inventory days kept by economic activity. **Table 3-3** shows the distribution of firms by foreign ownership and inventory status.

Table 3-2: Foreign ownership and inventory status

		Manu. & Agri.	Const.	Trade & retail	Accom. & food	Services	All activities
Traders (%)	Mean	74.5	37.4	63.9	0.4	13.7	25.2
	Sd	44.3	48.6	48.4	6.6	34.5	43.4
Foreign owned (%)	Mean	15.6	3.7	13.5	21.1	8.3	11.5
	Sd	36.8	19	34.5	41	27.7	31.9
Size of foreign ownership (%)	Mean	88.4	62.5	92.8	90.3	75.4	83.9
	Median	100	50	100	100	100	100
	Sd	25.9	31.7	21.8	22.5	33	27.1
Keeps inventory (%)	Mean	52.3	45.2	51.2	4	12.2	24.1
	Sd	50.7	50	50.4	19.6	32.8	42.8
Number of inventory days	Mean	111.7	100.9	72.8	22.3	84.3	88.2
	Median	60	30	40	15	30	30
	Sd	135.5	147.5	93.8	23.5	168.4	134.4

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Nearly one quarter of the firms surveyed in Morocco either imported or exported in the year 2019. The economic sector with the highest mean share of importing and/or exporting firms (traders) is manufacturing and agriculture, where nearly 74.5 percent of firms were traders. Followed by firms in trade and retail where 63.9 percent of firms were traders. The least trading sector in the data was food and accommodation, where on average only 0.4 percent of the firms surveyed traded.

In all economic activities, only 11.5 percent of firms (on average) were either partially or fully foreign owned in Morocco (57 firms, see **Table 3-3**). Out of those partially or fully foreign owned firms, 25 were in food and accommodation, 16 in services, and nine trade and retail. With the highest average size of foreign ownership being in food and accommodation (90.3 percent mean foreign ownership) compared to 100 percent foreign ownership for the median firm in the same sector (out of the 25 firms with foreign ownership operating in food and accommodation). Although the average share of foreign ownership for firms in trade and retail is slightly higher (92.8 percent), but only nine firms reported having foreign ownership in that sector. It is however difficult to draw any inferences from the size of foreign ownership variable in the data, as only a quite small number of firms in Morocco reported having partial or full foreign ownership (see **Table 3-3**).

In terms of inventory status, the issue of low variation due to sample size is less applicable compared to the size of foreign ownership variable. Out of the 499 firms surveyed in Morocco, 120 firms reported keeping inventory, the majority of which are in construction (46 firms). The highest share of firms keeping inventory by economic activity was in manufacturing and agriculture (52.3 percent, 14 firms out of 27 firms in manufacturing and agriculture) followed by trade and retail (51.2 percent, 33 firms out of 65 in the same sector). With the highest average number of inventory days being 111.7 days for firms in manufacturing and agriculture. Meanwhile, firms in construction and services kept inventory on average for 100.9 and 84.3 days, respectively. However, the median firm in manufacturing and agriculture only kept 60 days of inventory and 40 days for firms in trade and retail[4].

Table 3-3: Distribution of firms by foreign ownership and inventory status

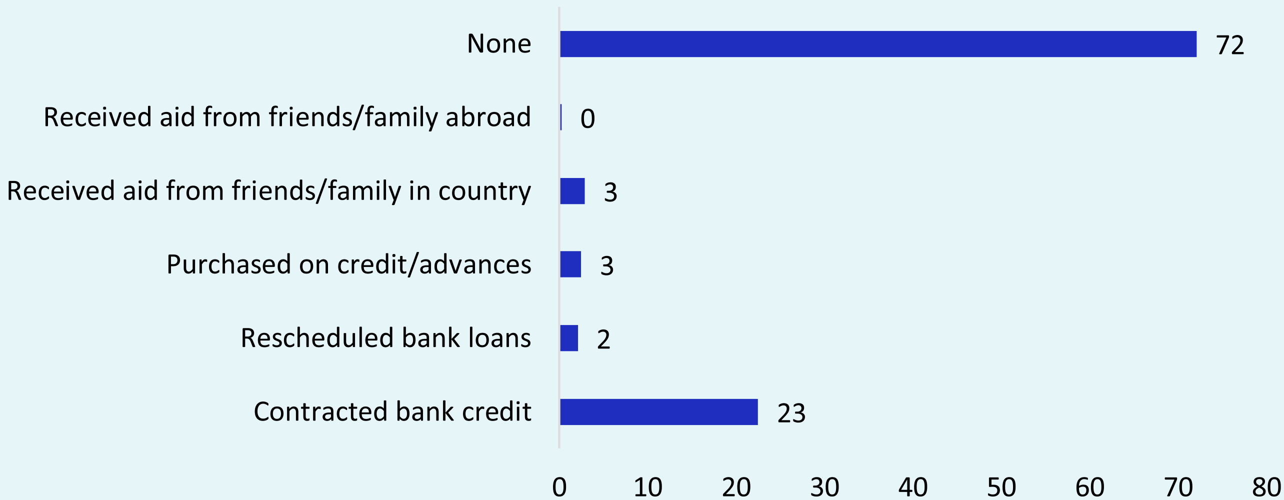
	Manufacturing & agriculture	Construction	Trade & retail	Accommodation & food	Services	All activities
Fully local	22	98	56	94	171	442
Partly or fully foreign	4	4	9	25	16	57
Total	**27**	**101**	**65**	**119**	**187**	**499**
Does not keep inventory	13	56	32	114	164	379
Keeps inventory	14	46	33	5	23	120
Total	**27**	**101**	**65**	**119**	**187**	**499**

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

In addition to business models, economic activities and types and size of employment offered, firms also differed by their response to the pandemic and adopted different coping strategies. **Figure 3-3** below shows the share of firms adopting different coping strategies.

[4] Numbers from table 3.2 shall not be compared to table 3.3, as the summary statistics presented in table 3.2 are weighted (see the appendix).

Figure 3-3: Firms' coping strategies



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Most of the firms surveyed in Morocco reported adopting no coping strategy (72 percent), and only 23 percent reported contracting bank credit. Quite a few firms reported adopting other coping strategies. Table 3-4 below shows the summary of all firm responses in terms of coping strategies by economic activity. The number of firms is shown in the table along with the row percentage shares in parenthesis.

Out of 112 firms contracting bank credit, 36 were in services, 33 in construction, 21 in trade and retail and 19 in food and accommodation. While only five firms in manufacturing and agriculture reported contracting bank credit. The majority of firms that reported adopting no coping strategies (360 firms) were also in services (136 firms) and 100 firms were in food and accommodation. The least adopted coping strategy was receiving aid from family or friends from abroad, with only two firms in services reporting that. Meanwhile, 15 firms reported receiving aid from family or friends in Morocco, 13 reported purchasing on credit and only 10 reported rescheduling bank loans.

Table 3-4: Coping strategies by economic activity

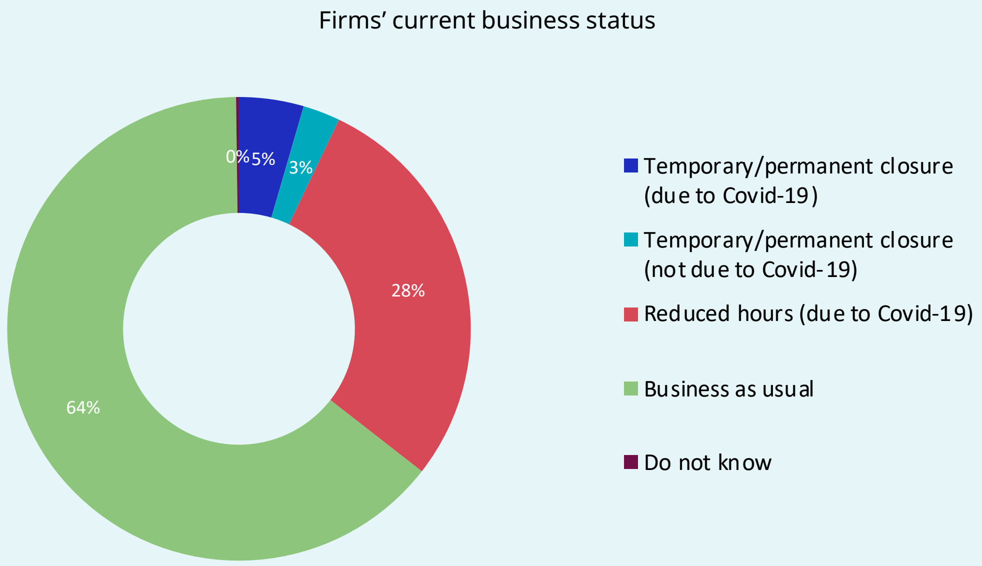
Coping strategy	Number of firms (row share, %)	Manu. & Agri.	Const.	Trade & retail	Accom. & food	Services	All activities
Contracted bank credit	Did not adopt	22 (5.7)	69 (17.8)	44 (11.4)	100 (26)	151 (39.1)	387 (100)
	Adopted	5 (4.1)	33 (29)	21 (18.6)	19 (16.6)	36 (31.7)	112 (100)
	Total	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)
Rescheduled bank loans	Did not adopt	27 (5.4)	98 (20.1)	64 (13.1)	116 (23.8)	184 (37.6)	489 (100)
	Adopted	0 (0)	3 (31.9)	1 (12)	3 (25.5)	3 (30.6)	10 (100)
	Total	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)
Purchased on credit/ advances	Did not adopt	26 (5.4)	99 (20.4)	62 (12.7)	119 (24.4)	180 (37.1)	486 (100)
	Adopted	1 (4)	2 (17.2)	3 (24.9)	0 (3.2)	6 (50.7)	13 (100)
	Total	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)
Received aid from friends/family in country	Did not adopt	26 (5.4)	101 (20.9)	63 (13)	119 (24.6)	175 (36.2)	484 (100)
	Adopted	1 (4.2)	0 (0)	2 (15.7)	0 (0)	12 (80.2)	15 (100)
	Total	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)
Received aid from friends/family abroad	Did not adopt	27 (5.3)	101 (20.4)	65 (13.1)	119 (23.9)	185 (37.3)	497 (100)
	Adopted	0 (0)	0 (0)	0 (0)	0 (0)	2 (100)	2 (100)
	Total	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)
None	Did not adopt	5 (3.7)	36 (26.1)	27 (19.6)	19 (13.9)	51 (36.8)	139 (100)
	Adopted	21 (6)	65 (18.1)	38 (10.5)	100 (27.7)	136 (37.7)	360 (100)
	Total	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Looking at the current status of businesses at the time of interview also reflects a similar trend found in **Table 3-4**. **Figure 3-4** below shows the shares of firms reporting different business statuses at the time of the interview. The majority of firms surveyed in Morocco reported having business as usual (nearly 64 percent, 321 firms). Most of the firms having their business as usual were in services (134 firms) followed by firms in construction and in trade and retail (86 and 53, respectively).

Out of the firms that experienced disruptions due to the pandemic, most reported reducing hours as a change to their current business status (28 percent, 142 firms) and 5 percent reported temporarily or permanently closing down (23 firms).

▶ **Figure 3-4:** Current business status



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

The following **Table 3-5** shows the breakdown of the business status responses by economic activity. That is later followed by the main challenges faced by businesses that led to their current status and can also be linked to the firms' respective coping strategies. Most of the firms reporting reducing their working hours were in food and accommodation and in service (58 firms) followed by 50 firms in services. Out of the 23 firms temporarily or permanently closing their business due to the pandemic, 21 were in food and accommodation (90.8 percent). A quite small percentage of firms reported temporary or permanent closure not due to the pandemic (3 percent, 13 firms).

Table 3-5: Business status by economic activity

Number of firms (share, %)	Manu. & Agri.	Const.	Trade & retail	Accom. & food	Services	All activities
Temporary/permanent closure (due to Covid-19)	0 (0)	0 (1.7)	0 (1.9)	21 (90.8)	1 (5.7)	23 (100)
Temporary/permanent closure (not due to Covid-19)	0 (0)	0 (3.6)	0 (0)	11 (87.7)	1 (8.6)	13 (100)
Reduced hours (due to Covid-19)	7 (4.7)	15 (10.4)	12 (8.2)	58 (41.1)	50 (35.5)	142 (100)
Business as usual	20 (6.2)	86 (26.7)	53 (16.5)	28 (8.7)	134 (41.9)	321 (100)
Do not know	0 (0)	0 (0)	0 (0)	1 (100)	0 (0)	1 (100)
Total	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Table 3-6 shows the detailed breakdown for the distribution of firms by business challenges and economic activity. The most reported challenge faced by businesses Morocco was loss in demand (302 firms out of 499, 61 percent of firms). Similar to the previous findings in this section, most of the firms reporting loss of demand operated in services (34.8 percent, 105 firms out of 302), followed by firms in food and accommodation (34.3 percent, 103 firms). The next most reported business challenge was difficulties in accessing customers due to mobility restrictions (285 firms), out of which 82 firms were in food and accommodation, 78 in services and 62 in construction.

Another challenge also related to mobility restrictions was difficulties in accessing suppliers, a total of 125 firms reported this challenge. Out of the 125 firms, 38 were in food and accommodation, 31 in construction, and 26 in services. The least reported business challenge was difficulties faced with worker absenteeism (16 firms out of 499) and a considerable share of the firms reported facing no particular challenge (88 firms).

▶ **Table 3-6:** Business challenges by economic activity

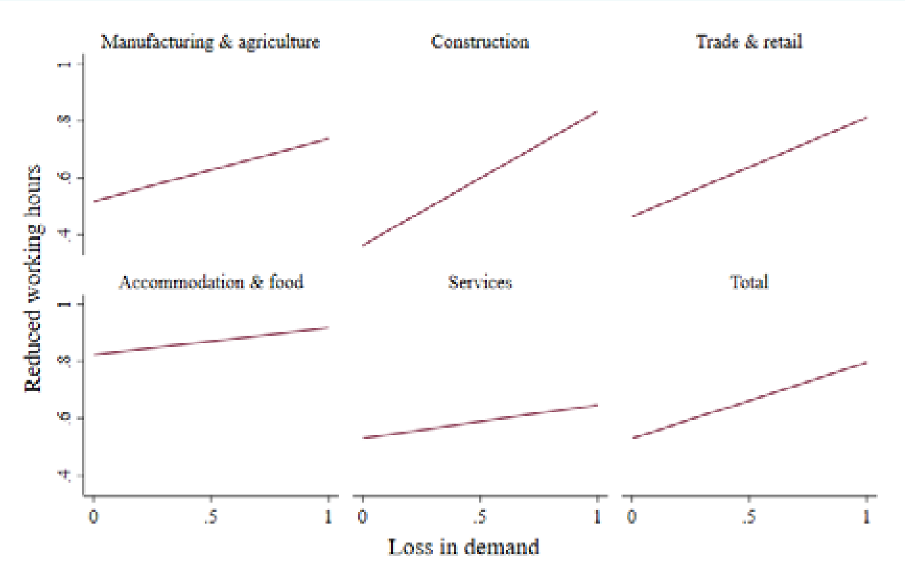
Business challenge	Number of firms (share, %)	Manu. & Agri.	Const.	Trade & retail	Accom. & food	Services	All activities
Difficulties in accessing customers mobility restrictions	Not Mentioned	10 (4.8)	40 (18.4)	19 (8.7)	37 (17.3)	109 (50.8)	214 (100)
	Mentioned	16 (5.7)	62 (21.7)	47 (16.3)	82 (28.8)	78 (27.4)	285 (100)
	Total	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)
Loss in demand due to other customer reasons	Not Mentioned	11 (5.7)	57 (29.1)	31 (15.6)	16 (7.9)	82 (41.6)	197 (100)
	Mentioned	15 (5.1)	44 (14.5)	34 (11.4)	103 (34.3)	105 (34.8)	302 (100)
	Total	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)
Difficulties in accessing suppliers due to mobility restrictions	Not Mentioned	19 (5.1)	70 (18.9)	42 (11.3)	81 (21.6)	161 (43.1)	374 (100)
	Mentioned	8 (6)	31 (24.6)	23 (18.4)	38 (30.4)	26 (20.6)	125 (100)
	Total	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)
Reduction in the availability/price increases for the main inputs	Not Mentioned	20 (4.6)	80 (18.6)	47 (10.9)	114 (26.4)	170 (39.5)	431 (100)
	Mentioned	7 (10)	21 (31.4)	18 (26.5)	5 (7.5)	17 (24.5)	68 (100)
	Total	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)
Difficulties with worker absenteeism	Not Mentioned	27 (5.5)	92 (19.1)	65 (13.4)	116 (24.1)	183 (37.9)	483 (100)
	Mentioned	0 (0)	9 (55)	0 (3.1)	3 (17.8)	4 (24.2)	16 (100)
	Total	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)
Difficulties tending to my business b/c care giving	Not Mentioned	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)
	Mentioned	(0)	(0)	(0)	(0)	(0)	(0)
	Total	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)
Other difficulty (specify)	Not Mentioned	27 (5.4)	99 (20)	65 (13.2)	119 (24)	184 (37.4)	493 (100)
	Mentioned	0 (0)	3 (48.2)	0 (0)	0 (7.4)	3 (44.4)	6 (100)
	Total	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)
No particular challenge	Not Mentioned	22 (5.3)	85 (20.6)	52 (12.6)	108 (26.3)	144 (35.1)	411 (100)
	Mentioned	5 (5.2)	17 (18.8)	14 (15.4)	11 (12.3)	43 (48.3)	88 (100)
	Total	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Figure 3-5 below shows the best fit line for the relationship between the most reported business status and the most reported challenge, namely: challenges with loss in demand and reduced working hours, by economic activity. Aside from limited variation (due to sample size) within sectors, firms seem to exhibit a positive trend between loss of demand and reduced working hours.

Looking at the full sample in the bottom right corner of the panel in **Figure 3-5**, firms that faced challenges with loss in demand seemed to cope by reducing their number of working hours, this trend is more stark in the construction and trade and retail sectors.

Figure 3-5: Fitted line for loss in demand and reduced working hours[5]



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

[5] The X and Y axes in Figure 3.5 represent the probability of occurrence for the firms surveyed.

Sales and revenue

Firms surveyed in Morocco were also asked about their total annual revenue in 2019, along with the percentage change between 2019 and 2020. In addition, firms were asked to report the actual revenue change within the last 60 days compared to the same period the year before, along with their expectations for the coming 60 days. **Table 4-1** below shows the breakdown of total revenues in thousands of MAD in 2019 by economic activity and by current business status.

Expectedly, the highest earners in 2019 were resilient firms that reported having business as usual at the time of the interview (321 firms, see **Table 3-5**), with an average of MAD 50.5 mn compared to a full sample average of MAD 43.1 mn, and where the median firm earned MAD 11 mn compared to the same full sample median of MAD 5 mn.

The large difference between the mean and the median for the group of firms that reported having business as usual can also be explained by a considerably large standard deviation of MAD 170 mn, further indicating that the data for this group of firms is widely dispersed from the mean. In fact, the total 2019 revenue data is generally widely dispersed with all categories having a considerably larger standard deviation compared to the mean.

The lowest average earners in 2019 by business status are firms that reported having to close down (temporarily or permanently) not due to Covid-19, with MAD 1.6 mn revenue in 2019. This sub sample is however quite small with only 13 firms reporting this status (see **Table 3-5**). Firms reporting the most recorded business status (i.e. reduced working hours) earned nearly MAD 5.9 mn in 2019.

In terms of economic activity, firms that reported the highest total revenue in 2019, were firms operating in manufacturing and agriculture (MAD 247 mn, 27 firms[6]), followed by firms in construction (39 mn, 101 firms), trade and retail (MAD 25 mn, 65 firms) and services (MAD 16 mn, 187 firm). Firms in food and accommodation were the least earners in 2019 with only MAD 8 mn (119 firms).

[6] See figure 3.1, section 3.

Table 4-1: Sales and revenue change

	Total revenue 2019 (1000s MAD)			Percentage revenue change last 60 days compared to last year (%)			Expected percentage revenue change over the coming 60 days compared to last year (%)		
Economic activity	**Mean**	**Median**	**Sd**	**Mean**	**Median**	**Sd**	**Mean**	**Median**	**Sd**
Manufacturing & agriculture	246,759	30,007	395,063	-54.6	-50.0	28.5	3.3	10	42.3
Construction	38,779	3,760	100,625	-47.6	-50.0	34.6	15.6	20	36.4
Trade & retail	24,855	13,000	36,588	-34.1	-40.0	39.9	11.7	10	37
Accommodation & food	8,231	800	25,457	-85.2	-95.0	22.7	-47.4	-80	56.5
Services	15,455	4,000	31,258	-52.7	-50.0	23.5	-14.1	-1	43
All activities	43,107	5,000	142,928	-57.5	-60.0	33.3	-9.6	10	49.5
Current business status									
Temporary/ permanent closure (due to Covid-19)	6,253	200	13,723	-90.7	-100.0	21.8	-65.3	-95	47.8
Temporary/ permanent closure (not due to Covid-19)	1,593	300	2,535	-89.5	-100.0	20.1	-51.1	-99	58.1
Reduced hours (due to Covid-19)	5,851	1,500	11,470	-70.4	-75.0	25.6	-19.7	5	55.2

Business as usual	60,499	11,000	170,243	-47.5	-50.0	33.1	-0.4	10	42.9
Do not know	-	-	-	-	-	-	-	-	-
Total	43,107	5,000	142,928	-57.5	-60.0	33.3	-9.6	10	49.5

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Overall, firms reported an average decline in their percentage revenue change over the last 60 days from the time of the interview, compared to the same period last year, reporting a decline in revenue between 34 and 85 percent on average. Their expectations of the same reference period for the coming 60 days, however, seem to be more optimistic.

Firms in construction were the most optimistic, expecting revenue to increase by 15.6 percent in the coming 60 days (from the time of the interview), followed by firms in trade and retail and manufacturing and agriculture (reporting an expected increase in revenue by 11.7 and 3.3 percent, respectively).

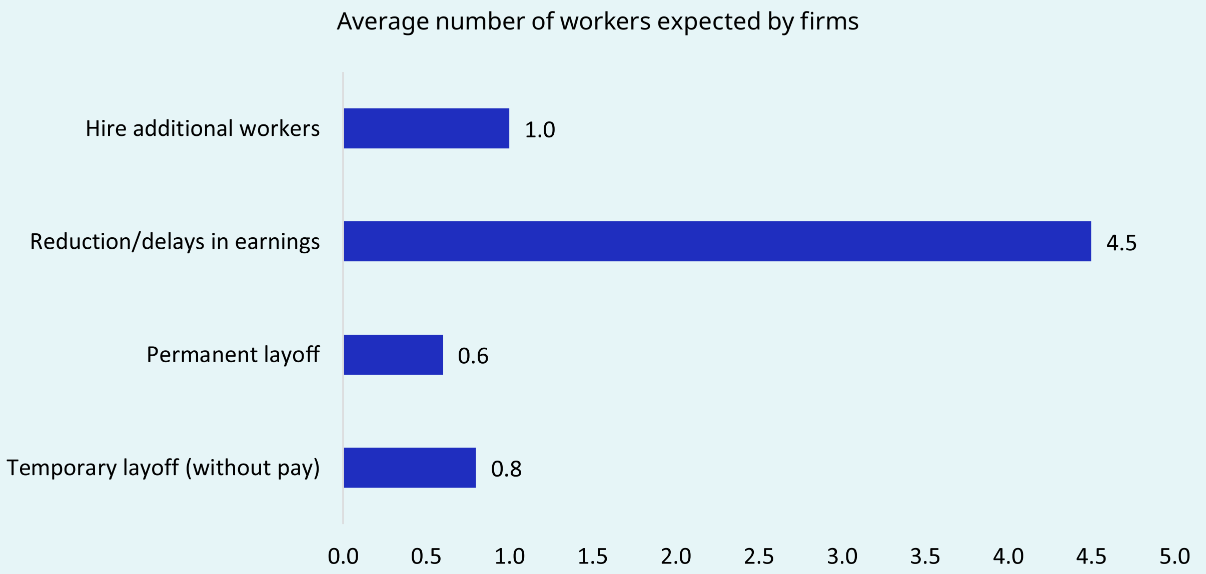
According the data, the surveyed firms in Morocco operating in food and accommodation, reported the highest expected revenue decline of 47.4 percent over the coming two months. Also, firms in services expected a revenue decline of 14.1 percent. Overall, firms in Morocco expected an average decline in revenues by 9.6 percent.

Employment

Revisiting **Table 3-1**, it is observed that the mean number of employees only slightly increased over all economic activities. This is the same except for firms working in the services and the food and accommodation sectors, when firms were asked to compare their number of employees as of Februay 2020 and at the time of the interview. The downsizing in both sectors took place in the most stable type of employment, that is indefinite duration contract workers (see **Table 3-1**).

In addition, firms were also asked about their expectation for the next 6 months regarding their workforce. **Figure 5-1** below shows the responses given by firms in terms of the number of workers they expect to hire, fire, and reduce or delay earnings of for the upcoming 6 months from the time of the interview.

Figure 5-1: Employment expectations



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

The most influential adaptation method in terms of the workforce currently hired, is to reduce or delay earnings paid to employees. Firms surveyed in Morocco, expected to reduce or delay wages of around 4.5 workers on average due to the pandemic. It is expected that nearly 0.8 workers will be permanently laid off, and almost 0.6 are expected to be temporarily laid off during the coming six months as a result of the pandemic or its related restrictions.

Table 5-1 below shows the detailed breakdown of firms' expectation regarding their workforce by economic activity. Notably, the median firm in all economic activities expects to hire, fire, or reduce pay of zero workers over the coming six months. Firms in construction, however, expect to reduce or delay the pay of more than eight workers on average over the same period, while firms in food and accommodation expect to follow the same measure for four workers.

Firms in the trade and retail sector are the most affected when it comes to temporary layoffs, where they expect to lay off nearly 1.6 workers on average. Firms in food and accommodation and services expect to permanently lay off 0.7 workers over the coming six months. Firms in construction on the other hand, seem to expect better outcomes for their workforce, forecasting to temporarily layoff only 0.4 on average. Notably, firms in manufacturing and agriculture and services expect to hire the greatest number of workers (1.5 workers each) compared to other firms in other sectors.

Table 5-1: Firms' workforce expectation

	Temporary layoff (without pay)			Permanent layoff			Reduction/delays in earnings			Hire additional workers		
	Mean	Median	Sd	Mean	Median	Sd	Mean	Median	Sd	Mean	Median	Sd
Manufacturing & agriculture	0.7	0	2.4	0.1	0	1	1	0	3.9	1.5	0	3.4
Construction	0.4	0	2	0.5	0	1.8	8.3	0	22.5	0.5	0	1.8
Trade & retail	1.6	0	7	0.4	0	1.5	2.7	0	8.4	1.1	0	3.2
Accommodation & food	0.9	0	3	0.7	0	2.5	4	0	8.1	0	0	0
Services	0.7	0	4.2	0.7	0	3.9	3.7	0	11	1.5	0	13
All activities	0.8	0	4.1	0.6	0	2.9	4.5	0	13.6	1	0	8.1

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

To better capture the effect of the pandemic on firms' hiring decisions, **Table 5-2** below shows the breakdown of the effect of the pandemic on workers actually hired by type of employment. Similar to the employment expectations presented in Table 5-1, the median firm in all activities hired no additional staff since Februay 2020 to the time of the interview, regardless of the type of contract.

On average and over all economic activities, the highest increase in new hires were indefinite duration contract workers (0.4 workers). The highest number of indefinite duration contract workers was one newly hired in the manufacturing and agriculture sector since Februay 2020, followed by firms in trade and retail (0.9 workers).

Firms in food and accommodation were the least to hire new workers, on average, within all types of contracts over the same period; with zero workers without contracts, 0.1 definite duration contract workers, and zero indefinite duration contract workers.

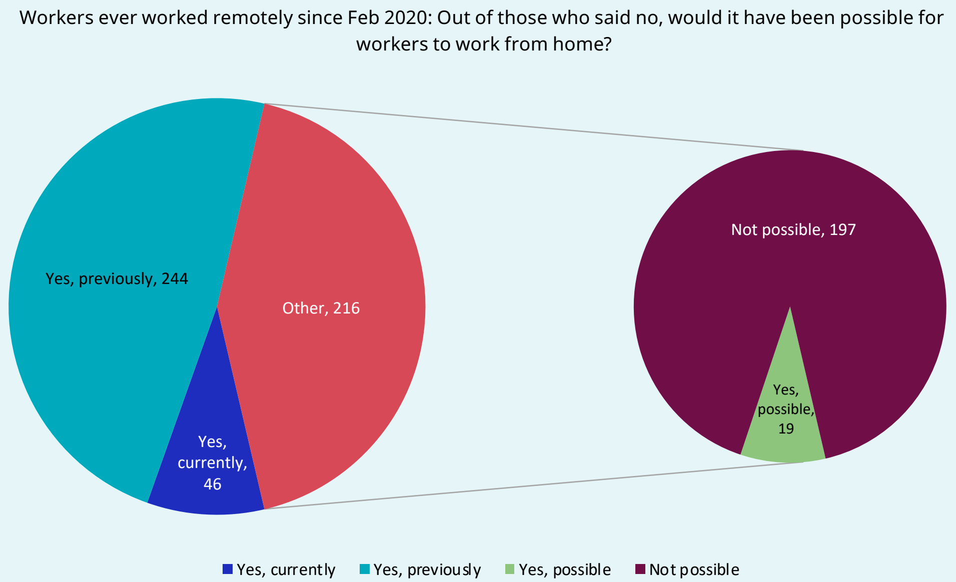
▶ **Table 5-2:** Workers hired since Februay 2020 by contract type

	Workers without contracts hired since Feb 2020			Definite duration contract workers hired since Feb 2020			Indefinite duration contract workers hired since Feb 2020		
	Mean	Median	Sd	Mean	Median	Sd	Mean	Median	Sd
Manufacturing & agriculture	0	0	0	0.4	0	1.9	1	0	3.6
Construction	0.4	0	2.1	0.5	0	3.9	0.7	0	5
Trade & retail	0.2	0	1.2	0	0	0	0.9	0	4
Accommodation & food	0	0	0.1	0.1	0	0.8	0	0	0.1
Services	0.1	0	0.6	0.4	0	2.3	0.2	0	1.2
All activities	0.1	0	1.1	0.3	0	2.3	0.4	0	2.9

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Table 3-6 shows that only 16 firms reported having difficulties due to worker absenteeism since the start of the pandemic. Firms surveyed in Morocco were also asked about the prospects of remote employment and the difficulties experienced when workers were allowed (if allowed) to work remotely from home. **Figure 5-2** below shows the distribution of firms by remote employment status. Out of the 499 surveyed firms in Morocco, 244 observed firms had employees that previously worked remotely, 46 still had employees working remotely at the time of the interview and 216 said their employees never worked remotely since the start of the pandemic. Only a small fraction of the firms that had no remote workers (216), said it was possible for employees to work remotely (19 firms), while the majority said that it was not possible for employees to work remotely (197 firms).

▶ Figure 5-2: Remote employment



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Table 5-3 below shows the distribution of the 283 firms recorded having remote workers (either currently or previously) since the start of the pandemic, by economic activity[7]. Firms with remote workers were mostly in the services sector (122 firms), followed by food and accommodation (64 firms). Notably, 56 firms in construction and 29 in trade and retail reported having remote workers, while firms in manufacturing and agriculture were the least to have remote workers (with only 13 workers).

▶ Table 5-3: Distribution of firms with remote workers

	Manufacturing & agriculture	Construction	Trade & retail	Accommodation & food	Services	All activities
Number of firms	13	56	29	64	122	283
Share (%)	4.6	19.7	10.1	22.5	43	100

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Table 5-4 shows the summary statistics of the highest number of workers to ever work remotely for the 283 firms with remote employment surveyed in Morocco. Overall, firms with remote working arrangements had at most more than 14 workers, on average, working remotely since the start of the pandemic. With the highest average number of remote workers being in firms operating in services (20.1 remote workers) and the lowest in food and accommodation (only 6.5 remote workers).

[7] The number of firms with remote workers in figure 5.2 and table 5.3 should not be compared due to firm weights used.

Similarly, the maximum number of remote workers was observed in a firm in services (200 remote workers) and in manufacturing and agriculture the firm with the highest number of remote workers had 76 working from home, compared to 70 in construction, and 44 in trade and retail and in food and accommodation. Notably, the highest number of remote workers for firms in construction was 12.5 on average since the start of the pandemic.

Table 5-4: Highest number of remote workers

Highest no. workers worked remotely since end Feb. 2020				
	Mean	**Median**	**Max**	**Sd**
Manufacturing & agriculture	7.7	4	76	14.5
Construction	12.5	5	70	16.5
Trade & retail	12.4	9	44	12.6
Accommodation & food	6.5	6	44	5.7
Services	20.1	13	200	24.8
All activities	14.2	7	200	19.5

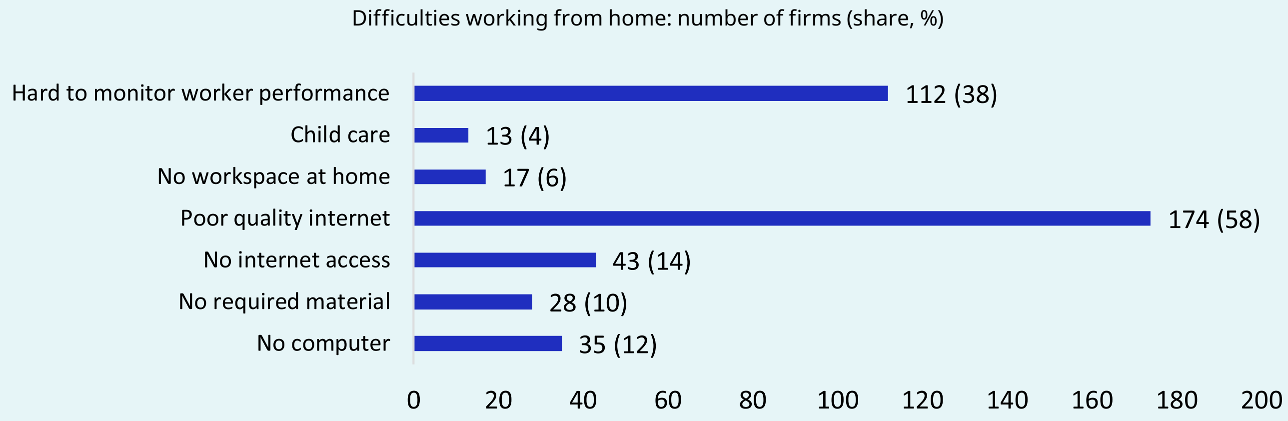
Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Revisiting those firms that reported not having any remote workers, and to capture some of the issues faced by firms who wanted to have their employees work from home, Figure 5-3 below shows the distribution of the responses made by firms on difficulties faced with working from home arrangements.

Out of the 216 firms that reported having no remote workers, the vast majority of firms responding to this question cited poor internet quality as the main impediment to making working from home arrangements (174 firms, 58 percent). Also, a considerable share of the 216 firms, cited difficulties with monitoring worker performance as the main barrier to having work from home arrangements (112 firms, 38 percent).

Nearly 14 percent (43 of the 216 firms) cited having no internet access to support remote employment, and 12 percent (35 firms) mentioned that their workers had no computers to allow for remote working arrangements. Also, a number of the firms surveyed in Morocco cited not having the required material for remote working arrangements (28 firms, 10 percent).

Figure 5-3: Difficulties with working from home



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Input challenges

Recalling that 68 firms reported having challenges with accessing their main inputs since the pandemic started[8], either due to less availability or higher prices. The majority of such firms worked in construction (21 firms out of 68, 31 percent), and the rest were in trade and retail (18 firms), services (17 firms) and seven firms working in manufacturing and agriculture. The least number of firms facing such input problems were in food and accommodation (only five firms mentioned such a challenge).

Table 6-1: Input challenges

Experienced disruptions in inputs since Feb 2020					
Business challenge:		Yes	No	N/A	Total
Past 60 days: Reduction in the availability/price increases for the main inputs	Not Mentioned	79 (18.3)	119 (27.5)	234 (54.2)	431 (100)
	Mentioned	36 (53)	29 (42.6)	3 (4.4)	68 (100)
	Total	115 (23.1)	147 (29.6)	236 (47.4)	499 (100)

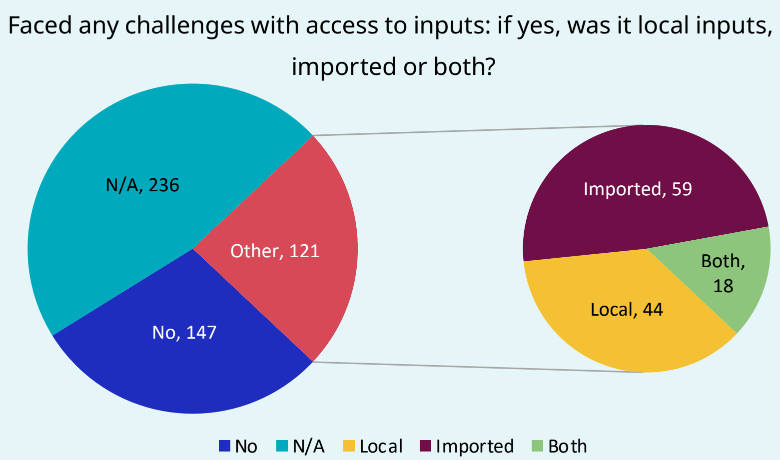
Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

When firms were asked about whether they faced any disruptions to their access to inputs, 18 percent of the firms that mentioned they had no challenges with input availability or prices still reported having disruptions to accessing inputs due to the pandemic (79 out of 431 firms). The majority of such firms (reporting no challenges with input prices or availability) said they either had no disruptions (119 firms, 28 percent) in accessing their inputs or had no inputs/not applicable (234 firms, 54 percent).

Out of the firms that did face challenges with input availability and prices, the majority reported having disruptions to accessing their inputs (36 out of 68 firms, 53 percent). Table 6-1 shows the cross tabulation between firms that reported facing challenges with input prices and availability and firms that reported disruptions to accessing their inputs[9].

[8] See table 3.6, section 3.
[9] The total numbers in table 3.6 should not be compared to the total numbers in table 6.1, as the figures reported are weighted.

Figure 6-1: Source of input disruptions



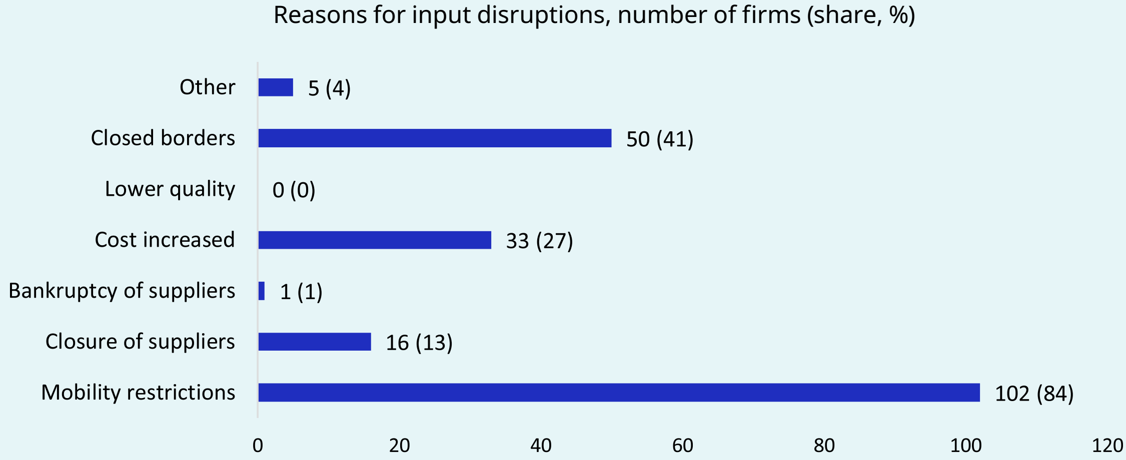
Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Figure 6-1 above shows the source of inputs that were disrupted. Firms experiencing disruptions to their inputs (121 firms), mostly had issues with imported disruptions (59 firms), while 44 firms mentioned having disruptions with local inputs and 18 mentioned having disruptions in accessing both local and imported inputs.

To better understand the reasons why firms in Morocco were experiencing disruptions in accessing their inputs, the surveyed firms were also asked about the main reasons driving such disruptions. The 207 firms asked this question were allowed to choose multiple responses. **Figure 6-2** below shows that the most cited reason for input disruptions was mobility restrictions (102 firms out of the 207, 84 percent), followed by border closures (50 firms, 41 percent), and increasing costs (33 firms, 27 percent). Noting that the two top reasons for disruptions being direct results of the lockdown measures mandated by the government at the start of the pandemic.

No firms cited issues with the lower quality of inputs available. Due to low variation within economic activities, the reasons for input disruptions are not presented by sector. However, **Table 6-2** below shows the breakdown of firms keeping inventory of inputs and purchasing inventory on credit by economic activity.

Figure 6-2: Reasons for input disruptions



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Most of the firms surveyed in Morocco kept no inventory of their main inputs (415 firms out of 499) and only 84 firms did. Most of the firms keeping inventory were operating in the construction sector (28 firms, 33.3 percent) and services (25 firms, 29.7 percent), followed by firms in services (16 firms, 19 percent). The least number of firms keeping inventory of inputs were in manufacturing and agriculture, only eight firms (9.7 percent).

Similarly, more most of the firms surveyed did not purchase inputs on credit, 368 firms, while only 131 firms did. With most of the firms purchasing inputs on credit also working in the construction sector (46 firms, 35.2 percent), followed by firms in services (35 firms, 27 percent). Also, the least credit-input-purchasing sector was manufacturing and agriculture, with only eight firms purchasing inputs on credit (6.4 percent).

Table 6-2: Input inventory management

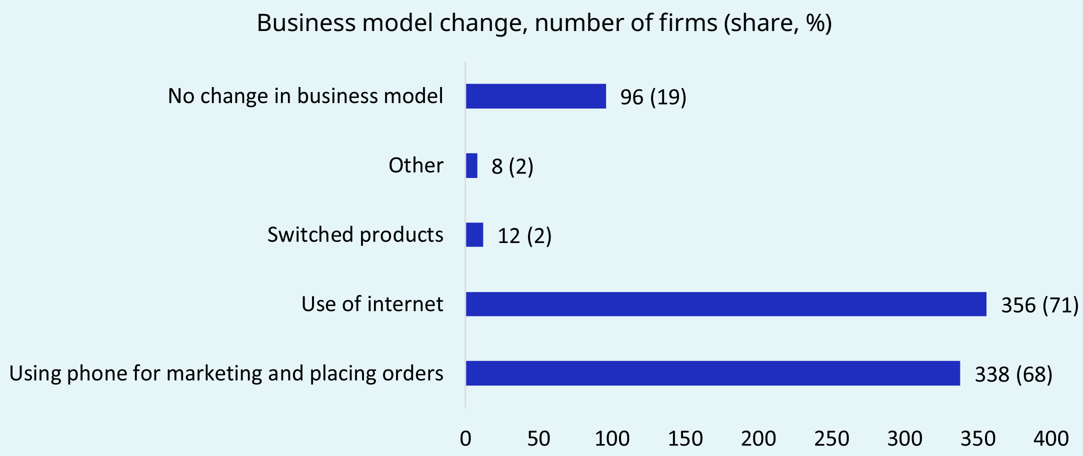
	Manufacturing & agriculture	Construction	Trade & retail	Accommodation & food	Services	All activities
Do you keep inventory of main inputs? Number of firms (share, %)						
Yes	8 (9.7)	28 (33.3)	25 (29.7)	7 (8.3)	16 (19)	84 (100)
No	18 (4.4)	74 (17.7)	40 (9.7)	112 (27)	171 (41.2)	415 (100)
Total	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)
Do you purchase inputs on credit? Number of firms (share, %)						
Yes	8 (6.4)	46 (35.2)	32 (24.8)	9 (6.5)	35 (27)	131 (100)
No	18 (4.9)	55 (15)	33 (8.9)	110 (30)	152 (41.2)	368 (100)
Total	27 (5.3)	101 (20.3)	65 (13.1)	119 (23.9)	187 (37.5)	499 (100)

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Adapting to the pandemic: Business model changes

Adapting to the pandemic has been difficult for several industries around the world. Although most of the firms surveyed in Morocco (321, see **Table 3-5**) reported having business as usual as their current business status, many firms did adapt to the pandemic by changing their business models, in terms of their hiring decisions (see section 5), production processes, and products offered. Firms surveyed in Morocco were also asked how they adjusted their business models to reduce direct physical contact with their customers. **Figure 7-1** below shows the responses recorded for firms changing their business models (firms were allowed to choose more than one response).

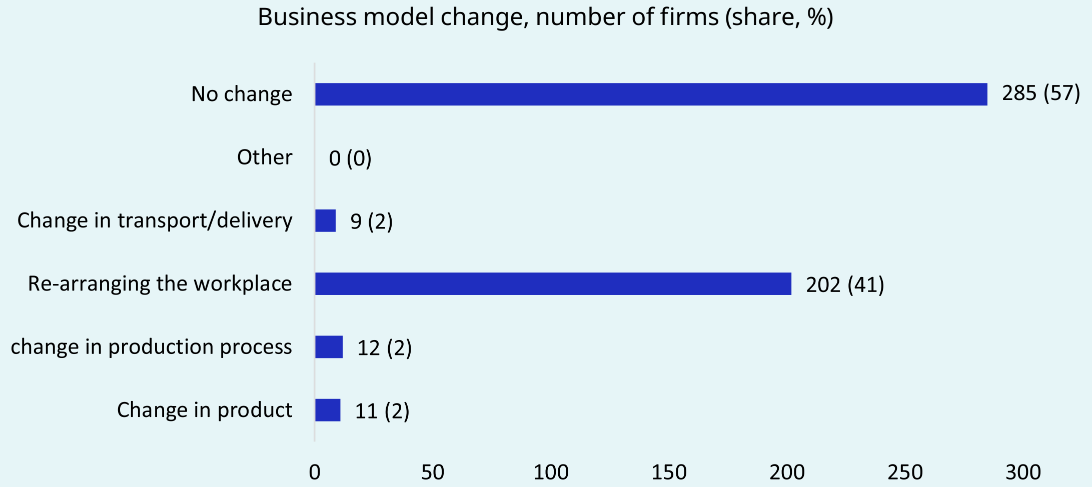
Figure 7-1: Business model change



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Most firms reduced contact with their customers by using the internet and phones for marketing and placing orders more frequently (356 and 338 firms, respectively). Only a small fraction of firms switched their products (12 firms, two percent). In contrast to the findings in Table 3-5, only a small number of firms in Morocco did not change their business model (96 firms, 19 percent). Firms were also asked whether they made any modifications to their business activity. **Figure 7-2** below summarizes their responses.

Figure 7-2: Business activity change



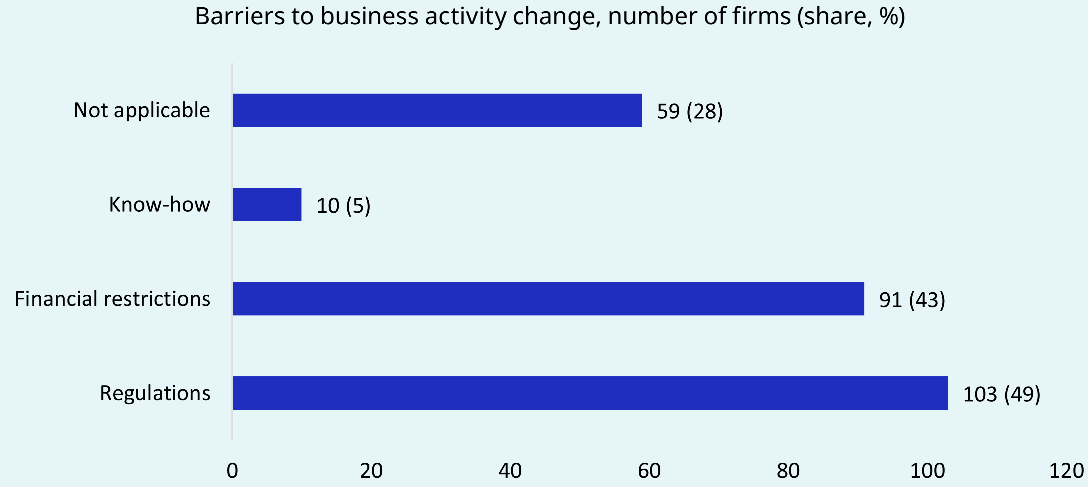
Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

The majority of firms making changes to their business activities reported re-arranging their workplace (202 firms, 41 percent), while 12 and 11 firms only changed their production processes and products, respectively. Most of the firms surveyed reported making no changes to their business activities (285 firms, 57 percent). Nearly two percent of the firms surveyed in Morocco changed their delivery and transportation methods (nine firms).

Firms that reported making changes to their business activity were also asked about the barriers they faced to re-orient their businesses. **Figure 7-3** below shows the responses for those firms[10]. The two most cited barriers for firms to adapt their business activities were regulations (103 firms, 49 percent) and financial restrictions (91 firms, 43 percent). While only 10 firms mentioned that they lacked the know-how to re-orient their business activity (five percent), and 59 firms (28 percent) responded with not applicable.

[10] Only 210 firms of the 499 surveyed, that said they made changes to their business activity responded to this question.

Figure 7-3: Barriers to business activity change



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

To better understand the reasons behind such business model and business activity changes as well as the barriers impeding firms from adapting, **Table 7-1** below summarizes the firms' responses by economic activity.

The two most cited business model changes were using the internet and phones to reach out to customers, 356 and 338 firms, respectively (see **Figure 7-1**). The vast majority of firms in every economic activity reported using phones to reach out to their customers (between 60 to 80 percent, see **Table 7-1**)[11] . Notably, 70 percent of the firms operating in construction used the internet to reach out to their customers. As noted earlier, switching products was quite rare in the surveyed sample in Morocco.

Meanwhile, the most cited business activity change was re-arranging the workplace (202 firms), see **Figure 7-2**. The majority of firms in manufacturing and agriculture and in trade and retail re-arranged their workplaces (between 50 and 60 percent of all firms surveyed in both sectors). On the other hand, 70 percent of the firms in manufacturing and agriculture faced regulation restrictions as barriers to change.

[11] The percentages reflect the share of firms citing a particular change or barrier, noting that firms were allowed to select more than one response.

Table 7-1: Business adaptation and economic activity

	Manufacturing & agriculture	Construction	Trade & retail	Accommodation & food	Services	All activities
Business model change						
Use of phone	70	60	70	80	70	70
Use of internet	50	70	70	70	80	70
Switched product	0	0	0	0	0	0
Other	0	0	0	0	0	0
No change	20	30	20	20	20	20
Business activity change						
Changed product	10	0	0	0	0	0
Changed production process	10	0	0	0	0	0
Re-arranged workplace	60	30	50	30	40	40
Changed transport/ delivery	0	0	0	0	0	0
Other	0	0	0	0	0	0
No change	40	60	50	70	50	60
Barriers to change						
Regulation	40	40	30	80	50	50
Financial restrictions	70	40	30	50	40	40
Know-how	0	0	0	10	10	0
N/A	20	30	50	10	20	30

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Future expectations and policy needs

Firms that were closed at the time of the interview (41 firms) were asked when they expect to resume their business, **Table 8-1** below summarizes their responses. The highest number of closed businesses was 37 firms expectedly in services. Alarmingly, most closed businesses surveyed in Morocco did not know or were uncertain when they would reopen their business (20 out of 60). Meanwhile, 13 firms expected to reopen their business in more than six months, all in food and accommodation. Also, none of the closed businesses expected to resume their work in less than two weeks. Only two firms surveyed in Morocco expected to never open their business again. Out of the 20 closed firms that did not know or were uncertain when they to expect reopening their business, 18 were in food and accommodation.

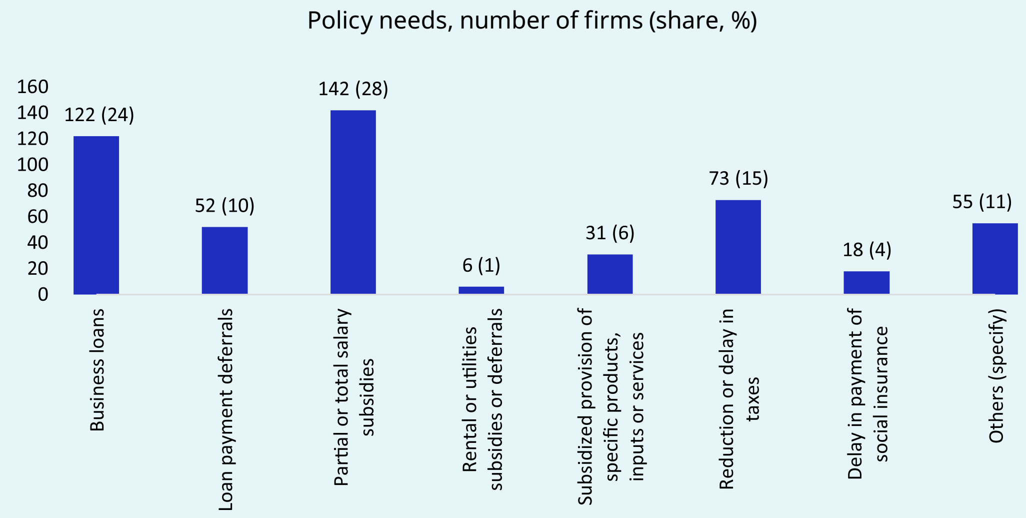
Table 8-1: Business resumption expectation (closed businesses)

	< 2 weeks	2 - 4 weeks	1 - 2 months	2 - 6 months	> 6 months	Never	Don't know (uncertain)	Total
Manufacturing & agriculture	-	-	-	-	-	-	-	-
Construction	-	0	0	1	0	0	0	1
Trade & retail	-	0	0	0	0	0	0	0
Accommodation & food	-	0	3	2	13	1	18	37
Services	-	1	0	0	0	0	1	3
All activities	-	1	3	2	13	2	20	41

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Businesses in Morocco were also asked about their policy needs and the recommendations they would have for the policymaker to help firms survive the pandemic. **Figure 8-1** below summarizes the most cited policies needed to survive the pandemic. Firms were only allowed to choose one response. The most cited policy need by firms surveyed in Morocco was partial or total salary subsidies (142 firms, 28 percent). Also, 122 firms expressed the need for more business loans (24 percent) and 73 cited the need for reductions or delays in tax payments.

▶ Figure 8-1: Firm policy needs



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

To better capture the policy needs for firms in Morocco, **Table 8-2** below shows the distribution of firms that applied to different types of government support programs to survive the pandemic by economic activity. The column shares of the firms are between parenthesis. Most of the firms surveyed in Morocco did not apply to any government support programs since the pandemic started (336 firms, 67 percent), the majority of which are firms in services (139 firms). Overall, 163 firms surveyed in the sample applied to receive government support, with 54 firms being in food and accommodation and 48 firms operating in services.

▶ Table 8-2: Government support programs

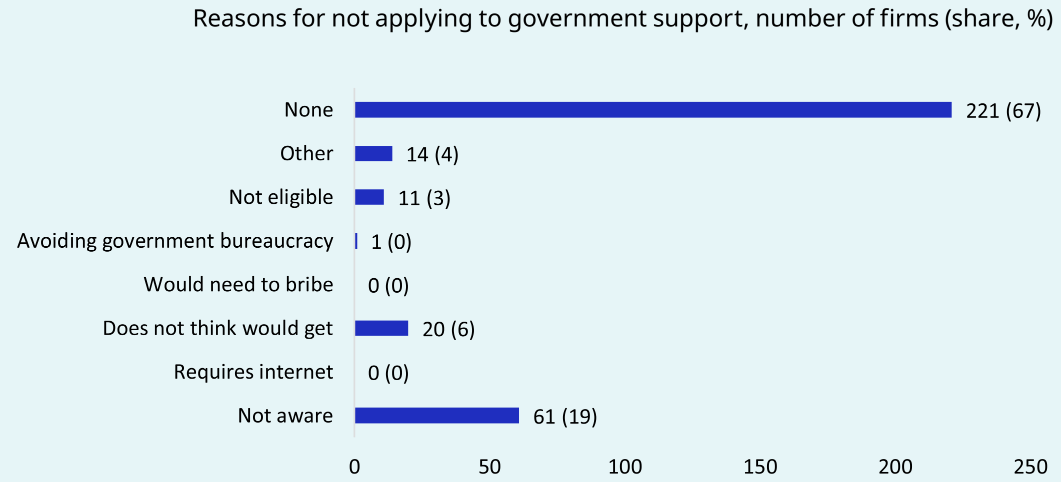
	Manufacturing & agriculture	Construction	Trade & retail	Accommodation & food	Services	All activities
Business loans						
Not Mentioned	20 (75.7)	71 (69.9)	44 (67.1)	96 (80.3)	152 (81.3)	382 (76.6)
Mentioned	6 (24.3)	30 (30.1)	21 (32.9)	23 (19.7)	35 (18.7)	117 (23.4)
Total	27 (100)	101 (100)	65 (100)	119 (100)	187 (100)	499 (100)
Loan deferrals						
Not Mentioned	27 (100)	100 (98.9)	65 (100)	117 (97.9)	182 (97.6)	491 (98.4)
Mentioned	0 (0)	1 (1.1)	0 (0)	2 (2.1)	5 (2.4)	8 (1.6)
Total	27 (100)	101 (100)	65 (100)	119 (100)	187 (100)	499 (100)
Salary subsidies						
Not Mentioned	26 (97.4)	101 (99.7)	65 (99)	90 (75.5)	176 (94.2)	457 (91.7)

Mentioned	1 (2.6)	0 (0.3)	1 (1)	29 (24.5)	11 (5.8)	42 (8.3)
Total	27 (100)	101 (100)	65 (100)	119 (100)	187 (100)	499 (100)
Unemployment benefits						
Not Mentioned	27 (100)	101 (100)	65 (100)	119 (100)	187 (100)	499 (100)
Mentioned	-	-	-	-	-	-
Total	27 (100)	101 (100)	65 (100)	119 (100)	187 (100)	499 (100)
Rent/utility subsidies or deferrals						
Not Mentioned	27 (100)	101 (100)	65 (100)	119 (99.6)	187 (100)	499 (99.9)
Mentioned	0 (0)	0 (0)	0 (0)	0 (0.4)	0 (0)	0 (0.1)
Total	27 (100)	101 (100)	65 (100)	119 (100)	187 (100)	499 (100)
Subsidized products/inputs/services						
Not Mentioned	27 (100)	101 (100)	63 (97.1)	119 (100)	185 (98.7)	495 (99.1)
Mentioned	0 (0)	0 (0)	2 (2.9)	0 (0)	2 (1.3)	4 (0.9)
Total	27 (100)	101 (100)	65 (100)	119 (100)	187 (100)	499 (100)
Tax reduction/delay						
Not Mentioned	25 (94.8)	101 (100)	65 (99.3)	115 (96.3)	185 (99)	491 (98.4)
Mentioned	1 (5.2)	0 (0)	0 (0.7)	4 (3.7)	2 (1)	8 (1.6)
Total	27 (100)	101 (100)	65 (100)	119 (100)	187 (100)	499 (100)
Social security payment delays						
Not Mentioned	27 (100)	101 (99.5)	65 (100)	115 (96.6)	185 (99.2)	493 (98.8)
Mentioned	0 (0)	0 (0.5)	0 (0)	4 (3.4)	1 (0.8)	6 (1.2)
Total	27 (100)	101 (100)	65 (100)	119 (100)	187 (100)	499 (100)
Did not apply						
Not Mentioned	7 (26.3)	31 (30.8)	22 (34.5)	54 (45.5)	48 (25.9)	163 (32.7)
Mentioned	20 (73.7)	70 (69.2)	43 (65.5)	65 (54.5)	139 (74.1)	336 (67.3)
Total	27 (100)	101 (100)	65 (100)	119 (100)	187 (100)	499 (100)

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Although the most cited policy need was salary subsidies, only 42 firms out of the 499 applied for such a program, most of which were food and accommodation (29 firms). The most applied for support program was in the form of business loans, with 117 firms applying for it. Most of the firms applying for such government support operated in services (35 firms), followed by firms in construction (30 firms). Only a few firms applied for receiving subsidized inputs, services or products (four firms) and also only eight firms applied for tax reductions or delays.

▶ **Figure 8-2:** Reasons for not applying for government support



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

To better understand the reasons for such low demand for government support, **Figure 8-2** above shows the responses for firms that did not apply for any government programs when asked why. Out of the 336 firms that did not apply to any government support 328 responded to this question. A considerable share of the firms (61 firms) said that they were not aware of any (19 percent). Also, several firms responding to this question did not think they would get any support if applied (20 firms, six percent), which is yet another awareness issues.

Morocco managed to reopen its economy shortly after the lockdown mandated due to the pandemic, the repercussions of the pandemic, however, extend beyond the lockdown period and are interlinked with other international and local underlying determinants. In fact, most of the business challenges reported by firms in Morocco were directly related to the mobility restrictions due to the lockdown measures mandated by the government. The government rescue and incentive packages offered to businesses and households would need to be more directed towards diversifying the economy and building business resilience to shocks. A major issue with such government support programs is awareness of its existence.

A considerable share of the firms not applying to any government support, were not aware of any being offered. All while, most of the firms surveyed in Morocco adopted to the pandemic by contracting bank credit (112 firms), indicating that such small and medium businesses needed support. In addition, although the most cited policy need was receiving salary subsidies, only a few firms did actually apply to such a program.

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Appendix

Inverse probability weighting was undertaken to account for the sampling strategy and non-response. Weights had the following inputs:

- Total number, T, of firms in the stratum, s, in the sampling frame (T_s)
- Number, N, of firms in the stratum, s, successfully completed in the sample (N_s)
- Share of firms successfully contacted in the stratum that were eligible (e_s)

The weight for a firm, f, in stratum s is calculated as:

$w_{(f,s)}=(T_s*e_s)/N_s$

We adjust the total number of firms in the sampling frame to account for the fact that not all firms were eligible by multiplying the sample frame number of firms in the strata, T_s, by the fraction eligible among contacted firms, e_s. Weights are then normalized to have a mean of one. The resulting weight is the same for all firms that are in the same stratum. In Morocco the weight also accounts for the number of firms on the randomly selected page, N_p, as in:

$w_{(f,s,p)}=(T_s*e_s*N_p)/N_s$

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HIGHLIGHTS: FEBRUARY 2021 SURVEY