

Tounsi, Said; Ezzahid, El hadj; Alaoui, Aicha El; Nihou, Abdelaziz

## Article

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# Key Sectors in the Moroccan Economy: An Application of Input-Output Analysis

*Said Tounsi, El hadj Ezzahid, Aicha El Alaoui,  
and Abdelaziz Nihou*

## Abstract

The exploration of the structural features and sectoral interdependences of and in an economy is fundamental for the understanding of its modes of functioning and of its transformations over time. Input-output analysis is largely used to fulfill this objective. Furthermore, information provided by the Leontief inverse matrix is useful for the identification of key sectors. This identification may guide policy makers in setting an adequate industrial strategy. In this paper, the classification of productive sectors is performed by using the Unweighted Rasmussen Approach. The ordering of sectors depends on the intensity of their links with other sectors. Two results ought to be highlighted. First, key sectors of the Moroccan economy (sectors that are classified in category II) reduced to two sectors in 2007 instead of four sectors in 1998. Second, the ordering of sectors is highly sensitive to the precision of the data and to the year in which the classification is realized.

**JEL** C67 D57

**Keywords** Input-output analysis; backward linkages; forward linkages; unweighted Rasmussen Approach; Morocco

## Authors

*Said Tounsi*, Mohammed V-Agdal University, Rabat

*El hadj Ezzahid*, ✉ Mohammed V-Agdal University, Rabat, [ezzahidelhadj@yahoo.fr](mailto:ezzahidelhadj@yahoo.fr)

*Aicha El Alaoui*, Sultan Moulay Slimane University, Béni Mellal

*Abdelaziz Nihou*, High Planning Commission, Rabat

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## 1 Introduction

Morocco is a developing economy classified by the World Bank as a lower medium income country (World Bank 2010 and 2011). The Moroccan economy is less diversified than developed countries, but compared to the Middle East and North Africa (MENA) economies, it is relatively more diversified and continues to improve its diversification (OCDE 2008: 460).

Since 1998, Moroccan authorities introduced important legal and institutional reforms to increase the competitiveness and the flexibility of the economy. In this same period, many structural projects have been undertaken to promote investment, employment, and growth. These reforms are designed to meet the major challenges of the Moroccan economy which are: dependence of agriculture on rainfall, high rate of unemployment, and insufficient and volatile growth.

In this paper, we will adopt an aggregate view of the Moroccan economy with the objective to identify some of its structural features using input-output analysis (IOA). The discussion will be completed by providing an identification of the key sectors of the economy using some well established criteria.

The IOA is one of the earlier applications of linear programming in the area of economics (Gass 1975). It is adapted to the objective of exploring the interdependencies of the different sectors of the economy and to the running of simulations to gauge the impact of increases in final demand on the output of different sectors. New uses of IOA recently emerged such as the decomposition of growth into the parts attributable to changes in expenditures and the parts due to change in the productive technology captured by the matrix of technical coefficients  $A$ .<sup>1</sup>

This paper is organized as follows. In the second section, we introduce the input-output framework and the Leontief inverse matrix used to estimate the backward and the forward linkages according to the Unweighted Rasmussen Approach. The third section is reserved to the discussion of the overall structure of the Moroccan economy and to the presentation of some results provided by the

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<sup>1</sup> For an example of these applications see (Voyvoda 2008).

intersectoral matrix of flows. In the fourth section, we identify the key sectors of the Moroccan economy. The last section serves to conclude.

## **2 Input-output analysis and the methodology of identifying key sectors**

We present IOA in the first subsection. In the second subsection we present the Leontief inverse matrix and the backward and forward linkages indices that will be used to establish an ordering of productive sectors in Morocco.

### **2.1 Input-output analysis**

Input-output analysis (IOA) describes the flows of services and products in the economy. The refinement of the analysis depends on the available data and the objectives of the study. The validity and the use of IOA in forecasting stand on some hypotheses. First the technology used in production is supposed to be linear and homogeneous of degree 1; that means that returns to scale are constant. Second, the supply of factors for production is supposed to be fully elastic.

The Input-Output Table (IOT) is a table that traces, in rows, the intermediate and final uses of products and, in columns, the cost structure of productive sectors. For this, the economy is divided into  $n$  sectors. Each sector supplies an output  $x_i$ . This supply is used as inputs by the  $i^{\text{th}}$  sector and by the other  $n-1$  sectors. This part is called intermediate consumption (IC). Table 1 summarizes the flows between sectors.

The overall intermediate consumption is either produced locally or imported. Consequently the global supply of a sector  $i$  denoted  $x_i$  will be the sum of the local production  $x_i^d$  and imported production  $x_i^m$ . For local production, it is supposed that the quantity of locally produced output of sector  $i$  used by sector  $j$   $x_{ij}^d$  is proportional to  $x_j$ . The coefficients of proportion are  $a_{ij}$ . These elements are called domestic technical coefficients and provide the structure of local production of the economy. They are computed as follows in Equation 1.

Table 1. A typical input-output table

Sector	Intermediate Consumption				Final Demand	Total outputs
	S <sub>1</sub>	S <sub>2</sub>	...	S <sub>n</sub>		
S <sub>1</sub>	x <sub>11</sub>	x <sub>12</sub>	...	x <sub>1n</sub>	y <sub>1</sub>	X <sub>1</sub>
S <sub>2</sub>	x <sub>21</sub>	x <sub>22</sub>	...	x <sub>2n</sub>	y <sub>2</sub>	X <sub>2</sub>
⋮	⋮	⋮	...	⋮	⋮	⋮
S <sub>n</sub>	x <sub>n1</sub>	x <sub>n2</sub>	...	x <sub>nn</sub>	y <sub>n</sub>	X <sub>n</sub>
<b>Value added</b>	VA <sub>1</sub>	VA <sub>2</sub>	...	VA <sub>n</sub>		
<b>Imports</b>	M <sub>1</sub>	M <sub>2</sub>	...	M <sub>n</sub>		
<b>Total inputs</b>	X <sub>1</sub>	X <sub>2</sub>	...	X <sub>n</sub>		

$$a_{ij}^d = \frac{x_{ij}^d}{x_j} \quad (1)$$

The matrix  $A^d$  of domestic technical coefficients  $a_{ij}^d$  describes the flows of products between the sectors of the economy. These coefficients quantify the inter-industries transactions. Otherwise  $A^d$  is describing the technology of local production of the economy which will be considered constant over a certain period of time in order to make simulations. The second part of the local production of each sector is dedicated to final consumption  $Y$  formulated by households, foreigners, firms, and the government. We must signal that total final demand  $Y$  is satisfied by the part produced locally  $Y^d$  and by the part imported  $Y^m$ . So we will have:  $Y = Y^d + Y^m$ .

Remark also that the output of any sector  $j$  is used to buy inputs  $x_{ij}$  (for  $i=1, 2, \dots, n$ ) from other sectors, to buy imported inputs  $x_{ij}^m$ , and to make payments to primary factors of production such as labor, capital, and so on. These payments are wages, dividends, and interests; and constitute the value added generated by the  $j^{\text{th}}$  sector. It is expressed as:

$$VA_j = x_j - \sum_{i=1}^n x_{ij}^d - \sum_{i=1}^n x_{ij}^m \quad (2)$$

If we focus on the uses of local production, we will find that for a sector  $i$  there is equilibrium between its production and the quantity of this production used by productive sectors plus the quantity used as final demand  $y_i^d$ .

$$x_i = x_{i1}^d + x_{i2}^d + \dots + x_{in}^d + y_i^d \quad \text{For } i = 1, \dots, \quad (3)$$

Equation (3) may be written in matrix form by considering the vector  $X$  of the outputs of the  $n$  sectors, the  $n \times n$  matrix of domestic technical coefficients  $A^d$ , and the vector of final consumption of the outputs of the  $n$  sectors  $Y^d$ . So we will have:  $X^d = A^d X^d + Y^d$ . Let  $M$  be the  $(n, 1)$  vector of importations of the  $n$  sectors from abroad and  $Y^m$  the vector of consumed importations by final users. In matrix terms, this can be written as follow:  $M = A^m X + Y^m$ . This equation states that the total importations  $M$  are used as inputs by the  $n$  productive sectors and the remaining part is consumed by final users (households, governments, reexport ...). The overall equilibrium between available resources and their uses may be written when we add the two sides of the above equations as follows:

$$X + M = A^m X + A^d X + Y^m + Y^d \quad (4)$$

Importations constitute leakages that reduce the productions multipliers (Reis and Rua 2006). This is especially true because domestically produced goods and imported goods are generally not substitutable. We must remark that initial works, undertaken to apply IOA, assumed that domestically produced and imported goods are “equivalent so that any demand or want can be satisfied by either the one or the other kind of goods” (Johansen 1960: 16). In the following, we will not distinguish between locally and imported production. The objective is to present a general view about the linkages between sectors. In the application (Section 4) we will use  $A^d$  which is the matrix of domestic technical coefficients.

## 2.2 Leontief inverse Matrix and the methodology of ordering sectors

Input-output analysis provides a demand driven view of the economy. The links between final demand  $Y$  and the sectors' outputs  $X$  can be more explicitly presented by the relationship:

$$X = (I - A^d)^{-1}Y \Leftrightarrow \Delta X = (I - A^d)^{-1} \Delta Y \quad (5)$$

The matrix  $I$  is a  $n \times n$  unit matrix. We pose  $(I-A)^{-1}=B$ .  $B$  is the Leontief inverse matrix<sup>2</sup> with generic element  $b_{ij}$ . By the IO model, we can depict the impact of an increase of final demand addressed to a sector  $j$  on the output of other productive sectors. Extensively, we can write (5) as follows:

$$x_i = b_{i1}y_1 + b_{i2}y_2 + \dots + b_{ij} + \dots + b_{in}y_n \text{ for each } i = 1, \dots, n \quad (6)$$

Consequently to equation (6), we will have:

$$\frac{\partial x_i}{\partial y_j} = b_{ij} \quad (7)$$

The Leontief inverse matrix  $B$  provides the direct and indirect necessary materials to produce a supplementary unit by a given sector to respond to an increase of final demand. To get a thorough view about the functioning of the economy and evaluate the indirect effects we will study sectoral multipliers. Two cases are distinguished. The first is a unitary increase of the final demand addressed to a specified sector  $j$ . The second case is the uniform unitary increase of final demand addressed to all productive sectors.

The backward linkages of a sector are measured by the intensity of its links with sectors providing inputs. The strength of these relationships is gauged by output multipliers. The demand addressed to sector  $j$  increase its output by one unit; this is a direct effect. To produce an extra unit by sector  $j$ , the output of sector  $i$  must increase by a quantity  $\Delta x_i$ . The induced effect in the  $i^{\text{th}}$  sector will have an effect on the output of the  $k^{\text{th}}$  sector and so on.

If we are interested by the effect of an increase by one unit in the final demand addressed to the  $j^{\text{th}}$  sector we will suppose that the elements of  $\Delta Y$  are zeros except the  $j^{\text{th}}$  element where we have 1. The output multiplier is “defined as the change in gross output resulting from unit change in final demand in a given sector”

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<sup>2</sup>  $(I-A)^{-1}$  exists if  $(I-A)$  is nonsingular which is the case if  $A$  satisfies the condition  $\sum_{i=1}^n a_{ij} < 1$  for each  $j=1,2,\dots, n$  (Gass, 1975: 290).

(Matallah 2006: 288). By its definition the output multiplier of the  $j^{th}$  sector is equal to:<sup>3</sup>

$$B\Delta Y = \begin{pmatrix} b_{11} & b_{12} & \dots & b_{1n} \\ \vdots & \vdots & \dots & \vdots \\ b_{n1} & b_{n2} & \dots & b_{nn} \end{pmatrix} \begin{pmatrix} 1_{i=j}(i) \\ \vdots \\ 1_{i=j}(i) \\ \vdots \\ 1_{n=j}(i) \end{pmatrix} = \begin{pmatrix} b_{1j} \\ \vdots \\ b_{ij} \\ \vdots \\ b_{nj} \end{pmatrix} \quad (8)$$

Consequently if the final demand addressed to the  $j^{th}$  sector increased by one unit then the total impact in the economy will be:

$$B\Delta Y = \sum_{i=1}^n b_{ij} = b_{.j}$$

Remark that the output multiplier of a sector  $j$  can be decomposed between the effects occurring within the sector (intra-sector effects) and those that spread to all other sectors (inter-sector effects)” (Kweka et al. 2001: 7).

Now we are interested by the impact of a uniform unit increase<sup>4</sup> of final demand addressed to all productive sectors. In this case, the increase in final demand is represented by a unitary vector  $\Delta Y_i = (1 \ 1 \ \dots \ 1)^T$ . Remark that because we discuss in terms of MAD<sup>5</sup> the increase in final demand  $Y$  is equal to  $n$  MAD. The induced increases in the output of all sectors are given by this equation:

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<sup>3</sup>In this paper, we note a one unit increase of the final demand for the output of the  $j^{th}$  sector by  $1_{i=j}(i)$ . This is an indicative function which is equal to 1 if  $i=j$  and 0 otherwise.

<sup>4</sup> We can term this a unitary vector increase in the demand addressed to the economy.

<sup>5</sup> Symbol of the Moroccan currency (Dirham).



$$\begin{pmatrix} b_{11} & b_{12} & \dots & b_{1n} \\ b_{21} & b_{22} & \dots & b_{2n} \\ \vdots & \vdots & \dots & \vdots \\ b_{n1} & b_{n2} & \dots & b_{nn} \end{pmatrix} \begin{pmatrix} 1 \\ 1 \\ \vdots \\ 1 \end{pmatrix} = \begin{pmatrix} b_{11} + b_{12} + \dots + b_{1n} \\ b_{21} + b_{22} + \dots + b_{2n} \\ \vdots \\ b_{n1} + b_{n2} + \dots + b_{nn} \end{pmatrix} = \begin{pmatrix} \sum_{j=1}^n b_{1j} \\ \sum_{j=1}^n b_{2j} \\ \vdots \\ \sum_{j=1}^n b_{nj} \end{pmatrix} = \begin{pmatrix} b_{1\bullet} \\ b_{2\bullet} \\ \vdots \\ b_{n\bullet} \end{pmatrix} \quad (9)$$

The uniform increase of final demand by a unitary vector induces increases in the outputs of all sectors. The increase in the  $i^{th}$  sector is equal to the horizontal summing of the elements of the  $i^{th}$  row of the Leontief inverse matrix  $B=(I-A)^{-1}$ . The monetary value of the total induced increase in the outputs of the  $n$  productive sectors consequently to the uniform unitary impulse in final demand addressed to the  $n$  sectors is:

$$Total\ effect = \sum_{i=1}^n \sum_{j=1}^n b_{ij} = \sum_{j=1}^n b_{\bullet j} = \sum_{i=1}^n b_{i\bullet} \quad (10)$$

We will use the indices of linkages identified accordingly to the approaches of Rasmussen (1956) and Hirschman (1958) to classify the aggregate sectors of the Moroccan economy into those with above average effect on the remaining sectors and those with below average effect. For this, we define the average element  $\bar{b}$  of the Leontief inverse matrix  $B=(I-A)^{-1}$  as follows:

$$\bar{b} = \frac{\sum_{i=1}^n \sum_{j=1}^n b_{ij}}{n^2} = \frac{\sum_{j=1}^n b_{\bullet j}}{n^2} = \frac{\sum_{i=1}^n b_{i\bullet}}{n^2} \quad (11)$$

The detection of the propulsive sectors in the economy may help policy makers to target, in an industrial policy, the sectors that are most likely to have important effects on the economy. The backward linkage index or power of dispersion index  $BL_j$  of a sector  $j$  and the forward linkage index or sensitivity of

dispersion index  $FL_i$  of a sector<sup>6</sup>  $i$  are measured as follows (see Guilhoto and Filho 2005):

$$BL_j = \frac{\frac{b_{\bullet j}}{n}}{\frac{1}{n^2} \sum_{j=1}^n b_{\bullet j}} = \frac{b_{\bullet j}}{nb} \quad (12)$$

and

$$FL_i = \frac{\frac{1}{n} b_{i\bullet}}{\frac{1}{n^2} \sum_{i=1}^n b_{i\bullet}} = \frac{b_{i\bullet}}{nb} \quad (13)$$

We use these indices even if they have limits as observed by Sonis et al. (1995). Indeed, “one of the criticisms of above indices ( $BL_j$  and  $FL_i$ ) is that they do not take into consideration the different levels of production in each sector of the economy” (Sonis et al. 1995: 235).

To compare sectors according to their backward and forward effects we must normalize by 1 (Shuja et al. 2008). According to the values  $BL_j$  and  $FL_i$ , the productive sectors are classified into four categories (Boucher 1976: 456–457). If both  $BL_j$  and  $FL_i$  of a sector are above 1 then the sector is of category II. These sectors are considered by Hirschman (1958) as key sectors. Backward linkages are judged more interesting, for this reason category III is composed of sectors with  $BL_j$  above 1 and  $FL_i$  below 1. Sectors with  $BL_j$  low (below 1) and  $FL_i$  above 1 are classified in category I. Sectors having neither  $BL_j$  or  $FL_i$  above 1 are classified in category IV.

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<sup>6</sup> “Backward linkages are the relationships of a sector with the sectors providing inputs. Forward linkages are the relationships between the activity in a sector and its sales” (Matallah 2006: 290).

### 3 Overall structure of the Moroccan economy

The contributions of the main sectors in Moroccan GDP hadn't drastically changed from 1998 to 2007.<sup>7</sup> Taking into account the impact of climate on the part of agriculture in GDP, we observe globally a decline of the contribution of this sector and an increase of the contribution of services. Table 2 provides the contributions of the aggregate sectors in GDP in 1998 and in 2007.

We observe that despite the reforms undertaken by Moroccan authorities, the overall structure of the economy remains so much the same. The reduction of the part of agriculture in the economy is due, in part, to the fact that in 2007 there was a severe drought that adversely affected the production of Moroccan agriculture.<sup>8</sup> This situation attests the dependence of agricultural production on rainfall<sup>9</sup> and the dependence of overall GDP on agricultural output. Despite this fact, it is seeable that during the period 1998–2007 there was a small, regularly, and hesitant reduction of the part of agriculture in GDP and an increase of the part of services.

*Table 2.* Aggregate sectors contributions to GDP (%)

	<b>1998</b>	<b>2007</b>	<b>Average 1998–2007</b>
Agriculture and fisheries	19.3	13.0	15.5
Industry	16.5	14.2	15.8
Energy	3.4	2.8	3.2
Mining	2.4	2.3	2.1
Building and public works	4.1	6.5	5.5
merchant services	37.5	42.8	39.6
Non merchant services	16.8	18.4	18.3
<b>Totals</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: our estimates

<sup>7</sup> During the period 1998–2007 the real GDP increased by an average annual rate of 4.1% (HCP 2009: 29).

<sup>8</sup> It is important to scrutinize the shift in the importance of agriculture in an economy since the experience of economic development is characterized by a strong decline in the part of agriculture in GDP and in employment. See for a discussion (Alvarez-Cuadrado and Poschke 2011).

<sup>9</sup> During the period 1998–2007, agricultural production recorded negative growth rates in 1999, 2000, 2005, and 2007 (HCP 2009: 31).

Statistically, the part of agriculture in the GDP attained in 1998 is the maximum recorded during the period 1998–2007.<sup>10</sup>

The Moroccan economy is one of the most open in the MENA region. The overall rate of openness measured by the traditional indicator  $\frac{X + M}{GDP}$  was 81% in 2007. The European Union (with 27 countries) is the main commercial partner of Morocco. In 2008, 59% of the exportations of Morocco were realized with EU and 52% of its importations come from this region (World Bank 2010: 12).

Aside the structural dependence on oil and natural gas, the Moroccan economy depends heavily on imports of equipments, machines, and other sophisticated products. Four indicators will be used to characterize the degree of openness of different sectors. The first is the rate of exportation which is the part of the  $i^{\text{th}}$  sector's exportation  $z_i$  in the production generated by this sector ( $rex_i = z_i/x_i$ ). The second indicator is the rate of penetration which is calculated as the part of the importation of a product in its apparent consumption defined as production and importation (demand of products) minus exportations ( $rp_i = m_i/(x_i + m_i - z_i)$ ). The third indicator is the rate of exposedness also known as the rate of internationalization, calculated from the rate of exportation and the rate of penetration ( $rexp_i = rex_i + (1 - rex_i)rp_i$ ). The last indicator is the rate of coverage which measures the part of importations financed by exportations ( $rc_i = z_i/m_i$ ). Table 3 summarizes these data.

Concerning external flows we remark some salient features. First, the part of importations in the overall supply is 21.5%. Second, importations of products by the sector of mining and the sector of mechanical, metallurgical and electrical industries exceed their domestic productions.

The structure of the costs of productive sectors provides the part of intermediate consumption of inputs (imported or produced locally) and the part of value added (distributed incomes) in the costs of the different sectors. The types of income taken into account are wages, taxes, subsidies and revenues of enterprises (Gross Operating Surplus, GOS). In 2008, value added represented 54% of production. Thus any produced 1 MAD will generate 0.54 MAD as income and the remaining part is absorbed by intermediate consumption produced locally or imported. The distribution of value added between social partners had exhibited a stable pattern during the period 1998–2007. Approximately two thirds of value

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<sup>10</sup> It is important to compare with the data in (HCP 2009: 33).

*Table 3. Links with the world economy (%)*

	Rate of exportation		Rate of penetration		Rate of exposedness		Rate of coverage	
	1998	2007	1998	2007	1998	2007	1998	2007
<b>Agriculture</b>	11.5	13.6	9.9	17.3	20.2	28.6	66.1	40.8
<b>Mining</b>	68.5	61.5	53.0	74.7	85.2	90.2	72.2	23.7
<b>Energy</b>	10.3	25.1	11.4	31.7	20.6	48.8	40.1	18.2
<b>Industries</b>	92.6	120.7	35.2	50.7	95.2	110.2	59.7	51.2
<b>Merchant services</b>	5.9	15.5	6.4	8.8	11.8	22.9	68.5	135.2

Source: Our estimates for 2007 and Nihou and Khallel's estimates for 1998

added was distributed as revenues to proprietors (GOS). The remuneration of workers (labor suppliers) accounted for 32.5% of GDP in 1998 and 34.9% in 2007. The remaining part is other taxes less subsidies on products (HCP 2009: 38).

The Moroccan economy will be divided into 20 sectors. This level of refinement is adapted for the exploration of the overall functioning of the economy. The table in appendix gives the matrix of domestic technical coefficients of the Moroccan economy in 2007. By examining the diagonal elements of that matrix, the  $a_{ii}$ , we observe some salient features. For example, the sectors that use intensively their outputs as inputs are the sector of agriculture, textile and leather, the sector of mechanical, metallurgical and electrical industries, and the sector of other manufacturing industries outside petroleum refining.

Two types of sectors are to be distinguished; those that are linked to the remaining sectors as providers of inputs and those that are linked with other sectors as users of their outputs. Naturally, the sector of general public administration and social security is an absolute user of inputs provided by other sectors. This sector is the most linked with productive sectors as demander. The sector of other manufacturing industries (outside petroleum refining) and the sector of commerce and repair are also significantly linked as users of inputs with more than ten sectors. The sector of real estate, rental and services to companies, the sector of electricity and water, the sector of refined petroleum and other energy products, the sector of other manufacturing industries (outside petroleum refining), and the sector of mechanical, metallurgical and electrical industries are very linked with almost all sectors as providers of inputs.

Some sectors are intensive users of other sectors' outputs. As an example food and tobacco industry uses 0.37 unit of the output of the sector of agriculture, forestry, hunting and exploitation to produce each unit of its output. The sector of buildings and public works depends heavily on the inputs provided by the sector of other manufacturing industries (outside petroleum refining) and the sector of mechanical, metallurgical and electrical industries. To produce a unit of output, the sector of building and public works uses 0.25 and 0.16 units of products provided by these two respective sectors.

The vertical totals  $S_c$  of the matrix  $A^d$  ( $\sum_{i=1}^n a_{ij}^d = a_{.j}^d$ ) provide the share of domestic intermediate consumption in the output of the  $j^{\text{th}}$  sector. The horizontal totals  $S_r$  ( $\sum_{j=1}^n a_{ij}^d = a_i^d$ ) estimate the relative contribution of domestic output to cover the domestic intermediate consumption of productive sectors (Dobrescu et al. 2010: 179–180). The quantities  $I-S_c$  for  $j=1, \dots, n$  provide an idea about the proportion of the production of each sector that is distributed as income to domestic and foreign factors.  $I-S_r$  provides the part of final consumption in the supply of each sector. The following table provides the  $S_r$  and  $S_c$  of each sector.

*Table 4.* Vertical ( $S_c$ ) and Horizontal ( $S_r$ ) Summing of the coefficients of  $A^d$

Sector' code	Sc	Sr	Sector' code	Sc	Sr
<b>A00</b>	0.260	0.618	<b>F45</b>	0.559	0.020
<b>B05</b>	0.213	0.090	<b>G00</b>	0.246	0.054
<b>C00</b>	0.291	0.295	<b>H55</b>	0.374	0.080
<b>D01</b>	0.629	0.395	<b>I01</b>	0.507	0.190
<b>D02</b>	0.277	0.177	<b>I02</b>	0.273	0.096
<b>D03</b>	0.399	0.252	<b>J00</b>	0.193	0.216
<b>D04</b>	0.268	0.593	<b>K00</b>	0.046	0.625
<b>D05</b>	0.388	0.567	<b>L75</b>	0.260	0.000
<b>D06</b>	0.035	0.912	<b>MN0</b>	0.063	0.009
<b>E00</b>	0.183	0.328	<b>OP0</b>	0.109	0.056

**Sources:** our estimates.

Table 4 shows that 63% of the production of the sector of food and tobacco industry is used to purchase domestically produced intermediate items. The sector of real estate, rental and services to companies and the sector of education, health and social action are the sectors that use less of domestic materials as intermediate consumption. Production of the sector of refined petroleum and other energy products and the sector of real estate, rental and services to companies cover respectively 91.2% and 62.5% of intermediate consumption.

#### 4 Ordering of sectors in the case of Morocco

We will use the  $BL_j$  and  $FL_i$  to identify the key sectors in the Morocco economy. We must remark that to refine and precise the ordering of productive sectors other investigations must be undertaken to take into account employment, income, and taxes impacts. The proposed classification is based on production/output multipliers. The average element  $\bar{b}$  of  $B$  is equal to 0.07. Table 5 provides the  $BL_j$  and the  $FL_i$ , the category of each sector and its rank.

We note that the rank of the sector of chemical industries has deteriorated. This sector passed from the second rank in 1998 to the sixth rank in 2007. The same thing is observed for the sector of mining industries (extractive industries) (rank 4 in 1998 and rank 8 in 2007). As a consequence, the key sectors of the Moroccan economy (sectors that are classified in category II) were reduced to two sectors in 2007 instead of four sectors in 1998. The two sectors that have the most important  $BL_j$  are, respectively, the sector of food and tobacco industries and the sector other manufacturing industries (outside petroleum refining). The three sectors that have the most important  $FL_i$  are respectively the sector of refined petroleum and other energy products, the sector of agriculture, forestry, hunting, and exploitation and the sector of mechanical, metallurgical and electrical industry.

The sector of agriculture, forestry, hunting, and exploitation is weakly integrated as purchaser of inputs from other sectors. The correspondent coefficient of backward linkages is 0.996 which is insignificantly different from 0.93 found by Nihou and Khellaf (2005) for the year 1998. Concerning the intensity of forward linkages of the sector of agriculture, forestry, hunting, and exploitation, it

Table 5. Ordering of sectors by the Hirschman-Rasmussen approach

Codes of sectors	Sectors	BL <sub>j</sub>	FL <sub>i</sub>	Class (2007)	Rank (2007)	Class (1998)	Rank (1998)
<b>D01</b>	Food and tobacco industry	1.389	1.091	II	1	II	1
<b>D05</b>	Other manufacturing industries (outside petroleum refining)	1.094	1.246	II	2	II	3
<b>F45</b>	Building and public works	1.299	0.746	III	3	III	5
<b>H55</b>	Hotels and restaurants	1.182	0.798	III	4	III	6
<b>I01</b>	Transport	1.155	0.911	III	5	III	8
<b>D03</b>	Chemical and Para-chemical industries	1.129	0.986	III	6	II	2
<b>A00</b>	Agriculture, forestry, hunting and exploitation	0.996	1.449	I	7	I	9
<b>C00</b>	Extractive industry (Mining)	0.995	1.027	I	8	II	4
<b>D04</b>	Mechanical, metallurgical and electrical industries	0.990	1.316	I	9	I	10
<b>E00</b>	Electricity and Water	0.883	1.055	I	10	I	11
<b>K00</b>	Real estate, rental and services to companies	0.771	1.294	I	11	I	12
<b>D06</b>	Refined petroleum and other energy products	0.763	1.612	I	12	I	13
<b>D02</b>	Textile and leather industries	0.999	0.888	IV	13	III	7
<b>I02</b>	Posts and Telecommunications	0.984	0.813	IV	14	IV	19
<b>L75</b>	General Public Administration and Social Security	0.976	0.729	IV	15	IV	15
<b>G00</b>	Commerce and repair	0.961	0.771	IV	16	IV	16
<b>B05</b>	Fishing and aquaculture	0.912	0.814	IV	17	IV	14
<b>J00</b>	Financial activities and insurance	0.906	0.929	IV	18	IV	17
<b>OP0</b>	Other non-financial services	0.826	0.786	IV	19	IV	18
<b>MN0</b>	Education, health and social action	0.791	0.738	IV	20	IV	20

Source: Our estimates for 2007 and Nihou and Khallef's estimates for 1998.



is equal to 1.449. The results let us suppose that agriculture is more linked to other sectors as provider of inputs comparatively to its integration to the productive sectors as user of inputs. This is highly plausible because Moroccan agriculture uses intensively imported products such as equipments and selected seeds. It is paradoxical to observe that even if Morocco is the first producer and exporter of phosphates, the quantity of this product used by farmers is very low and ironically small ones don't find the derivatives of this product in the market.

The results show that the sector of fishing and aquaculture has backward and forward linkage indices under unity. That means that the links of this sector as purchaser of outputs from productive sectors are low and its impact as provider of inputs to other sectors is low. This result is concordant with the findings of Boudhar and Belaid (2009) who found that "... the fishery products system remains poorly integrated into the Moroccan economy".

The sectors that are the least integrated to the economy as users of inputs from the productive sectors are the sector of refined petroleum and other energy products, the sector of real estate, rental and services to company, the sector of other non-financial services and the sector of fishing and aquaculture. The sectors that have the least effect on other sectors as providers of inputs are the sector of general public administration and social security, the sector of education, health and social action, the sector of commerce and repair, the sector of hotels and restaurants, the sector of posts and telecommunications, and the sector of fishing and aquaculture. The values of  $BL_j$  and  $FL_i$  for more aggregate sectors are summarized in Table 6.

Table 6. Production multipliers of aggregate sectors

	$b_j$	$b_j/n$	$BL_j$	$b_i$	$b_i/n$	$FL_i$
<b>Agriculture</b>	1.307	0.065	0.954	1.551	0.078	1.131
<b>Mining</b>	1.364	0.068	0.995	1.408	0.070	1.027
<b>Energy</b>	1.128	0.056	0.823	1.828	0.091	1.334
<b>Industry</b>	1.536	0.077	1.120	1.515	0.076	1.105
<b>Merchant Services</b>	1.329	0.066	0.969	1.234	0.062	0.900
<b>Non-merchant Services</b>	1.211	0.061	0.884	1.006	0.050	0.734

Source: Our estimates.

When the final demand addressed to each of the  $n$  productive sectors increase by one unit the total final demand increases by  $n$  units. In our case, we have 20 sectors. This means that the uniform unit increase in the demand addressed to all productive sectors is equal to 20. The impact of this uniform increase of one unit is given by equation (10). In our case, the effect is equal to 27.42 MAD. Thus, on average each unit increase in final demand generates an increase of 1.37 in the production of all sectors. That means that globally, an extra MAD in final demand produces approximately 1.37 MAD. This value of general multiplier is almost the same found by Nihou and Khallaf for the year 1998 (Nihou and Khallaf 2005: 12).

## 5 Conclusion

The discussion in this paper has attempted to determine the structural patterns of the Moroccan economy. Furthermore, we tried to detect whether there are any structural shifts in the Moroccan economy during the period 1998–2007. Indeed in such a period, it is likely to witness structural transformations especially for a country that introduced reforms and adopted policies in order to facilitate its integration to the world economy and modernize its economic structures. The available data does not reveal any structural change of the Moroccan economy.

In this paper, an ordering of sectors is performed using measures of the intensity of their links, as suppliers and users with other sectors. The results show some change of the ordering between 1998 and 2007. The sector of food and tobacco industries is ranked at the top of the key sectors in the two years.

The specialization of the Moroccan economy is a vertical integration with the world economy. This form of specialization rarely leads to the development of a web of dense domestic links between productive sectors. What is needed for Morocco is not just a passive integration with other economies but a strategic integration that is conducive to the development of a horizontal specialization that will lead to a strengthening of links between productive sectors.

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## Appendix

Matrix of domestic technical coefficients of the Moroccan economy in 2007

Sectors	A00	B05	C00	D01	D02	D03	D04	D05	D06	E00	F45	G00	H55	I01	I02	J00	K00	L75	MN0	OP0
<b>A00</b>	0.16	0.01	0.00	0.37	0.00	0.02	0.00	0.02	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.01
<b>B05</b>	0.00	0.02	0.00	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>C00</b>	0.00	0.00	0.01	0.00	0.00	0.17	0.02	0.02	0.01	0.01	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>D01</b>	0.02	0.00	0.00	0.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>D02</b>	0.00	0.00	0.00	0.00	0.15	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00
<b>D03</b>	0.03	0.00	0.00	0.01	0.02	0.08	0.01	0.03	0.00	0.003	0.03	0.01	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.01
<b>D04</b>	0.00	0.01	0.06	0.02	0.00	0.02	0.14	0.02	0.01	0.01	0.16	0.02	0.00	0.01	0.08	0.00	0.00	0.01	0.00	0.00
<b>D05</b>	0.00	0.01	0.01	0.02	0.01	0.02	0.02	0.10	0.00	0.00	0.25	0.03	0.00	0.01	0.03	0.01	0.01	0.02	0.01	0.01
<b>D06</b>	0.02	0.11	0.10	0.02	0.02	0.02	0.02	0.11	0.00	0.09	0.04	0.05	0.01	0.22	0.02	0.00	0.00	0.04	0.00	0.01
<b>E00</b>	0.01	0.00	0.04	0.01	0.02	0.01	0.02	0.04	0.01	0.04	0.00	0.01	0.02	0.01	0.02	0.01	0.00	0.03	0.01	0.01
<b>F45</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.01	0.00	0.00
<b>G00</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00
<b>H55</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.02	0.00	0.02	0.00	0.00
<b>I01</b>	0.01	0.00	0.03	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.00	0.02	0.00	0.05	0.01	0.01	0.00	0.01	0.00	0.00
<b>I02</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.01	0.02	0.01	0.00	0.02	0.00	0.00
<b>J00</b>	0.00	0.02	0.00	0.00	0.00	0.01	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.05	0.00	0.07	0.01	0.01	0.00	0.00
<b>K00</b>	0.00	0.01	0.02	0.01	0.03	0.02	0.02	0.02	0.01	0.01	0.02	0.04	0.03	0.14	0.08	0.06	0.02	0.04	0.01	0.04
<b>L75</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>MN0</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>OP0</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01

Source: our estimates.

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