Morocco

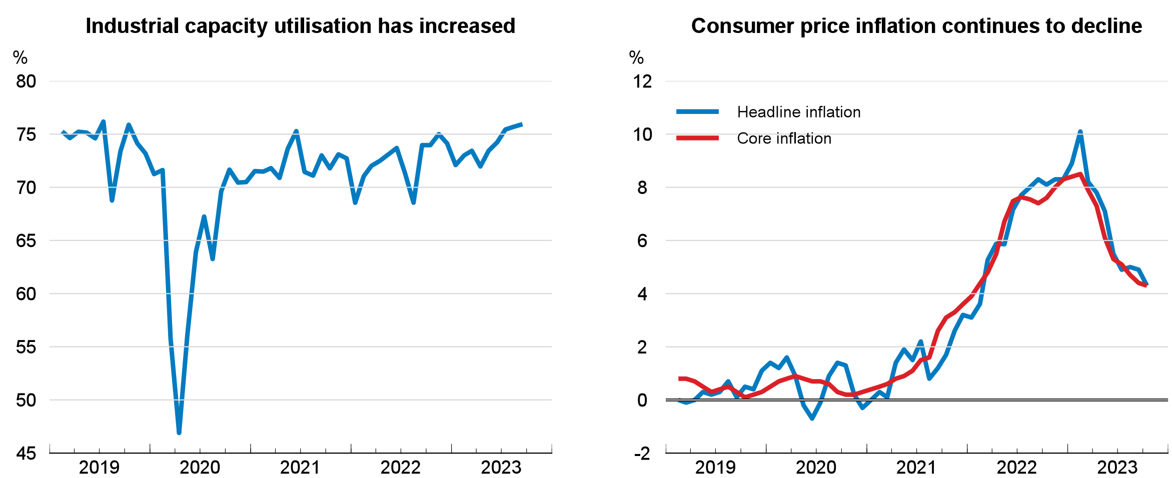
Growth is set to recover to 3.3% in 2023 and strengthen further to 3.6% in 2024 and 3.8% in 2025. A rebound in agricultural production and the services sector, particularly in inbound tourism, will support overall economic activity. The Marrakesh–Safi earthquake had a high human cost but did not disrupt the major productive activities. Inflation should gradually decline over the next two years, benefiting from easing commodity prices and monetary policy tightening. Key risks include a prolongation of the drought, a slowdown in European demand and commodity price shocks.

The central bank should continue to ensure that inflation moderates and maintain interest rates at their current level as long as required. Gradual budgetary consolidation is needed to ensure fiscal sustainability through expansion of the revenue base and more targeted support for vulnerable households. Priority structural reforms to boost growth include stimulating private investment, enhancing women's labour force participation, and accelerating climate change adaptation measures.

Economic activity is bouncing back

Growth has improved this year due to surging domestic consumption, a recovery in agricultural production and the strong performance of services and exports. Transfers to public enterprises and miscellaneous spending have boosted public consumption, and tourism has recovered with the number of arrivals exceeding its pre-pandemic level. Business confidence is improving, capacity utilisation has increased and industrial exports have grown. The Marrakesh–Safi earthquake in September had a high human cost but did not disrupt the main productive regions. Annual headline and core inflation have continued to decline since March, to under 4.5% by October.

Morocco



Source : Le Haut Commissariat au Plan; and Bank Al-Maghrib.

StatLink https://stat.link/ezxtcs

Morocco: Demand, production, price

Morocco	2020	2021	2022	2023	2024	2025
	Current prices MAD billion	Percentage changes, volume (2014 prices)				
GDP at market prices	1 152.5	8.0	1.3	3.3	3.6	3.8
Private consumption	680.8	6.9	-0.7	2.1	2.7	3.1
Government consumption	223.6	7.2	3.3	3.9	4.9	3.0
Gross fixed capital formation	302.2	7.6	-2.2	2.8	3.9	4.0
Final domestic demand	1 206.7	7.2	-0.2	2.6	3.4	3.4
Stockbuilding[1]	29.4	2.0	-1.4	0.0	0.0	0.0
Total domestic demand	1 236.1	9.3	-1.9	2.6	3.3	3.3
Exports of goods and services	354.9	7.9	20.4	6.5	5.9	7.6
Imports of goods and services	438.5	10.4	9.0	4.5	5.0	6.0
Net exports[1]	- 83.6	-1.5	2.9	0.4	-0.1	0.2
Memorandum items						
GDP deflator	_	2.4	3.1	5.0	2.4	2.0
Consumer price index	_	1.4	6.6	5.6	2.5	2.0
Central government budget balance (% of GDP)	_	-5.6	-5.2	-4.8	-4.6	-4.5
Central government gross debt (% of GDP)	_	69.5	71.6	71.5	71.0	70.0
Current account balance (% of GDP)	_	-2.3	-3.5	-2.8	-3.0	-2.7

1. Contributions to changes in real GDP, actual amount in the first column.
Source: OECD Economic Outlook 114 database.

StatLink https://stat.link/hp3cmj

As Morocco is heavily dependent on imported energy and food products, the moderation of international commodity prices has led to a reduction in energy and food bills, although phosphates exports have been impacted. Exports by the automobile, electronics and textile sectors have performed strongly. A flexible precautionary credit line of USD 5 billion opened by the IMF was approved in April to offer the country a margin of safety in the event of a severe shock affecting the balance of payments.

Monetary policy will remain restrictive, while the fiscal deficit will narrow

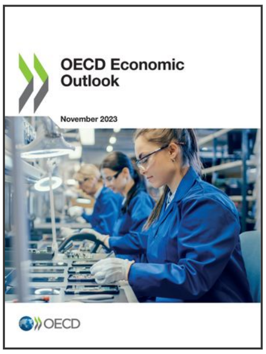
The central bank raised its policy rate from 1.5% in September 2022 to 3% in March 2023 to counter high inflation. With decreasing inflation, the central bank is anticipated to maintain and then gradually lower its policy rate. The budget deficit is well above the pre-pandemic level but will narrow slowly as the economy recovers and as lower international prices reduce the cost of subsidies for gas, wheat, and sugar. Under these conditions, the central government debt ratio will gradually decrease in the medium term.

Growth will be driven by domestic demand

Real growth is projected to reach 3.3% in 2023 and 3.6% in 2024, boosted by agriculture, domestic demand and exports from tourism and key manufacturing industries, such as automobiles and electronics, as these sectors develop. Reconstruction and new policy incentives will strengthen investment. These developments will support incomes and consumption, with the recovery of agricultural production boosting rural employment. Lower inflation, higher minimum wages and resilient remittances, as well as the establishment of a cash transfers system for low-income households, will bolster private spending. Inflation is projected to gradually decline to 2.5% in 2024, due to lower energy and food prices and the effect of the tightening of interest rates. Key risks include the impact of prolonged droughts on agricultural production, a stronger slowdown in key European markets and a further spike in commodity prices.

Enhancing productivity and addressing climate change

Fiscal consolidation will be needed to narrow the budget deficit and put the government debt ratio on a path towards more prudent level. The government's medium-term budgetary framework envisages a gradual fiscal consolidation through a tax system review and a progressive reduction of subsidies, but the fiscal impact of the extension of social insurance will need to be carefully managed. To boost productivity, reforms are needed that would raise the returns on public and private investment and boost skills. Continuing current efforts to increase formality should contribute to raising productivity and job quality. Morocco needs to accelerate efforts to meet climate goals, including increasing renewable energy capacity and reducing reliance on fossil fuels, while planning for climate adaptation and improving water management.



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