



# MOROCCO

March 2026

## 2026 ARTICLE IV CONSULTATION AND REVIEW UNDER THE FLEXIBLE CREDIT LINE ARRANGEMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR MOROCCO

In the context of the Staff Report for the 2026 Article IV Consultation and Review Under the Flexible Credit Line Arrangement, the following documents have been released and are included in this package:

- Two **Press Releases** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on March 20, following discussions that ended on February 12, 2025, with the officials of Morocco on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on March 5.
- An **Informational Annex** prepared by the IMF staff.
- A **Staff Supplement** updating information on recent developments.
- A **Statement by the Executive Director** for Morocco.

The documents listed below have been or will be separately released.

### Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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**International Monetary Fund**  
**Washington, D.C.**



## IMF Executive Board Concludes 2026 Article IV Consultation, and Mid-Term Review Under the Flexible Credit Line Arrangement with Morocco

FOR IMMEDIATE RELEASE

- Real GDP growth is projected at 4.4 percent in 2026, supported by strong agriculture output and public infrastructure investment. Scaling up public investment offers opportunities for stronger growth and job creation provided risks are well managed and human capital is strengthened.
- Continued revenue performance together with reprioritization of spending would create space for priority social spending and accelerate the rebuilding of fiscal buffers.
- Sustainable job creation remains a pressing priority, and calls for a more dynamic private sector, leveling the playing field between public and private entities, and further reforms in the labor market.

**Washington, DC – March 25, 2026:** On March 20, the Executive Board of the International Monetary Fund (IMF) concluded the 2026 Article IV consultation<sup>1</sup> with Morocco and completed the Mid-Term Review under the Flexible Credit Line Arrangement (FCL), which was approved on April 2, 2025 (see [PR 25/085](#)). The authorities have consented to the publication of the Staff Report prepared for this consultation.<sup>2</sup>

Real GDP growth in 2025 accelerated to an estimated 4.9 percent, supported by a rebound in agricultural output and a surge in large-scale infrastructure projects. Nonetheless, high unemployment remains a significant challenge. Average inflation remained low at 0.8 percent, allowing Bank Al-Maghrib to maintain a neutral policy stance after earlier rate cuts. The current account widened to 2.1 percent of GDP as imports rose with investment, partly offset by buoyant tourism. Strong revenue performance facilitated a smaller than anticipated overall fiscal deficit at 3.5 percent of GDP, despite higher than budgeted spending on public investment and transfers for state-owned enterprises.

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<sup>2</sup> Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the [www.imf.org/\[Morocco\]page](http://www.imf.org/[Morocco]page).

Looking ahead, the growth outlook remains strong, supported by robust domestic drivers. Real GDP growth is projected at 4.4 percent for 2026, 4.5 percent for 2027, and 4 percent over the medium term, assuming normalized agriculture production and continued infrastructure investment with greater private sector participation. The growth outlook in the near term is dampened by the ongoing conflict in the Middle East, which affects Morocco mainly through disruptions to global commodity markets and weaker global demand amid heightened global uncertainty. Inflation is expected to rise temporarily during the year from its currently low levels, mainly reflecting higher energy prices, before settling at around 2 percent over the medium term. Given the high import content of infrastructure investment and higher cost of commodity imports, the current account deficit is expected to widen moderately. International reserves levels are expected to remain adequate. The overall fiscal deficits for 2026 and the medium term are consistent with a gradual reduction in debt to GDP to 60.5 percent by 2031.

Risks to the outlook have increased on the downside amid high external uncertainty. External risks to the outlook include increased commodity price volatility amid global uncertainty and the ongoing conflict in the Middle East, as well as higher trade barriers and global supply chain disruptions that could weigh on activity in the Euro Area. Domestically, the main risk arises from weaker-than-expected economic gains from the implementation of public infrastructure investment, which would result in subdued growth and employment. If downside risks were to materialize, available policy space together with the FCL would help the economy adjust smoothly.

### **Executive Board Assessment<sup>3</sup>**

Executive Directors agreed with the thrust of the staff appraisal. They highlighted that Morocco's strong fundamentals and track record of very strong policies and policy frameworks have been instrumental to the resilience of the economy and to strengthened market confidence. In the face of heightened external uncertainty and global geopolitical tensions, including the ongoing conflict in the Middle East, Directors noted Morocco's ample buffers to address the estimated shocks, while the Flexible Credit Line (FCL) arrangement continues to provide an important precautionary buffer. Directors underscored the importance of maintaining sound macroeconomic policies and advancing structural reforms to support economic growth and job creation.

Directors commended Morocco's strong revenue performance and gradual rebuilding of fiscal buffers. They encouraged saving at least part of any revenue overperformance and supported further revenue measures and rationalization of unproductive spending to create additional space for priority social spending and possibly accelerate debt reduction. They welcomed the authorities' commitment to

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<sup>3</sup> At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

implement a medium-term debt-anchored fiscal rule and recommended further enhancements to public financial management, including greater quantification of fiscal risks in the Medium-Term Fiscal Framework.

Directors noted that higher public infrastructure spending will raise productivity, emphasizing that fully reaping the benefits requires further investment in human capital and careful risk management. Directors called for concerted progress on state-owned enterprise reform and strengthening public investment management to mitigate fiscal risks. They encouraged accelerating implementation of health and education strategies to help sustain the growth momentum and ensure that benefits are widespread.

Directors supported Bank Al-Maghrib's (BAM) neutral monetary policy stance and agreed that future policy rate decisions should continue to be data dependent. Recognizing BAM's strong track record of credible monetary policy conduct, Directors encouraged continued transition to greater exchange rate flexibility and a full-fledged inflation-targeting framework, with clear communication on sequencing and priorities between policy objectives. Some Directors emphasized that the use of dual nominal anchors should only be a temporary arrangement.

While noting that systemic risks are limited, Directors encouraged further strengthening the financial systems' resilience to emerging risks. Banks' increased public sector financing and concentration risks warrant enhanced monitoring. Directors commended the carefully sequenced NPL reforms and encouraged timely operationalization of the secondary NPL market. Directors supported further strengthening the macroprudential framework to ensure sustainable credit growth with well-managed risks.

Directors welcomed the authorities' efforts to support job creation particularly for youth and women, including assistance offered to small and medium enterprises and startups, and the implementation of a comprehensive jobs plan. They emphasized that sustainable job creation requires reforms that foster a more dynamic private sector, improve labor market responsiveness, and promote market neutrality between the public and private sectors. They also recommended continuing competition reforms and the fight against corruption. Strengthening the resilience of agriculture and addressing water scarcity will also be important.

Directors agreed that Morocco continues to meet the qualification criteria for the FCL, given its very strong macroeconomic policies and institutional policy frameworks and its sustained track record of implementing very strong policies. They considered that maintaining the current level of access is appropriate. They noted the authorities' intention to continue treating the arrangement as precautionary and to gradually exit it, depending on the evolution of external risks.

It is expected that the next Article IV consultation with Morocco will be held on the standard 12-month cycle.

### Morocco: Selected Economic Indicators, 2024–2031

Population: 36.8 million; 2024

Quota: SDR 894.4 million

Main exports: automobiles, phosphate and derivatives; 2024

Key export markets: France and Spain (43% of total trade);  
2024

	2024	2025	2026	2027	2028	2029	2030	2031
				Proj.				
<b>Output (annual percent change)</b>								
Real GDP growth	3.8	4.9	4.4	4.5	4.5	4.4	4.1	4.0
Real nonagricultural GDP growth	4.6	4.9	4.1	4.5	4.6	4.6	4.2	4.1
<b>Employment (percent)</b>								
Unemployment	13.3	13.0	12.3	11.4	11.0	11.0	11.0	11.0
<b>Prices</b>								
Inflation (end of period)	0.7	-0.3	2.1	1.5	2.0	2.0	2.0	2.0
Inflation (period average)	0.9	0.8	1.6	1.6	2.0	2.0	2.0	2.0
<b>Central government finances (percent of GDP) 1/</b>								
Revenue	26.9	27.7	28.1	27.6	27.3	27.2	27.2	27.1
Expenditure	30.9	31.3	31.5	30.9	30.6	30.4	30.3	30.2
Fiscal balance	-3.9	-3.5	-3.4	-3.3	-3.3	-3.2	-3.1	-3.0
Budgetary central government debt	67.7	67.1	65.9	64.8	63.7	62.5	61.5	60.5
<b>Money and credit (annual percent change)</b>								
Broad money	8.0	9.4	6.5	6.7	6.0	5.6	5.4	5.3
Claims to the economy 2/	6.9	8.9	6.2	6.4	6.0	5.8	5.6	5.6
<b>Balance of payments</b>								
Current account (percent of GDP)	-1.2	-2.1	-3.3	-3.0	-3.2	-3.4	-3.1	-3.3
Exports of goods (in U.S. dollars, annual percent change)	8.2	10.9	12.9	8.5	8.2	7.2	6.6	6.8
Imports of goods (in U.S. dollars, annual percent change)	8.2	15.9	12.2	8.1	7.9	7.8	6.7	6.5
Merchandise trade balance (percent of GDP)	-17	-18	-19.2	-18.9	-19.0	-19.1	-19.0	-18.7
FDI (percent of GDP)	0.6	1.2	1.2	1.4	1.6	1.7	1.7	1.7
Gross reserves (months of imports)	4.8	5.6	5.3	5.2	5.1	5.1	5.1	5.2
External Debt (percent of GDP)	42.6	45.1	45.0	43.8	43.6	43.4	43.0	42.4
<b>Exchange rate</b>								
REER (annual average, percent change)	0.3	1.7	...	...	...	...	...	...

**Memorandum Items:**

Nominal GDP (in billions of U.S. dollars)	160	183	194	212	227	245	263	284
Net imports of energy products (in billions of U.S. dollars)	-11.4	-11.5	-14.9	-14.5	-15.0	-15.6	-16.3	-17.1
Local currency per U.S. dollar (period average)	9.9	9.4	...	...	...	...	...	...

Sources: National authorities; and IMF staff estimates.

1/ Includes grants.

2/ Includes credit to public enterprises.

Note: As of March 15, 2026. This table includes updated information on developments since the issuance of the staff report (EBS/26/15) on March 9, 2026, and reflects an updated scenario with staff's initial assessment of the potential impact of the ongoing conflict in the Middle East on Morocco.



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Following the Executive Board discussion, Kenji Okamura, Deputy Managing Director and Chair, made the following statement:

“The Moroccan economy continued to demonstrate strong resilience. Agriculture, construction, and tourism boosted economic activity in 2025. The growth momentum is projected to remain strong in 2026 and over the medium term, supported by public and private infrastructure investment. However, in the near term, growth would be impacted by the ongoing conflict in the Middle East through higher energy prices and weaker external demand. In the face of heightened geopolitical tensions and global uncertainty, it is essential to maintain prudent macroeconomic policies, carefully manage fiscal and economic risks, increase investment in human capital, and ensure steadfast implementation of structural reforms to boost inclusive growth and job creation.

“Morocco continues to meet the qualification criteria for the Flexible Credit Line arrangement. Morocco has a sustained track record of implementing very strong macroeconomic policies and remains committed to maintaining such policies in the future, and continues to have very strong economic fundamentals and institutional policy frameworks. The authorities intend to continue treating the FCL arrangement as precautionary and to gradually exit it, depending on the evolution of external risks.”

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# MOROCCO

March 5, 2026

## STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION AND REVIEW UNDER THE FLEXIBLE CREDIT LINE ARRANGEMENT

### EXECUTIVE SUMMARY

**Context:** Real GDP growth accelerated to 4.8 percent in 2025Q1:Q3, supported by a rebound in agricultural output and a surge in large-scale infrastructure projects. Inflation remained low, allowing Bank Al-Maghrib to maintain a neutral policy stance after earlier rate cuts. The current account widened moderately as imports rose with investment, partly offset by buoyant tourism. Revenue overperformance has been used for additional spending on investment and transfers and a slightly faster than expected reduction in the overall fiscal deficit to 3.5 percent of GDP. Structural reforms are advancing in key areas, and implementation of health, education, and employment strategies is being accelerated. Morocco's hosting of large international events (including the 2030 FIFA World Cup) and the upgrade to investment grade by S&P reflect strong investor confidence and open new opportunities for growth.

**Article IV Consultation:** The discussions focused on continued efforts to raise fiscal revenues and reduce unproductive spending in order to create space for priority social spending and possibly accelerate debt reduction. The scaling up of public infrastructure spending is likely to support economic growth and increase productivity but calls for careful management of potential risks and greater investment in human capital. The current broadly neutral monetary policy stance is appropriate, and future decisions should remain data dependent. Bank Al-Maghrib (BAM) is encouraged to continue the transition to greater exchange rate flexibility and an inflation-targeting framework, with clear communication on sequencing and priorities between policy objectives. BAM's continued alignment of the regulatory and supervisory framework with international standards is welcome, with measures to enhance resilience as investment scales up. Boosting sustainable job creation is a major challenge that requires a more dynamic private sector, improved responsiveness of the labor market, and continued reforms of state-owned enterprises to ensure market neutrality between the public and private sectors.

**Flexible Credit Line (FCL):** Staff assesses that Morocco continues to meet the qualification criteria for access to the FCL arrangement. Staff recommends completion of the review under the FCL arrangement. While international reserves are higher, the authorities intend to maintain the current level of access at this review considering high uncertainty and elevated external risks, in addition to the risk of drought. The authorities intend to continue treating the FCL arrangement as precautionary and to gradually exit it, depending on the evolution of external risks.

Approved By  
**Taline Koranchelian**  
**(MCD)** **Geremia**  
**Palomba (SPR)**

Discussions were held in Casablanca and Rabat during January 29-February 12, 2026. The mission team consisted of Laura Jaramillo (head), Marzie Taheri Sanjani, Nadia Mounir, Kassia Antoine (all MCD), Asel Isakova (FAD), Patrick Petit (FAD), Olivia Ibrahim (SPR), and Dina Hamed (STA). Mr. Mohammed El Qorchi (OED) joined most meetings. The mission met with Bank Al-Maghrib Governor Jouahri, Minister of Economy and Finance Fettah, Minister Delegate in Charge of the Budget Lekjaa, other Ministers and senior officials, and representatives of labor and business organizations, think tanks, commercial banks, and international organizations. Pedro Rodriguez (RES) and Daniela Viana Costa (SPR) provided key analytical contributions. Hannah Brown and Nihal Haider provided excellent research support, and Sofia Cerna Rubinstein and Rodrigo Huguet contributed to the production of the report.

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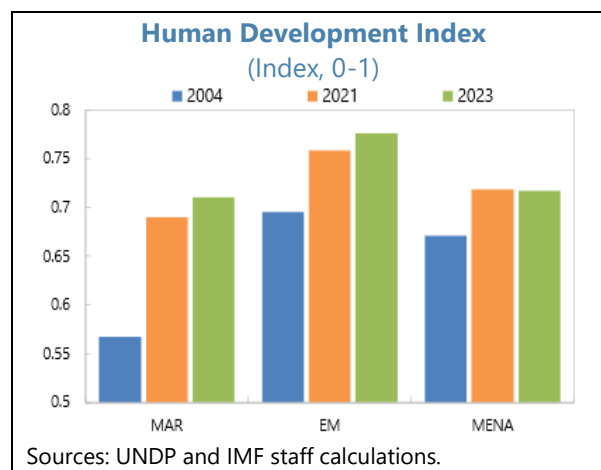
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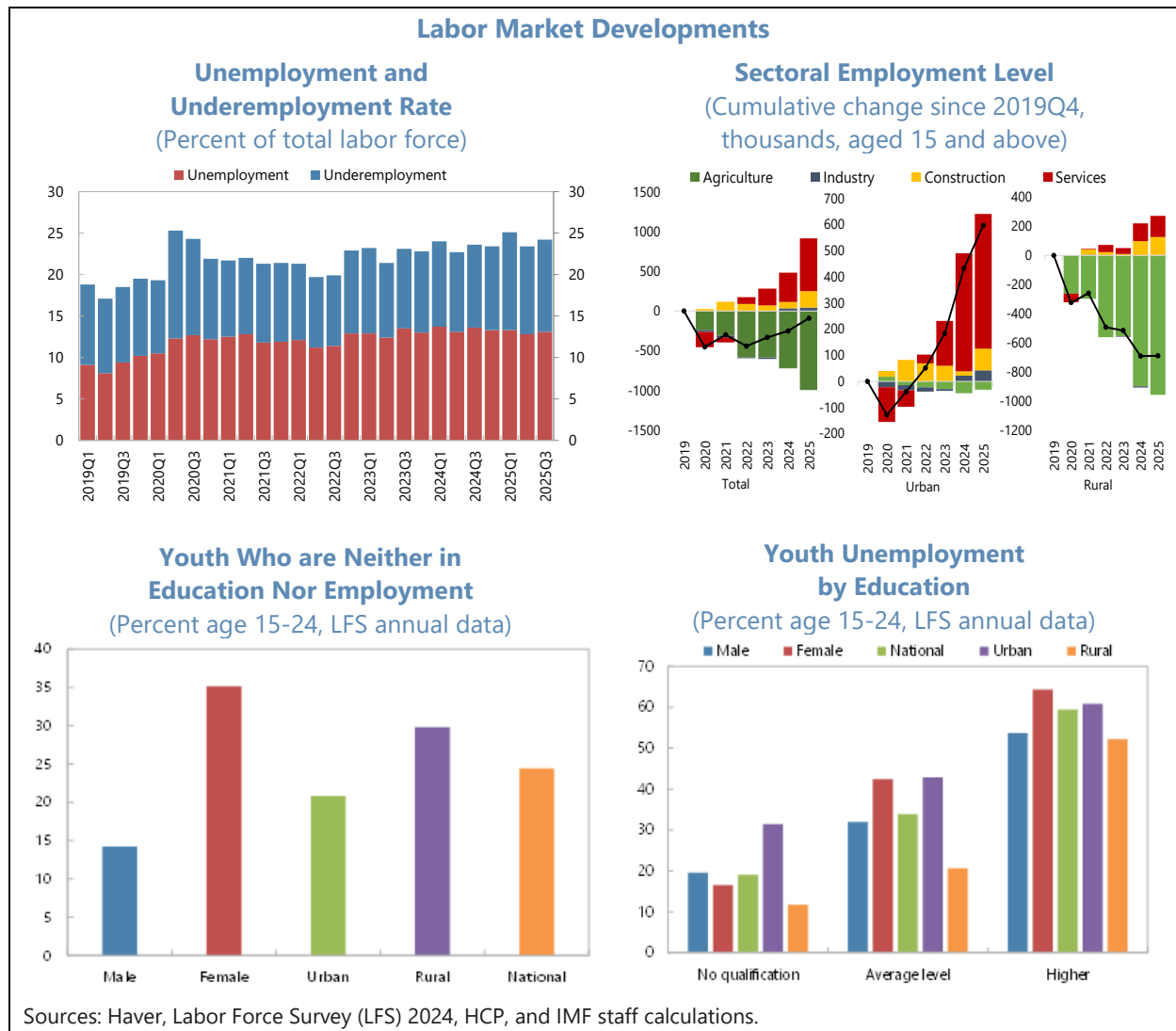
## CONTEXT

### 1. Morocco continues to enjoy macroeconomic stability and steady progress in improving standards of living, thanks to very strong macroeconomic policies.

Socioeconomic indicators have improved and the multidimensional poverty rate dropped to 6.8 percent in 2024 from 11.9 percent in 2014 (Figure 1). The authorities continue to implement the 2021 New Development Model (NDM) through measures to modernize infrastructure, reduce social and spatial disparities, promote territorial development, and reinforce the social state. This has been combined with education and health reforms to improve access, quality, and efficiency, and governance reforms to strengthen public sector performance and accountability. To continue strengthening competitiveness and regional integration, the NDM emphasizes investment in connectivity, energy, water, and digital infrastructure.



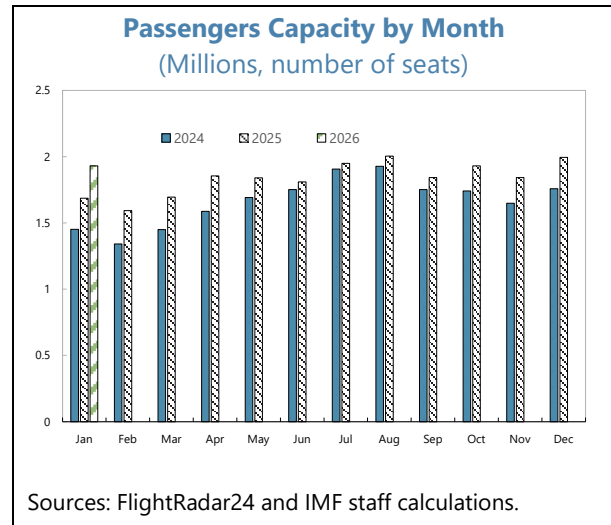
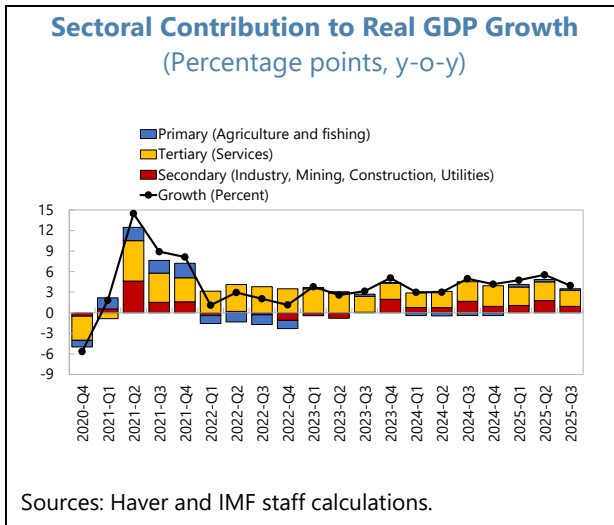
**2. Nonetheless, high unemployment remains a significant challenge** (Annex IX). In 2025 total unemployment stood at 13 percent, with 64.8 percent of unemployed individuals jobless for 12 months or longer. Youth (15-24 years old) unemployment was 37.3 percent, higher among the most educated. The situation is aggravated by the significant share of Moroccan youth that is neither working nor accumulating skills—25.2 percent of youth were classified as Not in Education, Employment, or Training (NEET) in 2025Q3. Significant employment gains in industry, construction, and services in recent years have been more than offset by job losses in agriculture, which has been affected by consecutive droughts and productivity enhancements that reduce labor demand in the sector.



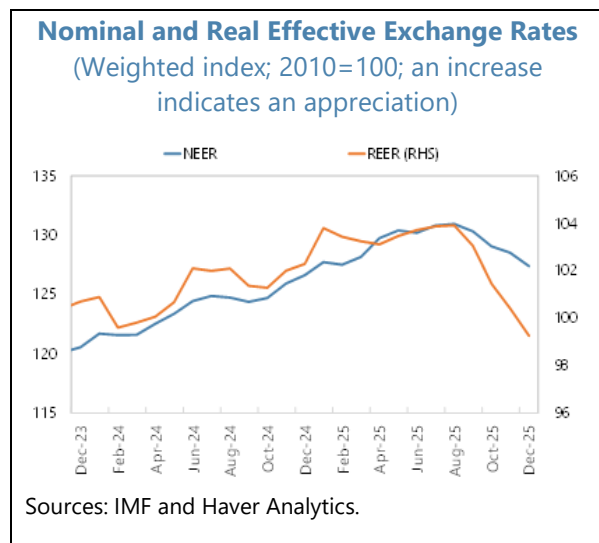
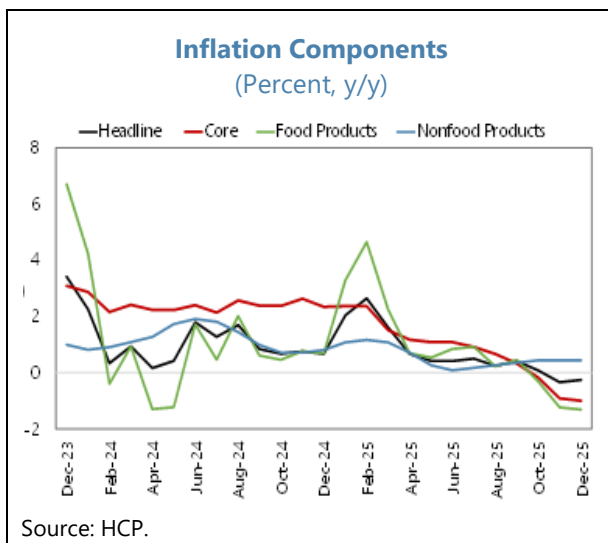
**3. Leveraging its very strong economic fundamentals, Morocco is well positioned to seize emerging opportunities to enhance productivity and job creation, if combined with investments in human capital and further progress on structural reforms.** The acceleration of infrastructure projects during 2024-2030—that also supports preparations for hosting major international events (including the 2030 FIFA World Cup)—is expected to increase economic activity and employment. The full operationalization of the large-scale logistics platform and port at Nador West Med in 2026 will foster greater integration into global and regional trade and energy networks. Morocco’s upgrade to investment grade by S&P may contribute to lower borrowing costs and a broader investor base. Securing Morocco’s development objectives will require further progress on enhancing macroeconomic policy frameworks, accelerating structural reforms, and continuing to improve access and quality of health, education, and social protection services.

# RECENT ECONOMIC DEVELOPMENTS

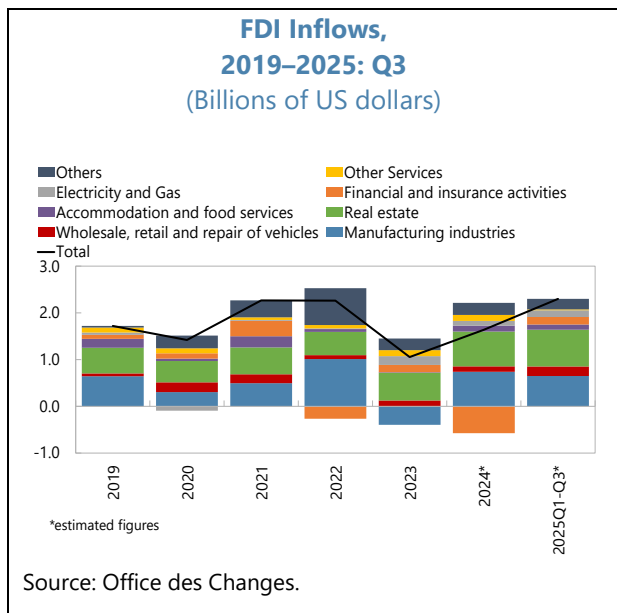
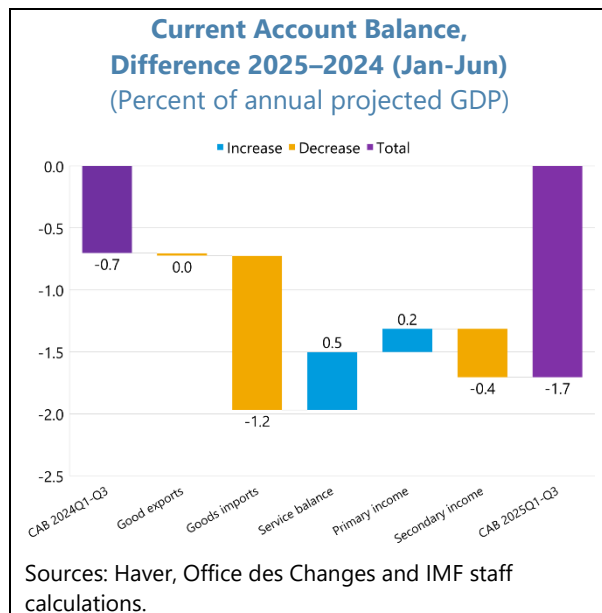
**4. Strong agriculture, construction, and services are boosting economic activity.** Real GDP growth accelerated to 4.8 percent in 2025Q1:Q3. Agricultural value-added recovered following improved rainfall and higher cereal yields. Non-agricultural activity was supported by infrastructure projects and stronger services. Tourism continued to perform strongly, buoyed at end-2025 by the hosting of the Africa Cup of Nations.



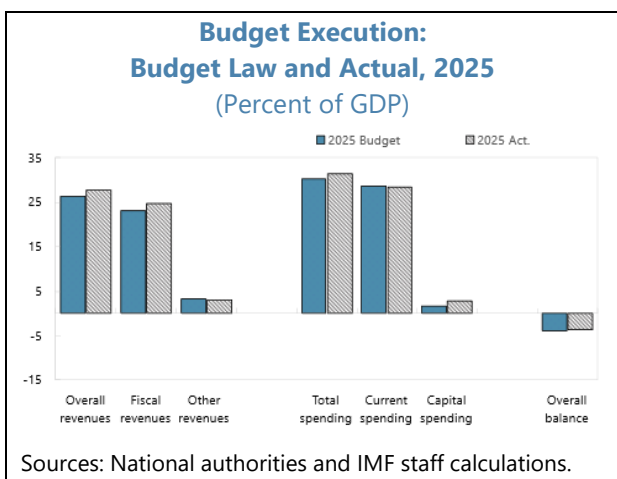
**5. Inflation remained low, and Bank Al-Maghrib (BAM) paused its easing cycle.** Headline inflation was -0.3 percent (y/y) in December 2025, reflecting lower energy prices and temporary declines in selected food items, while inflation expectations remained anchored. The dirham has been broadly flat since mid-2025, trading near the strong end of the band. BAM has held its policy rate steady at 2.25 percent since June 2025, following three rate cuts totaling 75 basis points over the previous year.



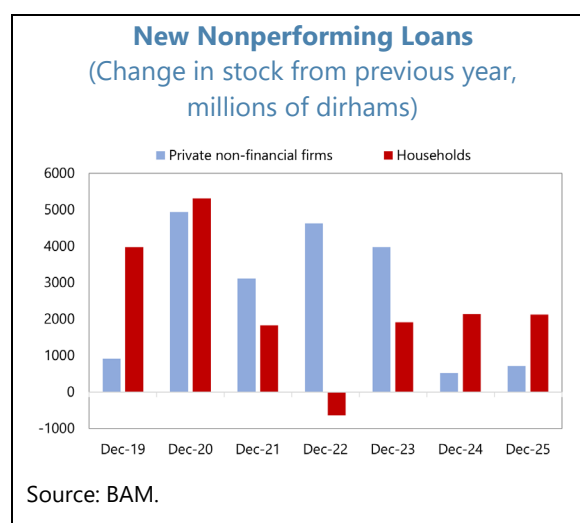
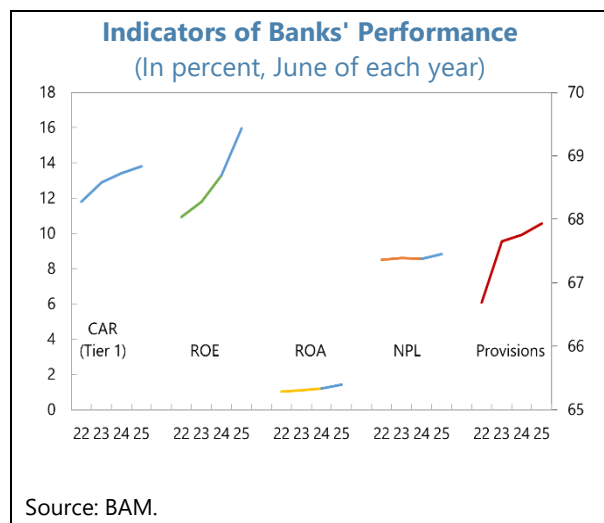
**6. The current account deficit widened to 1.7 percent of GDP in 2025Q1:Q3, compared to 0.7 percent in 2024Q1:Q3, as investment increased.** The trade deficit widened as consumer and capital goods imports rose, consistent with the pickup in investment. Higher phosphate and aerospace exports were more than offset by a drop in automotive exports (reflecting in part lower European demand for non-electric-engine vehicles), textile, and agriculture goods. Record tourism receipts helped to limit the widening of the current account. The financial account saw a rebound in net FDI and public sector Eurobond issuances totaling USD 3.9 billion. International reserves reached USD 48.6 billion (134.2 percent of the adjusted ARA metric) at end-2025.



**7. The 2025 overall fiscal balance was slightly stronger than anticipated in the budget, with most revenue overperformance used for additional spending.** Tax revenues reached 24.6 percent of GDP (1.4 percentage points higher than budgeted), building on revenue administration reforms (Annex X), stronger tax auditing and control measures, and solid economic activity. Spending was higher than budgeted, reflecting an acceleration in public investment (1.6 percent of GDP) and higher transfers to state-owned enterprises (SOEs) (0.6 percent of GDP)—including to railways and airlines to bring forward capital expenditures, to the utility company to compensate for fixed electricity tariffs, and for farmer support. The overall fiscal deficit declined to 3.5 percent of GDP, compared to 3.8 percent of GDP anticipated in the budget.

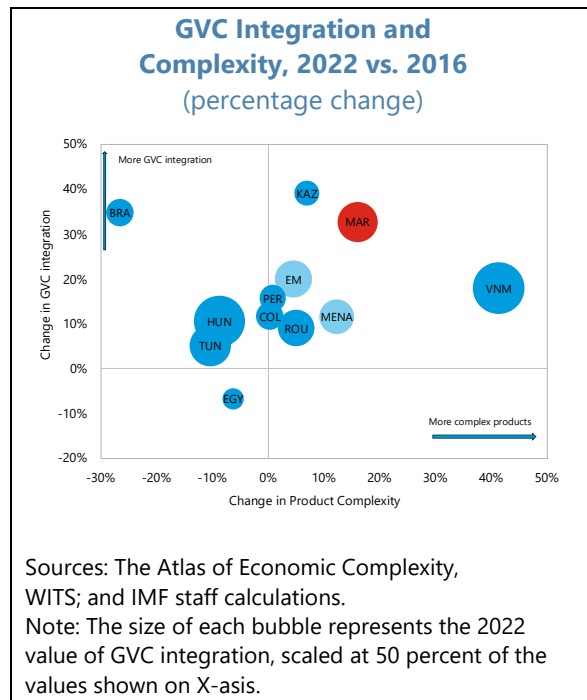
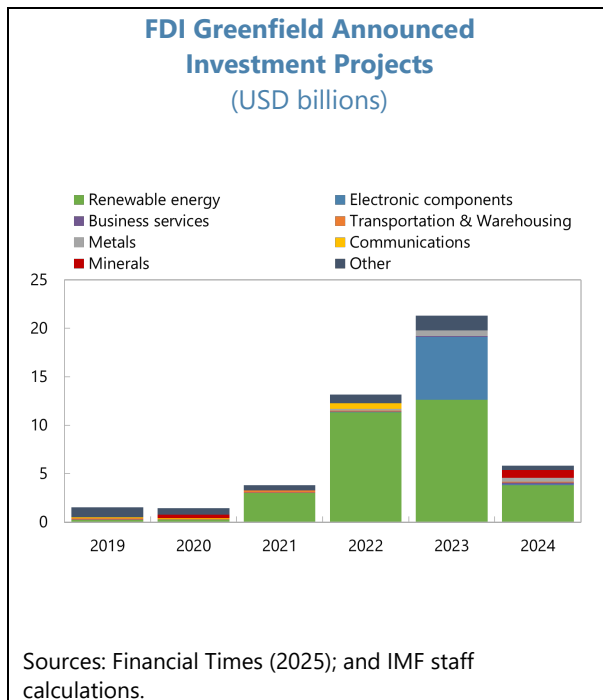
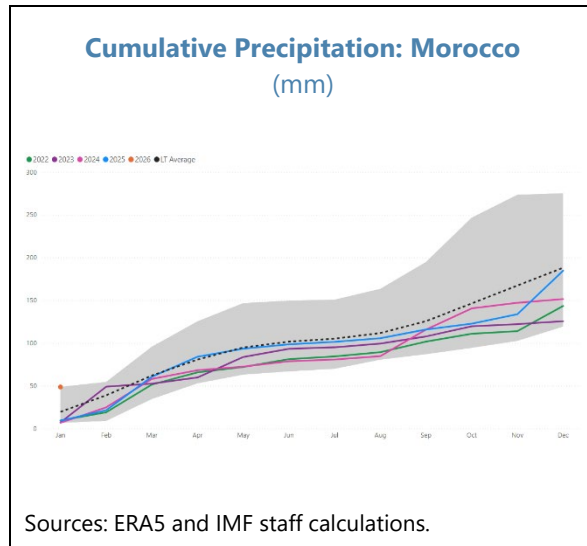
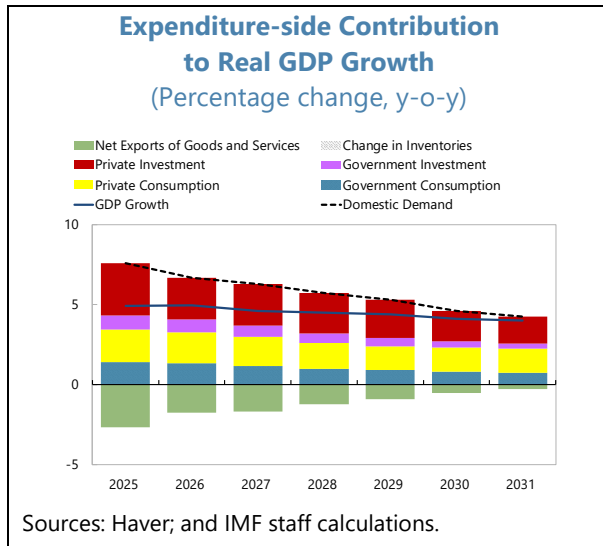


**8. Credit growth strengthened, supported by infrastructure projects and lower interest rates.** Credit increased by 8 percent y/y in December 2025, driven by public and private investment, and consumer and mortgage lending. Banks remained well capitalized and liquid, with adequate provisioning at 68 percent. Nonperforming loans (NPLs) increased by 3.1 percent, driven by households, reflecting lingering inflation pressures on disposable income and the impact of drought episodes on farmer households. Nevertheless, the aggregate NPL ratio declined to 8 percent (from 8.4 percent a year earlier), owing to credit expansion, including to the public sector and financial firms.



## OUTLOOK AND RISKS

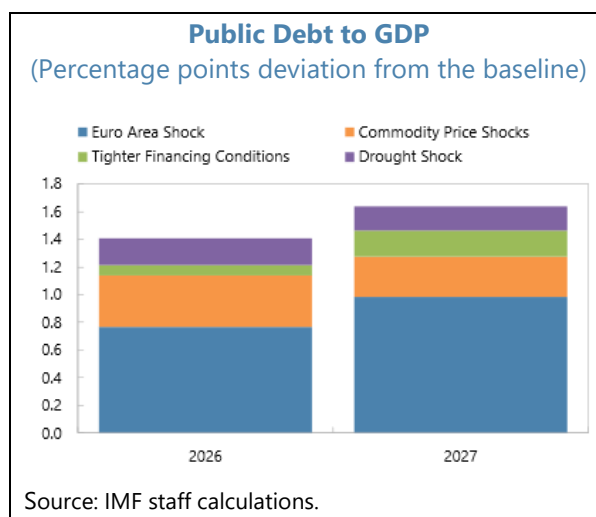
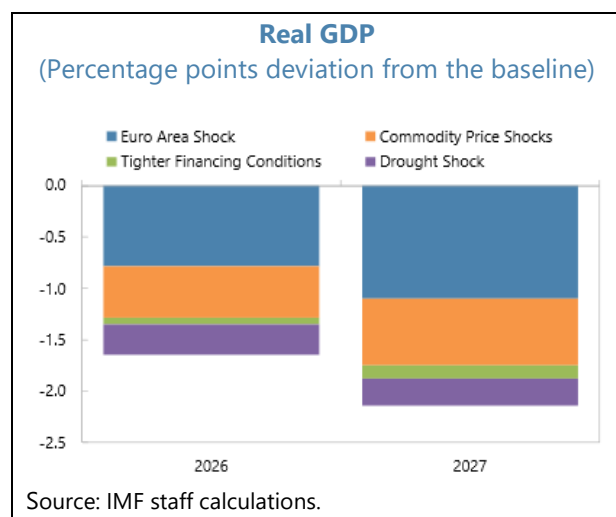
**9. The growth outlook remains strong, supported by higher investment.** Real GDP growth is estimated at 4.9 percent for 2025 and projected at 4.9 percent for 2026, as exceptional rainfall raises agricultural output and public infrastructure spending supports domestic demand (Annex VII). Over the medium term, real GDP growth is projected at 4 percent, assuming normalized agricultural production and continued infrastructure investment (with greater private sector participation) in connectivity, water, energy, ports, electricity, health, and education. The investment push is expected to raise potential output through a higher capital stock and greater productivity. Inflation is projected to rise gradually toward 2 percent by mid-2027—as temporary food-related base effects unwind and growth momentum strengthens further—in the context of well anchored inflation expectations at 2 percent. Given the high import content of investment—and notwithstanding higher tourism receipts, robust phosphate, and rebounding automotive exports—the current account deficit is expected to gradually widen to 3.4 percent of GDP in 2029 before narrowing towards the estimated norm of 3.3 percent of GDP in 2031. This wider deficit would be financed in part by higher FDI, including new greenfield projects as Morocco enhances its global value chain (GVC) integration supported by greater trade integration and diversification. International reserves are expected to remain adequate, above the IMF's adjusted ARA metric.



**10. Risks to the outlook have increased on the downside, amid high external uncertainty (Annex III).** Morocco is exposed to global uncertainty and geopolitical tensions that could increase commodity price volatility, potentially impacting the current account, inflation, and possibly economic growth. Morocco also remains vulnerable to higher trade barriers and global supply chain disruptions if these result in a Euro Area slowdown (Morocco’s main trading partners), reducing exports and FDI inflows. Domestically, weaker than expected economic gains from the implementation of public infrastructure investment would result in subdued growth and employment and persistent high unemployment could lead to social pressures. Morocco remains exposed to the risk of drought, though a favorable rainy season and higher water levels in dams would alleviate this risk in the near term and desalination efforts would improve resilience over the

medium term. On the upside, a faster-than-expected increase in private investment would raise productivity and growth, assuming careful management of potential risks related to a wider current account deficit, higher inflation and government spending pressures.<sup>1</sup> Over the medium to longer term, the country's potential as a bridge between Europe, Africa, and the Middle East may allow Morocco to benefit from GVC reshuffling if it continues to enhance overall competitiveness.

**11. Given heightened uncertainty, the authorities should prepare to deploy contingency measures if adverse risks materialize.** A sensitivity analysis for 2026–2027 assumes a worsening of global economic conditions (including higher oil prices,<sup>2</sup> a Euro Area slowdown, and tighter financing conditions—see Annex II) combined with domestic drought. Imports would increase due to the terms-of-trade shock and exports would contract due to lower external demand. The resulting wider current account deficit by about 2.7 percent of GDP—combined with lower remittances, FDI, and external borrowing—would add to external financing needs. Real GDP growth would be 1.9 percentage points lower in 2026–2027. Allowing automatic stabilizers to function would increase the fiscal deficit on average by 0.2 percent of GDP per year and worsen public debt by 1.6 percent of GDP by 2027. If inflation expectations remain anchored, some monetary easing could support activity. A financing gap would emerge and could be met through limited reserve use and FCL drawings, before fiscal consolidation resumes as growth recovers. The higher level of international reserves at end-2025 (134.2 percent of the adjusted ARA metric, compared to 121.9 percent projected in the FCL request) offer additional buffers in case of heightened risks.<sup>3</sup>



<sup>1</sup> Staff's baseline scenario assumes a more modest acceleration of private sector investment than implied by Investment Charter project approvals and does not fully incorporate all infrastructure projects (including green hydrogen and LNG networks) as it is too soon to assess the full size and phasing of these investments.

<sup>2</sup> Morocco relies on imports for most of its energy needs. The sensitivity analysis incorporates oil prices of USD 80/barrel compared to USD 67 in the baseline.

<sup>3</sup> Compared to the baseline, using the coefficient from the IMF FSGM for Morocco, the current account deficit would widen by about 0.5 percentage points of GDP for every USD 10/barrel increase in oil prices.

**Authorities' Views**

**12. The authorities broadly shared staff's views on risks, with a more optimistic growth outlook.** The authorities concurred with staff that growth will be driven by robust domestic demand, supported by infrastructure investment. They are upgrading their near-term growth forecast to reflect the impact of exceptional rainfall on agricultural output. They noted that recent growth has occurred amid successive external and domestic shocks, demonstrating the economy's resilience. While acknowledging that unemployment remains elevated, the authorities emphasized exceptional job creation in 2025 and improving labor market dynamics outside agriculture and expected further gains from infrastructure investment in construction and tourism. The authorities noted that low inflation in 2025 was driven by transitory shocks and expected it to normalize to about 2 percent in 2027. They expressed a more favorable assessment of the current account outlook and considered the risk of overheating to be contained. They highlighted desalination investment as key to increasing resilience and viewed external risks, particularly from the euro area, as contained.

## POLICY DISCUSSIONS

*Morocco would benefit from continuing to gradually rebuild fiscal buffers, while making more room for priority social spending, by further raising fiscal revenues and reducing unproductive spending. Fully reaping the benefits of accelerating public infrastructure requires further investments in human capital and careful management of risks. The monetary policy stance remains appropriately neutral and should stay data-dependent. Continued transition to greater exchange rate flexibility and an inflation targeting regime is encouraged, with clear communication on sequencing and priorities between policy objectives. Sustainable job creation calls for reforms that support a more dynamic private sector, improve labor market responsiveness, and promote market neutrality between the public and private sectors.*

### A. Fiscal Policy

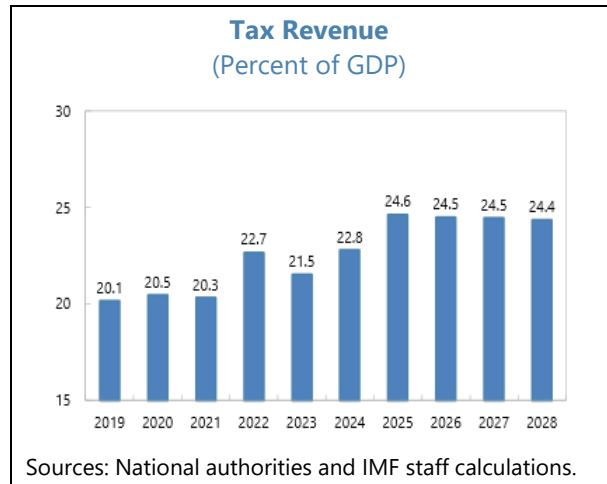
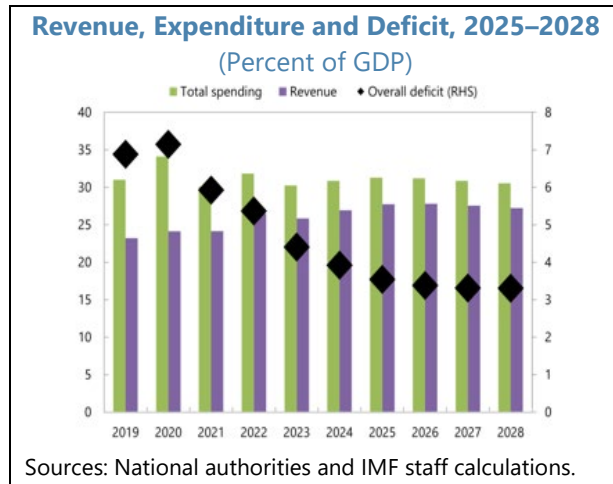
**13. Staff supported the authorities' gradual rebuilding of fiscal buffers and encouraged them to save at least part of any revenue overperformance.** The 2025 overall fiscal deficit of 3.5 percent of GDP is now below pre-COVID levels (3.8 percent of GDP in 2019). Staff projects, in the medium-term fiscal framework (MTFF), the overall fiscal deficit to narrow to 3.4 percent of GDP in 2026 and to 3.3 percent of GDP by 2028—as revenues stabilize and expenditures decline. Central government debt to GDP is projected to decline from 67.1 percent at end-2025 to 60.8 percent by 2031 (compared to 60 percent pre-COVID), supported by a primary deficit below the debt stabilizing primary deficit and a favorable interest rate-growth differential. The SR-DSF assessment (Annex IV) indicates that central government debt remains sustainable with high probability and the risk of sovereign stress remains moderate. This assessment incorporates a contingent liability shock of 16.5 percent of GDP (compared to 12.4 percent of GDP in the 2025 SR-DSF) to account for risks relating to the scaling up of infrastructure spending (paragraph 15 and Annex VII). Staff reiterated that going forward at least part of any revenue overperformance should be saved to further strengthen fiscal buffers.

**14. To make room for more human capital investment while possibly accelerating the rebuilding of fiscal buffers, staff encouraged the implementation of further revenue measures and reducing unproductive spending.**

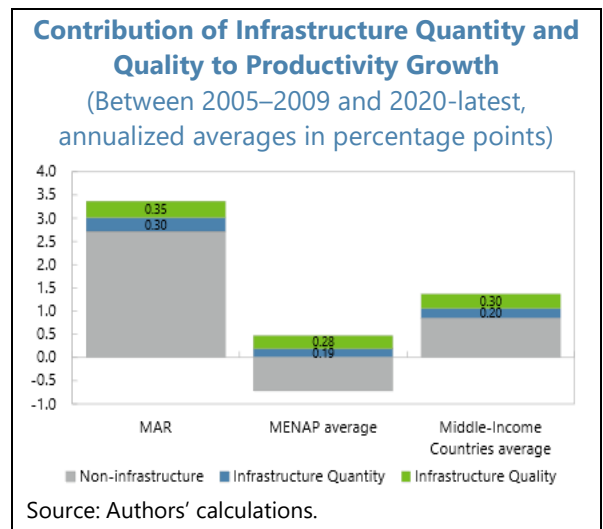
- Revenues.** Tax revenues reached 24.6 percent of GDP in 2025, an exceptional 4.3 percent of GDP increase since 2021. Revenue administration reforms—notably full digitalization of tax and customs declarations and payments, tax administration reforms documented in the 2025 [TADAT](#), and more recently tax withholding—are driving most of the gains (Annex X). Tax revenues to GDP are projected to moderate marginally to 24.5 percent in 2026, and stabilize at 24.4 percent over the medium term, as the effect of one-off operations disappear. Building on current reform momentum, staff welcomed the gradual extension of tax withholding (which should be used to increase the number of taxpayers and foster self-assessment) and the ongoing reduction in tax expenditures. Staff also encouraged mobilization of additional revenue (including higher excises on tobacco and improved property taxation of real estate assets) and progress in the design and implementation of a carbon tax (reform measure under the Resilience and Sustainability Facility (RSF) that remained pending). There is also scope to further leverage digitalization to reach new taxpayers and to strengthen core tax administration functions, including improving the integrity of the taxpayer registry, enhancing the VAT refund mechanism, and reducing tax arrears.
- Expenditure.** Primary spending is expected to decline from 28.8 percent of GDP in 2025 to 28.5 percent of GDP in 2028, driven by expenditure-rationalization efforts, the reduction of subsidies, lower transfers to SOEs, and improved targeting of social benefits.<sup>4</sup> At the same time, space is preserved for education and health spending. To achieve the projected MTFE expenditure path and make room for more human capital investment—also taking into account the expected decline in resources from real estate asset sales from 2.3 percent of GDP in 2025 to zero by 2028—it will be essential to prioritize current and capital expenditures, continue the gradual reduction of subsidies, and implement SOE and the pension reforms (see paragraphs 31 and 32). While real estate asset sales are expected to be phased out, they entail long-term budgetary commitments related to rental payments that can increase budget rigidity. Staff recommended that the authorities provide greater detail of these operations in the MTFE and take into account the cost of these transactions in their asset-liability management strategy.

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<sup>4</sup> With targeted assistance to vulnerable households being provided through the Direct Social Assistance Program, the MTFE incorporates butane gas price adjustments in 2026 and 2027 (RSF measure).

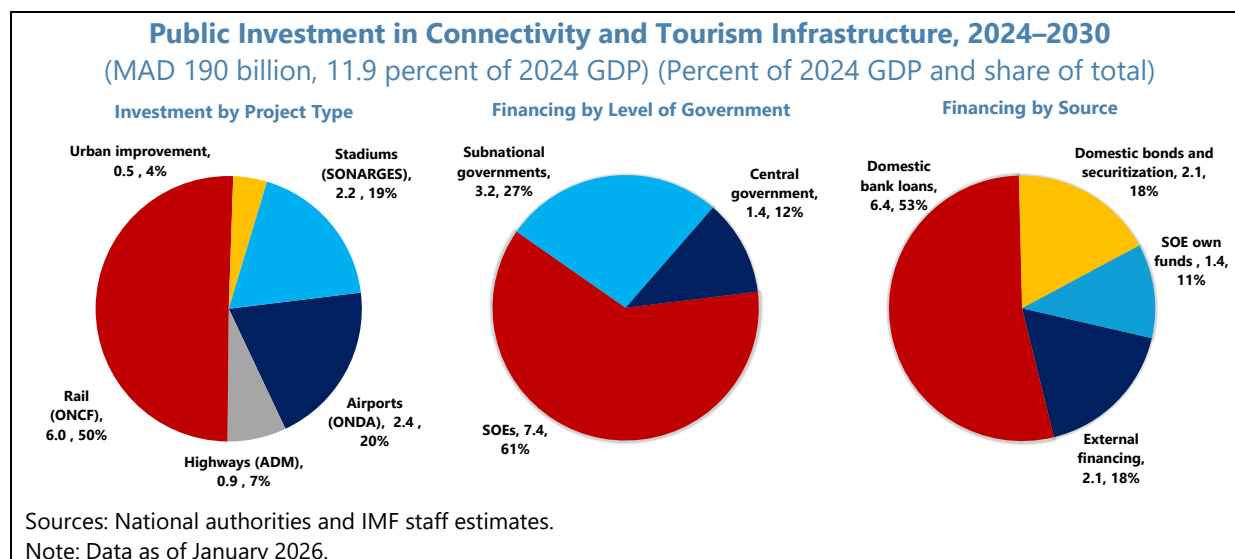


**15. Taking full advantage of the opportunities offered by the acceleration of public investment requires carefully managing risks and ensuring greater investment in human capital.** Staff analysis highlights the significant role that improvements in infrastructure quantity and quality have played in raising Morocco’s productivity over the last decades.<sup>5</sup> Connectivity and tourism infrastructure investments being accelerated during 2024-2030 (in time for the 2030 FIFA World Cup) amount to an estimated MAD190 billion or 11.9 percent of 2024 GDP (see Annex VII)—including to upgrade railways, roads, and airports; construct and renovate stadiums; and enhance urban and tourism infrastructure.<sup>6</sup> SOEs in the corresponding sectors would finance 7.4 percent of GDP of these investments (through concessional external financing, domestic loans and bonds, and own funds), subnational governments would cover 3.2 percent of GDP (through bank loans), and the central government would finance 1.4 percent of GDP (within the budget). Drawing on international experience and general equilibrium modeling results (Box 1), a range of risks can arise from large investment projects and off-budget financing, including:



<sup>5</sup> See accompanying Selected Issues Paper (SIP) “Macroeconomic Impact of Accelerating Public Infrastructure Investments”.

<sup>6</sup> Other ongoing multi-year investment includes dams and digital transformation (together about 1.7 percent of 2024 GDP, financed through the central government budget), water desalination plants (about 2.3 percent of GDP, to be implemented through PPPs), energy transition projects (about 2.8 percent of GDP, to be implemented through PPPs), and health sector infrastructure.



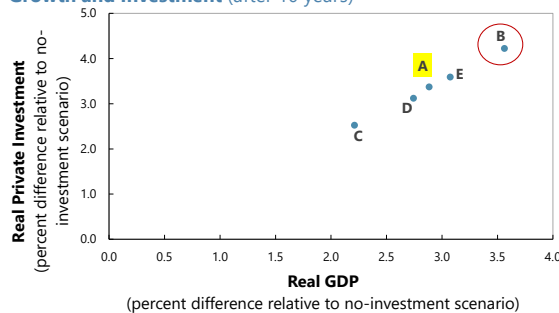
- Fiscal risks** related to the cost and financing of the projects that would add to public sector (including SOEs) debt and debt service, unanticipated higher costs to complete the projects (which international experience shows is not uncommon for large infrastructure projects) that would add fiscal pressures, and contingent liabilities (including if user fees for these infrastructure projects do not fully cover debt servicing costs and maintenance). In addition, SOEs are using a range of structured financing mechanisms for these investments that could impact central government revenues and expenditure (for instance lower royalties or higher future commitments). The authorities are seeking to mitigate these risks through reforms to strengthen SOE financial performance and oversight. They are also implementing a new digital platform for public investment projects—linked to budget execution modules and the MTF— that will support better planning, execution and monitoring. Staff emphasized the need to identify, quantify, and monitor the main risks and contingent liabilities of the individual projects, the consolidated portfolio of projects across SOEs, as well as the structured financing mechanisms being used, and implement mitigation measures as needed. Staff also advised concerted progress on the ongoing SOE reforms (paragraph 31) and reporting on all these fiscal risks (including those related to structured financing mechanisms) in the MTF.

**Box 1. Model Simulations of the Macroeconomic Impact of Higher Public Investment<sup>1</sup>**

Model simulations of the 11.9 percent of 2024 GDP public investment during 2024–2030 indicate that the program delivers meaningful medium-term GDP gains as higher public capital raises productivity and eventually crowds in private investment. However, the impact on growth is dampened by high import content, temporary crowding-out of the private sector, and expectations of future taxation to meet debt servicing costs. Higher spending efficiency significantly amplifies long-term growth and private investment, without increasing debt. In contrast, cost overruns can raise public debt substantially without improving output. The simulations also highlight that well-designed user fees are essential to contain contingent liabilities.

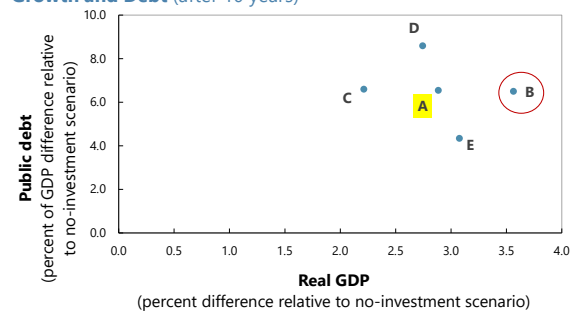
*Higher investment efficiency supports greater private investment, while low investment efficiency curtails private investment.*

**Growth and Investment (after 10 years)**



*Higher efficiency delivers stronger growth without additional debt, while cost overruns raise debt with limited growth returns.*

**Growth and Debt (after 10 years)**



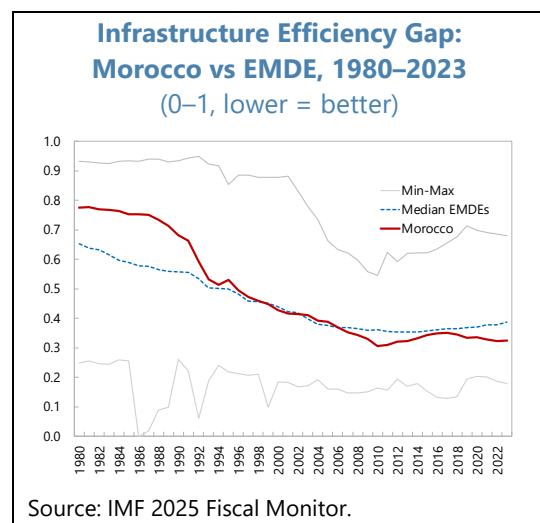
- Scenario A: Baseline
- Scenario B: High public investment spending efficiency
- Scenario C: Low public investment spending efficiency
- Scenario D: Cost overruns
- Scenario E: Tax financing

Sources: MEF, IMF staff calculations.

1/ See accompanying SIP: “Macroeconomic Impact of Accelerating Public Infrastructure Investments.”

Note: Charts compare the long-term macroeconomic impact (10 years out) of alternative scenarios using the IMF’s Flexible System of Global Models (FSGM).

- **Economic risks** if low public investment spending efficiency undercuts growth, if there is crowding out the private sector, or if macroeconomic pressures emerge. While Morocco’s infrastructure spending efficiency compares favorably to emerging markets, there is still room to further enhance public investment management. Separately, having investment expenditure and financing mostly outside the central government budget could weaken the effectiveness of fiscal policy in preserving macroeconomic stability. For example, without a comprehensive view of public spending, it is difficult to assess the fiscal stance or anticipate potential pressures on the current account and on inflation. The central government should therefore ensure strict oversight of all infrastructure spending and financing (including by reporting the overall infrastructure spending



Source: IMF 2025 Fiscal Monitor.

amounts and profile over time) to assess the overall macroeconomic impact of these investments and take necessary measures before macroeconomic pressures begin to emerge.

- **Financial sector risks** from exposure to the public sector. Banks' aggregate exposure to the public sector remains moderate—25 percent of total assets at end-2025—and additional bank financing for large-scale projects through 2030 (estimated at 6.4 percent of 2024 GDP, or 8.7 percent of bank credit) appears manageable. However, this expansion could still increase concentration risks, which are already elevated—on- and off-balance-sheet commitments classified as large exposures (exceeding 5 percent of own funds) amounted to 2.8 times Tier 1 capital as of June 2025.

**16. Staff welcomed the authorities' strong commitment to enhancing social services, which will help ensure that growth momentum is sustained and benefits are widespread, and called for further efforts to improve spending efficiency.** The 2026 budget allocated 10.9 percent of GDP to the Direct Social Assistance Program, health, education, and housing support, 0.8 percent of GDP higher than in 2025. General healthcare insurance coverage has increased from 42 percent of the population in 2021 to 88 percent in 2025, with continued efforts to reach full coverage. Staff welcomed the authorities' strategies on health and education,<sup>7</sup> and encouraged accelerating their implementation to address the remaining gaps in access to services and regional disparities.<sup>8</sup> Enhancing prioritization, selection, and monitoring of public investment projects would improve investment execution in these sectors. Strengthening spending efficiency would help secure better outcomes within existing budget envelopes and sustain spending in these sectors amid rising needs.

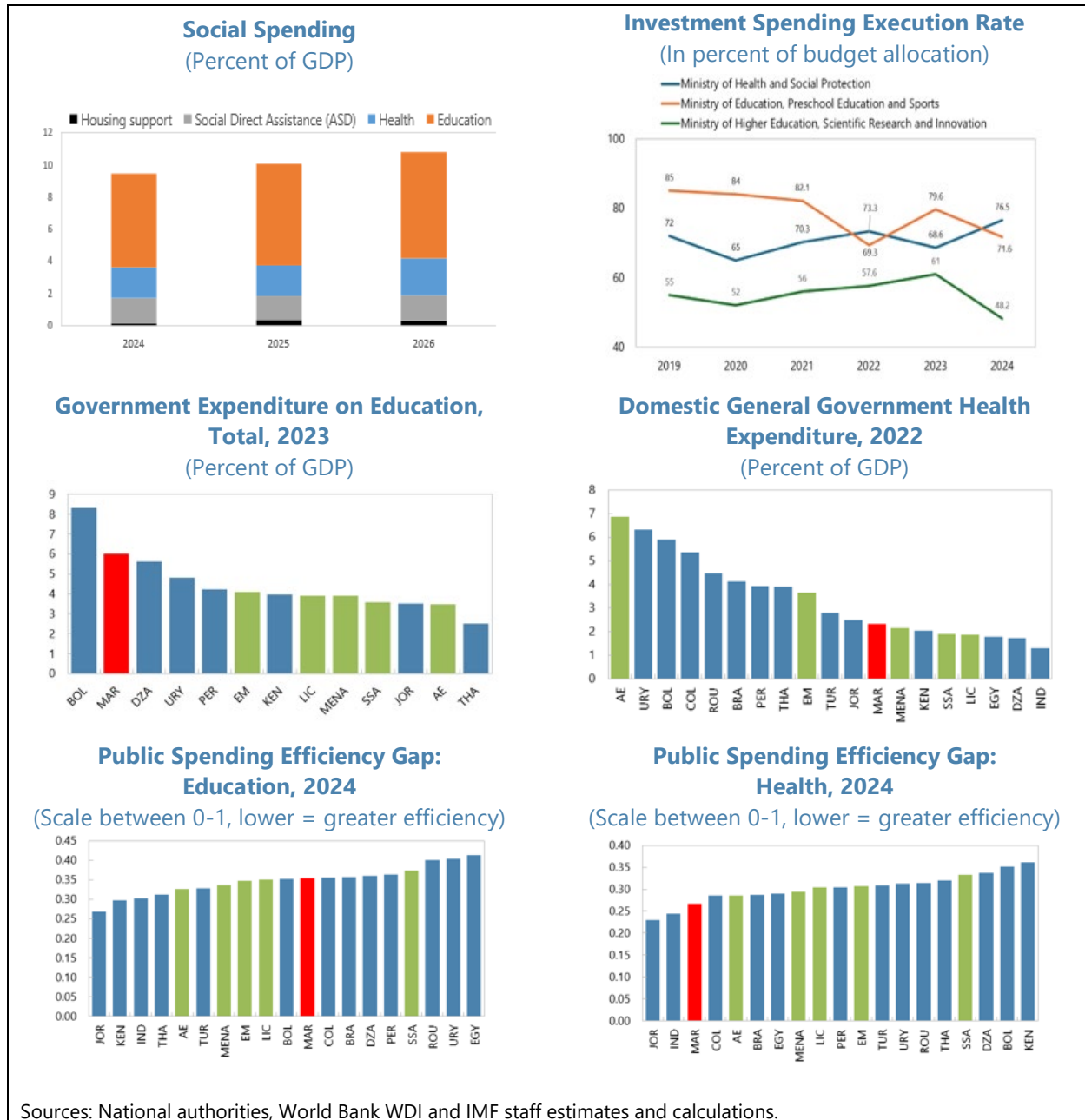
**17. Adoption and implementation of a new fiscal rule will further strengthen the fiscal framework.** Staff supported the proposed revisions to the Organic Budget Law to introduce a new fiscal rule based on a medium-term debt anchor.<sup>9</sup> The authorities indicated that the procedures for setting the target, defining the convergence period, and triggering the escape clause will be established through executive regulations and the numerical targets will be specified in the MTF. Staff called for the prompt finalization of the legal framework and implementation of the rule and recommended greater specificity regarding the procedures for invoking the escape clause, accountability mechanisms, and operation targets.

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<sup>7</sup> The authorities' education strategy focuses on strengthening access, quality and skills relevance. Their health sector strategy targets universal health insurance coverage and measures to address capacity constraints, including hospital modernization and strengthening human resources.

<sup>8</sup> See accompanying SIP: "Public Spending Efficiency in the Health and Education Sectors."

<sup>9</sup> The revised organic law would also improve budget allocation, expand the scope of the law to administrative public entities, promote cross ministerial program-based budgeting, and reinforce parliamentary oversight.



**18. Staff encouraged further progress in strengthening public financial management (PFM).** The fiscal risk analysis in the MTF, particularly of SOEs and public-private partnerships (PPPs), is being strengthened, and staff emphasized that it should also include the impact of SOE structured financing mechanisms on central government revenues and expenditure. Staff welcomed the new PFM framework aimed at reinforcing budget performance, transparency, sustainability, as well as promoting inclusion in such areas as climate, gender, and territorial development. Staff called for concerted progress in preparing consolidated general government financial statistics and adopting GFSM2014.

**19. The expected increase in PPPs underscores the importance of robust risk assessment and transparent reporting practices.** While only a reduced number are currently in operation (mainly in water desalination), PPPs are expected to have an increasing role in delivering infrastructure investment over the medium term (including energy, agriculture, water). Staff highlighted the need to implement the new PPP framework, systematically assess and report on commitments and potential contingent liabilities, and integrate these risks into the MTF.

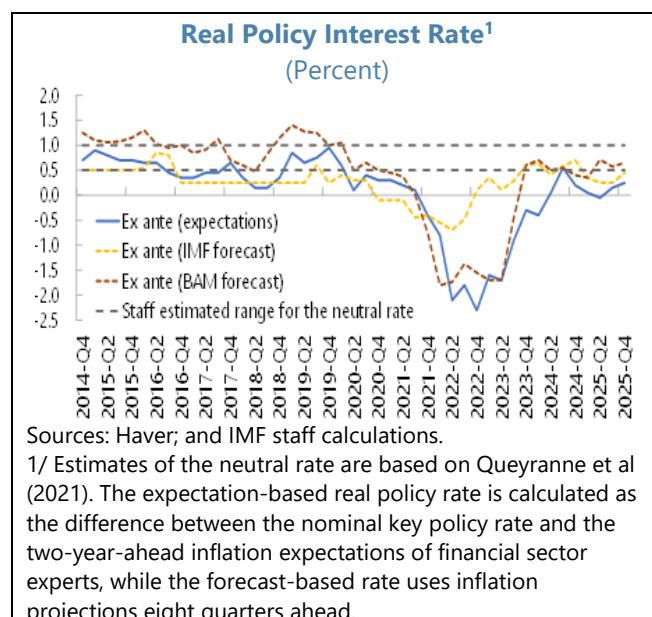
### ***Authorities' Views***

**20. The authorities broadly agreed with staff's views and reaffirmed their strong commitment to fiscal discipline and to further reducing public debt.** They welcomed staff's assessment of the strong fiscal performance, underscoring the role of recent tax reforms, and noted that the recent increase in spending mainly reflected the acceleration of priority structural projects—particularly in education and health—and scaled-up infrastructure investment in water, energy, and transportation. The authorities emphasized that higher capital spending is aimed at addressing long-standing social and infrastructure gaps while supporting medium-term growth and resilience. Looking ahead, the authorities reiterated their commitment to further strengthening revenue mobilization, rationalizing current spending, and improving the efficiency and quality of public investment—also ensuring that spending is aligned with effective and measurable public policy outcomes. The authorities emphasized that expanding and modernizing social protection both strengthens social cohesion and supports economic formalization and competitiveness.

**21. The authorities agreed on the need to further enhance PFM.** They indicated that they have introduced provisions for the prioritization of public investment projects in the draft amendments to the Organic Budget Law. They also noted that investment project business plans are based on realistic revenue-generation capacities of SOEs. While committed to continue rebuilding fiscal buffers, the authorities noted that the use of any additional fiscal space would reflect a careful balance between further fiscal consolidation and the need to support growth in the medium and long term. They stressed that resources mobilized through real estate asset sales have helped support social and infrastructure policies while preserving debt sustainability. They reiterated that reliance on these mechanisms will be gradually reduced and fully phased out by 2028, supported by continued progress in revenue mobilization, sustained control of current expenditures, and further improvements in public investment efficiency. The authorities noted their commitment to advancing the preparation of general government financial statistics.

## B. Monetary Policy

**22. The neutral monetary policy stance is appropriate, and future policy rate decisions should continue to be data dependent.** BAM's decision to maintain the policy rate steady since June 2025 allows time to assess the impact of earlier rate cuts amid heightened external uncertainty and the projected pickup in economic activity supported by accelerated public investment. The real ex-ante policy rate is broadly in line with staff estimates of the neutral rate and inflation is projected to rise gradually to around 2 percent by mid-2027, therefore the broadly neutral policy stance remains appropriate. Looking ahead, policy adjustments should continue to be guided by developments in actual inflation and inflation expectations. Staff analysis finds that monetary policy transmission has improved since 2018 (coinciding with the widening of the exchange-rate band, the legal adoption of price stability as the primary objective in 2019, and enhancements in BAM's communication practices), suggesting that continued progress across these pillars—together with ongoing market development and operational improvements—could further strengthen transmission (Box 2).



**23. Staff encouraged BAM to continue its transition to greater exchange rate flexibility and an inflation targeting (IT) framework, with clear communication on sequencing and priorities between policy objectives.** Such a regime would enhance resilience by cushioning the economy from real external shocks, strengthening monetary policy transmission, supporting private sector development, and reducing potential pressure on reserves. In preparation for this transition—building on BAM's strong track record of prudent and credible monetary policy conduct—BAM has improved the functioning and liquidity of foreign exchange (FX) markets, refined macro-forecasting tools, adapted its communication strategies, and introduced interbank FX swaps and overnight index swaps. More recently, BAM signaled the intention to announce an inflation target (potentially in 2027), while maintaining the exchange rate band unchanged. Staff emphasized that having two nominal anchors at the same time raises the risk of policy conflicts, partly mitigated by existing capital flow management measures. To reduce the likelihood of this risk, staff recommended ensuring that the dual-anchor approach is temporary and clearly communicating priorities between policy objectives. Staff also reiterated that removing the exchange-rate band remains preferable to fully reap the benefits of a full-fledged inflation targeting framework, which remains the authorities' ultimate objective. Staff noted that Morocco is in a position of strength to advance toward greater exchange rate flexibility—given the low inflation environment, well-anchored inflation expectations, comfortable level of international reserves, as well as the backing of the FCL.

## Authorities' Views

**24. The authorities shared staff's assessment of the monetary policy stance and emphasized that future policy decisions will remain data dependent.** The authorities reaffirmed their commitment to a careful and sequenced move toward an IT framework and greater exchange rate flexibility, underpinned by BAM's strong track record and recent operational enhancements. They view the intermediate step—announcing an inflation target while maintaining the exchange rate band unchanged—as a way of enhancing operational flexibility and clarifying the prioritization of price stability while allowing market participants additional time to prepare for greater exchange rate flexibility. The authorities noted that this sequencing would be accompanied by continued efforts to deepen FX market liquidity and hedging instruments, including through the operationalization of close-out netting and the establishment of an appropriate tax framework for hedging instruments. While acknowledging potential tensions associated with dual nominal objectives, they considered these manageable, emphasizing that they are already navigating these policy trade-offs under the current framework. They further underscored that capital flow management measures—together with solid fundamentals, comfortable reserve buffers, and the FCL—help mitigate risks during the transition. The authorities stressed that progress on operational readiness, market development, and communication remains central to strengthening monetary policy transmission and ensuring a smooth transition toward greater exchange rate flexibility. They indicated that they will clearly communicate sequencing and prioritization among policy objectives, closely monitor market conditions, and adjust the pace of reforms in line with market readiness and macroeconomic developments.

### Box 2. Monetary Policy Transmission Pre- and Post-Reform<sup>1</sup>

**Morocco has been modernizing its monetary policy framework.** Measures include strengthening the price-stability mandate (2019), widening the exchange-rate fluctuation band (2018 and 2020), and enhancing central bank communication. Together, these reforms have clarified BAM's reaction function, increased exchange rate flexibility, and enhanced forward-looking communication, factors shown in the literature to strengthen the effectiveness of monetary policy.<sup>2</sup>

**Understanding how these reforms have affected monetary policy transmission provides important insights for Morocco's ongoing transition to an IT framework with greater exchange rate flexibility.**

Empirical results estimated using local projections show that monetary policy transmission has strengthened post-reform (2018Q1 to 2025Q3) compared to pre-reform (2007Q1-2017Q4), although it remains relatively slower for output and more muted for inflation compared with other emerging markets.<sup>3</sup> A one-percentage point contractionary shock reduces output by 0.3 percent after 7 quarters (compared with 0.1 percent pre-reform), while the same shock lowers prices by 0.12 percent after 8 quarters (compared with 0.05 percent pre-reform). For reference, cross-country evidence for emerging markets suggests that a similar shock typically reduces output by 0.3-0.8 percent within 2-6 quarters, lower prices by about 0.2-0.3 percent within 4-8 quarters (Deb and others, 2023; Brandão-Marques and others, 2020; Willems, 2018).

**Empirical analysis of the monetary policy transmission channels shows:**

**Interest rate channel (most active):** Policy rate changes transmit to government securities, bank deposit rates, and lending rates. Deposit-rate pass-through is partial (about 60 percent within 1– 2 quarters), consistent with structural liquidity conditions in the banking system.

### Box 2. Monetary Policy Transmission Pre- and Post-Reform (continued)

**Credit channel (partial):** Effects are more evident for short-term and services-sector credit, while medium- and long-term agricultural and manufacturing credit show muted responses—reflecting fixed-rate loan structures and prevalence of subsidized lending schemes.

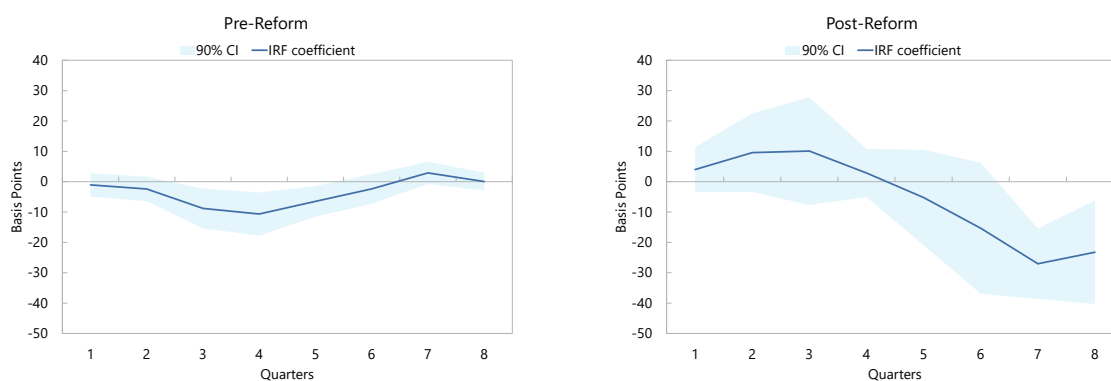
**Exchange-rate channel (stronger post-reform):** The NEER and the MAD/EUR appreciate meaningfully following policy tightening, pointing to improved exchange-rate transmission (with effects that are short-lived and operate primarily through financial, hedging, and balance-sheet channels rather than UIP-based channels).

**Asset price channel (weak):** No statistically significant reaction of equity prices is detected.

**Expectations channel (modest):** Inflation expectations decline very gradually and often following the adjustments in actual inflation.

**Monetary policy transmission remains muted because of several structural features of the economy.** Factors such as bank-based financial intermediation, shallow capital markets, sticky prices (large food and administered share of CPI), prevalence of fixed-rates and support lending schemes dampen and slow transmission.

Box 2. Figure 1. Output Responses to One-percentage Point Contractionary Shock



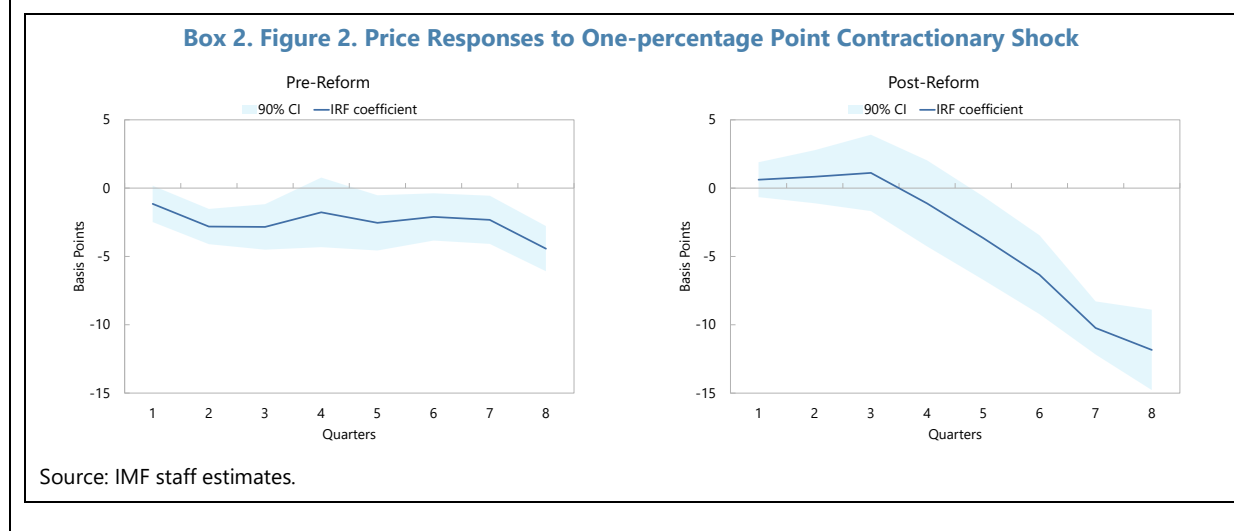
Source: IMF staff estimates.

1/ Based on a forthcoming IMF Working Paper (Mounir and Brown, 2026).

2/ On communication: Brito et al., 2018; IMF, 2018. On exchange rate: Brandão-Marques et al., 2020, IMF, 2023; Deb et al., 2023; Checo, Grigoli, and Sandri, 2024. On price stability: Mishkin and Schmidt-Hebbel, 2002; Zelmer et al., 2002; Roger and Stone, 2005.

3/ Monetary policy shocks are identified using a Taylor-rule-style reaction function based on BAM's published inflation and GDP forecasts, in the spirit of Romer and Romer (2004).

### Box 2. Monetary Policy Transmission Pre- and Post-Reform (concluded)



## C. Financial Policy

**25. BAM continues to strengthen its regulatory and supervisory framework in line with international standards.** The deployment of the Supervisory Review and Evaluation Process (SREP) is progressing, with successive assessment cycles completed and the activation of Pillar II capital requirements expected by 2027. Operationalization of the Net Stable Funding Ratio (NSFR) and the Internal Liquidity Adequacy Assessment Process (ILAAP) is underway: banks submitted their first NSFR reports in March 2025, while ILAAP submissions are expected by mid-2026. In addition, the draft law regulating crypto-assets was submitted for public consultation in October 2025 and adoption is expected in 2026.

**26. While systemic risks are limited, continuing to strengthen the financial system's resilience to emerging risks remains a priority.**

- **Banks' increased public-sector financing and associated concentration risks warrant enhanced monitoring, particularly as public investment is scaled up through SOEs.** The increased use of special purpose vehicles (SPVs) or other structured-finance entities in bank financing of public sector infrastructure investment can complicate the identification of the ultimate borrower and obscure risk correlations, potentially leading to an underestimation of banks' true sovereign-linked and SOE exposures. While large-exposure risks reflect the economy's concentrated borrower structure across both public and private counterparties, the scaling up of public investment through SOEs could amplify these risks. Staff recommended continuing to apply a look-through approach in large-exposure metrics and stress tests, with

explicit recognition of guaranteed portions, and enhancing disclosure to ensure that risks are accurately captured and well managed.<sup>10</sup>

- Staff supported BAM’s careful sequencing of NPL reforms and encouraged fast-tracking the operationalization of the NPL secondary market to safeguard asset quality while supporting new lending.** While early market infrastructure is emerging, including the first NPL securitization in 2023, scaling up the market requires swift adoption of the pending law establishing the secondary NPL market, completion of implementing regulations, and associated tax measures. In this regard, staff supported BAM’s efforts to strengthen judicial recovery and align the tax treatment of NPL provisioning with prudential standards, including reducing the write-off period from five to three years, which would help remove disincentives to timely loss recognition and support market liquidity. At the same time, staff commended the introduction of Circular 1/W/2025, which strengthens forward-looking risk management and improves the timeliness of loss recognition by introducing a “sensitive” debt category, aligning the treatment of restructured exposures with international standards, and establishing minimum provisioning floors. While these measures may temporarily raise reported NPLs and provisioning, they are expected to reinforce forward-looking risk management, enhance transparency, and complement IFRS 9 accounting by providing binding supervisory rules on loan classification and minimum provisioning. The circular’s phased implementation (entering into force in January 2027 with different transition windows for selected criteria) and BAM’s use of impact assessments would support a smooth rollout and well-calibrated adjustment by banks.
- Staff encouraged the authorities to further strengthen the macroprudential framework to ensure sustainable credit growth with well-managed risks.** In 2024, new housing loan originations had an average loan-to-value (LTV) ratio of about 84 percent, with 41 percent of new loans originated at LTVs of 90–100 percent, and about 8 percent above 100 percent, supporting the case for binding LTV caps and stronger collateral valuation standards. The 2008 ethics code—established between BAM and banks—provides guidance to keep LTV ratios below 100 percent, suggesting scope to further formalize and calibrate borrower-based tools using improved data. To strengthen lending standards, staff recommended introducing binding LTV caps calibrated at more conservative levels, supported by robust collateral valuation standards. Staff welcomed the authorities’ efforts to develop a comprehensive borrower-level database, to be completed by end-2026, which would help address data gaps and support more granular calibration of LTV limits over time, and improve debt-service-to-income metrics. In parallel, staff welcomed BAM’s plan to enhance the calibration of the Basel countercyclical capital buffer (CCyB), notably by considering additional risk indicators alongside its reference parameter (the credit-to-GDP gap). Staff considered that adopting a releasable, positive-neutral CCyB (PN CCyB) in normal times would help build capital buffers that can be released in periods of stress to sustain credit—to this end, the authorities should ensure that banks maintain excess

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<sup>10</sup> Under the Basel framework, the look-through approach requires banks to assess exposures to funds or vehicles based on their underlying assets rather than treating them as single counterparties. This principle also applies to the Large Exposures framework, where banks must look through such structures to identify ultimate counterparties and prevent excessive concentration risk.

voluntary capital buffers or sufficient profitability to accommodate the build-up of buffers, with an appropriate phase-in, before PN CCyB requirements become binding.

**27. A new Financial Sector Assessment Program (FSAP) is tentatively scheduled to be launched in FY2027, to update the 2015 financial sector recommendations.** The upcoming FSAP will provide a comprehensive review of the financial system, particularly in light of the planned scaling up of public investments and offer updated recommendations to ensure financial stability.

### ***Authorities' Views***

**28. The authorities stressed that the banking sector remains resilient, underpinned by the system's strong capital, liquidity and profitability buffers.** They emphasized that banks' exposure to the public sector and large infrastructure projects remain manageable and is subject to close supervisory oversight. The authorities noted that large projects are predominantly financed through long-term, syndicated and structured arrangements that distribute risks across institutions and over time, limiting concentration pressures on individual balance sheets, while benefiting from prudential treatment aligned with Basel standards and regular supervisory monitoring. They underscored that concentration risks largely reflect the structure of Morocco's economy—characterized by the predominance of large corporates alongside a fragmented SME sector—and are already governed by the regulatory large exposure limit.

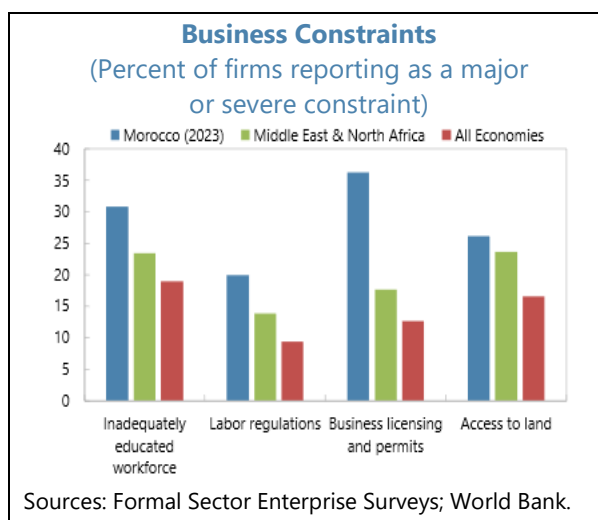
**29. Regarding asset quality and NPL reforms, the authorities reiterated their commitment to safeguarding banks' balance sheets while supporting credit provision.** They noted that the phased implementation schedule of Circular 1/W/2025, supported by multiple impact studies and supervisory guidance, is intended to ensure a smooth transition while reinforcing forward-looking risk management. The authorities noted that the draft law establishing the NPL secondary market has been finalized and transmitted for inclusion in the legislative adoption process. They also pointed to ongoing efforts to strengthen judicial recovery through an inter-institutional framework with the Ministry of Justice, and discussions with the tax authorities to align the tax treatment of provisions with prudential rules. On macroprudential policy, the authorities emphasized that credit growth remains moderate and broadly aligned with economic activity and that work to implement the LTV is underway. The authorities have adopted a 2026–30 financial stability roadmap, which plans to reinforce the macroprudential toolkit. In this context, they are working on enhancing the credit-to-GDP based CCyB framework with a broader risk dashboard incorporating a wider set of indicators. In parallel, they plan to assess the suitability of a PN CCyB for Morocco.

## **D. Structural Reforms**

**30. Sustainable job creation calls for reforms that encourage a more dynamic private sector and improve labor market responsiveness.** A number of structural factors contribute to Morocco's persistent labor market weaknesses, including structural transformation of the agriculture sector, a large public sector footprint and insufficient dynamism of the private sector, limited SME access to financing, skills mismatches, barriers to female employment, high reservation wages for

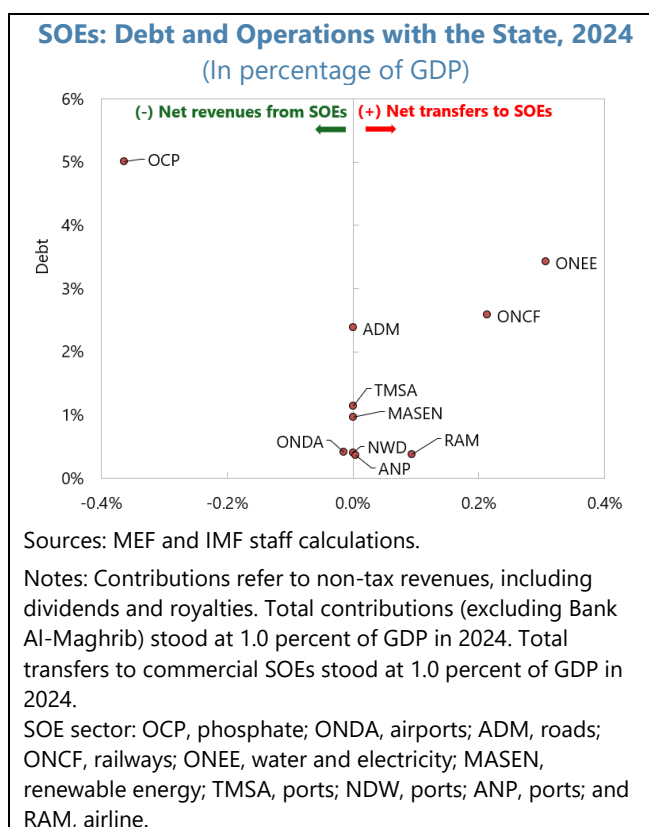
some segments of the workforce, and labor market rigidities, including related to part-time jobs (Annex IX).

- A more dynamic private sector.** A number of initiatives are supporting private sector investment. The Investment Charter provides direct subsidies and tax exemptions for private investment projects in priority sectors (including SMEs and startups) subject to minimum investment and employment outcomes. So far, projects totaling 24 percent of GDP have been approved, with fiscal costs in 2025 of 0.2 percent of GDP. The Mohammed VI Investment Fund (FM6I) supports private investment through a range of financial instruments—including private equity, venture capital, and project finance—including for SMEs and startups. The public credit guarantor TAMWILCOM provides partial public guarantees to ease SME credit risk. The new Charter for Very Small Enterprises, launched in December 2025, introduces a unified “Small Business” scoring system and leverages BAM’s preferential refinancing mechanisms. Staff welcomed the more targeted financial and technical assistance now offered to SMEs and startups, and encouraged close monitoring of employment outcomes, alongside continued efforts to reduce regulatory and administrative hurdles facing firms. Reforms are also needed to help promote market neutrality between the public and private sectors (paragraph 31).
- Better skills matching and a more responsive labor market.** The [Job Plan 2030](#), launched in February 2025, is a comprehensive strategy to address high unemployment, weak SME job creation, and low participation rates, with a focus on youth and women. The plan leverages the public investment pipeline (which would add temporary and permanent jobs mainly in construction, logistics, and tourism), supports private sector investment (including through the Investment Charter), scales up and unifies job-placement programs, revamps Technical and Vocational Education and Trainings (TVETs) and the skills-matching framework, and promotes rural employment. Staff welcomed the stronger coordination across the national and local levels, closer collaboration with the private sector in program design, expansion of internship opportunities, and expanded support for youth without diplomas. Effective implementation of the Job Plan will be essential, alongside complementary reforms to better align education and TVET with labor market needs and modernization of the labor code to improve worker conditions and employers’ flexibility in managing their workforce.



**31. Improving SOE performance and governance will reduce fiscal risks, and promoting market neutrality between the public and private sectors will help dynamize the private sector.** Commercial SOEs hold assets equivalent to 105 percent of GDP. Some strong-performing SOEs are encumbered with social objectives and in some cases the implementation of public investment. Many SOEs continue to receive government transfers and privileged treatment, underscoring the need for clearer separation between commercial and public service activities. Several major SOEs exhibit financial vulnerabilities that risk adding pressure to the budget through higher transfers, capitalization needs, or the materialization of contingent liabilities. These risks are heightened for SOEs leading large infrastructure projects and taking on new debt.

- Improving SOE performance and governance.** The 2021 Framework Law and 2024 State Shareholding Policy (PAE) seek to rationalize state intervention and transfers, and improve SOE governance, performance and efficiency. Staff welcomed the progress on PAE implementation, including board professionalization, IFRS consolidation, and a performance management system. Staff emphasized that quasi-fiscal activities by SOEs (including spending on infrastructure undertaken outside their commercial mandate) should be identified, quantified, and transparently compensated to safeguard financial viability and support cost-recovery objectives. Staff called for faster advancement in transforming 15 commercial public entities into corporations to facilitate resource and cost optimization, improve service delivery, and gradually open to private investors. Staff also advised swift finalization of the reform of the privatization framework—which will clarify rules for changes in state ownership and establish criteria for selecting companies to be privatized—to support the process of identifying sectors where the state should progressively leave space for the private sector. Staff underscored that it is important to limit state intervention to cases justified by clear public interest and rigorous cost-benefit analysis, ensure respect of market neutrality by eliminating any preferential treatment of SOEs versus private entities, and improve SOE performance to gradually phase out budget transfers.

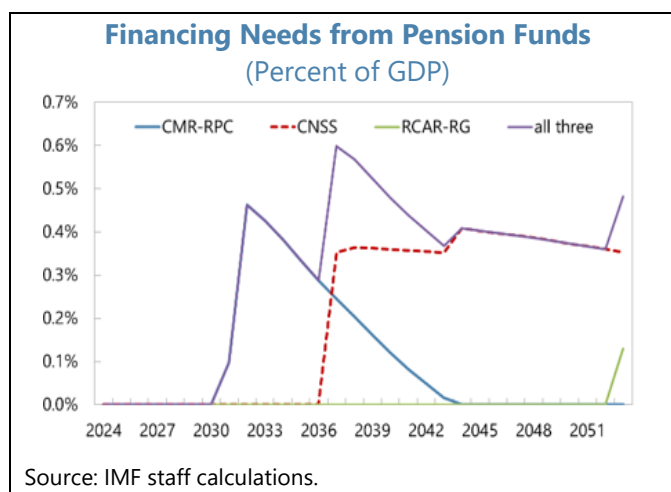


- Fiscal risk monitoring, oversight, and reporting.** A more systematic approach to fiscal risk monitoring is needed, including by using financial risk scoring and enhancing oversight of the larger, high-risk SOEs. Oversight mechanisms could be strengthened through closer

coordination between ANGSpe (agency overseeing state holdings) and the Ministry of Finance, ensuring that fiscal risks are taken into account when setting performance expectations and when deciding on guarantees, capital injections, and transfers. Increased SOE financing through structured financing mechanisms requires that the authorities: (1) at the individual SOE level, comprehensively monitor all types of financing and future commitments to prevent the materialization of contingent liabilities; and (2) at the portfolio level across all SOEs, have visibility into how structured financing mechanisms affect SOE balance sheets and associated fiscal risks. Further clarifying the framework for program contracts—particularly the transparent remuneration of public-service obligations—would also support fiscal risk management. Staff welcomed the reporting of explicit government guarantees to SOEs (issued directly by the Treasury and indirectly via TAMWILCOM) and advise that contingent liabilities relating to SOEs also be quantified and disclosed in the fiscal risk annex of the MTF (including risks relating to structured financing mechanisms).

- **Reform of ONEE.** Completion of the electricity distribution reform through the creation of the 12 Regional Multiservice Companies allows for greater clarity on roles and responsibilities. Faster implementation of ONEE’s restructuring plans is needed to increase transparency in cost allocation, facilitate tariff setting that supports cost recovery and encourages more efficient consumption, ease sector regulation, and support fairer, more competitive access to the electricity network.<sup>11</sup>

**32. Reforms are needed to ensure sustainability of the pension system.** The three largest civilian public pension funds have overall unfunded liabilities of 131.6 percent of GDP. Without reform, the reserves of one pension fund will deplete in 2031, and others subsequently. Once reserves are depleted, the schemes would require annual budget subsidies to maintain their liquidity (estimated at 0.1 percent of GDP in 2031 and rising to 0.6 percent of GDP by 2037), posing a medium-term risk to the fiscal position. Stakeholder discussions are in early stages and technical work is ongoing on a detailed diagnostic of each pension fund in order to inform the design of pension reform. Staff underscored the urgency of implementing a pension reform to address



<sup>11</sup> The authorities conducted a study that assesses the actual cost of water and presents options for cost recovery, that could inform a new water tariffication methodology (RSF measure). The separation of ONEE’s financial accounts for production, transmission, and distribution was an essential step towards adequate cost allocation and tariff setting (RSF measure). Water and electricity prices remain regulated and a timeline for revision of the tariff structure has not been set. ANGSpe is working on ONEE’s repositioning.

these pressures in advance, emphasizing the need to address the projected unfunded pension liabilities and ensure fiscal sustainability of the pension system.

**33. Staff encouraged further progress in fighting corruption and improving market competition.**<sup>12</sup> The government's National Strategy for the Fight Against Corruption (SNLCC) 2015-2025 has come to a close, and its implementation is currently being assessed by the constitutionally independent National Authority for Probity, Prevention, and the Fight against Corruption (INPPLC). Staff encouraged the authorities to promptly design and implement a new government anti-corruption strategy and to continue implementation of the 2023 public procurement reforms. Staff welcomed actions by the Competition Council to prevent anti-competitive practices and its cooperation agreement with the INPPLC to address collusion risks. Access by the Council to the full public procurement database would facilitate ex-post market analysis. Staff urged progress on pending legislative reforms, including illicit enrichment, conflicts of interest, protection of whistleblowers, and asset declaration of public officials, noting that some draft texts are finalized and remain pending adoption.

### ***Authorities' Views***

**34. The authorities broadly agreed that high youth unemployment reflects structural constraints and requires stronger private-sector dynamism and better skills matching.** They emphasized the operational focus of Job Plan 2030, highlighting ANAPEC's expanded role in integrating training, job intermediation, and employer partnerships, alongside strengthened monitoring and coordination of employment programs and apprenticeships. They pointed to recent non-agricultural job gains as evidence that structural transformation is underway. The authorities underscored ongoing efforts to strengthen competition and improve the business climate. They confirmed that labor code modernization is necessary but stressed that reforms should proceed in a balanced and consensual manner, including in conjunction with strengthened social protection.

**35. The authorities reaffirm their strong commitment to advancing SOE reform.** They considered that the ongoing reforms to strengthen SOEs' corporate governance—such as board professionalization, the appointment of independent directors, the establishment of specialized committees, and enhanced managerial accountability—represent an important step toward improving the performance and efficiency of commercial SOEs. They highlighted progress under the PAE, noting that ANGSPÉ is working closely with line ministries to align SOEs' strategies with the State's strategic shareholder vision, including by ensuring that each divestment or retention decision meets strategic and economic needs. The authorities noted that performance contracts have already been concluded with several SOEs at the center of the investment acceleration agenda, including the railways (ONCF), airports (ONDA), and roads (ADM). They also noted advances in the transformation of commercial SOEs into corporations, with draft laws prepared for several entities in addition to the

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<sup>12</sup> Governance weaknesses pose risks to the investment climate and private-sector led growth as, notably, the INPPLC National Survey on Corruption showed that corruption is one of the main concerns for Moroccan citizens (5<sup>th</sup> place in [2022](#)) and companies (8<sup>th</sup> place in [2023](#)). Additional governance risks may arise in the context of the large increase in infrastructure investment spending.

two already in the legislative process. On fiscal risks, the authorities reiterated that they have a robust framework for monitoring SOEs, which is being further enhanced by performance monitoring systems. They also intend to strengthen fiscal-risk analysis and disclosure in the MTF, building on integrated assessments that have already identified priority SOEs with significant budgetary exposure, while emphasizing that SOEs make limited use of public guarantees.

**36. The authorities reaffirmed their commitment to strengthening transparency and accountability.** They emphasized the independent constitutional mandate of INPPLC in monitoring and evaluating public policies and noted that the forthcoming strategy will build on the assessment of the 2015–2025 SNLCC. They highlighted ongoing cooperation between oversight bodies, including the Competition Council, and confirmed that efforts to modernize the legislative and institutional frameworks will continue.

## FCL REVIEW OF QUALIFICATION

**37. Staff assesses that Morocco continues to meet all the FCL qualification criteria.**

Morocco has a sustained track record of implementing very strong macroeconomic policies and remains committed to maintaining such policies in the future, and continues to have very strong economic fundamentals and institutional policy frameworks. The Executive Board provided a very positive assessment of Morocco’s policies in the 2025 Article IV consultation. Based on staff’s appraisal of policies in the 2026 Article IV Consultation, staff sees no substantive changes in the qualification criteria since the April 2025 FCL request.

- **Sustainable external position.** The 2025 External Balance Assessment concluded that Morocco’s external position in 2025 is moderately stronger than the level implied by medium-term fundamentals and desirable policies (Annex I). External debt remains relatively low and is projected to stabilize around 43 percent of GDP in the medium term (Annex V).
- **Capital account position dominated by private flows.** Private capital flows averaged 51 percent of total flows in 2023–2025. FDIs and loans are the main components and are expected to pick up as Morocco advances private sector-friendly reforms.
- **Track record of steady sovereign access to international capital markets at favorable terms.** In 2025, public issuances in international markets reached USD 3.9 billion on favorable terms, including USD 1.75 billion issued by OCP, and sovereign bond spreads were at 115 basis points in mid-January 2026. The public sector maintained uninterrupted international market access over the past 12 months and raised USD 9.9 billion (more than 8 times Morocco’s IMF quota) over 2021–2025.

- **A relatively comfortable reserve position.** End-2025, Morocco's reserves were at 102.8 percent of the unadjusted ARA metric and 134.2 percent of the adjusted ARA metric (with the latter averaging 128.2 percent in 2023-2025). Reserves never fell below 80 percent of the adjusted or unadjusted ARA metric in 2021-2025.
- **Sound public finances, including a sustainable public debt position.** Central government debt declined to 67.1 percent of GDP in 2025. Staff assesses debt as sustainable with high probability, consistent with Morocco's record across recent SR-DSF vintages (Annex IV).
- **Low and stable inflation in the context of a sound monetary and exchange rate policy framework.** Inflation averaged 3.2 percent in 2021-2025, core inflation has remained contained, and inflation expectations remain anchored at around 2 percent. BAM has maintained a broadly neutral monetary policy stance.
- **Sound financial system and absence of solvency problems that could threaten systemic stability.** Systemic risks to the financial system remain limited, with no solvency or recapitalization concerns. Banks' Tier 1 capital ratio and liquidity buffers are well above regulatory minimums. NPLs are relatively high, but provisioning is comfortable. Regular stress tests by BAM confirm the system's ability to withstand severe shocks.
- **Effective financial sector supervision.** There are no significant concerns regarding the supervisory framework. BAM continues to advance SREP implementation.
- **Data transparency and integrity.** Data quality remains adequate for effective surveillance and program monitoring. Morocco performs well in meeting the Special Data Dissemination Standard requirements.
- **Institutional strength.** Morocco has shown strong commitment to macroeconomic stability and capacity to respond effectively to shocks, supported by very strong institutional frameworks. The MTFE has been strengthened and the latest PEFA assessment confirms strong public financial management performance. Scope for further improvements include quantifying risks in the MTFE, implementing a new fiscal rule, and further enhancing public investment management. BAM remains an independent, well-managed institution. Despite improvements in anti-corruption frameworks, governance vulnerabilities persist but do not hinder Morocco's ability to respond to shocks.
- **Track record.** Morocco maintains a sustained track record of implementing very strong policies, according to staff's assessment that all relevant core indicators were met in each of the past five years.

**38. The authorities intend to continue treating the FCL arrangement as precautionary and to gradually exit it, depending on the evolution of external risks.** Morocco's two-year FCL arrangement was approved on April 2, 2025, for SDR 3.45 billion (386 percent of quota, US\$4.7 billion). The FCL has served as an important precautionary buffer, helping the authorities to pursue very strong macroeconomic policies and ambitious structural reforms amid new adverse shocks. Updated estimates show that the external stress index weakened in the baseline and remains significant in the downside scenario (similar to the FCL request) (Annex II). While international reserves are higher, the authorities intend to maintain the current level of access at this review considering high uncertainty and elevated external risks, in addition to the risk of drought.

**Text Table 1. Morocco: Summary of Relevant Core Indicators for FCL Qualification Criteria<sup>1</sup>**

	2023 FCL Request	2024 FCL Mid-Term Review	2025 FCL Request	2026 FCL Mid-Term Review
<b>1. A sustainable external position</b> (EBA assessment at least "moderately weaker")	Broadly in line	Moderately stronger	Moderately stronger	Moderately stronger
<b>2. A capital account dominated by private flows</b> (share of private flows in total capital flows > 50 percent, on average over the last .)	52 percent (2019-22)	55 percent (2020-23)	55 percent (2022-24)	51 percent (2023-25)
<b>3. A track record of steady sovereign access to sovereign markets at favorable terms</b> (international bond issuance, cumulative amount during the last 5 years > 50 percent of country's quota at the Fund)	549 percent of quota in 2018-23	765 percent of quota in 2019-23	871 percent of quota in 2020-24	812 percent of quota in 2021-25
<b>4. A comfortable reserve position</b> (reserves > 100 percent of ARA metric, on average over three (the current and the two previous) years and not below 80 percent in any of these three years.)	Reserves averaged 133 percent of the adjusted ARA metric for period 2020-2022, never below 80 percent in any of those three years	Reserves averaged 124 percent of the adjusted ARA metric for period 2021-2023, never below 80 percent in any of those three years	Reserves averaged 122 percent of the adjusted ARA metric for period 2022-2024, never below 80 percent in any of those three years	Reserves averaged 128 percent of the adjusted ARA metric for period 2023-2025, never below 80 percent in any of those three years

Source: National authorities and IMF staff estimates.

1/ Reported indicators are those available at the time of the request and review, respectively.

**Text Table 1. Morocco: Summary of Relevant Core Indicators for FCL Qualification Criteria**  
(concluded)

	2023 FCL Request	2024 FCL Mid-Term Review	2025 FCL Request	2026 FCL Mid-Term Review
<b>5. Sound public finances</b> (debt sustainable with high probability)	<b>Debt is sustainable with high probability</b>	<b>Debt is sustainable with high probability</b>	<b>Debt is sustainable with high probability</b>	<b>Debt is sustainable with high probability</b>
<b>6. Low and stable inflation in the context of a sound monetary and exchange rate policy framework</b> (inflation in single digits in the last 5 years preceding qualification)	Average inflation was at single digit for each year between 2018 and 2022	Average inflation was 6.1 percent in 2023	Average inflation was 0.9 percent in 2024	Average inflation was 0.8 percent in 2025
<b>7. Sound financial system and absence of solvency problems that could threaten systemic stability</b> (the average capital adequacy ratio for the banking sector > regulatory thresholds; no significant solvency risks or recapitalization needs)	Tier 1 capital ratio stood at 11.8 percent, no significant solvency risks, or recapitalization needs	Tier 1 capital ratio stood at 12.9 percent, no significant solvency risks, or recapitalization needs	Tier 1 capital ratio stood at 13.4 percent (Jun-24), no significant solvency risks, or recapitalization needs	Tier 1 capital ratio stood at 13.8 percent (Jun-25), no significant solvency risks, or recapitalization needs
<b>8. Effective financial sector supervision</b> (no substantial concerns regarding the supervisory framework)	<b>No substantial concern in supervisory framework</b>	<b>No substantial concern in supervisory framework</b>	<b>No substantial concern in supervisory framework</b>	<b>No substantial concern in supervisory framework</b>
<b>9. Data Transparency and integrity</b>	<b>SDDS subscriber</b>	<b>SDDS subscriber</b>	<b>SDDS subscriber</b>	<b>SDDS subscriber</b>

## PROGRAM MODALITIES

### 39. Morocco's capacity to repay the Fund remains adequate in the medium to long run.

Relative to the FCL approval, the review indicates more moderate peaks under the adverse scenario where the FCL is assumed to be fully drawn in 2026 (Table 6), as obligations to the Fund would peak in 2030 at 2.4 percent of exports of goods and services and 4 percent of gross international reserves. Outstanding Fund credit would peak at 3 percent of GDP or 8 percent of exports of goods and services in 2026.

**40. Safeguards procedures were completed for Morocco's 2025 FCL arrangement with no significant issues identified.** Staff reviewed the 2024 audit results and discussed these with Deloitte Morocco, the BAM's external auditor. Deloitte issued an unmodified audit opinion on the BAM's 2024 financial statements, which were published on the BAM's website on a timely basis.

**Morocco: Financing Gap and Sources of Financing, 2024–2031**  
(Billions of U.S. dollars, unless otherwise indicated)

	2024	2025	2026	2027	2028	2029	2030	2031
<b>Current account balance</b>	<b>-1.9</b>	<b>-3.8</b>	<b>-4.9</b>	<b>-5.9</b>	<b>-7.2</b>	<b>-8.6</b>	<b>-8.5</b>	<b>-9.4</b>
<i>(in percent of GDP)</i>	-1.2%	-2.1%	-2.5%	-2.7%	-3.1%	-3.4%	-3.2%	-3.3%
Balance of goods and services	-13.3	-16.3	-18.4	-20.1	-22.2	-24.3	-25.0	-26.5
Balance on primary income	-2.4	-2.5	-2.8	-3.1	-3.4	-3.7	-4.0	-4.4
Balance on secondary income	13.8	15.0	16.3	17.4	18.4	19.5	20.5	21.4
<b>Capital account, net</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Financial account, net (without RSF)</b>	<b>-0.3</b>	<b>10.5</b>	<b>8.0</b>	<b>9.1</b>	<b>9.7</b>	<b>11.1</b>	<b>11.1</b>	<b>12.1</b>
<i>Financial account, net (with RSF)</i>	0.5	11.0	8.0	9.1	9.7	11.1	11.1	12.1
Direct investment, net	0.9	2.2	3.0	3.5	3.7	4.3	4.7	5.1
Portfolio investment, net	-0.1	4.0	2.9	2.9	2.6	3.2	3.2	3.3
Other investment, net (without RSF)	-0.4	4.9	2.1	2.7	3.3	3.6	3.2	3.8
Errors and Omissions	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Overall balance (1)</b>	<b>-0.2</b>	<b>6.7</b>	<b>3.1</b>	<b>3.1</b>	<b>2.5</b>	<b>2.5</b>	<b>2.6</b>	<b>2.6</b>
Change in gross official reserves (increase: -, without RSF) (	0.2	-6.7	-3.1	-3.1	-2.5	-2.5	-2.6	-2.6
<b>Financing gap (1+2)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<i>(in percent of GDP)</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>RSF disbursement</b>	<b>0.7</b>	<b>0.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Change in official reserves (increase: -, with RSF)	-0.5	-7.2	-3.1	-3.1	-2.5	-2.5	-2.6	-2.6

Sources: Ministry of Finance; Office des Changes; and IMF staff estimates and projections.

## STAFF APPRAISAL

**41. Real GDP growth is expected to remain strong supported by infrastructure investment, though external uncertainty remains high.** Real GDP growth is projected at 4.9 percent in 2026 and 4 percent over the medium-term, assuming normalized agricultural production and continued public and private infrastructure investment. Nonetheless, high unemployment remains a significant challenge. The 2025 external position was estimated to be moderately stronger than the level implied by medium-term fundamentals and desirable policies. External risks to the outlook include global uncertainty and geopolitical tensions that could increase commodity price volatility, and higher trade barriers and global supply chain disruptions that would result in a Euro Area slowdown. Domestically, the main risk arises from weaker than expected economic gains from the implementation of public infrastructure investment, which would result in subdued growth and employment. If downside risks were to materialize, available policy space, including the FCL, would help the economy adjust smoothly. The positive outlook presents the opportunity to enhance macroeconomic policy frameworks, accelerate structural reforms, and continue to improve access and quality of social services, in order to further strengthen economic resilience, and boost productivity and job creation.

**42. Staff welcomes Morocco's strong revenue performance and gradual rebuilding of fiscal buffers, and encourages saving at least part of any revenue overperformance.** Tax revenue outturns have been exceptional, mainly reflecting improvements in revenue administration. Revenue overperformance facilitated a smaller than anticipated fiscal deficit despite higher than budgeted spending on public investment and SOE transfers. The overall fiscal deficits in the 2026 budget and MTFE are consistent with a gradual reduction in debt to GDP to 60.8 percent by 2031,

compared to 60 percent pre-COVID. Going forward, at least part of any revenue overperformance should be saved to further strengthen fiscal buffers.

**43. Building on the current reform momentum, raising revenues and reducing unproductive spending would create space for priority social spending and possibly accelerate debt reduction.** Additional revenue measures include gradual extension of withholding, further rationalization of tax expenditures, and a carbon tax. Reducing unproductive spending requires prioritization of current and capital expenditure, a continued gradual reduction of subsidies, SOE reforms that rationalize expenditure and reduce contingent liabilities, and pension reform that ensure sustainability of the pension system.

**44. Adoption and implementation of a new fiscal rule will strengthen the fiscal framework.** Staff encourages prompt finalization of the legal framework and implementation of the rule, and greater specificity regarding the procedures for invoking the escape clause, accountability mechanisms, and operation targets.

**45. Morocco's PFM framework should be further enhanced.** Key measures include greater quantification of fiscal risks in the MTF, finalization of the PPP framework, and further improvements in public investment management.

**46. While the acceleration of public infrastructure spending will raise productivity, fully reaping its benefits requires further investments in human capital and careful risk management.** It is critical to identify, quantify, and monitor fiscal risks and contingent liabilities of both individual investment projects and the consolidated portfolio of projects, and implement suitable mitigation measures as needed. Concerted progress on the ongoing SOE reforms would also mitigate fiscal risks. Economic risks can be mitigated by enhancing public investment management and ensuring that the central government maintains oversight of infrastructure spending to take any necessary measures if macroeconomic pressures begin to emerge. Concentration risks in the financial sector will also need to be monitored. Accelerating the implementation of the health and education strategies, together with improved spending efficiency, would help sustain the growth momentum and ensure that benefits are widespread.

**47. The current neutral monetary policy stance is appropriate, and future decisions should remain data dependent.** With the real ex-ante policy rate broadly in line with staff's estimates of the neutral rate and inflation projected at 2 percent over the forecast horizon, maintaining a neutral stance is warranted while closely monitoring actual inflation and expectations.

**48. Staff encourage the authorities to continue the transition to greater exchange rate flexibility and a full-fledged inflation targeting framework.** With respect to the authorities' proposed intermediate step in the transition to a full-fledged IT framework—i.e. announcing an inflation target while maintaining the exchange rate band unchanged—staff recommends ensuring that the dual-anchor approach be temporary and clearly communicating priorities between policy objectives. Removing the exchange-rate band remains preferable to fully reap the benefits of a full-fledged inflation targeting framework.

**49. While systemic risks are limited, strengthening the financial system’s resilience to emerging risks remains a priority.** Banks’ increased public sector financing and concentration risks warrant enhanced monitoring as public investment scales up. Staff welcomes the implementation of carefully sequenced NPL reform that strengthens forward-looking risk management and improves the timeliness of loss recognition. Expediting the NPL secondary-market law and advancing its operational underpinnings would materially improve asset quality. Further strengthening the macroprudential framework will ensure sustainable credit growth with well-managed risks.

**50. Sustainable job creation requires stronger private-sector dynamism, reducing the large state footprint, and improved labor market responsiveness.** The initiatives to increase private sector access to financing and the targeted financial and technical assistance to SMEs and startups are welcome. Close monitoring of employment outcomes remains essential. Reducing high unemployment calls for prompt implementation of Job Plan 2030, alongside reforms in education to address skills mismatches and modernization of the labor code to improve worker conditions and employers’ flexibility in managing their workforce. Private sector development would also benefit from further progress on anti-corruption and competition reforms. Further strengthening and effective implementation of legislative frameworks on illicit enrichment, conflicts of interest, whistleblower protection, and asset declaration remain important.

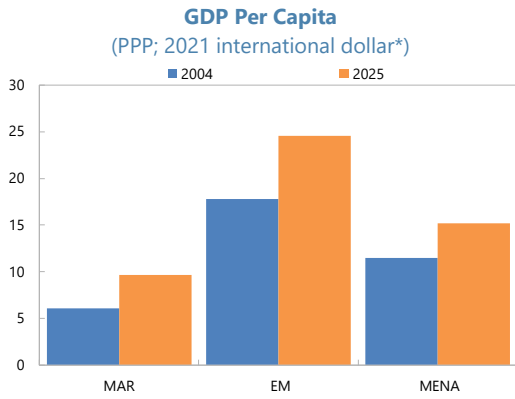
**51. SOE reform is essential to reduce fiscal risks and promote private sector development.** Stepping up the pace of implementation of the 2024 State Shareholding Policy is needed to improve SOE performance. Swift finalization of the privatization framework will support the process of identifying sectors where the state should progressively leave space for private operators. Promoting market neutrality between the public and private sectors by phasing out preferential treatment of SOEs would also help promote private activity. Continued strengthening of the assessment, monitoring, and management of SOE fiscal risks, including contingent liabilities, is needed. The restructuring of ONEE’s business model remains a priority, including a review of the tariffication system to ensure cost recovery.

**52. Staff’s view is that Morocco continues to meet the qualification criteria for the FCL arrangement.** Morocco has very strong macroeconomic policies and institutional policy frameworks as well as very strong economic fundamentals. The authorities have a very strong track record of policy implementation including prudent policy settings and have reiterated their commitment to maintaining very strong policies. Considering the very positive assessment of Morocco’s policies by the Executive Board during the 2025 Article IV consultation, and staff’s very positive assessment in the concurrent Article IV consultation, staff considers that maintaining the current level of access at this review while continuing to treat the arrangement as precautionary, remains appropriate and therefore recommends completion of the FCL review.

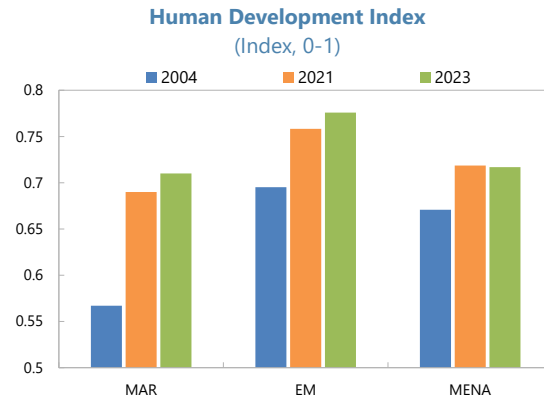
**53. The next Article IV consultation with Morocco is expected to be conducted on the standard 12-month cycle.**

**Figure 1. Socioeconomic Indicators**

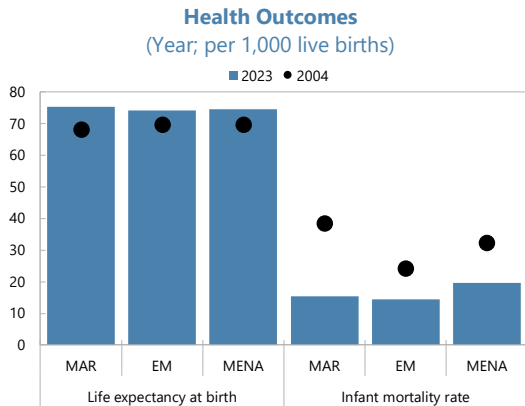
Morocco's GDP per capita has been increasing steadily...



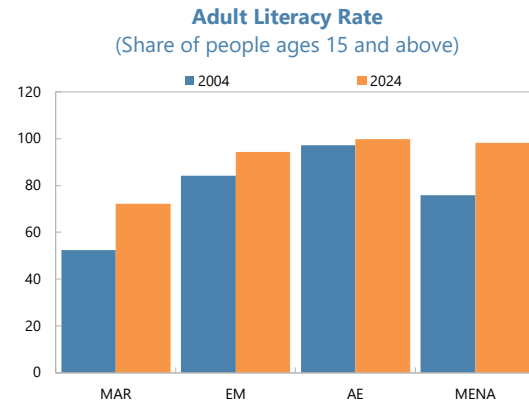
Its Human Development Index has improved significantly and is approaching the MENA average...



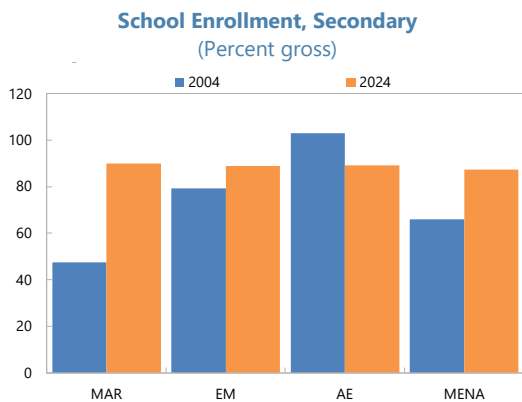
Life expectancy and infant mortality show significant improvement...



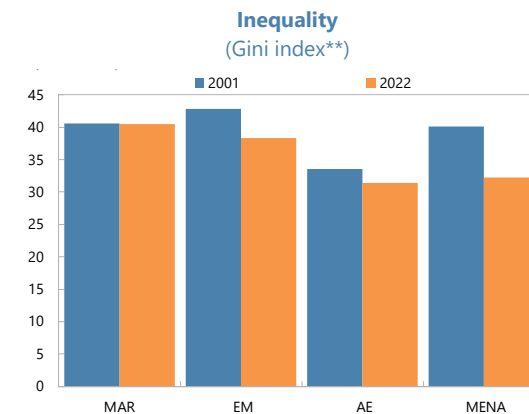
The adult literacy rate has risen sharply, though, remains below the MENA average...



School enrollment has climbed considerably, helping to close the gap with respect to MENA and EM averages.



Inequality remains elevated.

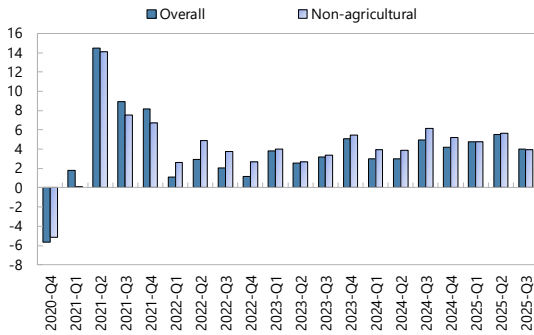


Sources: World Bank Development Indicators, HCP, UNDP, UNDESA, World Economic Outlook, IMF staff calculations. Notes: \*MENA uses median value of MENA countries; EM uses average of emerging market countries; \*\*MENA uses average value from 2000 instead of 2001.

**Figure 2. Real Sector Developments**

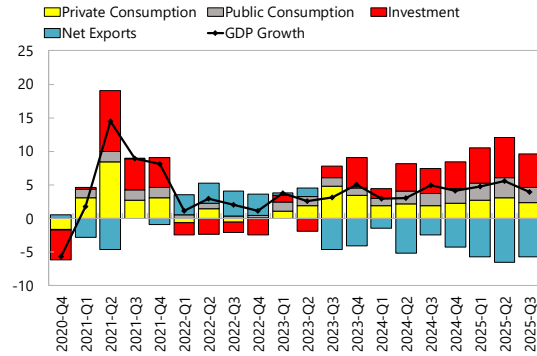
Real GDP grew at 4.8 percent on average in 2025Q1:Q3

**Real GDP Growth**  
(Percentage change, y-o-y, seasonally adjusted)



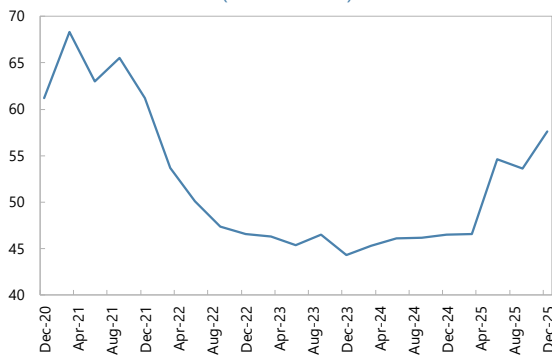
...as domestic demand has accelerated on the back of a surge in infrastructure investment.

**Demand Contribution to Real GDP Growth**  
(Percentage change, y-o-y, seasonally adjusted)



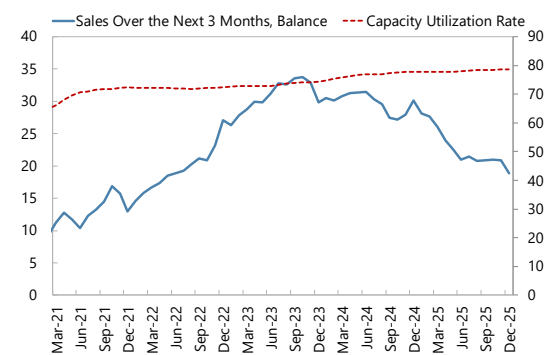
Household confidence is recovering gradually...

**Consumer Confidence Index**  
(Neutral=100)



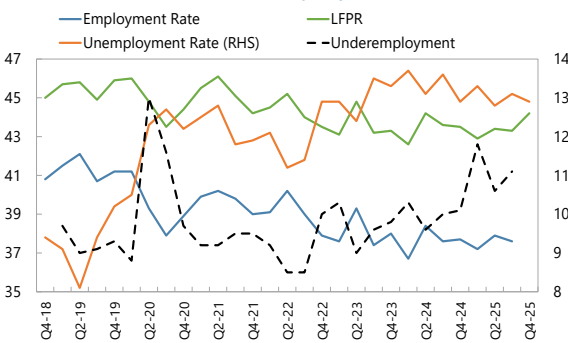
...while business sentiment is still declining.

**Business Outlook**  
(12-month moving average, percentage)



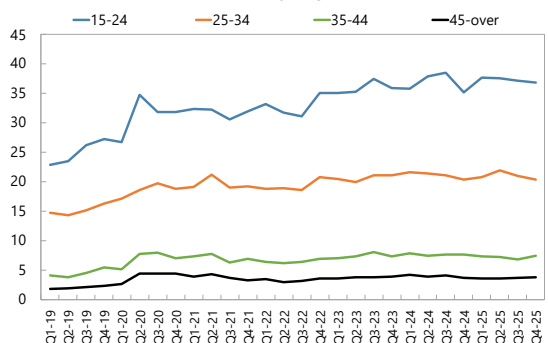
The total unemployment rate remains elevated...

**Aggregate Labor Market Indicator**  
(Not seasonally adjusted)



...while youth unemployment remains historically high.

**Unemployment Rate**  
(Seasonally adjusted)



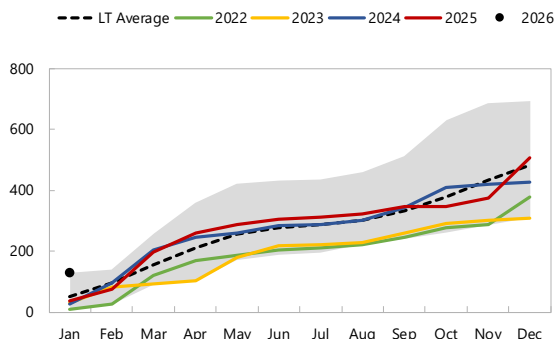
Sources: Haver, HCP, BAM, and IMF staff calculations.

**Figure 3. Agricultural Sector**

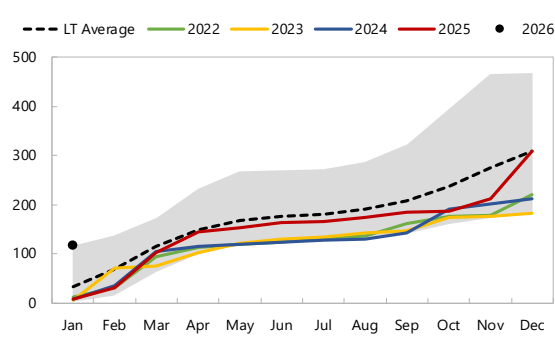
Precipitation improved markedly in Dec-Jan across the country, offsetting earlier deficits and bringing cumulative rainfall above seasonal norms in key regions such as Fez-Meknes...

... and closing earlier deficits in typically drier southern areas, including Marrakech-Safi.

**Cumulative Precipitation: Fez-Meknes (mm)**



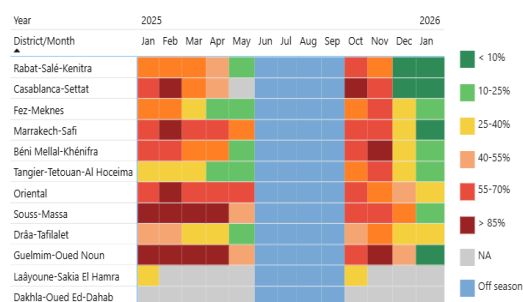
**Cumulative Precipitation: Marrakech-Safi (mm)**



Agricultural stress index points to a broad easing of water stress across most regions following the recent rainfall improvement.

Dam storage increased sharply following the exceptional rainfall, with average filling rates close to recent highs, significantly improving irrigation buffers.

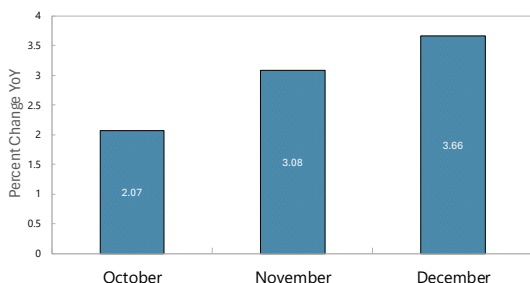
**Agricultural Stress Index (ASI)<sup>1</sup>**  
(% of cropland area affected by severe drought)



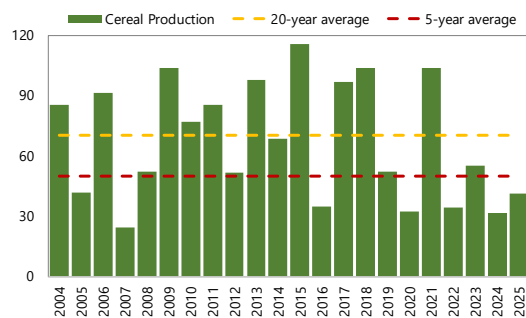
Nowcasting models suggest that the improved rainfall and water availability will result in higher agriculture production...

...and expectations are of a solid recovery in cereal production after two below-average seasons.

**Agricultural GVA Nowcasting Estimates (2025Q4)**



**Cereal Production (Million quintals)**

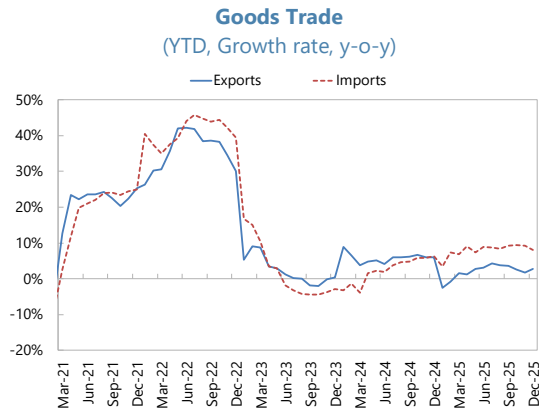


Sources: ERA5, Département de l'Eau, FAO, ONICL, and IMF staff calculations.

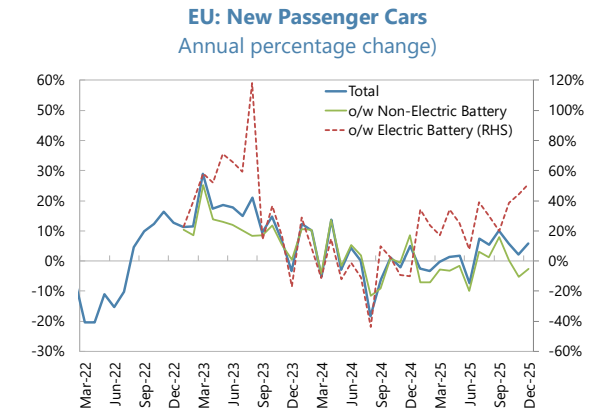
1/ FAO's Agricultural Stress Index (ASI) is reported at dekadal (10-day) frequency. For visualization only, we represent each month using the third dekadal ASI value (days 21–end of month) as a proxy for monthly stress. All analysis and calculations use the original dekadal ASI data; the monthly series is provided solely for illustrative plotting and is not an official FAO monthly ASI product.

**Figure 4. External Developments**

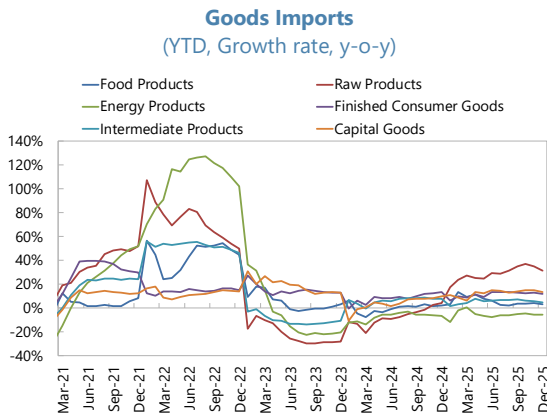
Import growth in 2025 remained strong and export growth gradually recovered from the drop earlier in the year.



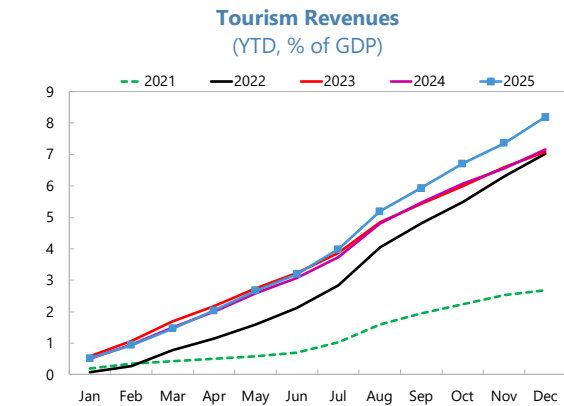
Weak automotives exports, especially in 2025H1, reflected lower European demand for non-electric vehicles.



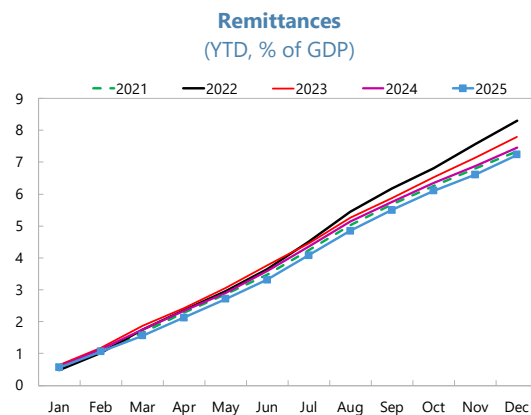
Import growth was driven by consumer and capital goods, while energy imports were lower.



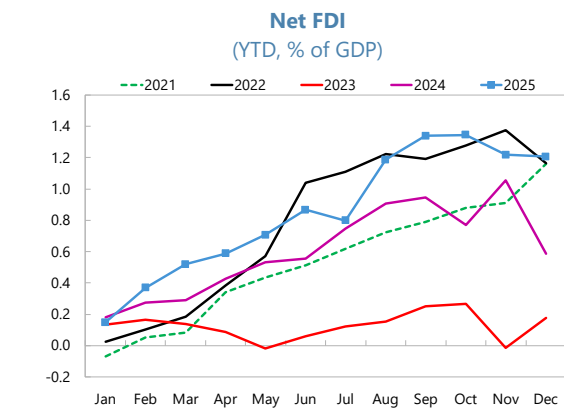
Tourism revenues were stronger.



While remittances softened...



...net FDI flows rebounded from the past two years.

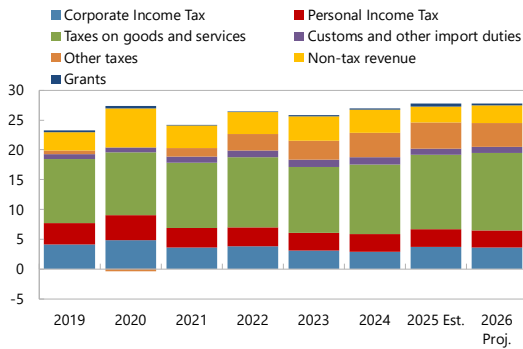


Sources: Office des Changes and Haver.

**Figure 5. Fiscal Developments**

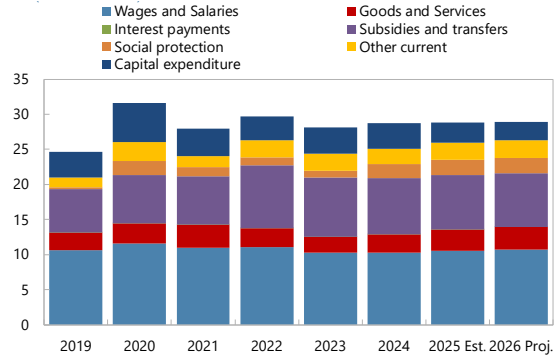
Revenue to GDP has continued rising in 2025, supported by growth in the collection of corporate taxes and VAT, and exceeding the initial projections...

**Tax Revenue and Grants**  
(Percent of GDP)



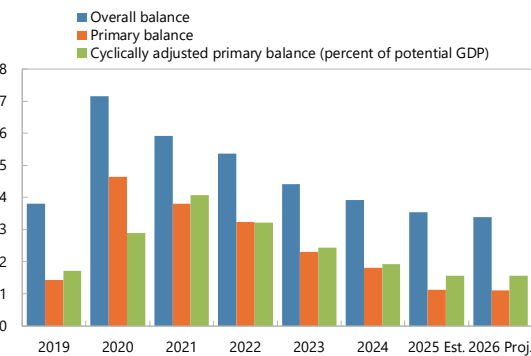
Spending to GDP in 2025 was also higher than budgeted due to higher transfers to SOEs and public investment.

**Government Spending**  
(Percent of GDP)



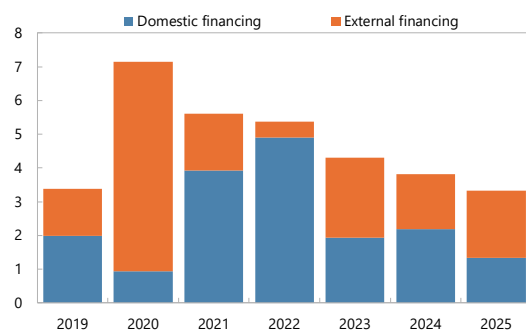
The overall deficit declined from 3.8 percent of GDP in 2024 to 3.5 percent of GDP in 2025, supported by strong revenue performance despite higher spending...

**Government Budget Deficit**  
(Percent of GDP)



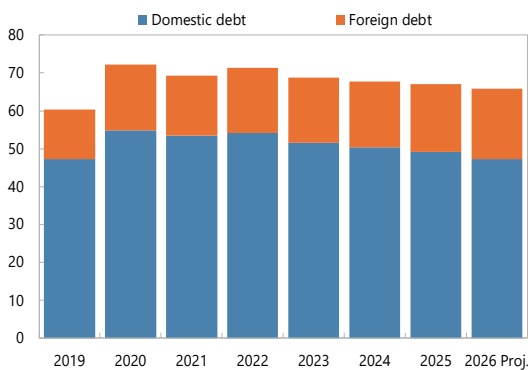
...with budget financing remaining balanced between external and domestic sources.

**Government Budget Financing**  
(Percent of GDP)



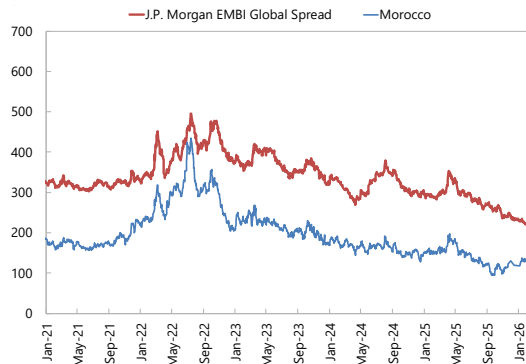
Public debt continued to decline supported by a favorable interest rate-growth differential, a stronger dirham, and continued fiscal policy efforts.

**Public Debt**  
(Percent of GDP)



...and sovereign spreads have continued to fall, at a faster rate than the EMBI.

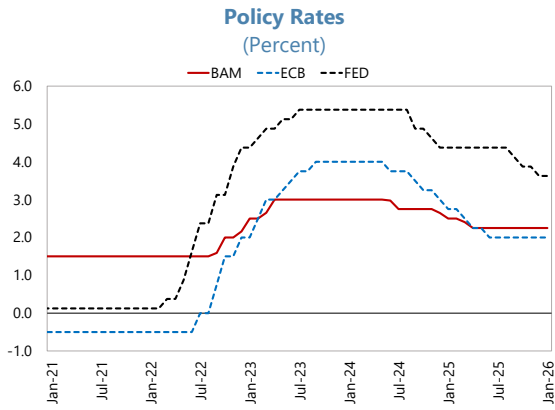
**Weighted Average Spread**  
(Bps)



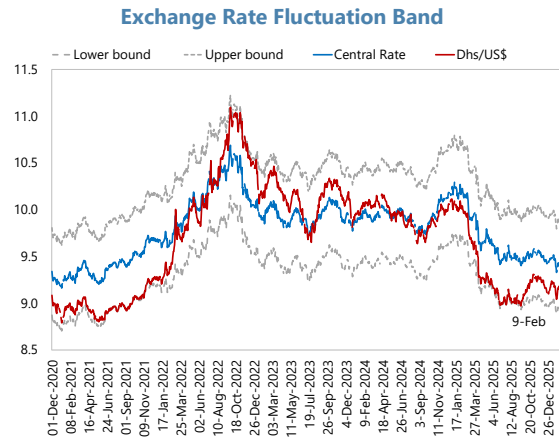
Sources: National Authorities; Haver, Bloomberg L.P.; IMF Sovereign Debt Monitor; and IMF staff calculations.

**Figure 6. Monetary and Financial Developments**

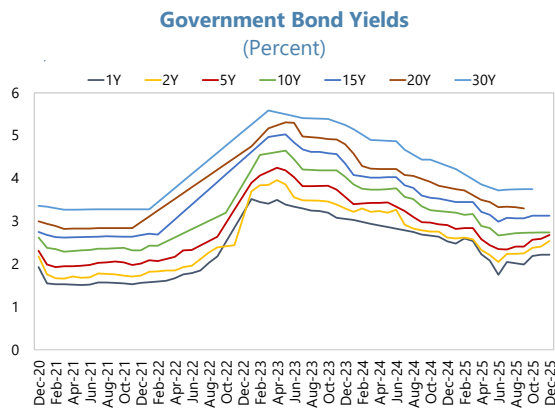
*BAM held rates steady since June, following three rate cuts totaling 75 bps between June 2024 and March 2025.*



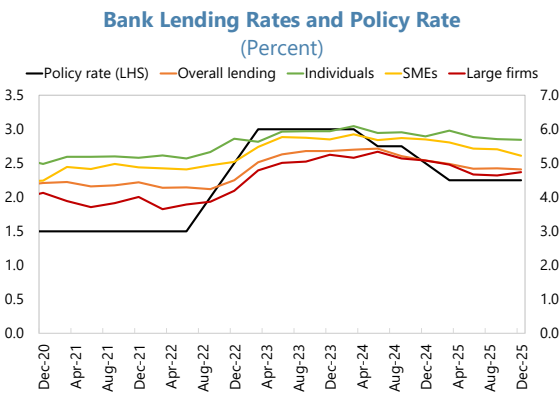
*The dirham appreciated in 2025, trading near the strong end of the band since April.*



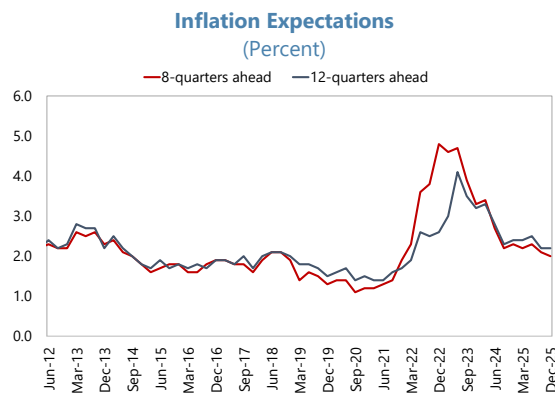
*Yields on government securities declined following the easing cycle.*



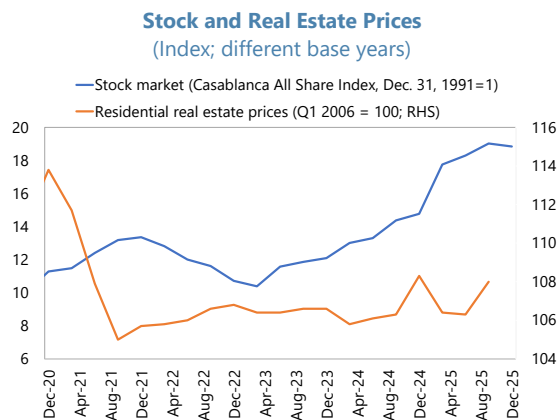
*Lending rates also declined but less so for SMEs and individuals.*



*Inflation expectations remained anchored around 2 percent.*



*Stock and real estate prices have increased in recent quarters amid improved growth momentum.*

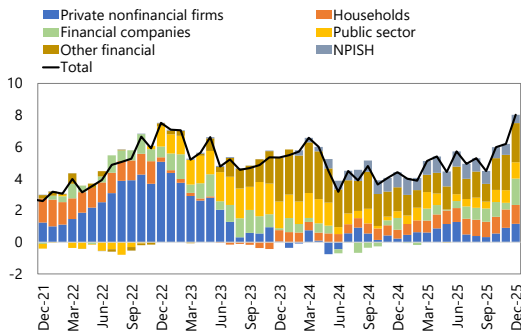


Sources: Bank Al-Maghrib, Haver, and IMF staff calculations.

**Figure 7. Banking Sector Developments**

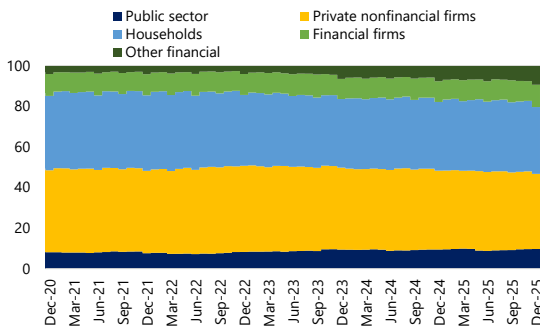
Credit growth strengthened in 2025, supported by large infrastructure projects and lower interest rates.

**Bank Credit by Institutional Sector**  
(Contribution to y/y growth in percentage points)



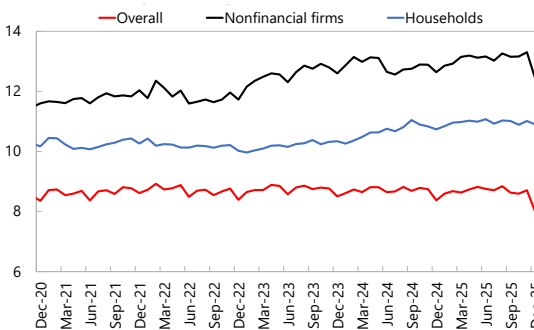
...but its share remains modest, accounting for less than 10 percent of total bank credit.

**Bank Credit by Institutional Sector**  
(Shares in total; in percent)



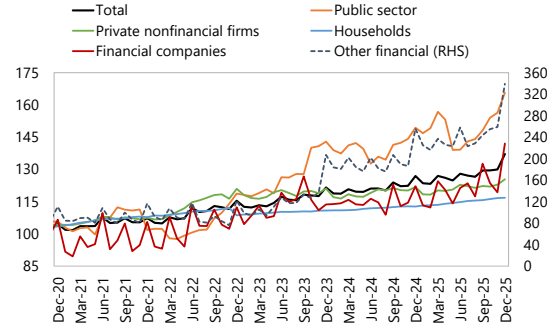
NPL ratio for non-financial firms has declined recently in line with accelerating credit growth, while that of households has remained elevated.

**Nonperforming Loans**  
(Percent, share of respective loan portfolio)



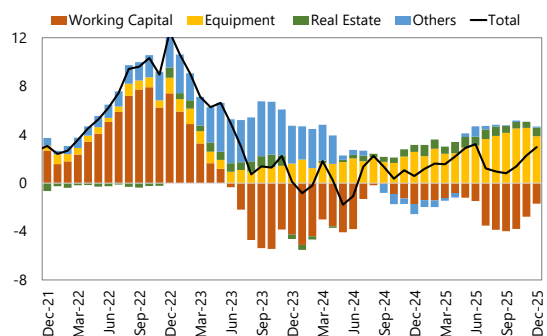
Lending to public sector picked up since early 2025, outpacing credit growth to other sectors...

**Bank Credit by Institutional Sector**  
(Index; Dec 2019=100)



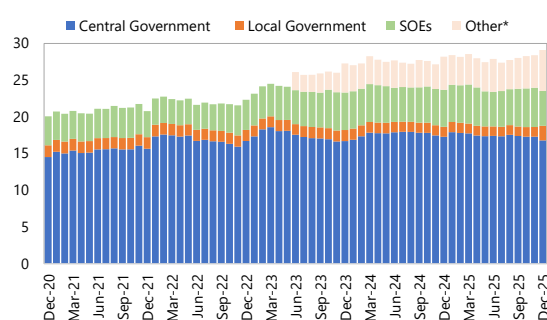
Credit to private nonfinancial firms strengthened in 2025 H2, driven by robust growth in financing for machinery and equipment despite weak working capital lending.

**Bank Credit to Private Nonfinancial Firms**  
(Contribution to y/y growth in percentage points)



Banks' exposure to the public sector stands at about 25 percent of assets, largely concentrated in government securities, with an additional exposure of around 5 percent to public-sector-linked financial entities.

**Banks' Exposure to Public and Public Sector-Linked Entities**  
(Percent, claims as share of total banks' assets)



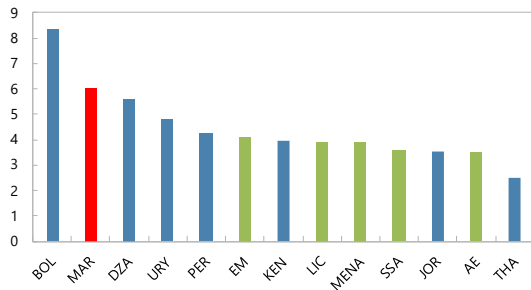
Sources: Bank Al-Maghrib, Haver, and IMF staff calculations.

\*Includes banks' credit exposure to insurance companies, pension funds, UCITS mutual funds, and collective investment funds (OPCIs). While the category cannot be further disaggregated in the monthly monetary statistics, the bulk of the increase in the "Other" credit exposure since mid-2023 was driven by OPCIs.

**Figure 8. Health and Education Sectors**

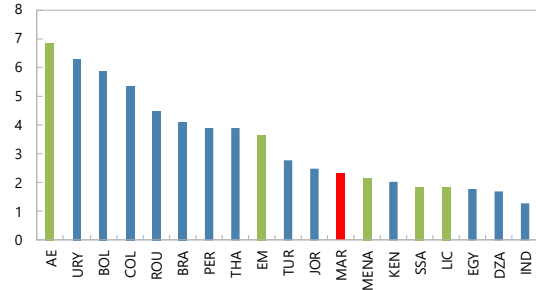
Moroccan government spends around 5 percent of GDP on education, higher than the average for EMs.

**Government Expenditure on Education, Total, 2023**  
(Percent of GDP)



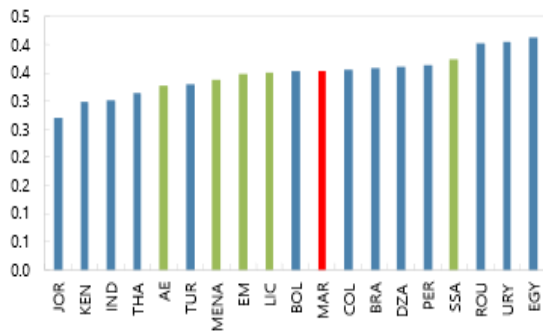
Health spending is around 2 percent of GDP, below the average for EMs.

**Domestic General Government Health Expenditure, 2022**  
(Percent of GDP)



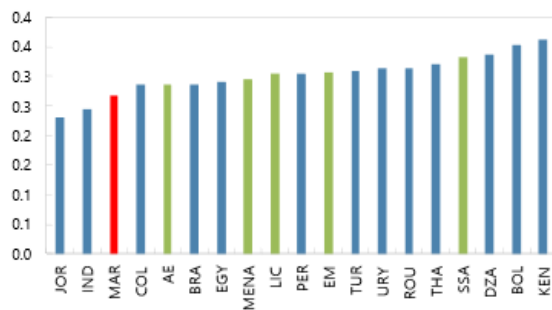
Morocco's public spending efficiency gap in education is higher than EMs...

**Public Spending Efficiency Gap: Education, 2024**  
(Scale between 0-1, lower gap indicates greater efficiency)



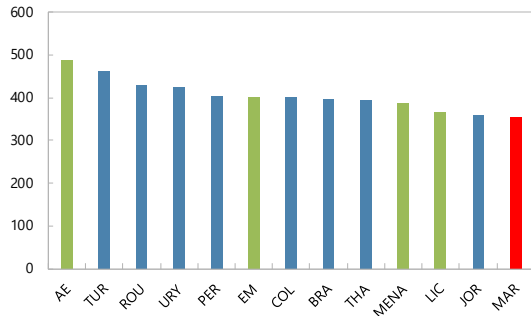
... while the efficiency gap in health is lower than in EMs.

**Public Spending Efficiency Gap: Health, 2024**  
(Scale between 0-1, lower gap indicates greater efficiency)



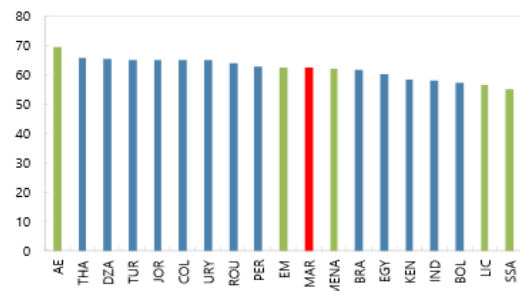
Select education outcomes suggest that Moroccan students underperform compared to EM peers.

**Mean PISA Score, 2022**  
(Average of mathematics, reading, and science)



Select health outcomes are closer to the average of EM peers.

**Healthy Life Expectancy at Birth, 2021**  
(Years)



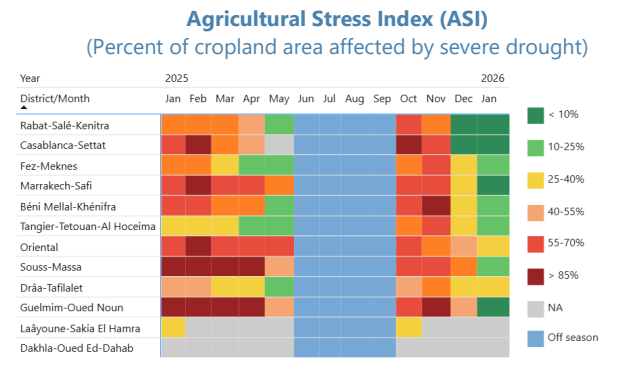
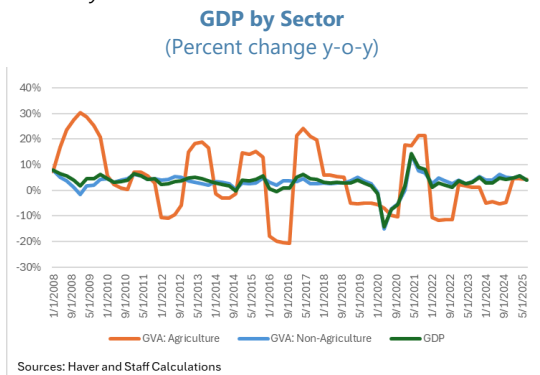
Source: World Bank Development Indicators, OECD, WHO, IMF Fiscal Monitor, October 2025.

Note: Public spending efficiency refers to how effectively governments convert a given level of expenditure into maximum possible outcomes. It reflects the gap between actual results and those achievable under optimal management, technology, and institutional practices. Emerging markets (EM); Low-income countries (LIC), Advanced Economies (AE); Middle East and North Africa (MENA); Sub-Saharan Africa (SSA).

### Figure 9. Leveraging Non-traditional Data and Nowcasting for Agriculture Value Added

The high volatility of the agricultural sector GDP points to the need for a sectoral nowcasting model to capture its distinct dynamics.

Satellite imagery can provide early alerts of drought and track cropland stress as well as recovery in a timely manner.

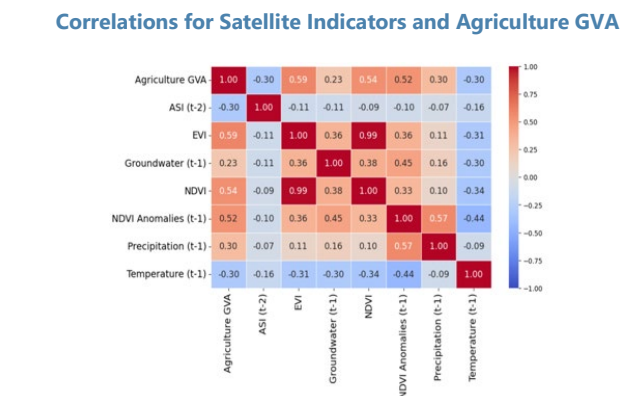
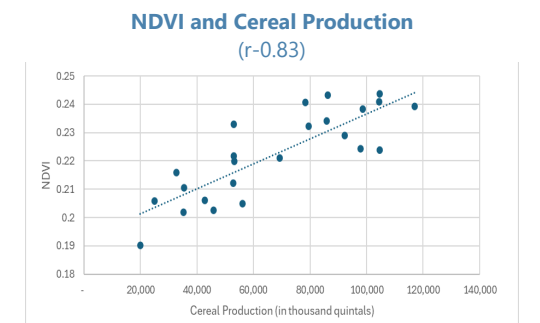


Sources: Haver and IMF staff calculations.

Note: FAO's Agricultural Stress Index (ASI) is reported at dekadal (10-day) frequency. For visualization only, we represent each month using the third dekadal ASI value (days 21-end of month) as a proxy for monthly stress. All analysis and calculations use the original dekadal ASI data; the monthly series is provided solely for illustrative plotting and is not an official FAO monthly ASI product.

For instance, there is strong correlation between the Normalized Difference Vegetation Index (NDVI) and cereal production.

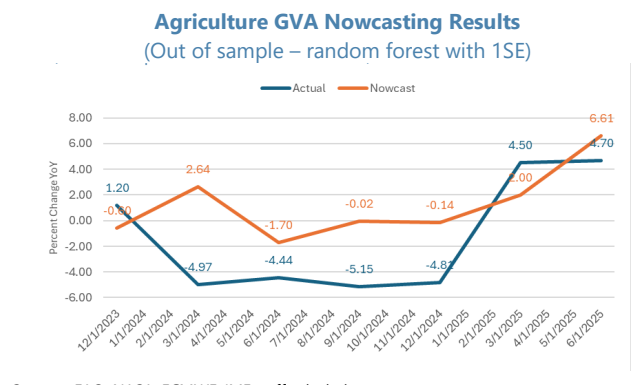
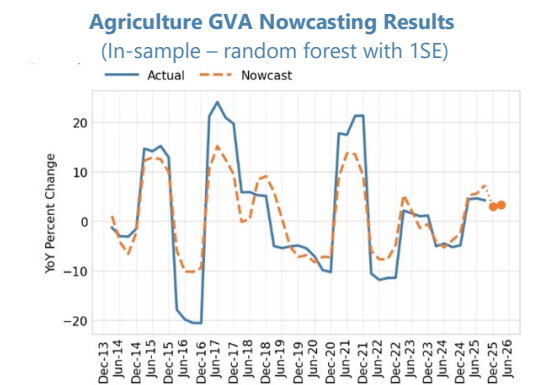
Several satellite indicators show moderate to high correlation with agriculture's value added, supporting their use as timely proxies for evolving agricultural conditions.



Sources: NASA (MODIS), Ministry of Agriculture, and IMF staff calculations.

Machine learning models can capture non-linearities and evolving relationships that are important for the agricultural sector given the interactions between weather and vegetation conditions.

The nowcasting model provides timely insights into agriculture sector performance, identifying trends and turning points up to 5 months before official data becomes available.



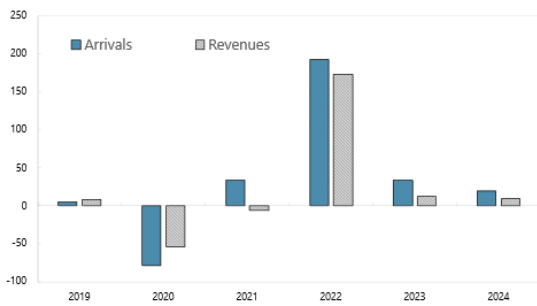
Sources: FAO, NASA, ECMWF, IMF staff calculations.

Note: Based on forthcoming IMF Working Paper (Hamed, 2026).

**Figure 10. Leveraging Non-traditional Data and Nowcasting for Tourism Receipts and Unemployment Rate**

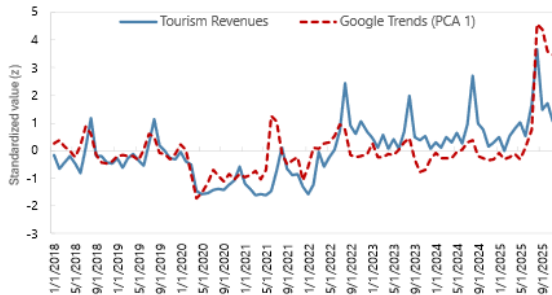
Tourism arrivals and receipts data are published with a lag of one month, limiting the ability to monitor developments and detect changes in tourism activity promptly.

**Tourist Arrivals vs Tourism Revenue**  
(Annual, percent change)



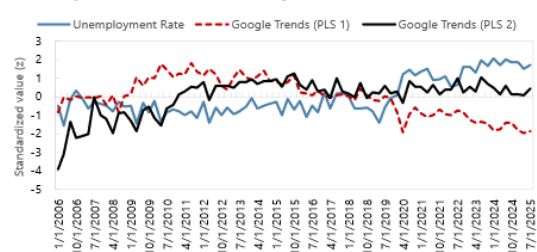
Google Trends can help capture tourism interest, since searches for travel-related topics (flights and hotels), can serve as early signals for travel intent and spending.

**Tourism Revenues and Google Trends Principal Component**



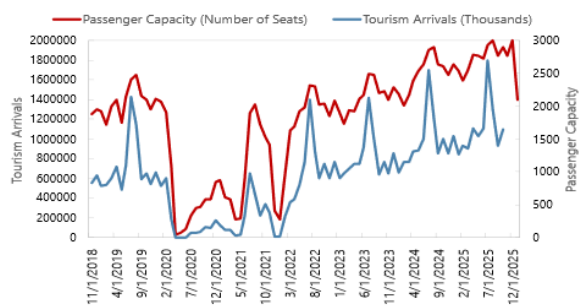
Google Trends searches related to job hunting, job platforms, and unemployment support can provide timely signals of labor-market conditions.

**Unemployment Rate and Google Trends PLS Components**



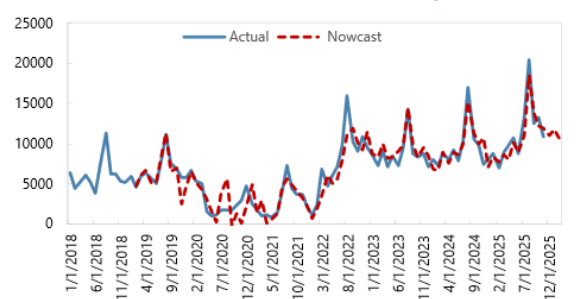
STA's Passenger Capacity Index, developed from FlightRadar24 data, shows strong co-movement with official tourism arrivals, and is available with a 1-week lag, while official data is published with a 1-month lag.

**Tourism Arrivals and FlightRadar24**



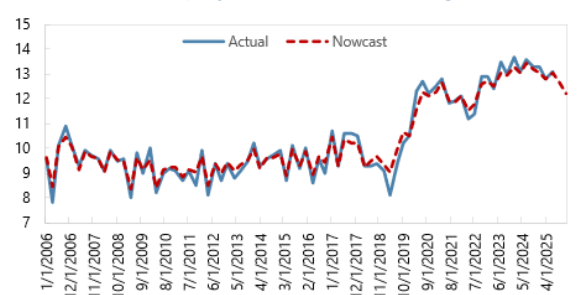
Google Trends and STA's Passenger Capacity Index enable us to nowcast tourism revenues up to 1 month before official data becomes available.

**Tourism Revenues Nowcasting**



Google Trends data is used to nowcast the unemployment rate up to 4 months before official data becomes available.

**Unemployment Rate Nowcasting**



Sources: Google Trends, FlightRadar24, and IMF staff calculations. Based on forthcoming IMF Working Paper (Hamed, 2026).

Table 1. Morocco: Selected Economic Indicators, 2021–2031

	2021	2022	2023	2024	Proj						
					2025	2026	2027	2028	2029	2030	2031
<b>Output and Prices</b>											
	(Annual percentage change)										
Real GDP	8.2	1.8	3.7	3.8	4.9	4.9	4.6	4.5	4.4	4.1	4.0
Real agriculture GDP	19.0	-11.8	1.8	-4.5	5.0	8.0	4.0	3.0	2.5	2.5	2.5
Real non-agriculture GDP	7.0	3.5	3.8	4.6	4.9	4.6	4.7	4.6	4.6	4.3	4.1
Consumer prices (end of period)	3.2	8.3	3.4	0.7	-0.3	1.5	1.8	2.0	2.0	2.0	2.0
Consumer prices (period average)	1.4	6.6	6.1	0.9	0.8	1.2	1.8	2.0	2.0	2.0	2.0
Output gap (percentage points of non-primary sector GDP)	0.5	-0.4	-0.1	-0.1	0.2	0.3	0.4	0.3	0.2	0.1	0.0
Unemployment rate (period average)	12.3	11.8	13.0	13.3	13.0	12.3	11.4	11.0	11.0	11.0	11.0
Unemployment rate (end of period)	11.9	12.9	13.3	12.9	12.9	12.0	11.7	11.0	11.0	11.0	11.0
<b>Investment and Saving</b>											
	(In percent of GDP)										
Gross capital formation	30.5	30.5	29.0	30.1	30.9	31.5	32.9	34.3	35.0	35.4	35.6
Of which: Nongovernment	25.0	24.4	22.6	24.1	25.5	26.4	27.3	28.2	29.1	29.4	29.6
Gross national savings	28.2	26.7	27.8	28.8	28.8	29.1	30.2	31.2	31.6	32.2	32.2
Of which: Nongovernment	34.1	32.1	32.2	32.7	32.3	32.4	33.5	34.5	34.8	35.3	35.3
<b>Public Finances</b>											
	(In percent of GDP)										
Revenue	24.2	26.5	25.8	26.9	27.7	27.8	27.5	27.2	27.3	27.3	27.3
Expenditure	30.1	31.8	30.2	30.9	31.3	31.2	30.8	30.5	30.4	30.4	30.3
Budget balance	-5.9	-5.4	-4.4	-3.9	-3.5	-3.4	-3.3	-3.3	-3.2	-3.1	-3.0
Cyclically-adjusted primary balance	-4.0	-3.2	-2.4	-1.9	-1.6	-1.6	-1.6	-1.7	-1.5	-1.4	-1.3
Budgetary central government debt	69.4	71.4	68.7	67.7	67.1	65.7	64.7	63.7	62.5	61.6	60.8
<b>Monetary Sector</b>											
	(Annual percentage change; unless otherwise indicated)										
Claims to the economy	3.8	7.1	5.3	6.9	8.9	6.4	6.1	6.0	5.8	5.6	5.6
Broad money	5.1	8.0	4.0	8.0	9.4	6.7	6.5	6.0	5.6	5.4	5.3
<b>External Sector</b>											
	(In percent of GDP; unless otherwise indicated)										
Exports of goods and services (in U.S. dollars, percentage change)	26.0	24.5	5.6	8.9	14.7	10.0	7.7	7.2	7.1	7.1	5.5
Imports of goods and services (in U.S. dollars, percentage change)	30.3	22.5	0.5	8.9	16.0	10.5	8.0	7.8	7.6	6.3	5.6
Merchandise trade balance	-14.0	-20.2	-17.2	-16.9	-18.3	-18.5	-18.6	-18.8	-19.1	-19.0	-18.8
Current account	-2.3	-3.5	-1.0	-1.2	-2.1	-2.5	-2.7	-3.1	-3.4	-3.2	-3.3
Foreign direct investment (net)	1.1	1.2	-0.1	0.6	1.2	1.5	1.6	1.6	1.7	1.8	1.8
Total external debt	45.8	49.4	47.7	42.6	45.1	44.3	44.1	43.8	43.6	43.4	43.0
Gross reserves (in billions of U.S. dollars)	35.6	32.3	36.3	37.1	48.6	52.6	56.2	58.9	61.8	64.9	67.5
In months of next year imports of goods and services	5.8	5.2	5.4	4.8	5.6	5.7	5.6	5.5	5.4	5.4	5.3
In percent of Fund Assessing Reserve Adequacy (ARA) metric	100.4	91.3	97.2	94.0	102.8	102.0	101.7	100.1	98.6	97.2	95.4
In percent of the adjusted Assessing Reserve Adequacy (ARA) metric	133	119	126	124	134	133	132	130	128	126	123
<b>Memorandum Items:</b>											
Nominal GDP (in billions of U.S. dollars)	142.0	131.2	146.0	160.6	182.6	201.1	216.8	232.3	248.8	266.1	283.4
Nominal GDP per capita (in U.S. dollars, percent change)	15.9	-8.5	10.2	9.0	12.7	9.2	6.9	6.2	6.2	6.1	5.7
Population (millions)	36.31	36.67	37.0	37.4	37.7	38.1	38.4	38.7	39.0	39.3	39.6
Net imports of energy products (in billions of U.S. dollars)	-8.4	-15.1	-12.0	-11.4	-11.5	-12.5	-13.2	-14.1	-15.0	-15.8	-16.5
Local currency per U.S. dollar (period average)	9.0	10.2	10.1	9.9	9.4	...	...	...	...	...	...
Real effective exchange rate (annual average, percent change, depreciation -)	1.6	-3.1	0.9	0.3	1.8	...	...	...	...	...	...
Interest rate (money market rate, end of period, in percent)	1.50	2.50	3.00	2.53	2.31	...	...	...	...	...	...

Sources: Bank Al-Maghrib; Ministry of Economy and Finance; Office des Changes; HCP; and IMF staff estimates.

**Table 2a. Morocco: Budgetary Central Government Finance, 2021–2031**  
(Billions of dirhams)

	2021	2022	2023	2024	2025	2025	Proj.					
					Budget	Act.	2026	2027	2028	2029	2030	2031
Revenue	308.4	353.0	382.4	430.0	450.8	473.5	505.4	532.7	561.4	598.1	635.2	673.8
Taxes	259.4	302.1	318.7	364.2	395.6	420.3	445.0	473.9	502.5	535.7	569.1	604.0
Taxes on income, profits, and capital gains	97.8	121.2	125.6	144.8	148.7	175.0	177.5	188.3	199.4	211.6	224.8	237.8
Taxes on goods and services	139.8	156.4	163.7	186.8	210.6	212.8	234.6	251.2	267.0	285.3	303.2	322.7
Taxes on international trade and transactions	12.4	14.5	17.2	18.5	22.1	18.1	19.3	20.2	21.1	22.7	24.1	25.5
Other taxes	9.5	10.0	12.1	14.0	14.3	14.4	13.6	14.3	15.1	16.1	17.1	18.1
Grants	1.5	1.5	2.6	2.4	8.2	7.4	6.8	6.9	6.9	7.3	7.8	8.2
Other revenue	47.6	49.4	61.1	63.4	47.0	45.8	53.6	51.9	52.0	55.1	58.2	61.5
Expense	334.3	379.3	392.3	433.7	487.5	484.1	519.2	534.1	547.0	579.7	614.8	650.3
Compensation of employees	140.5	147.8	151.8	164.6	180.3	179.7	195.3	202.4	212.4	226.2	240.1	254.8
Use of goods and services	42.0	35.3	33.8	41.0	53.0	52.5	57.3	58.0	59.6	63.4	67.4	71.5
Grants 1/	66.3	78.2	95.3	103.1	114.3	113.7	126.7	134.8	137.8	145.9	153.9	162.3
Subsidies	21.8	41.8	30.1	25.5	17.1	17.7	13.9	12.8	12.9	13.2	14.0	14.9
Social benefits	16.3	15.0	13.5	32.0	36.1	37.7	39.0	39.0	39.0	41.5	44.1	46.8
Interest	27.1	28.5	31.2	33.9	42.6	41.5	41.6	41.5	42.6	46.1	48.4	50.4
Other expenses 2/	20.4	32.7	36.7	33.7	44.2	41.4	45.4	45.7	42.7	43.3	46.9	49.7
Net acquisition of nonfinancial assets	49.7	45.2	55.3	58.9	27.5	49.8	47.7	62.6	82.6	87.9	93.3	97.8
of which sale of State real estate assets 3/	11.9	25.1	25.4	35.0	35.0	40.1	20.0	15.0	0.0	0.0	0.0	0.0
Primary balance	-48.5	-43.1	-34.0	-28.7	-21.6	-19.0	-19.9	-22.6	-25.5	-23.3	-24.6	-24.0
Overall balance	-75.6	-71.6	-65.2	-62.6	-64.2	-60.5	-61.4	-64.0	-68.1	-69.5	-73.0	-74.4
Cyclical adjusted primary balance	-51.7	-43.0	-36.2	-30.7		-27.6	-28.5	-31.9	-34.3	-32.1	-33.2	-32.5
Change in net financial worth	-75.6	-71.6	-65.2	-62.6	-64.2	-60.5	-61.4	-64.0	-68.1	-69.5	-73.0	-74.4
Net acquisition of financial assets	-8.7	-11.2	13.8	16.6	-6.0	0.7	-6.0	-6.0	-6.0	-6.0	-6.0	-6.0
Domestic	-8.7	-11.2	13.8	16.6	-6.0	0.7	-6.0	-6.0	-6.0	-6.0	-6.0	-6.0
Shares and other equity	-4.0	0.0	-1.6	-1.7	-6.0	0.0	-6.0	-6.0	-6.0	-6.0	-6.0	-6.0
Foreign Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	66.9	60.3	79.0	79.3	58.2	61.2	55.4	58.0	62.1	63.5	67.0	68.4
Domestic	45.3	54.2	44.1	53.2	6.7	24.3	20.2	23.9	32.6	32.7	31.8	40.4
Currency and Deposits	14.5	10.3	13.7	4.9	0.0	2.7	0.0	0.0	0.0	0.0	0.0	0.0
Securities other than shares	24.4	44.7	39.7	43.1	6.7	33.5	20.2	23.9	32.6	32.7	31.8	40.4
Other accounts payable	6.4	-0.8	-9.3	5.2	0.0	-12.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	21.5	6.1	35.0	26.0	51.5	37.0	35.2	34.1	29.5	30.7	35.2	27.9
Other (after refinancing)	21.5	6.1	35.0	18.6	46.8	32.2	35.2	34.1	29.5	30.7	35.2	27.9
RSF disbursement	0.0	0.0	0.0	7.4	4.7	4.7	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Item:												
Total investment (including capital transfers)	70.1	77.9	92.0	92.6		91.3	93.1	108.2	125.3	131.2	140.2	147.6
Central Government Debt	885.3	951.8	1,016.7	1,081.6		1,145.0	1,194.7	1,252.5	1,312.1	1,372.1	1,436.1	1,503.6
GDP	1,276.6	1,333.5	1,479.8	1,596.8		1,707.2	1,817.5	1,934.6	2,061.3	2,194.8	2,330.4	2,472.5

Sources: Ministry of Economy and Finance; and IMF staff estimates.

Note: National authorities are working on improving GFS classification and several items in revenues and spending have been reclassified in 2025.

1/Includes transfers to other general government units, international organizations, and foreign governments.

2/ Includes capital transfers to public entities.

3/ Sale of State real estate assets has been reclassified as a reduction in the net acquisition of nonfinancial assets (GFSM 2014). In previous staff reports, these operations were labeled as innovative financing and classified as other revenue (GFSM 1986). Cumulative sales since the inception of these operations in 2019 amounted to MAD 147 billion as of end-2025.

**Table 2b. Morocco: Budgetary Central Government Finance, 2021–2031**  
(In percent of GDP)

	2021	2022	2023	2024	2025	2025	Proj.					
					Budget	Act.	2026	2027	2028	2029	2030	2031
Revenue	24.2	26.5	25.8	26.9	26.4	27.7	27.8	27.5	27.2	27.3	27.3	27.3
Taxes	20.3	22.7	21.5	22.8	23.2	24.6	24.5	24.5	24.4	24.4	24.4	24.4
Taxes on income, profits, and capital gains	7.7	9.1	8.5	9.1	8.7	10.3	9.8	9.7	9.7	9.6	9.6	9.6
Taxes on goods and services	11.0	11.7	11.1	11.7	12.3	12.5	12.9	13.0	13.0	13.0	13.0	13.0
Taxes on international trade and transactions	1.0	1.1	1.2	1.2	1.3	1.1	1.1	1.0	1.0	1.0	1.0	1.0
Other taxes	0.7	0.8	0.8	0.9	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7
Grants	0.1	0.1	0.2	0.2	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Other revenue	3.7	3.7	4.1	4.0	2.8	2.7	2.9	2.7	2.5	2.5	2.5	2.5
Expense	26.2	28.4	26.5	27.2	28.6	28.4	28.6	27.6	26.5	26.4	26.4	26.3
Compensation of employees	11.0	11.1	10.3	10.3	10.6	10.5	10.7	10.5	10.3	10.3	10.3	10.3
Use of goods and services	3.3	2.7	2.3	2.6	3.1	3.1	3.2	3.0	2.9	2.9	2.9	2.9
Grants 1/	5.2	5.9	6.4	6.5	6.7	6.7	7.0	7.0	6.7	6.6	6.6	6.6
Subsidies	1.7	3.1	2.0	1.6	1.0	1.0	0.8	0.7	0.6	0.6	0.6	0.6
Social benefits	1.3	1.1	0.9	2.0	2.1	2.2	2.1	2.0	1.9	1.9	1.9	1.9
Interest	2.1	2.1	2.1	2.1	2.5	2.4	2.3	2.1	2.1	2.1	2.1	2.0
Other expenses 2/	1.6	2.5	2.5	2.1	2.6	2.4	2.5	2.4	2.1	2.0	2.0	2.0
Net acquisition of nonfinancial assets	3.9	3.4	3.7	3.7	1.6	2.9	2.6	3.2	4.0	4.0	4.0	4.0
of which sale of State real estate assets 3/	0.9	2.0	1.9	2.2	2.1	2.3	1.1	0.8	0.0	0.0	0.0	0.0
Primary balance	-3.8	-3.2	-2.3	-1.8	-1.3	-1.1	-1.1	-1.2	-1.2	-1.1	-1.1	-1.0
Overall balance	-5.9	-5.4	-4.4	-3.9	-3.8	-3.5	-3.4	-3.3	-3.3	-3.2	-3.1	-3.0
Cyclical adjusted primary balance	-4.0	-3.2	-2.4	-1.9		-1.6	-1.6	-1.6	-1.7	-1.5	-1.4	-1.3
Change in net financial worth	-5.9	-5.4	-4.4	-3.9	-3.8	-3.5	-3.4	-3.3	-3.3	-3.2	-3.1	-3.0
Net acquisition of financial assets	-0.7	-0.8	0.9	1.0	-0.4	0.0	-0.3	-0.3	-0.3	-0.3	-0.3	-0.2
Domestic	-0.7	-0.8	0.9	1.0	-0.4	0.0	-0.3	-0.3	-0.3	-0.3	-0.3	-0.2
Shares and other equity	-0.3	0.0	-0.1	-0.1	-0.4	0.0	-0.3	-0.3	-0.3	-0.3	-0.3	-0.2
Foreign Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	5.2	4.5	5.3	5.0	3.4	3.6	3.1	3.0	3.0	2.9	2.9	2.8
Domestic	3.6	4.1	3.0	3.3	0.4	1.4	1.1	1.2	1.6	1.5	1.4	1.6
Currency and Deposits	1.1	0.8	0.9	0.3	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Securities other than shares	1.9	3.4	2.7	2.7	0.4	2.0	1.1	1.2	1.6	1.5	1.4	1.6
Other accounts payable	0.5	-0.1	-0.6	0.3	0.0	-0.7	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	1.7	0.5	2.4	1.6	3.0	2.2	1.9	1.8	1.4	1.4	1.5	1.1
Other (after refinancing)	1.7	0.5	2.4	1.2	2.7	1.9	1.9	1.8	1.4	1.4	1.5	1.1
RSF disbursement	0.0	0.0	0.0	0.5	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Item:												
Total investment (including capital transfers)	5.5	5.8	6.2	5.8		5.3	5.1	5.6	6.1	6.0	6.0	6.0
Central Government Debt	69.4	71.4	68.7	67.7		67.1	65.7	64.7	63.7	62.5	61.6	60.8
GDP (Billions Dirham)	1,276.6	1,333.5	1,479.8	1,596.8		1,707.2	1,817.5	1,934.6	2,061.3	2,194.8	2,330.4	2,472.5

Sources: Ministry of Economy and Finance; and IMF staff estimates.

Note: National authorities are working on improving GFS classification and several items in revenues and spending have been reclassified in 2025.

1/ Includes transfers to other general government units, international organizations, and foreign governments

2/ Includes capital transfers to public entities.

3/ Sale of State real estate assets has been reclassified as a reduction in the net acquisition of nonfinancial assets (GFSM 2014). In previous staff reports, these operations were labeled as innovative financing and classified as other revenue (GFSM 1986). Cumulative sales since the inception of these operations in 2019 amounted to MAD 147 billion as of end-2025.

**Table 3. Morocco: Balance of Payments, 2021–2031**  
(In billions of U.S. dollars, unless otherwise indicated)

	2021	2022	2023	2024	Proj.						
					2025	2026	2027	2028	2029	2030	2031
Current account	-3.3	-4.7	-1.5	-1.9	-3.8	-4.9	-5.9	-7.2	-8.6	-8.5	-9.4
Trade balance	-20.0	-26.5	-25.1	-27.2	-33.4	-37.2	-40.3	-43.7	-47.6	-50.6	-53.2
Exports	31.7	36.5	36.3	39.3	43.6	48.3	52.5	56.7	60.9	64.9	69.0
Food products	7.0	7.4	7.6	8.2	8.7	9.9	10.7	11.6	12.3	13.0	13.8
Phosphates and derived products	8.9	11.4	7.6	8.8	10.7	12.1	13.3	14.7	15.8	16.8	17.8
Finished goods	14.4	16.4	19.4	20.7	22.6	25.0	27.1	29.0	31.2	33.3	35.5
Imports	-51.7	-63.0	-61.4	-66.5	-77.0	-85.6	-92.8	-100.5	-108.5	-115.5	-122.2
Energy	-8.4	-15.1	-12.0	-11.4	-11.5	-12.5	-13.2	-14.1	-15.0	-15.8	-16.5
Capital goods	-13.2	-13.7	-15.8	-17.7	-21.3	-24.6	-27.3	-30.2	-33.2	-35.2	-36.8
Food products	-6.7	-8.5	-8.8	-9.2	-10.1	-10.8	-11.7	-12.4	-13.2	-14.0	-14.8
Services	6.8	11.4	12.9	13.9	17.1	18.8	20.2	21.5	23.2	25.6	26.7
Tourism receipts	3.8	9.2	10.6	11.3	14.8	16.3	17.7	19.1	20.9	23.3	24.5
Income	-2.0	-1.9	-2.3	-2.4	-2.5	-2.8	-3.1	-3.4	-3.7	-4.0	-4.4
Transfers	11.8	12.4	12.9	13.8	15.0	16.3	17.4	18.4	19.5	20.5	21.4
Workers' remittances (net)	10.6	10.9	11.3	11.9	13.1	14.4	15.4	16.4	17.4	18.4	19.3
Capital account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	3.9	2.4	1.7	0.5	11.0	8.0	9.1	9.7	11.1	11.1	12.1
Direct investment	1.6	1.6	-0.2	0.9	2.2	3.0	3.5	3.7	4.3	4.7	5.1
Inward FDI	3.6	4.0	3.9	4.4	6.0	6.8	7.6	8.1	8.9	9.5	10.2
Outward FDI	-2.0	-2.3	-4.1	-3.5	-3.8	-3.8	-4.1	-4.4	-4.6	-4.9	-5.1
Portfolio investment	-0.3	-1.1	2.4	-0.1	4.0	2.9	2.9	2.6	3.2	3.2	3.3
Other	2.6	1.9	-0.5	-0.4	4.9	2.1	2.7	3.3	3.6	3.2	3.8
Reserve asset accumulation (-increase)	-1.5	0.2	-2.0	-0.5	-7.2	-3.1	-3.1	-2.5	-2.5	-2.6	-2.6
Of which: IMF net financing	-0.9	0.0	0.0	-0.5	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	0.9	2.1	1.8	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	(Percent of GDP)										
Current account	-2.3	-3.5	-1.0	-1.2	-2.1	-2.5	-2.7	-3.1	-3.4	-3.2	-3.3
Trade balance	-14.0	-20.2	-17.2	-16.9	-18.3	-18.5	-18.6	-18.8	-19.1	-19.0	-18.8
Exports	22.3	27.8	24.9	24.5	23.9	24.0	24.2	24.4	24.5	24.4	24.3
Food products	4.9	5.6	5.2	5.1	4.8	4.9	5.0	5.0	4.9	4.9	4.9
Phosphates and derived products	6.3	8.7	5.2	5.5	5.8	6.0	6.1	6.3	6.4	6.3	6.3
Finished goods	10.1	12.5	13.3	12.9	12.4	12.5	12.5	12.5	12.5	12.5	12.5
Imports	-36.4	-48.0	-42.1	-41.4	-42.2	-42.5	-42.8	-43.3	-43.6	-43.4	-43.1
Energy	-5.9	-11.5	-8.2	-7.1	-6.3	-6.2	-6.1	-6.1	-6.0	-5.9	-5.8
Capital goods	-9.3	-10.4	-10.8	-11.0	-11.7	-12.2	-12.6	-13.0	-13.3	-13.2	-13.0
Food products	-4.7	-6.5	-6.1	-5.7	-5.5	-5.4	-5.4	-5.4	-5.3	-5.3	-5.2
Services	4.8	8.7	8.8	8.7	9.4	9.3	9.3	9.2	9.3	9.6	9.4
Tourism receipts	2.7	7.0	7.3	7.0	8.1	8.1	8.2	8.2	8.4	8.7	8.7
Income	-1.4	-1.5	-1.5	-1.5	-1.4	-1.4	-1.5	-1.5	-1.5	-1.5	-1.5
Transfers	8.3	9.4	8.8	8.6	8.2	8.1	8.0	7.9	7.8	7.7	7.6
Workers' remittances (net)	7.5	8.3	7.8	7.4	7.2	7.1	7.1	7.1	7.0	6.9	6.8
Capital account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	2.8	1.8	1.2	0.3	6.0	4.0	4.2	4.2	4.4	4.2	4.3
Direct investment	1.1	1.2	-0.1	0.6	1.2	1.5	1.6	1.6	1.7	1.8	1.8
Inward FDI	2.5	3.0	2.7	2.7	3.3	3.4	3.5	3.5	3.6	3.6	3.6
Outward FDI	-1.4	-1.8	-2.8	-2.2	-2.1	-1.9	-1.9	-1.9	-1.8	-1.8	-1.8
Portfolio investment	-0.2	-0.8	1.6	-0.1	2.2	1.5	1.3	1.1	1.3	1.2	1.2
Other	1.8	1.5	-0.3	-0.2	2.7	1.0	1.2	1.4	1.4	1.2	1.3
Memorandum items:											
Exports of goods and services (in U.S. dollars, percentage change)	26.0	24.5	5.6	8.9	14.7	10.0	7.7	7.2	7.1	7.1	5.5
Imports of goods and services (in U.S. dollars, percentage change)	30.3	22.5	0.5	8.9	16.0	10.5	8.0	7.8	7.6	6.3	5.6
Terms of trade (percentage change) 1/	2.6	-5.8	2.3	-1.5	4.1	1.7	0.1	-0.1	0.0	0.1	0.2
Gross official reserves	35.6	32.3	36.3	37.1	48.6	52.6	56.2	58.9	61.8	64.9	67.5
In months of prospective imports of GNFS	5.8	5.2	5.4	4.8	5.6	5.7	5.6	5.5	5.4	5.4	5.3
In percent of the Assessing Reserve Adequacy (ARA) metric	100.4	91.3	97.2	94.0	102.8	102.0	101.7	100.1	98.6	97.2	95.4
In percent of the adj. Assessing Reserve Adequacy (ARA) metric	132.9	119.2	126.5	123.8	134.2	133.1	132.4	130.1	127.7	125.6	123.1
Public guaranteed external debt (percent of GDP) 2/	28.4	27.9	31.0	28.4	33.3	30.6	30.3	29.8	29.5	29.1	28.6
DHs per US\$, period average	9.0	10.2	10.1	9.9	"	"	"	"	"	"	"
Nominal GDP (in billions of U.S. dollars)	142.0	131.2	146.1	160.6	182.6	201.1	216.8	232.3	248.7	266.1	283.4
Oil price (US\$/barrel; Brent)	69.2	96.4	80.6	79.2	67.7	64.7	62.9	63.4	64.4	65.2	65.2

Sources: Ministry of Finance; Office des Changes; and IMF staff estimates and projections.

1/ Based on WEO data projections.

2/ Public and publicly guaranteed debt.

Table 4. Morocco: Monetary Survey, 2021–2026

	2021	2022	2023	2024	Proj.	
					2025	2026
	(Billions of dirhams)					
Net foreign assets	317	318	352	405	475	503
Net domestic assets	1,244	1,367	1,400	1,487	1,595	1,706
Domestic claims	1,449	1,593	1,643	1,757	1,885	1,990
Net claims on the government	272	333	317	339	343	348
Bank Al-Maghrib	-3	19	10	0	0	-1
<i>Of which : deposits</i>	-7	-5	-12	-9	-9	-10
Deposit money banks	276	315	307	339	343	349
Claims on the economy	1,176	1,260	1,326	1,417	1,543	1,642
<i>of which credit to private sector</i>	790	850	854	876	913	966
Other liabilities, net	-205	-225	-243	-270	-290	-284
Broad money	1,561	1,685	1,752	1,892	2,070	2,208
Money	1,087	1,196	1,287	1,402	1,572	1,684
Currency outside banks	320	355	394	414	491	523
Demand deposits	767	842	893	987	1,081	1,161
Quasi money	432	441	424	445	449	471
Foreign deposits	42	48	42	45	49	54
	(Annual percentage change)					
Net foreign assets	0.1	0.2	10.8	15.3	17.1	5.9
Net domestic assets	6.4	9.9	2.4	6.2	6.1	8.2
Domestic credit	5.7	9.9	3.2	6.9	7.3	5.5
Net claims on the government	14.3	22.3	-4.7	6.9	0.9	1.5
Claims on the economy (excl. central government)	3.8	7.1	5.3	6.9	8.9	6.4
Banking credit (excl. central government)	2.6	7.5	5.3	4.4	8.0	6.2
Broad money	5.1	8.0	4.0	8.0	9.4	6.7
	(Change in percent of broad money)					
Net foreign assets	0.0	0.0	2.0	3.1	3.7	1.4
Domestic credit	5.2	9.2	3.0	6.5	6.8	5.0
Net claims on the government	2.3	3.9	-0.9	1.3	0.2	0.3
Claims on the economy	2.9	5.3	3.9	5.2	6.6	4.8
Memorandum items:						
Velocity (GDP/M3)	0.82	0.79	0.84	0.84	0.82	0.82
Velocity (non-agr. GDP/M3)	0.73	0.72	0.75	0.76	0.76	0.76
Claims on economy/GDP (in percent)	92.1	94.4	89.6	88.8	90.4	90.3
<i>of which credit to private sector</i>	61.9	63.8	57.7	54.8	53.5	53.2
Claims on economy/nonagricultural GDP (in percent)	103.9	104.2	100.3	98.7	98.3	98.4

Sources: Bank Al-Maghrib; and IMF staff estimates.

**Table 5. Morocco: Financial Soundness Indicators, 2021–2025**  
(Percent, unless otherwise indicated)

	2021		2022		2023		2024		2025
	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun
<b>Regulatory capital 1/</b>									
Regulatory capital to risk-weighted assets	16.0	15.8	15.3	15.6	15.8	15.5	16.0	16.2	16.4
Tier 1 capital to risk weighted assets	11.9	12.0	11.8	12.4	12.9	12.9	13.4	13.5	13.8
Capital to assets	9.5	9.5	9.4	9.5	9.2	9.2	9.2	8.8	9.1
<b>Asset quality</b>									
<b>Sectoral distribution of loans to total loans</b>									
Industry	15.9	15.5	16.9	17.0	17.9	18.3	17.6	18.1	17.5
<i>Of which : agro-business</i>	3.5	3.7	4.0	4.0	3.7	3.5	3.4	3.4	3.4
<i>Of which : textile</i>	0.7	0.8	0.8	0.8	0.7	0.7	0.6	0.5	0.6
<i>Of which : gas and electricity</i>	3.8	4.1	4.8	5.1	5.3	6.1	5.8	6.2	6.3
Agriculture	3.9	4.0	4.1	3.8	3.8	3.8	3.6	3.6	3.5
Commerce	6.5	6.7	7.1	8.1	7.4	7.2	6.7	6.7	6.8
Construction	8.9	7.9	7.7	7.4	7.6	7.6	8.6	8.2	8.8
Tourism	1.8	2.0	1.9	1.9	1.8	1.7	1.6	1.4	1.3
Finance	13.1	12.7	12.4	12.7	12.5	14.1	14.6	16.1	15.9
Public administration	8.6	8.4	8.1	7.7	7.9	8.0	8.4	7.8	7.8
Transportation and communication	4.0	4.1	3.5	3.7	3.8	3.6	3.2	3.6	3.1
Households	30.8	31.1	30.1	29.9	29.7	28.9	28.9	27.8	28.2
Other	6.6	7.7	8.2	7.7	7.5	6.9	6.7	6.6	7.0
FX-loans to total loans	3.3	3.1	5.1	3.8	3.1	2.5	2.3	2.2	2.4
Credit to the private sector to total loans	86.7	84.4	87.7	87.1	86.5	85.5	85.3	85.2	85.8
Credit to non financial public enterprises to total	5.0	4.5	4.2	5.2	5.6	6.8	6.3	7.0	6.5
Nonperforming Loans (NPLs) to total loans	8.3	8.6	8.5	8.4	8.6	8.5	8.6	8.4	8.8
Specific provisions to NPLs	68.6	67.5	66.7	68.4	67.7	67.5	67.8	68.7	67.9
NPLs, net of provisions, to Tier 1 capital	17.7	18.5	19.0	17.9	18.6	19.0	18.6	18.2	18.8
Large exposures to Tier 1 capital	249.0	228.8	259.4	274.5	271.4	288.1	279.0	280.3	278.3
Loans to subsidiaries to total loans	8.4	8.3	8.7	8.9	7.8	7.7	8.8	8.0	9.2
Loans to shareholders to total loans	0.6	0.6	0.7	0.8	0.7	0.8	1.1	0.5	0.5
Specific provisions to total loans	5.7	5.8	5.7	5.7	5.8	5.8	5.8	5.8	6.0
General provisions to total loans	1.3	1.4	1.3	1.3	1.2	1.2	1.3	1.5	1.6
<b>Profitability</b>									
Return on assets (ROA)	1.2	0.8	1.0	0.7	1.1	0.7	1.2	0.9	1.4
Return on equity (ROE)	12.2	8.2	10.9	6.9	11.8	8.0	13.3	9.5	16.0
Interest rate average spread (b/w loans and deposits)	3.7	3.7	3.8	3.7	3.8	3.8	3.9	3.9	3.9
Interest return on credit	4.6	4.3	4.3	4.3	4.4	4.5	4.6	4.6	4.5
Cost of risk as a percent of credit	0.9	1.9	0.6	0.7	0.7	0.9	0.9	1.1	0.9
Net interest margin to net banking product (NBP) 2/	69.6	69.3	73.5	75.4	72.3	66.9	63.9	59.2	51.8
Operating expenses to NBP	44.6	48.5	46.2	53.0	43.7	46.6	39.1	42.1	35.1
Operating expenses to total assets	1.7	1.6	1.6	1.6	1.6	1.6	0.8	1.5	0.7
Personnel expenses to noninterest expenses	46.8	47.0	47.5	46.7	46.4	46.1	46.1	46.0	46.5
Trading and other noninterest income to NBP	30.4	32.5	26.5	24.7	37.5	33.1	36.1	38.4	37.3
<b>Liquidity</b>									
Liquid assets to total assets	16.5	16.4	16.8	16.1	15.0	14.6	16.5	16.9	17.3
Liquid assets to short-term liabilities	20.4	19.9	19.6	19.2	18.4	17.7	19.6	20.4	20.4
Deposits to loans	103.6	105.9	105.0	106.3	106.4	104.8	107.3	109.4	112.7
Deposits of state-owned enterprises to total deposits	2.2	1.7	2.2	2.7	2.3	1.9	2.0	2.1	2.7
<b>Sensitivity to market risk</b>									
FX net open position to Tier 1 Capital	-1.2	-2.3	-3.9	0.0	-2.7	0.0	-2.2	0.0	3.1

Source: Bank Al-Maghrib.

1/ Financial Soundness Indicators (FSIs) are calculated according to guidelines of the IMF FSIs compilation guide, 2004.

2/ Net Banking Product (NBP)=net interest margin-commissions paid+commissions received.

**Table 6. Morocco: Indicators of Fund Credit – Adverse Scenario (GRA and RSF Arrangements)**  
(In millions of SDRs, unless otherwise indicated)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
<b>Disbursements</b>	3,450	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>GRA</b>	3,450	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>FCL</b>	3,450	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>PLL</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>RSF</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Stock of existing and prospective Fund credit</b>	4,388	4,388	4,388	3,094	1,369	938	938	938	925	850	756	663	569	475	381	288	194	100	19	0
<b>GRA</b>	3,450	3,450	3,450	2,156	431	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>FCL</b>	3,450	3,450	3,450	2,156	431	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>PLL</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>RSF</b>	938	938	938	938	938	938	938	938	925	850	756	663	569	475	381	288	194	100	19	0
<b>Obligations</b>	131	163	164	1,450	1,820	478	40	41	54	117	134	131	129	126	124	122	119	117	102	38
<b>Principal (repayments/repurchases)</b>	0	0	0	1,294	1,725	431	0	0	13	75	94	94	94	94	94	94	94	94	81	19
<b>GRA</b>	0	0	0	1,294	1,725	431	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>FCL</b>	0	0	0	1,294	1,725	431	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>PLL</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>RSF</b>	0	0	0	0	0	0	0	0	13	75	94	94	94	94	94	94	94	94	81	19
<b>Charges and interest</b>	130.8	163.4	164.5	156.7	95.0	46.3	40.0	41.0	42.0	41.9	39.8	37.4	35.0	32.6	30.2	27.8	25.4	23.0	20.6	19.3
<b>GRA</b>	96.8	128.4	128.5	119.7	57.0	7.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>RSF</b>	34.1	35.0	36.0	37.0	38.0	39.0	40.0	41.0	42.0	41.9	39.8	37.3	35.0	32.6	30.2	27.8	25.4	23.0	20.6	19.3
<b>Fund obligations (repurchases and charges) in percent of:</b>																				
<b>Quota</b>	14.6	18.3	18.4	162.2	203.5	53.4	4.5	4.6	6.1	13.1	14.9	14.7	14.4	14.1	13.9	13.6	13.3	13.0	11.4	4.3
<b>GDP</b>	0.1	0.1	0.1	0.9	1.0	0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Exports of goods and services</b>	0.2	0.3	0.2	2.0	2.4	0.6	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
<b>Gross international reserves</b>	0.4	0.4	0.4	3.4	4.0	1.0	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
<b>Government revenue</b>	0.4	0.4	0.4	3.2	3.7	0.9	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.0
<b>External debt service, public</b>	3.1	3.8	3.6	29.2	35.9	9.1	0.7	0.6	0.8	1.6	1.8	1.6	1.5	1.4	1.3	1.2	1.1	1.0	0.8	0.3
<b>Fund credit outstanding in percent of:</b>																				
<b>Quota</b>	491	491	491	346	153	105	105	105	103	95	85	74	64	53	43	32	22	11	2	0
<b>GDP</b>	3	3	3	2	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Exports of goods and services</b>	8	7	7	4	2	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0
<b>Gross international reserves</b>	12	11	11	7	3	2	2	2	2	2	1	1	1	1	1	0	0	0	0	0
<b>Government revenue</b>	11.9	10.8	10.1	6.7	2.8	1.8	1.7	1.6	1.5	1.3	1.1	0.9	0.7	0.6	0.4	0.3	0.2	0.1	0.0	0.0
<b>External debt, public</b>	10.7	9.9	9.2	6.2	2.6	1.7	1.6	1.5	1.5	1.3	1.1	1.0	0.8	0.7	0.5	0.4	0.2	0.1	0.0	0.0
<b>Memorandum items:</b>																				
<b>Quota (SDR million)</b>	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4

Source: IMF staff calculations.

Note: Morocco belongs to the RST interest Group C. Based on the RST rate of interest of 3.627 percent as of February 19, 2026. An adverse scenario where the FCL is drawn in 2026 is assumed. The main assumptions of this adverse scenario are as follows: the external and climatic shocks underpinning the FCL approval would materialize—including a deterioration in global conditions (as captured by the EESI downside scenario, Annex II) combined with drought—with transmission through lower exports, higher imports, weaker remittances and FDI, reduced external financing, a partial drawdown of international reserves, and the FCL fully drawn in 2026.

## Annex I. External Sector Assessment

**Overall Assessment:** Morocco's external position in 2025 was estimated to be moderately stronger than the level implied by medium-term fundamentals and desirable policies based on IMF's EBA current account (CA) model. The current account deficit is estimated to have widened somewhat in 2025 but remained small on the back of strong goods exports, tourism revenue, and remittances. The CA deficit is expected to widen gradually and converge to around 3 percent of GDP in the medium term.

**Potential Policy Responses:** Structural reforms to boost private sector investment may imply greater imports but can also increase FDI inflows and increase competitiveness. Continued fiscal discipline would be important for containing the increase of the current account deficit. The planned transition to an inflation targeting framework and a flexible exchange rate regime should enhance protection against external shocks.

### Foreign Asset and Liability Position and Trajectory

**Background.** Morocco's Net International Investment Position (NIIP) has improved from -43.4 percent of GDP in 2024 to -42.7 percent in 2025 and is estimated to remain at 42.5 percent in 2026. Foreign assets (40.1 percent of GDP in 2025) are estimated to be mostly international reserves (26 percent of GDP) and other investments (6 percent of GDP). Foreign liabilities (82.8 percent of GDP) are estimated to be mostly direct investment (38.7 percent of GDP) and other investment (32.1 percent of GDP). NIIP is projected to stabilize over the medium term around -45.5 percent of GDP.

**Assessment.** Morocco's NIIP is sustainable, as planned structural reforms to boost private sector investment are expected to not only increase financing needs but also improve FDI inflows, exports, and output growth. Financing vulnerabilities appear moderate, as foreign direct investment accounts for about half of the liabilities.

2025 (% GDP)	NIIP: -42.7	Gross Assets: 40.1	Reserve Assets: 26	Gross Liabilities: 82.8	Gross External Debt: 45.1
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### Current Account

**Background.** In 2025, the CA deficit is estimated to have widened to 2.1 percent of GDP, from 1.2 percent in 2024. The deficit is expected to gradually increase to 3.5 percent of GDP in 2029 (due to an acceleration of public infrastructure projects) and then settle at about 3.4 percent of GDP over the medium term as stronger private sector investment and consumption boost imports, despite continued robust performance of both tourism revenues and remittances.

**Assessment.** In 2025, the EBA model estimated a cyclically adjusted CA deficit of 2.2 percent of GDP compared with an estimated cyclically adjusted CA norm of -3.2 percent of GDP, with a standard error of 0.5 percent of GDP. The resulting staff CA gap of 1 percent of GDP (with a range of 0.5 to 1.5 percent), includes identified policy gaps of 3.1 percent of GDP with contributions from private credit, fiscal balance, and capital controls, and an unexplained residual of -2.1 percent of GDP.

2025 (% GDP)	CA: -2.3	Cycl. Contributions: -0.1	Cycl. Adjusted CA: -2.2	Cycl. Adjusted CA Norm: -3.2	Total Gap: 1
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### Real Exchange Rate

**Background.** In 2025, the REER is slightly appreciated by about 2 percent relative to 2024, reflecting the appreciation of the NEER (3.6 percent) that is not entirely offset by the lower inflation relative to trading partners.

**Assessment.** Consistent with the estimated CA gap of 1 percent of GDP and applying an elasticity of the CA to REER of 0.37, the REER is assessed to be undervalued in 2025 by 2.7 percent (with a range of 1.4 to 4.1 percent).

### Capital and Financial Accounts: Flows and Policy Measures

**Background.** Morocco's CA deficit is mainly financed by net FDI inflows and external borrowing. In 2024, net FDI inflows were estimated to have rebounded after a dip in 2023, while external borrowing has benefited from the state-owned enterprise OCP's bond issuance in international markets.

**Assessment.** In the medium term, progress in structural reforms—particularly those aimed at developing the private sector, accelerating the transition to renewable energy, and increasing water resources—are all expected to support FDI inflows. Greater private investment will likely require continued reliance on external borrowing. The risks of capital flow reversal are limited by remaining capital account controls on residents and the structure of external public debt (including central government and public enterprises) whose average remaining repayment term was 9 years in 2024.

### FX Intervention and Reserves Level

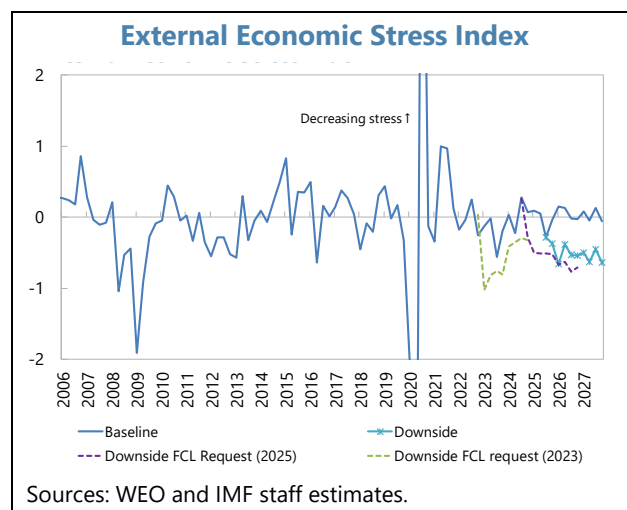
**Background.** Morocco's exchange rate is pegged to a basket including the Euro and the US Dollar (60 and 40 percent weights, respectively) and can fluctuate within  $\pm 5$  percent band around this central parity. FX reserves at end 2025 are US\$48.6 billion, increasing from US\$37.1 billion in 2024, as the public sector issued US\$3.9 billion bonds in international markets in 2025, including US\$1.75 billion issued by OCP. Additionally, the depreciation of the dollar against the euro, and the rise in gold price contributed to the increase of reserves in dollar terms.

**Assessment.** At around an estimated 134.2 percent of the ARA metric (adjusted for capital controls), the level of reserves in 2025 is assessed to be adequate. Staff projects reserves to remain around 123 percent of the adjusted ARA metric over the medium term, as greater FDI and external borrowing will continue to finance the gradual increase of the CA. Moving to an IT monetary policy regime with a more flexible exchange rate regime would reduce the need for reserve holdings outside a budget that could fund FX interventions in case of excessive market volatility.

## Annex II. External Economic Stress Index

**1. Background.** The External Economic Stress Index (EESI), a composite indicator of vulnerability related to external shocks, is based on the identification of: (i) key external risks facing Morocco, (ii) proxy variables capturing these risks, and (iii) the choice of weights to apply to each of these variables.

**2. Risks.** The main external risks for Morocco include: (i) an economic downturn in advanced economies, particularly euro area countries (Morocco's main trading partners), leading to a decline in exports, FDIs, and receipts from tourism and remittances; (ii) rising commodity prices, particularly of food and energy imports, fueling inflation and weakening domestic demand and the trade balance; and (iii) a tightening of global financial conditions, reducing the volume and increasing the cost of external financing.



**3. Proxy variables.** (i) The decline in exports, FDIs, and receipts from tourism and remittances is captured by the decline of real GDP growth in the euro area. (ii) The rise in the price of commodity imports is captured by an increase in global oil prices. (iii) The impact of tighter global financial conditions is captured by the change of the US 10-year Treasury yield.

**4. Weights.** The EESI is calculated as the weighted sum of standardized deviations of each of these three variables from their means.<sup>1</sup> The standardized weights for euro area growth (0.69), the change in global oil prices (0.23), and the change in the US 10-year Treasury yield (0.08) correspond to the impact of shocks on each of the three variables on the Moroccan economy, estimated using the IMF's Flexible System of Global Models (FSGM).

**5. Baseline scenario.** The baseline follows the October 2025 World Economic Outlook (WEO) projections for Eurozone growth and oil prices, while the change in the US 10-year Treasury yield is consistent with the GAS assumptions, as of October 2025. The EESI suggests that external economic stress has weakened in the past year (-0.29) compared to the time of the 2025 FCL request, (+0.26) driven mainly by the lower growth in the main trading partners in the Euro Area. The EESI is expected to strength moderately in 2026 and 2027 (+0.05 on average), reflecting projections of a slightly better euro area growth outlook and lower global oil prices.

<sup>1</sup> For the methodology, see Flexible Credit Line—Operational Guidance Note, IMF Policy Paper, August 2018.

**6. Downside scenario.** <sup>2</sup> The downside scenario assumes a decline in real GDP growth in the euro area of 2.0 and 2.4 percentage points below the baseline in 2026 and 2027, respectively, which is based on the October 2025 WEO adverse scenario (1.0 and 1.4 percentage points below the baseline in 2026 and 2027, respectively) and further stressed by 1 standard deviation (1 percentage point in each year). Oil prices are assumed to be around 20 percent higher than the baseline in 2026 and 2027, corresponding to the 85th percentile of the confidence interval around the central projection for oil prices estimated for the October 2025 WEO. The US 10-year Treasury yield is assumed to increase by two standard deviations above the baseline, in line with the downside scenarios used in the previous FCL. In this downside scenario, external pressures would be severe and persist for the remainder of the FCL, similar to the projections at the time of the 2025 FCL request. <sup>3</sup>

**Annex II. Text Table 1. Morocco: Comparisons of Adverse Scenario Assumptions: Current FCL Review 1/**

	<b>2026 Mid-Term Review</b> (1st and 2nd year)	<b>2025 FCL Request</b> (1st and 2nd year)	<b>2023 FCL Request</b> (1st and 2nd year)
Decline in Euro Area Growth 2/	2.0 pp and 2.4 pp	1.9 pp and 2.6 pp	2.7 pp and 1.3 pp
Oil Price Increase	US\$12 and US\$13	US\$28 and US\$14	US\$34 and US\$16
Global financial conditions	2 sd	2 sd	2 sd

Source: IMF staff calculations.

1/ The EESI shown here follows the methodology used in the FCL request. The table shows deviations from the baseline.

2/ As in the FCL request, the ESSI uses the WEO downside scenario and goes further by one standard deviation of EU growth (1 p.p.)

<sup>2</sup> As per October 2025, projections incorporate recent market developments and the impact of heightened trade policy uncertainty through 2025 and 2026. Tariffs announced and implemented as of September 2025 are assumed to remain in place past their expirations (including pauses to higher tariffs).

<sup>3</sup> This combination (lower economic activity, higher commodity prices, tighter financial conditions) is consistent with February 2026 G-RAM (regional conflicts and trade policy uncertainty/shocks).

Annex III. Risk Assessment Matrix <sup>1</sup>

Source of Risk	Relative Likelihood	Expected Impact	Policy Response
<b>Conjunctural Risks</b>			
<b>Geopolitical Tensions and Intensification of Conflicts</b>	<b>High</b> Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions and market volatility.	<b>Low</b> Disruptions in trade (including tourism) and FDI will have a negative impact on Morocco's economic activity, although greater opportunities for diversification could help soften the spillovers in the medium term.	<ul style="list-style-type: none"> <li>Fiscal policy will need to protect the most vulnerable segments of the Moroccan economy and society with well-targeted, temporary, and budget-neutral cash transfers, making full use of the Unified Social Registry.</li> <li>The central bank should stand ready to respond to these shocks by easing monetary and credit conditions, while ensuring that inflation pressures remain contained.</li> </ul>
<b>Protectionism and Trade Disruptions</b>	<b>High</b> Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism	<b>Medium</b> Despite limited direct trade exposure to the United States, Morocco is vulnerable to higher trade barriers and disruptions in global supply chains—especially if these result in a slowdown in the Euro Area countries, Morocco's main trading partners—that could reduce external demand for Moroccan exports, increase commodity price volatility, and reduce FDI inflows.	<ul style="list-style-type: none"> <li>Maintain Morocco's involvement in key global value chains by working with key trading partners to avoid measures that distort trade flows and hinder FDIs.</li> <li>Accelerate the implementation of structural reforms to support international competitiveness and productivity.</li> </ul>

<sup>1</sup> The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are likely to remain salient over a longer horizon.

Source of Risk	Relative Likelihood	Expected Impact	Policy Response
<b>Commodity Price Volatility</b>	<b>High</b> Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability.	<b>High</b> An increase in commodity prices could push headline inflation higher. Lower household purchasing power, supply disruptions, and higher borrowing costs could drag down growth.	<ul style="list-style-type: none"> <li>• The central bank may need to raise policy rates to keep inflation expectations anchored and limit exchange rate depreciation pressures, while considering extending or loosening the dirham's exchange rate band under an inflation-targeting regime.</li> <li>• Fiscal policy should protect the most vulnerable through targeted, temporary, and budget-neutral cash transfers using the Unified Social Registry, while limiting and gradually phasing out subsidies and sector-specific financial support.</li> </ul>
<b>Domestic Risks</b>			
<b>Severe drought reduces agricultural production</b>	<b>High</b> Extreme weather events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability. In the case of Morocco, downward risks stem from drought, which would hurt agricultural production and jobs.	<b>Medium</b> Morocco is highly dependent on the agricultural sector. Even if it represents about 10 percent of value added and a quarter of goods exports, about one-third of the Moroccan workforce is active in this sector. Morocco's inflation is also extremely sensitive to changes in food prices (representing about 40 percent of the CPI basket). Recent favorable rainy season and higher water levels in dams would alleviate this risk in the near term.	<ul style="list-style-type: none"> <li>• The authorities should accelerate the implementation of key macro-critical reforms for climate adaptation, including through their infrastructure plan to increase water supply, and also setting the ground for a new tariff framework that better reflects the effective scarcity of water.</li> <li>• Targeted and short-term fiscal support could be considered to help those segments of the population that are most vulnerable to droughts, like the rural population.</li> </ul>

Source of Risk	Relative Likelihood	Expected Impact	Policy Response
<b>Weaker than expected gains from the implementation of public infrastructure investment</b>	<b>Low</b> The 2024-2030 infrastructure investment pipeline is estimated at 11.9 percent of 2024 GDP. Financing for the projects has been secured, and the 2030 FIFA World Cup provides an immovable deadline for finalizing projects.	<b>Medium</b> Weaker than expected gains from the implementation of public infrastructure plans would weaken growth, affecting the overall macro-framework and debt dynamics. If the investments underdeliver on employment creation and unemployment remains elevated, there could be social pressures.	<ul style="list-style-type: none"> <li>Proactively implement reforms to further improve public investment management and public investment efficiency.</li> </ul>
<b>A faster than projected implementation of private investment projects</b>	<b>Medium</b> Many efforts are in progress to increase private investment and implement major infrastructure projects through PPPs—including private sector investment supported by the Investment Charter and the FM6I, and implementation of infrastructure projects in connectivity, water, energy, and electricity under the new PPPs framework.	<b>Medium</b> An acceleration of private and public investment is an upside risk to Morocco's growth. However, it could overheat the economy with stronger inflationary pressures, deteriorate the current account deficit, and increase fiscal pressures (including from potential contingent liabilities associated to SOEs and PPPs), requiring careful spending and public finance management.	<ul style="list-style-type: none"> <li>Fiscal policy should maintain fiscal discipline and absorb the higher spending pressures with further efforts to rationalize spending and increase revenues (net of the possible increase due to higher growth).</li> <li>Monetary policy to respond with higher policy rates to keep inflation expectations anchored and contain inflationary pressures.</li> </ul>

## Annex IV. Sovereign Risk and Debt Sustainability Assessment

**Morocco's debt is assessed to be sustainable with high probability, and risk of sovereign stress is assessed to be moderate.** Debt-to-GDP is projected to decline gradually in the medium term, to around 61 percent of GDP in 2031, reflecting the announced path of fiscal consolidation. There are ongoing efforts to mitigate medium- and long-term risks, including by further strengthening the medium-term fiscal framework and reforming the pension system.

1. **Debt coverage and definition.** This Sovereign Risk and Debt Sustainability Assessment (SRDSA) covers *central government* debt (domestic and external).<sup>1</sup>
2. **Background.** Starting from a relatively high level of 71.4 percent of GDP in 2022, the central government debt ratio has been steadily declining, reaching 67.7 percent in 2024 and further decreasing to 67.1 in 2025. This latter decrease was driven by high nominal GDP growth (6.9 percent)—as real growth accelerated to 4.9 percent, and GDP deflator growth was 1.9 percent—and a lower primary fiscal deficit (1.1 percent of GDP). Gross financing needs for the central government decreased from 13.6 percent in 2024 to 12.2 percent of GDP in 2025, reflecting lower primary deficit and amortization needs.
3. **Baseline Projections.** Under the baseline scenario, central government debt is expected to decrease gradually to around 61 percent of GDP by 2031 (compared to 65 percent in the last Article IV consultation), in line with the Medium-Term Fiscal Framework published as part of the 2026 Budget. The projected fiscal consolidation efforts over the medium term seem realistic relative to the distribution of fiscal adjustment efforts in a group of peer countries. Gross financing needs are expected to decrease to 9.5 percent of GDP in 2026, thanks to a decrease in domestic amortization needs, and stabilize at around 11 percent in the medium term. Government interest payments are expected to be stable in the medium term. The initial REER undervaluation of 2.7 in 2025 is assumed to unwind gradually by 2031.
4. **Medium-term risks.** Medium-term risks are assessed to be moderate, based on the debt fanchart module and the gross financing needs (GFN) module. The debt fanchart index—measuring medium-term solvency risks—indicates a moderate risk. The baseline debt trajectory is on a downward trend, the fanchart width is narrower than the median in the peer group, and the probability of debt not stabilizing is limited. Overall, solvency risks should be contained with continuous fiscal consolidation, fiscal reforms, and a gradual economic recovery. GFN financeability index also indicates a moderate risk, with GFN stabilizing in the stress scenario. The contingent liability stress test indicates a path of gross financing needs substantially above the baseline for the

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<sup>1</sup> Consolidated general government financial statistics are not yet readily available. The authorities are currently working on preparing consolidated general government financial statistics (to include the Treasury, extrabudgetary central government (non-profit public establishments), local entities, and retirement and social security organizations), with IMF technical assistance support. The authorities produce consolidated general government debt statistics that exclude SOEs, consistent with their exclusion from the government sector in the national accounts. In 2024, general government debt was 63.9 percent of GDP, about 3.8 percentage points lower than central government debt, as non-profit public establishments and retirement and social security organizations hold some central government debt.

medium term when contingent liabilities materialize from local entities, central government-guaranteed domestic debt, and external debt of public establishments and enterprises.<sup>2</sup> Relevant reforms in the budgetary framework, including the continued reinforcement of the MTFF, the strengthening of its fiscal risk analysis, and the implementation of a fiscal rule anchored on the public debt, will help contain medium-term risks.

**5. Long-term risks.** Long-term risks are moderate, reflecting risks related to climate change and demographic change. However, ongoing comprehensive reforms in water infrastructure, health care, and pension systems help mitigate these risks.

**6. Sustainability.** Debt is assessed to be sustainable with high probability. The debt to GDP ratio is expected to decrease in the medium term and GFN will remain at manageable levels, conditional on the implementation of the announced fiscal deficit path that is assessed as feasible. A few characteristics of the debt profile, such as relatively long maturity and low share of FX denominated debt, continue to limit potential vulnerabilities.

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<sup>2</sup> The contingent liability shock is set at 16.5 percent of GDP (compared to 12.4 percent of GDP in the 2025 AIV), incorporating new external SOE debt of around MAD 29 billion and new domestic debt of regions of around MAD 50.8 billion linked to the scaling up of infrastructure, on top of earlier domestic guaranteed debt of regions and SOEs (MAD 30 and 56 billion respectively) and external guaranteed SOE debt (MAD 116 billion). Contingent liability risks are mitigated by the debt structure: almost two thirds of debt is domestic, and external SOE debt has long maturities and favorable interest rates.

## Annex IV. Figure 1. Morocco: Risk of Sovereign Stress

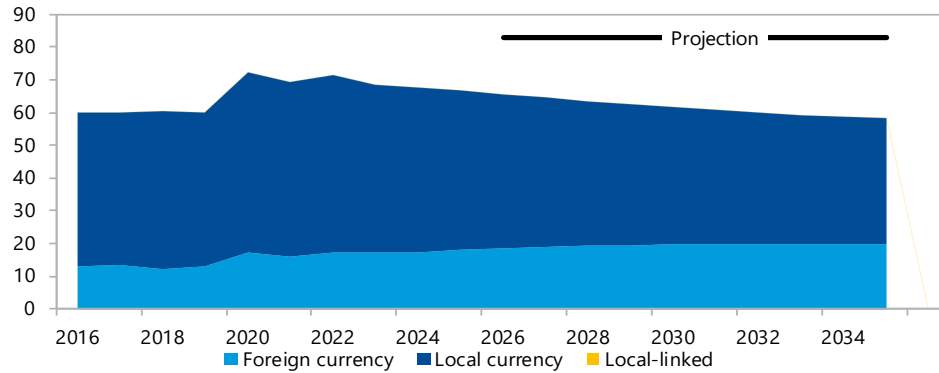
Horizon	Mechanical signal	Final assessment	Comments
<b>Overall</b>	...	<b>Moderate</b>	The overall risk of sovereign stress is moderate, reflecting moderate levels of vulnerability in the medium and long terms. Relevant reforms in the budgetary framework and the pension system are expected in the coming years. Continued comprehensive reforms in the water and energy sectors will also be needed to reduce climate-related risks.
<b>Near term 1/</b>			
<b>Medium term</b>	<b>Moderate</b>	<b>Moderate</b>	The debt fanchart module and the gross financing needs module suggest moderate levels of risk. The contingent liability stress test shows a path of gross financing needs substantially above the baseline. Medium term fiscal framework is expected to continue improving.
Fanchart	<b>Moderate</b>	...	
GFN	<b>Moderate</b>	...	
Stress test	Cont. Liabty.	...	
<b>Long term</b>	...	<b>Moderate</b>	Long term risks are moderate, given risks related to climate change and demographic change. However, there are ongoing comprehensive reforms in water infrastructure, healthcare, and pension systems to help mitigate these risks. The long-term amortization module does not trigger an overall risk indication.
<b>Sustainability assessment 2/</b>		Sustainable with high probability	The projected debt path is expected to decrease in the medium term and GFN will remain at manageable levels, conditional on the implementation of the announced fiscal deficit path that is assessed as feasible.
<b>Debt stabilization in the baseline</b>			Yes
<b>DSA Summary Assessment</b>			
<p>Commentary: Morocco is at moderate overall risk of sovereign stress, with public debt that is sustainable with high probability. Debt is expected to continuously decline over the medium term to around 61 percent of GDP by 2031. Medium term risks are moderate, as indicated by debt fanchart module and the gross financing needs module. The Medium-Term Fiscal Framework is expected to continue improving. Long term risks are moderate, given risks related to climate and demographic change. However, there are ongoing comprehensive reforms in water infrastructure, healthcare, and pension systems to help mitigate these risks.</p>			
Source: Fund staff.			
Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.			
1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.			
2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.			

Annex IV. Figure 2. Morocco: Debt Coverage and Disclosures

										Comments									
<b>1. Debt coverage in the DSA: 1/</b>																			
										CG	GG	NFPS	CPS	Other					
<b>1a. If central government, are non-central government entities insignificant?</b>										No									
<b>2. Subsectors included in the chosen coverage in (1) above:</b>																			
Subsectors captured in the baseline										Inclusion									
CPS	NFPS	GG: expected	CG	1	Budgetary central government	Yes					Not applicable								
				2	Extra budgetary funds (EBFs)	No													
				3	Social security funds (SSFs)	No													
				4	State governments	No													
				5	Local governments	No													
				6	Public nonfinancial corporations	No													
				7	Central bank	No													
				8	Other public financial corporations	No													
<b>3. Instrument coverage:</b>										Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/					
<b>4. Accounting principles:</b>										Basis of recording		Valuation of debt stock							
										Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/					
<b>5. Debt consolidation across sectors:</b>										Consolidated		Non-consolidated							
<b>Color code:</b> <span style="color: green;">■</span> chosen coverage <span style="color: red;">■</span> Missing from recommended coverage <span style="color: gray;">■</span> Not applicable																			
<b>Reporting on Intra-Government Debt Holdings</b>																			
Issuer										Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS	NFPS	GG: expected	CG	1	Budget. central govt						0								
				2	Extra-budget. Funds						0								
				3	Social security funds						0								
				4	State govt.						0								
				5	Local govt.						0								
				6	Nonfin pub. corp.						0								
				7	Central bank						0								
				8	Oth. pub. fin. corp						0								
Total										0	0	0	0	0	0	0	0	0	
<p>1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.</p> <p>2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.</p> <p>3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.</p> <p>4/ Includes accrual recording, commitment basis, due for payment, etc.</p> <p>5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).</p> <p>6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.</p> <p>7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.</p> <p>Commentary: Consolidated general government financial statistics are not yet readily available. The authorities are currently working on preparing consolidated general government financial statistics (to include the Treasury, extrabudgetary central government (non-profit public establishments), local entities, and retirement and social security organizations), with IMF technical assistance support. Fiscal risks from entities outside the central government, including SOEs, are captured through the contingent liability stress test. The authorities produce consolidated general government debt statistics that exclude SOEs, consistent with their exclusion from government sector in the national accounts. In 2024, general government debt was 63.9 percent of GDP, about 3.8 percentage points lower than central government debt, as non-profit public establishments and retirement and social security organizations hold some central government debt.</p>																			

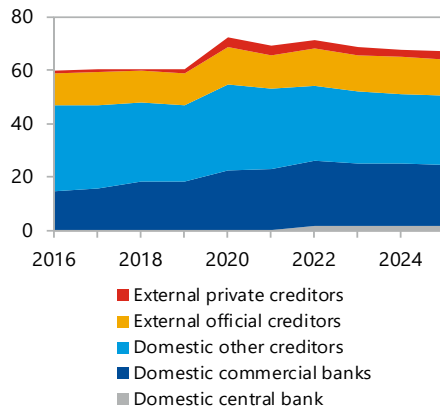
### Annex IV. Figure 3. Morocco: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



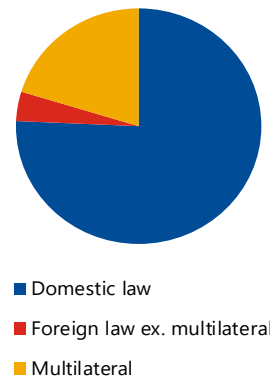
Note: The perimeter shown is central government.

Public Debt by Holder (Percent of GDP)



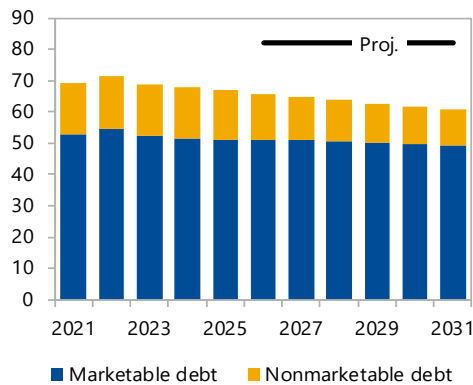
Note: The perimeter shown is central government.

Public Debt by Governing Law, 2025 (percent)



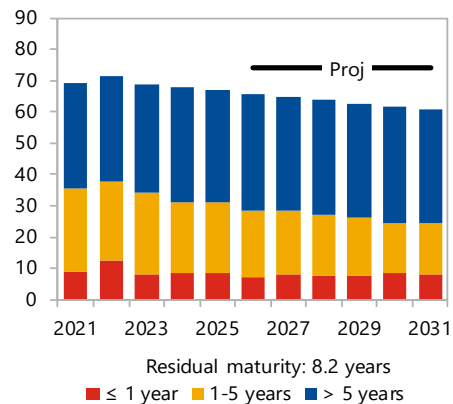
Note: The perimeter shown is central government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is central government.

Public Debt by Maturity (Percent of GDP)



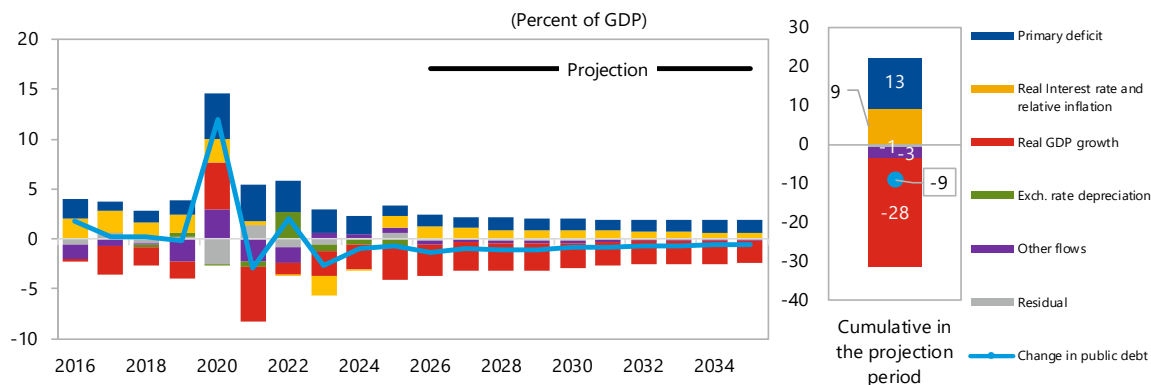
Note: The perimeter shown is central government.

Commentary: The characteristics of the public debt profile, in particular, long maturities and relatively low share of FX-denominated debt, coming from an investment base made mostly of local long-term investors, continue to limit potential vulnerabilities. Average maturity increased from 7 years and 3 months in 2023 to 8 years and 2 months in 2024 and 2025 through active debt management. The share of long-term debt (>5 years) is projected to increase gradually over the medium term, informed by the authorities' projected issuances.

**Annex IV. Figure 4. Morocco: Baseline Scenario**  
(Percent of GDP unless indicated otherwise)

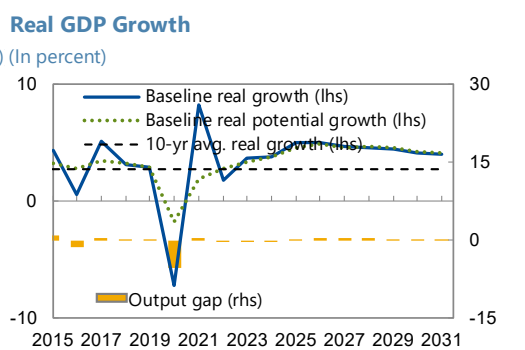
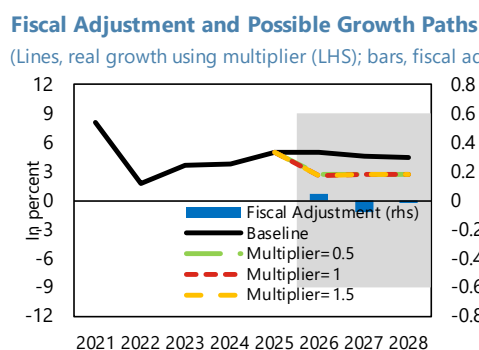
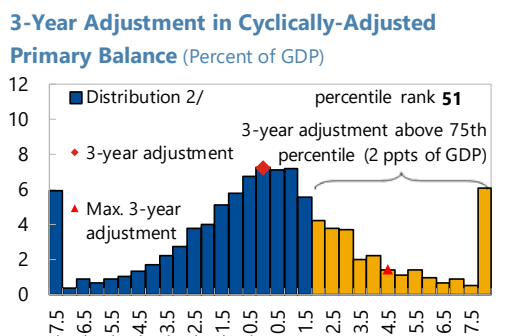
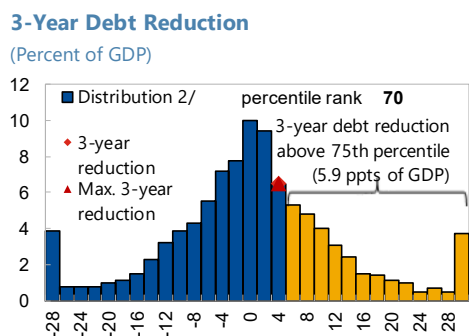
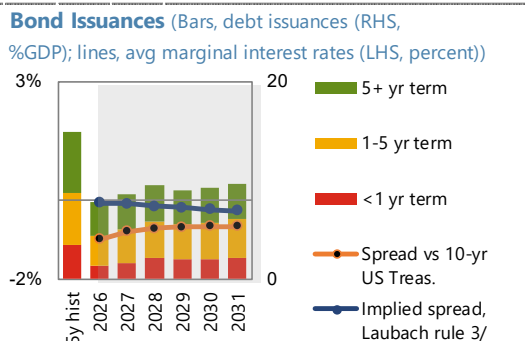
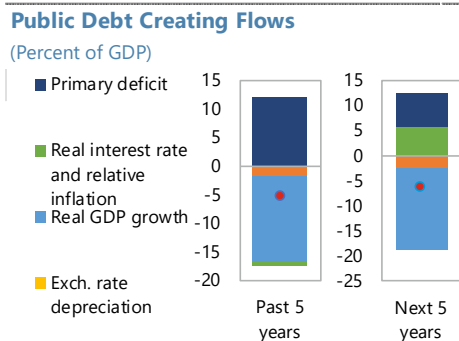
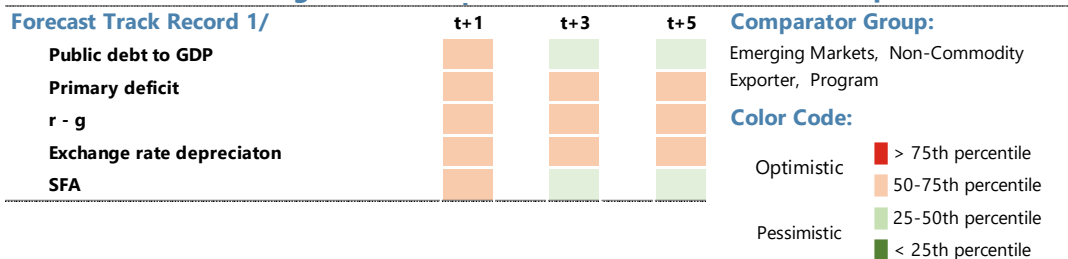
	Estimate	Medium-term projection						Extended projection			
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	67.1	65.7	64.7	63.6	62.5	61.6	60.8	60.1	59.4	58.8	58.3
Change in public debt	-0.7	-1.3	-1.0	-1.1	-1.1	-0.9	-0.8	-0.7	-0.7	-0.6	-0.5
Contribution of identified flows	-1.3	-1.1	-1.0	-0.9	-1.0	-0.7	-0.8	-0.7	-0.7	-0.6	-0.5
Primary deficit	1.1	1.1	1.2	1.2	1.1	1.1	1.0	1.1	1.2	1.3	1.3
Noninterest revenues	27.7	27.8	27.5	27.2	27.3	27.2	27.3	27.1	27.0	26.9	26.9
Noninterest expenditures	28.8	28.9	28.7	28.5	28.4	28.4	28.3	28.3	28.2	28.2	28.2
Automatic debt dynamics	-3.0	-1.9	-1.8	-1.9	-1.8	-1.6	-1.6	-1.6	-1.6	-1.7	-1.7
Real interest rate and relative inflation	1.1	1.3	1.1	0.9	0.9	0.9	0.8	0.7	0.7	0.6	0.6
Real interest rate	1.2	1.4	1.1	0.9	0.9	0.9	0.8	0.7	0.6	0.6	0.6
Relative inflation	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real growth rate	-3.2	-3.2	-2.9	-2.8	-2.7	-2.5	-2.4	-2.3	-2.3	-2.3	-2.3
Real exchange rate	-0.9	...	...	...	...	...	...	...	...	...	...
Other identified flows	0.6	-0.3	-0.3	-0.3	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.6	-0.3	-0.3	-0.3	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2
Contribution of residual	0.6	-0.2	0.0	-0.1	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0
Gross financing needs	12.2	9.5	10.1	11.0	10.4	10.5	10.9	10.6	10.3	9.8	9.5
of which: debt service	11.0	8.4	8.9	9.8	9.3	9.4	9.9	9.5	9.1	8.6	8.2
Local currency	9.4	6.8	7.3	8.0	7.6	7.9	8.2	8.0	7.7	7.3	6.9
Foreign currency	1.6	1.6	1.7	1.8	1.7	1.4	1.7	1.5	1.4	1.3	1.2
Memo:											
Real GDP growth (percent)	4.9	4.9	4.6	4.5	4.4	4.1	4.0	4.0	4.0	4.0	4.0
Inflation (GDP deflator; percent)	1.9	1.5	1.8	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Nominal GDP growth (percent)	6.9	6.5	6.4	6.5	6.5	6.2	6.1	6.0	6.0	6.0	6.0
Effective interest rate (percent)	3.8	3.6	3.5	3.4	3.5	3.4	3.4	3.3	3.2	3.1	3.0

#### Contribution to Change in Public Debt



Commentary: Public debt is expected to continuously decline over the medium term to around 61 percent of GDP by 2031, driven by narrowing of primary deficit, sustained real GDP growth, and stable economic conditions. Real interest rate contribution increased compared to last SRDSF due to lower deflator, in line with a negative contribution of relative inflation in 2025-26. Negative "Other transactions" reflect the reduction of financial assets through privatization used to finance the deficit during 2026-31. Negative "Residual" points to an undervalued REER, with an expected medium-term appreciation toward its norm. Long-term real GDP growth is assumed to be equal to the potential growth estimate.

### Annex IV. Figure 5. Morocco: Realism of Baseline Assumptions



Commentary: Realism analyses do not signal over-optimism. Past forecast errors are within 25-75th percentile and do not reveal large systematic biases. A significant decrease in debt is achieved through sustained real GDP growth, driven by infrastructure plans and pro-business sector reforms that will boost private investment. The projected debt reduction and fiscal adjustments are below the 75th percentile of cross-country database.

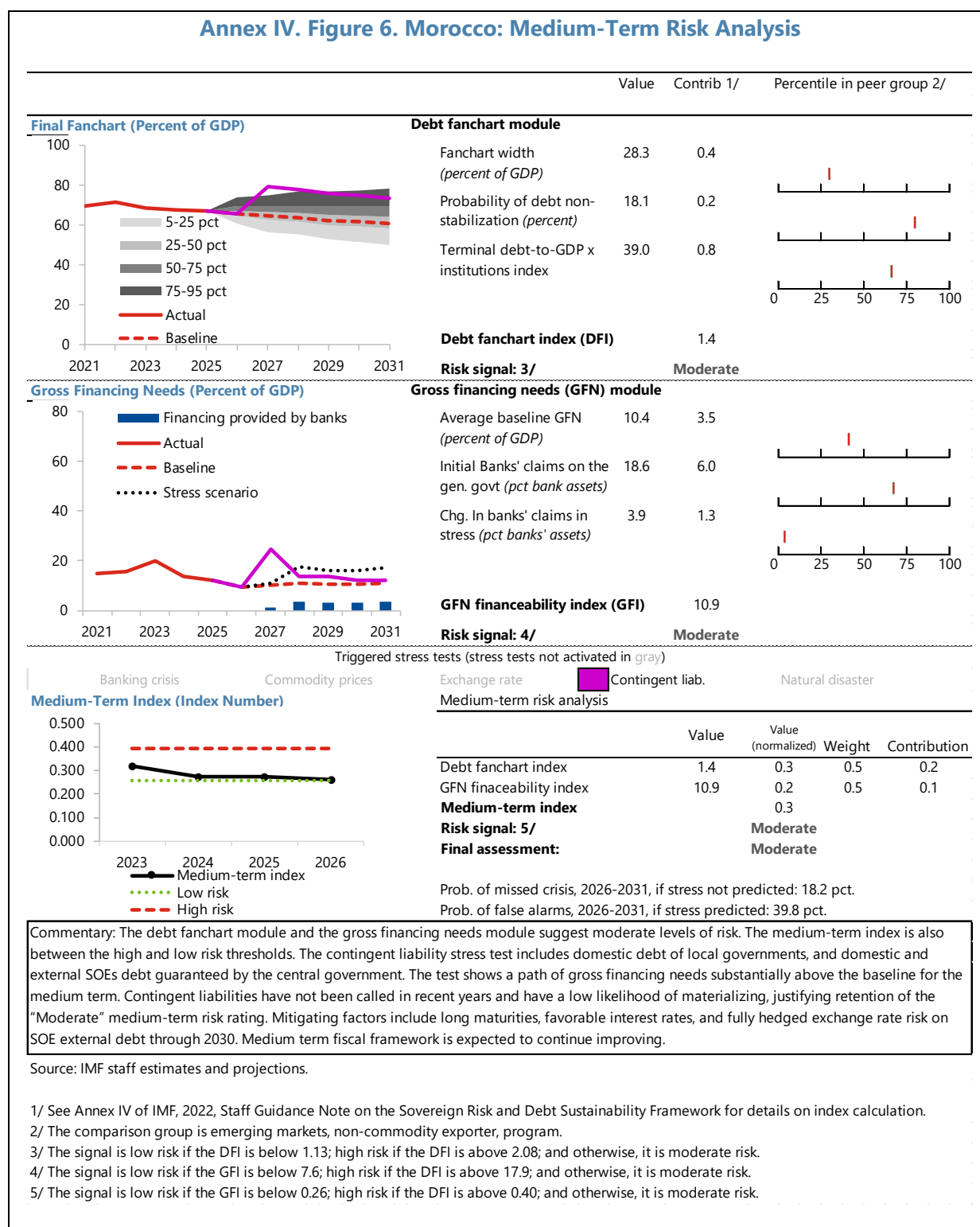
Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

3/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

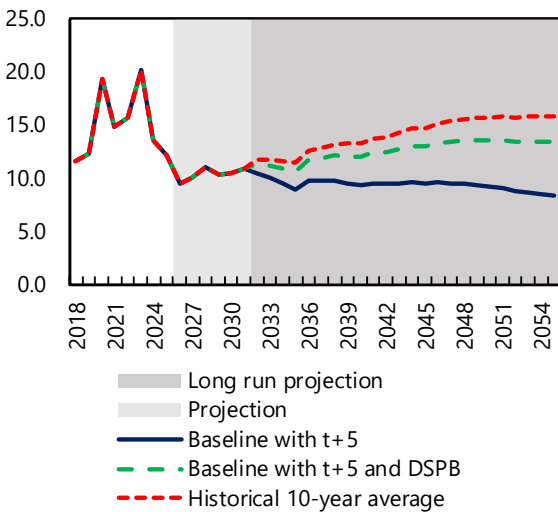
Annex IV. Figure 6. Morocco: Medium-Term Risk Analysis



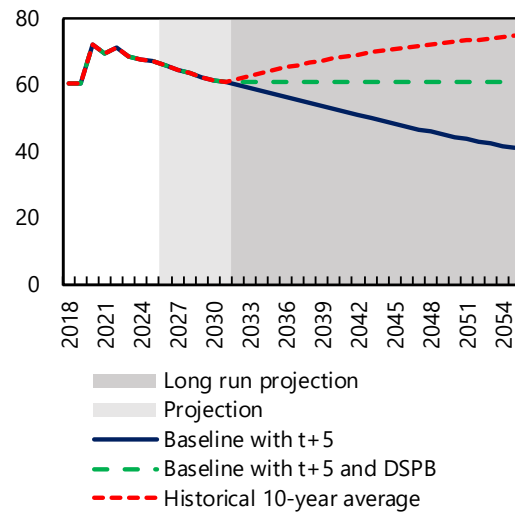
**Annex IV. Figure 7. Morocco: Long-Term Risk Assessment: Large Amortization**

Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	Green
	Amortization-to-GDP ratio	Green
	Amortization	Red
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	Green
	Amortization-to-GDP ratio	Green
	Amortization	Red
Historical average assumptions	GFN-to-GDP ratio	Green
	Amortization-to-GDP ratio	Green
	Amortization	Red
Overall Risk Indication		Green

**GFN-to-GDP Ratio**



**Total Public Debt-to-GDP Ratio**



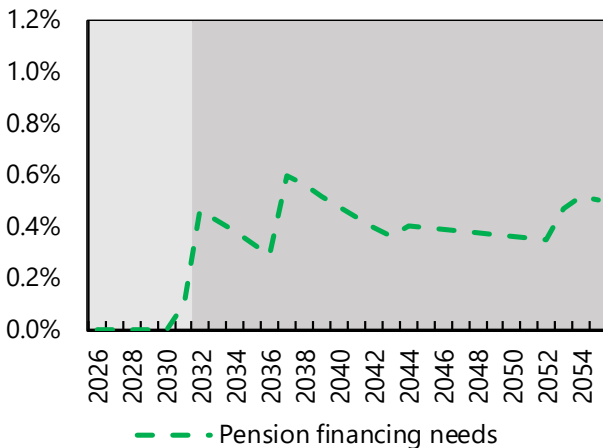
Commentary: The long-term amortization module does not trigger an overall risk indication. GFN-to-GDP and debt-to-GDP projection increase in the scenario using historical 10-year average but decline steadily in the scenario assuming constant t+5 values for debt drivers.

Annex IV. Figure 8. Morocco: Demographics: Pensions

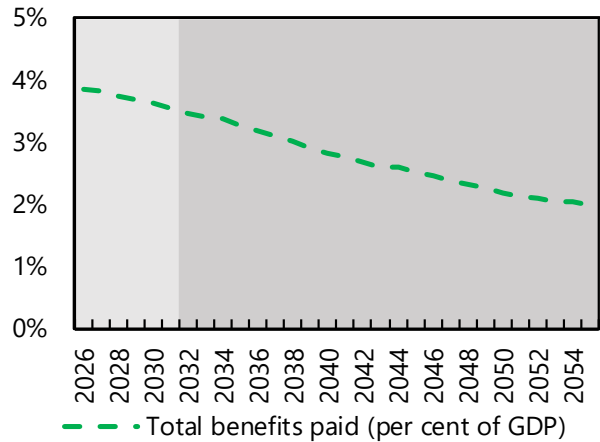
**Permanent adjustment needed in the pension system to keep pension assets positive for:**

	30 years	50 years	Until 2100
(pp of GDP per year)	0.4%	0.5%	0.5%

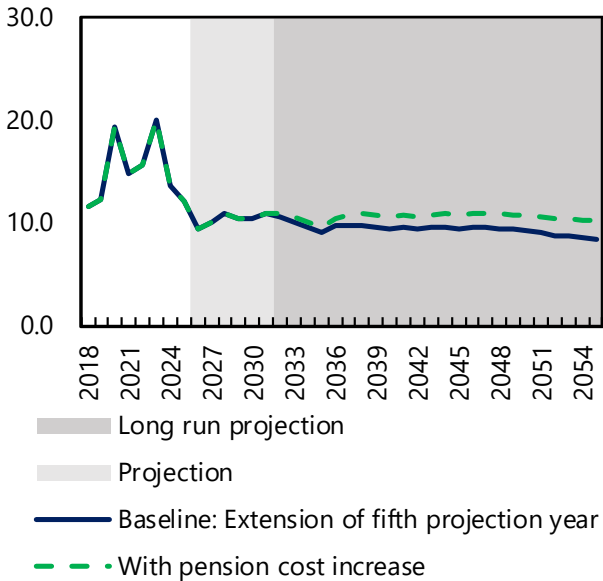
**Pension Financing Needs**



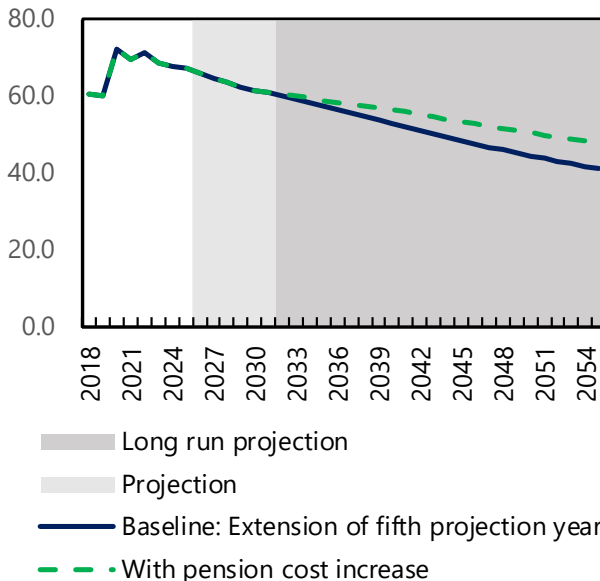
**Total Benefits Paid**



**GFN-to-GDP Ratio**



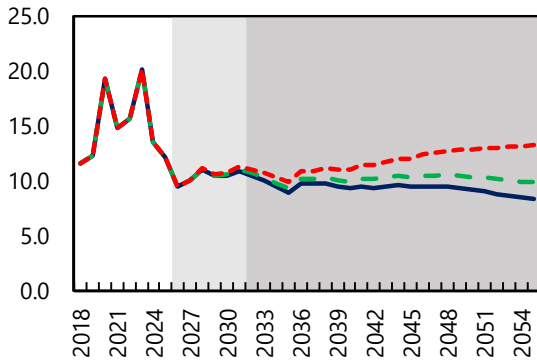
**Total Public Debt-to-GDP Ratio**



**Commentary:** The pension module is customized to use benefits, contributions, technical balance, overall balance, and reserve projections for three major pension funds (CMR-RPC, CNSS, RCAR-RG) from the Supervisory Authority of Insurance and Social Welfare. Once each fund runs out of reserves, its overall deficit is added to the central government's financing needs.

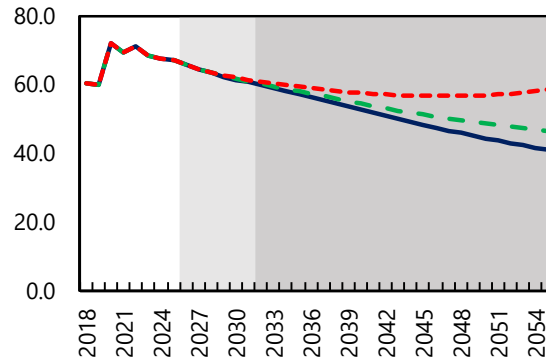
Annex IV. Figure 9. Morocco: Demographics: Health

GFN-to-GDP Ratio



— Baseline: Extension of fifth projection year  
 - - - Health (Demographics)  
 - - - Health (Demographics + ECG)

Total Public Debt-to-GDP Ratio

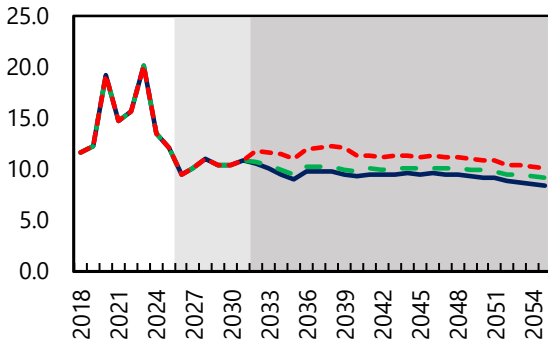


— Baseline: Extension of fifth projection year  
 - - - Health (Demographics)  
 - - - Health (Demographics + ECG)

**Commentary:** The healthcare sub-module provides projections for the future financing needs driven by demographic changes and excess cost growth (ECG) in the healthcare sector. The authorities are working on a ambitious reform of the health care system to ensure quality care and financial sustainability.

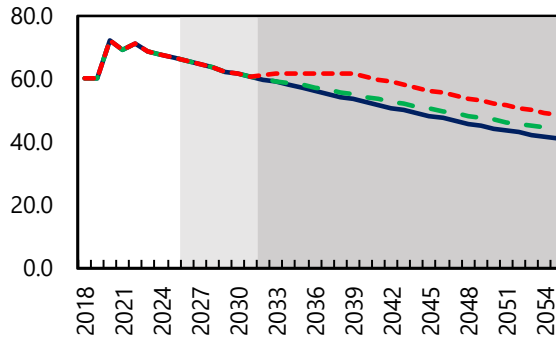
Annex IV. Figure 10. Morocco: Climate Change: Adaptation

GFN-to-GDP Ratio



— Baseline: Extension of fifth projection year  
 - - - With climate adaptation (standardized scenario)  
 - - - With climate adaptation (customized scenario)

Total Public Debt-to-GDP Ratio

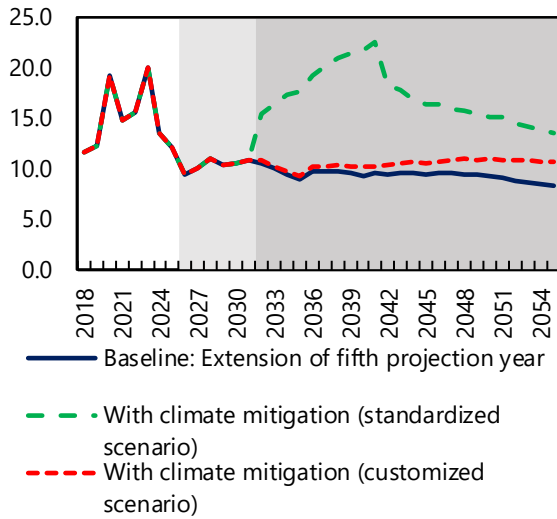


— Baseline: Extension of fifth projection year  
 - - - With climate adaptation (standardized scenario)  
 - - - With climate adaptation (customized scenario)

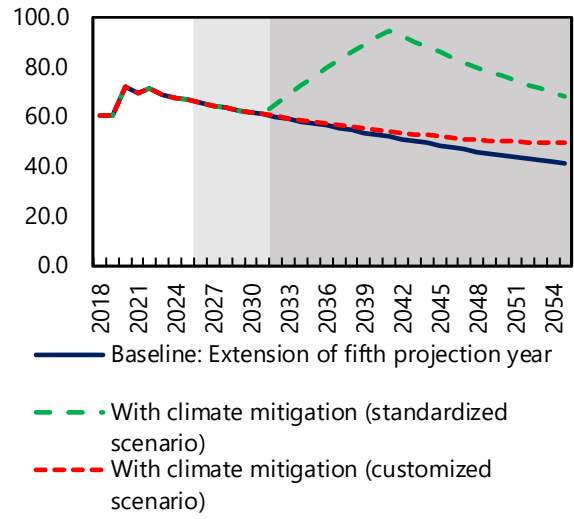
**Commentary:** The customized scenario uses the adaptation costs estimated in 2022 World Bank Country Climate and Development Report. Ongoing reforms (as part of the RSF) and other future comprehensive reforms in the water and energy sectors will reduce Morocco's vulnerabilities to climate-related risks.

Annex IV. Figure 11. Morocco: Climate Change: Mitigation

**GFN-to-GDP Ratio**



**Total Public Debt-to-GDP Ratio**



**Commentary:** The customized scenario assumes that the government bears 15% of the mitigation costs estimated in 2022 World Bank Country Climate and Development Report. The private sector is assumed to cover the other 85% of mitigation costs. Reforms in the regulatory framework of the energy sector will help attract private investment for clean energy.

## Annex V. External Debt Sustainability Analysis

External debt increased from 42.6 percent of GDP in 2024 to 45.1 percent in 2025, as the current account deficit widened and reserves accumulation accelerated, and is expected to stabilize at around 43 percent of GDP in the medium term. In the scenarios for growth, current account, and interest rate combined shocks, external debt increases to about 47 percent of GDP in the medium term. In the unlikely scenario of a 30 percent currency depreciation, external debt increases to about 64 percent.

**Annex V. Table 1. Morocco: External Debt Sustainability Framework, 2021–2031**  
(In percent of GDP unless otherwise indicated)

	Actual			Estimate		Projections						Debt-stabilizing non-interest current account 6/ -4.3	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031		
<b>Baseline: External debt</b>	45.8	49.4	47.7	42.6	45.1	<b>44.3</b>	<b>44.1</b>	<b>43.8</b>	<b>43.6</b>	<b>43.4</b>	<b>43.0</b>		
Change in external debt	-8.4	3.6	-1.7	-5.1	2.5	-0.9	-0.1	-0.3	-0.2	-0.3	-0.3		
Identified external debt-creating flows (4+8+9)	-6.5	6.9	-5.4	-3.7	-6.4	-2.5	-2.1	-1.5	-1.4	-1.4	-1.2		
Current account deficit, excluding interest payments	1.4	2.6	-0.2	-0.4	0.8	1.1	1.4	1.8	2.1	1.9	2.1		
Deficit in balance of goods and services	9.2	11.5	8.3	8.3	8.9	9.2	9.3	9.6	9.8	9.4	9.3		
Exports	33.2	44.7	42.4	42.0	42.4	42.3	42.3	42.3	42.3	42.3	42.0		
Imports	42.4	56.2	50.8	50.3	51.3	51.5	51.5	51.8	52.1	51.7	51.3		
Net non-debt creating capital inflows (negative)	-0.9	-0.4	-1.5	-0.5	-3.4	-3.0	-2.9	-2.7	-3.0	-3.0	-2.9		
Net foreign direct investment, equity	1.1	1.2	-0.1	0.6	1.2	1.5	1.6	1.6	1.7	1.8	1.8		
Net portfolio investment, equity	-0.2	-0.8	1.6	-0.1	2.2	1.5	1.3	1.1	1.3	1.2	1.2		
Automatic debt dynamics 1/	-7.0	4.7	-3.7	-2.8	-3.8	-0.7	-0.6	-0.5	-0.5	-0.4	-0.3		
Contribution from nominal interest rate	0.9	1.0	1.3	1.5	1.3	1.3	1.3	1.3	1.3	1.3	1.3		
Contribution from real GDP growth	-3.8	-0.9	-1.6	-1.6	-1.8	-2.0	-1.9	-1.9	-1.8	-1.7	-1.6		
Contribution from price and exchange rate changes 2/	-4.1	4.7	-3.4	-2.7	-3.3	...	...	...	...	...	...		
Residual, incl. change in gross foreign assets (2-3) 3/	-1.9	-3.3	3.8	-1.4	8.9	1.7	2.0	1.2	1.2	1.2	0.9		
External debt-to-exports ratio (in percent)	138.0	110.4	112.5	101.5	106.5	104.7	104.5	103.7	103.2	102.4	102.6		
<b>Gross external financing need (in billions of US dollars) 4/</b>	15.4	18.1	13.7	18.5	15.6	18.2	20.3	22.6	25.0	26.0	28.4		
in percent of GDP	10.8	13.8	9.4	11.5	8.5	9.1	9.3	9.7	10.0	9.8	10.0		
<b>Scenario with key variables at their historical averages 5/</b>						<b>44.3</b>	<b>46.5</b>	<b>47.7</b>	<b>48.9</b>	<b>50.3</b>	<b>51.0</b>	<b>-2.8</b>	
<b>Key Macroeconomic Assumptions Underlying Baseline</b>						10-Year Historical Average	10-Year Standard Deviation						
Real GDP growth (in percent)	8.2	1.8	3.7	3.8	4.9	2.7	4.0	4.9	4.6	4.5	4.4	4.1	4.0
GDP deflator in US dollars (change in percent)	8.2	-9.2	7.4	5.9	8.4	2.6	5.4	5.0	3.1	2.5	2.6	2.8	2.4
Nominal external interest rate (in percent)	2.0	1.9	2.8	3.5	3.5	2.6	0.5	3.2	3.2	3.2	3.2	3.2	3.2
Growth of exports (US dollar terms, in percent)	26.0	24.5	5.6	8.9	14.7	9.4	11.8	10.0	7.7	7.2	7.1	7.1	5.5
Growth of imports (US dollar terms, in percent)	30.3	22.5	0.5	8.9	16.0	9.2	12.7	10.5	8.0	7.8	7.6	6.3	5.6
Current account balance, excluding interest payments	-1.4	-2.6	0.2	0.4	-0.8	-1.5	1.4	-1.1	-1.4	-1.8	-2.1	-1.9	-2.1
Net non-debt creating capital inflows	0.9	0.4	1.5	0.5	3.4	1.5	0.9	3.0	2.9	2.7	3.0	3.0	2.9

1/ Derived as  $[r - g - r(1+g) + ea(1+r)] / (1+g+r+gr)$  times previous period debt stock, with  $r$  = nominal effective interest rate on external debt;  $r$  = change in domestic GDP deflator in US dollar terms,  $g$  = real GDP growth rate,  $e$  = nominal appreciation (increase in dollar value of domestic currency), and  $a$  = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as  $[-r(1+g) + ea(1+r)] / (1+g+r+gr)$  times previous period debt stock.  $r$  increases with an appreciating domestic currency ( $e > 0$ ) and rising inflation (based on GDP deflator).

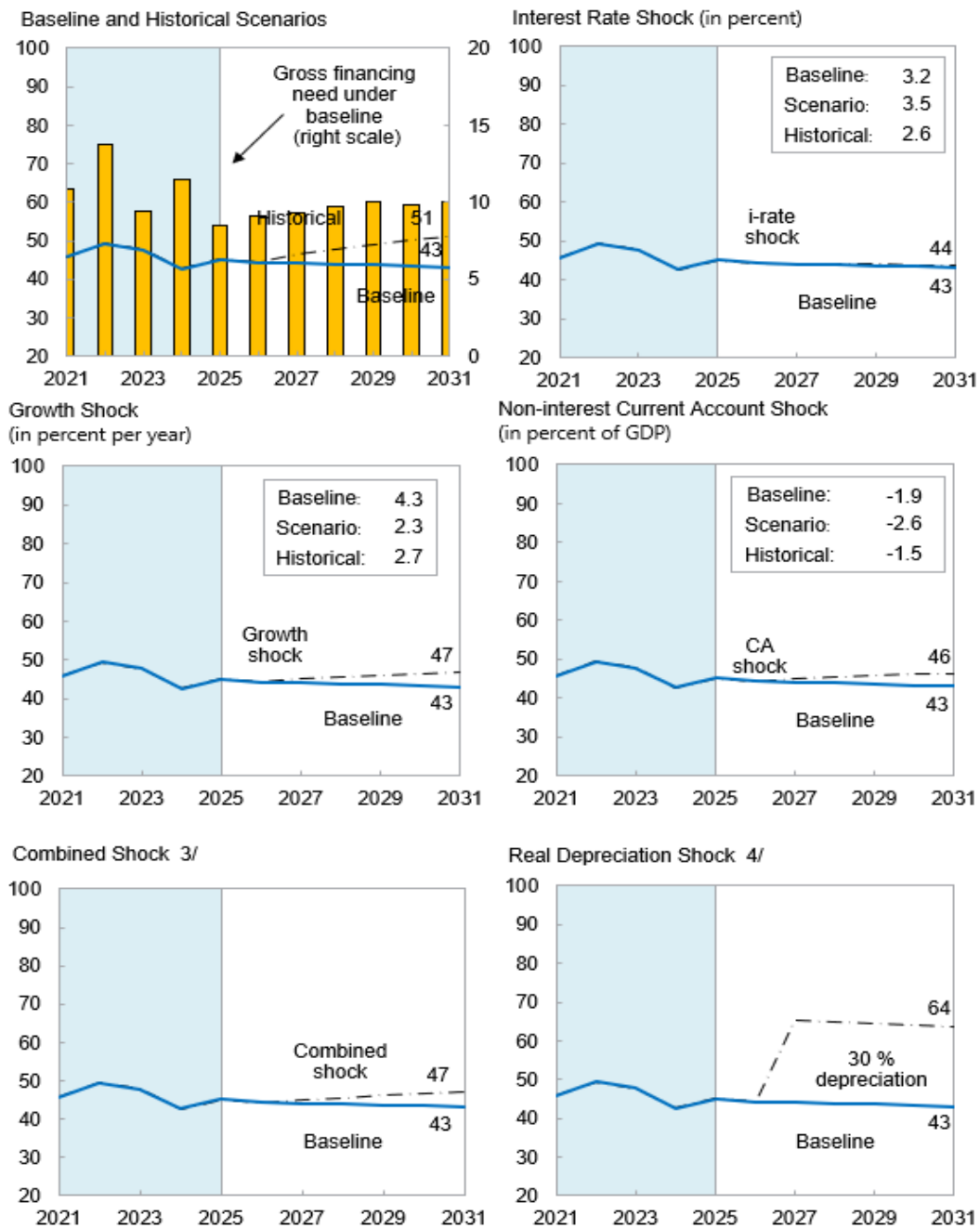
3/ For projection, line includes the impact of price and exchange rate changes.

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

**Annex V. Figure 1. Morocco: External Debt Sustainability: Bound Tests** <sup>1, 2</sup>  
 (External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.

1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.

2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.

3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.

4/ One-time real depreciation of 30 percent occurs in 2024.

## Annex VI. Data Issues

Annex VI. Table 1. Morocco: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
A							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	A	A	A	A	A	A	A
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	A	B	A	A		
Granularity 3/	A		A	A	A		
Consistency			A	B		A	
Frequency and Timeliness	A	A	A	A	A		
<p>Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF <i>Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>							
A	The data provided to the Fund are adequate for surveillance.						
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.						
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.						
<p><b>Rationale for staff assessment.</b> While data provided to the Fund is broadly adequate for surveillance, there are areas where data should be strengthened, including extending the coverage of government financial statistics to the general government, accurate classification of the operations of special treasury accounts (CSTs), and an updated base for national accounts. Several initiatives are currently underway to improve statistics, including expanding the coverage of fiscal data to the general government with technical assistance support from STA, scheduled for FY 2027. Preparatory work for the 2022 base-year revision of national accounts is well advanced: all core surveys underpinning the rebasing have been completed, data validation and accounting work are ongoing, and the compilation of the 2022 benchmark accounts will begin in 2026, with publication of the full revised series expected in 2028.</p>							
<p><b>Changes since the last Article IV consultation.</b> Publication of the 2024 General Census of Population and Housing and making disaggregated CPI data more timely available (at the 4-digit level).</p>							
<p><b>Corrective actions and capacity development priorities.</b> Morocco's HCP is collaborating with the ILO to undertake a significant methodological update of the National Employment Survey, modernizing it to better reflect the current labor market and new global trends by full implementation in 2026.</p>							
<p><b>Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff.</b> Staff do not use any data and/or estimates in the staff report in lieu of official statistics.</p>							
<p><b>Other data gaps.</b> Not applicable.</p>							

## Annex VI. Table 2. Morocco: Data Standards Initiatives

Morocco subscribes to the Special Data Dissemination Standard (SDDS) since December 2005 and publishes the data on its National Summary Data Page. The latest SDDS Annual Observance Report is available on the Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>).

### Annex VI. Table 3. Morocco: Table of Common Indicators Required for Surveillance (As of February 17, 2026)

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data <sup>5</sup>	Frequency of Reporting <sup>5</sup>	Expected Frequency <sup>5,6</sup>	Morocco <sup>7</sup>	Expected Timeliness <sup>5,6</sup>	Morocco <sup>7</sup>
Exchange Rates	2/16/2026	02/17/26	D	D	D	D	...	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>	Dec. 2025	01/13/26	M	M	M	M	1W	1M
Reserve/Base Money	Dec. 2025	01/30/26	M	M	M	M	2W	15D
Broad Money	Dec. 2025	01/30/26	M	M	M	M	1M	30D
Central Bank Balance Sheet	Dec. 2025	01/30/26	M	M	M	M	2W	15D
Consolidated Balance Sheet of the Banking System	Dec. 2025	01/30/26	M	M	M	M	1M	30D
Interest Rates <sup>2</sup>	02/13/26	02/16/26	D	D	D	D	...	D
Consumer Price Index	Dec. 2025	01/21/26	M	M	M	M	1M	3W
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> —Central Government	Dec. 2025	01/26/26	M	M	M	M	1M	1M
Stocks of Central Government and Central Government-Guaranteed Debt <sup>4</sup>	Dec. 2025	01/22/26	A	Q	Q	Q	1Q	1Q
External Current Account Balance	Q3/2025	12/29/24	Q	Q	Q	Q	1Q	1Q
Exports and Imports of Goods and Services	Dec. 2025	01/05/26	M	M	M	M	8W	1M
GDP/GNP	Q1/2025	06/06/25	Q	Q	Q	Q	1Q	3M
Gross External Debt	Q3/2025	12/30/25	Q	Q	Q	Q	1Q	1Q
International Investment Position	Q3/2025	01/05/26	Q	Q	Q	Q	1Q	3M

<sup>1</sup> Includes net market value of derivative positions.

<sup>2</sup> Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>3</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup> Including currency and maturity composition.

<sup>5</sup> Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("MLT") not later than.

<sup>6</sup> Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

<sup>7</sup> Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

## Annex VII. How the 2024-2030 Acceleration of Public Infrastructure Spending is Reflected in Staff’s Macroeconomic Framework <sup>1</sup>

**1. Context.** One of the objectives of Morocco’s 2021 New Development Model is to equip the country with modern, high-performance infrastructure that supports economic growth, territorial integration, and social inclusion, while reinforcing Morocco’s role as a strategic bridge between Africa, Europe, and the rest of the world. The authorities see Morocco’s hosting of the 2030 FIFA World Cup as a highly visible milestone that helps to align incentives and intensify efforts across multiple stakeholders in order to accelerate the timeline for delivering major infrastructure projects.

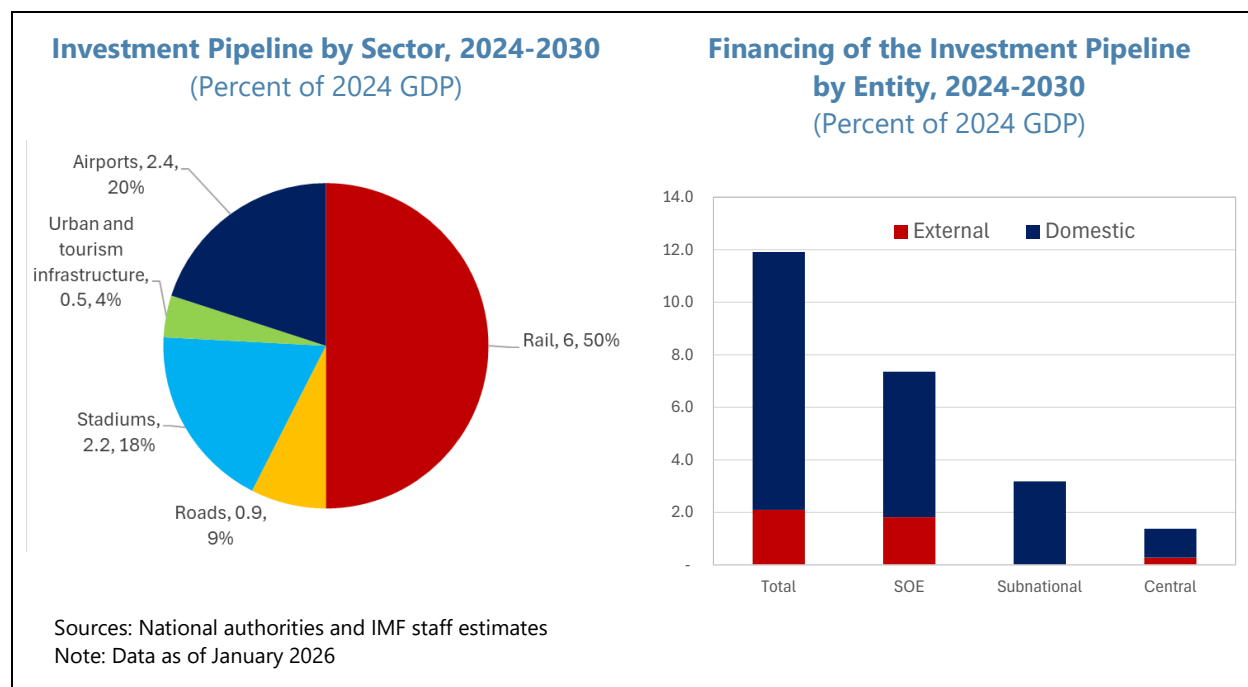
**2. Project overview.** In this Article IV (AIV), staff’s baseline projection adds an infrastructure investment program in connectivity and tourism totaling MAD 190.3 billion over 2024–2030 (11.9 percent of 2024 GDP). <sup>2</sup> The program consists of upgrading:

- (i) railways (6 percent of GDP), including a high-speed train and regional commuter network;
- (ii) airports (2.4 percent of GDP), including a new terminal in Casablanca and modernization of 5 other airports;
- (iii) stadiums (2.2 percent of GDP), including construction of an Olympic stadium and 3 new stadiums and renovation of 6 stadiums);
- (iv) roads (0.9 percent of GDP), including new highways and freeway junction transformations;
- (v) urban and tourism infrastructure in six host cities (0.5 percent of GDP).

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<sup>1</sup> Based on available information as of January 2026.

<sup>2</sup> This figure does not include other ongoing multi-year investments, such as ports, dams and digital transformation (together about 1.7 percent of 2024 GDP, financed through the central government budget), water desalination plants (about 2.3 percent of GDP, to be implemented through PPPs), energy transition projects (about 2.8 percent of GDP, to be implemented through PPPs), and health sector infrastructure.



### Financing Sources and Debt Servicing Capacity by Entity

**3. State-owned enterprises (SOEs).**<sup>3</sup> SOEs will be financing about two-thirds of the investment (7.4 percent of GDP) in their corresponding sector. SOE involvement allows Morocco to leverage their sectoral expertise and operational presence and diversify financing sources. The SOEs involved are the national railway operator ONCF, the national road operator AMD, the national airports operator ONDA, and the national stadium operator SONARGES. Financing includes a mix of sources: (i) official concessional external loans from bilateral creditors, typically for major capital purchases (1.8 percent of GDP), with explicit central government guarantees; (ii) domestic consortium loans (with limited guarantees by TAMWILCOM),<sup>4</sup> bond issuances, and securitization (4.2 percent of GDP); and (iii) own funds (1.4 percent of GDP). Associated debt servicing costs are expected to be covered through user fees. Exchange rate risk from the external debt is limited due to FX hedging of debt service through 2030.

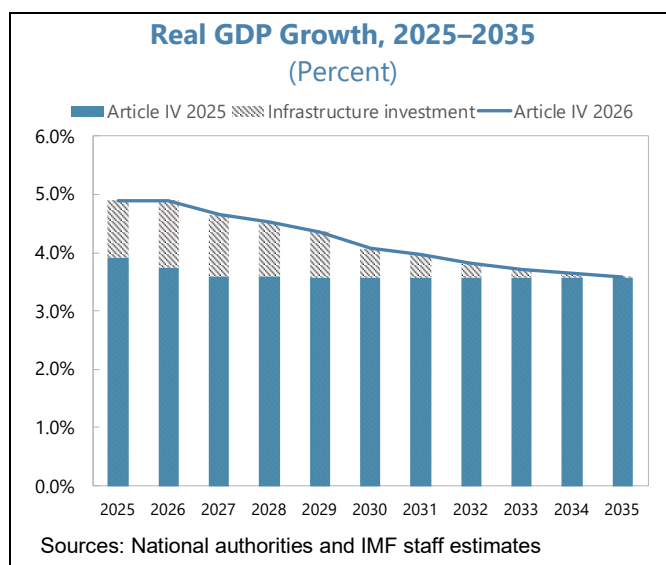
**4. Subnational governments.** Regions benefiting from the regional commuter network are financing 3.2 percent of GDP of the investment. Host cities are covering 0.2 percent of GDP on urban and tourism infrastructure. Regions have secured a 25-year consortium loan to be repaid from the regions' share of national VAT revenues. Outstanding balances in the regions' VAT fund and available data on regional fiscal balance for 2022 suggest that regions have been in surplus, therefore regions are not expected to face fiscal pressures to service the consortium loan.

<sup>3</sup> In the national accounts, SOEs are not included as part of the government, therefore this investment is reflected in nongovernment gross capital formation.

<sup>4</sup> TAMWILCOM is a state-owned public financial institution supervised by BAM.

**5. Central government.** The central government is directly financing portions of the rail, urban infrastructure, and stadium projects for 1.4 percent of GDP. This amount is incorporated in the investment pipeline, budget projections, and MTF, and therefore accommodated within the government’s overall deficit and debt objectives. It is expected that financing will be in line with the government’s broader financing mix of 20 percent external financing and 80 percent domestic financing.

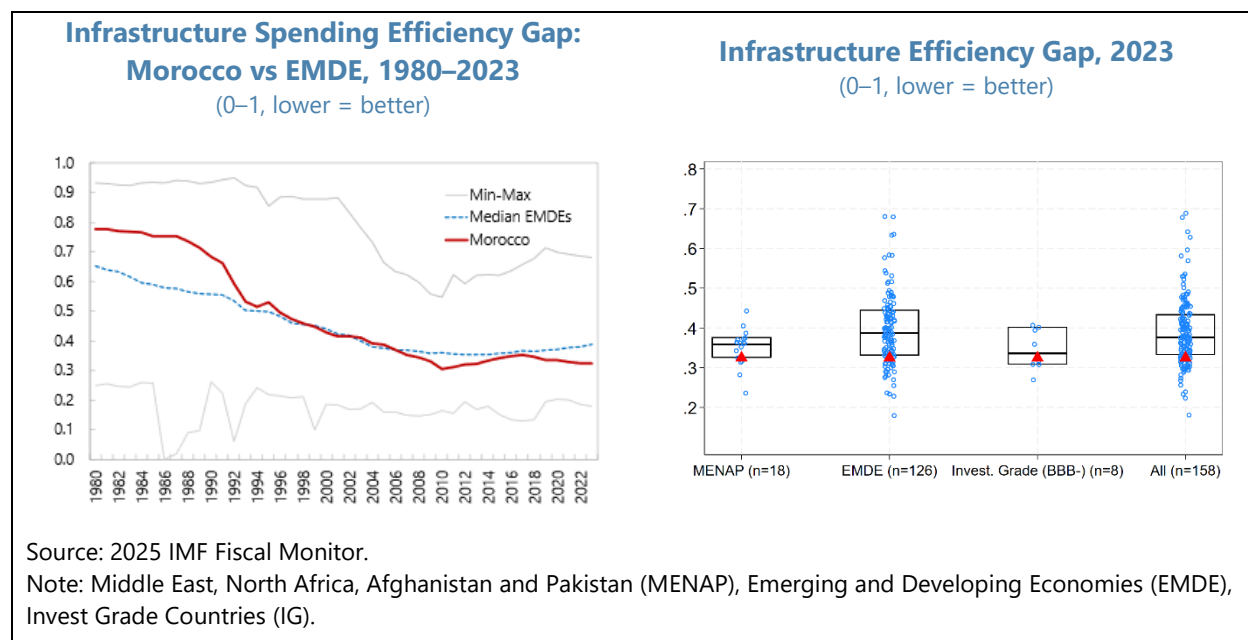
**6. Growth impact.** The accelerated infrastructure investment program is projected to raise real GDP growth relative to the previous AIV baseline by about 1 percentage point in the near term and ½ percentage point in the medium term, reflecting a front-loaded implementation profile. The near-term impact is calibrated using a conservative public investment short-term multiplier of 0.2–0.3, consistent with emerging-market evidence and Morocco-specific structural and cyclical factors—including high import content (assumed at about 70 percent) and trade openness and an economy operating close to potential.<sup>5</sup> Over time, the investment push is expected to raise potential output through a higher capital stock and better global and regional connectivity that increases productivity. As a result, the output gap is expected to average 0.2 percentage points over the forecast horizon with a short-lived peak of 0.4 percentage points in 2027.



**7. Infrastructure spending efficiency.** Estimates in the [2025 Fiscal Monitor](#) show that Morocco’s efficiency gap with regards to the infrastructure spending frontier<sup>6</sup> narrowed substantially between 1980 and 2010. Morocco’s efficiency in infrastructure spending compares favorably to emerging markets, with scope to further improve performance and move closer to the global efficiency frontier. Strong infrastructure spending efficiency would help mitigate risks in the construction and operation of major infrastructure projects.

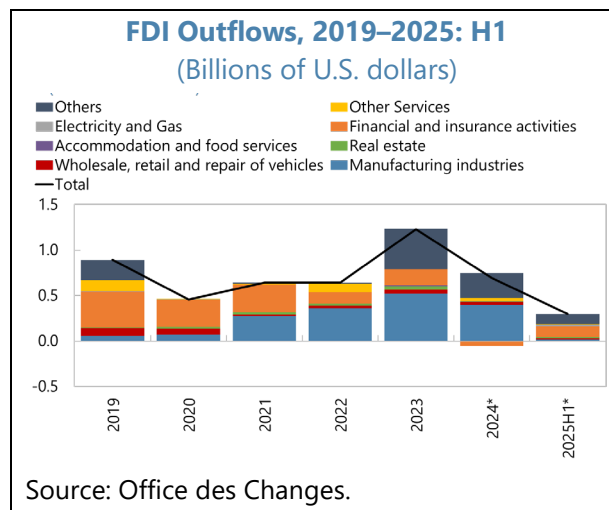
<sup>5</sup> The literature finds that public investment multipliers for emerging market economies range between 0- 0.6 in the short-term (see for example [Adarov, Clements, and Jalles \(2024\)](#), [IMF WEO \(Oct-2014\)](#)).

<sup>6</sup> The 2025 Fiscal Monitor measures the spending efficiency gap as the gap between observed results and those achievable under best practices, technology, and institutions.



**8. Inflation.** The impact on inflation is expected to be modest. The reflects two key factors: (i) the positive output gap is expected to be modest and temporary; and (ii) the large share of food items in the CPI basket (around 40 percent) limits the marginal effect of the output gap on overall inflation. Another mitigating factor is the recent decline in inflation, averaging 0.8 percent in 2025 compared to 2 percent in the last Article IV.

**9. Balance of payments.** The infrastructure investment program would contribute to a moderate widening of the current account balance in the near term due to higher imports—particularly capital goods (by over US\$ 15 billion between 2025 and 2030) and services (by US\$ 8 billion) compared to the last Article IV—that would be partly offset by the gradual increase in tourism receipts as these investments contribute to attracting more visitors (higher by US\$ 15 billion relative to the AIV forecasts). The associated larger financial account would be financed through (i) lower FDI outflows—with an observed reduction in 2025 in the outflows of transport equipment manufacture and financial services; and (ii) a modest increase in public external loans and issuances.



**10. Debt sustainability.** The SR-DSF covers the central government, therefore contingent liabilities from SOE debt are captured through the contingent liability shock. To incorporate fiscal risks associated with the infrastructure projects, calibration of the contingent liability shock was increased by the new SOE external debt (MAD 29 billion) and new domestic debt of regions (MAD

50.8 billion), which brings the total shock to 16.5 percent of GDP.<sup>7</sup> Factors that help mitigate contingent liability risks from these investments include the long maturities and favorable interest rates of SOE external loans. In addition, debt servicing obligations on SOE external debt have been hedged against exchange rate risk through 2030.

**11. Financial sector.** The scaling up of infrastructure projects has led to the upward revision of average credit growth to 5.7 percent, compared to 4.2 percent in the last Article IV. This includes about 6.4 percent of 2024 GDP (8.7 percent of total bank credit) in direct bank financing of these projects, along with some spillovers to private sector credit. The risks of crowding out the private sector are expected to be limited due to: (i) strong liquidity positions and capital buffers in the banking system, (ii) the long-term consortium loan structure that spreads exposure across institutions and over time, and (iii) the relatively modest share of the additional infrastructure financing in total bank portfolios. While the consortium structure should limit the impact on individual bank balance sheets, the overall concentration risk of the banking system as a whole—which is already high at 2.8 times Tier 1 capital—is likely to rise.

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<sup>7</sup> The SR-DSF includes as contingent liabilities all government-guaranteed debt. There is no clear evidence of high probability that contingencies would materialize, and no history of government guarantees for SOE debt being called.

## Annex VIII. Implementation of the 2025 Article IV Main Recommendations

Recommendation	Status
Accelerate fiscal consolidation by saving part of the revenue windfall, increasing structural revenues (including continued tax expenditure compression and carbon pricing), and rationalizing current spending.	The overall fiscal deficit continued to decline in 2025. Tax revenues reached 24.6 percent of GDP (supported by continued reform efforts that have improved revenue administration and broadened the tax base as well as stronger tax auditing and control measures), 1.4 percent of GDP higher than budgeted. While the overall fiscal balance was slightly stronger than in the budget, most of the revenue overperformance was used for additional spending on investment and transfers to SOEs. Implementation of a carbon tax is still under consideration.
Strengthen the Medium-Term Fiscal Framework (MTFF), including full costing of new policy measures and more comprehensive assessment of fiscal risks (PPPs, guarantees, unfunded pensions).	MTFF was strengthened by incorporating climate-related fiscal risks. Further progress is still needed on systematic fiscal-risk quantification and disclosure, particularly regarding SOEs, PPPs, contingent liabilities, and quasi-fiscal activities.
Adopt a new fiscal rule anchored in a medium-term debt target outside the annual budget.	Reform of the Organic Budget Law is progressing and includes a new debt-anchor-based fiscal rule. Parameters of the rule are not yet finalized.
Maintain a data-dependent monetary policy stance.	BAM appropriately cut the policy rate once in 2025 as headline inflation continued to fall and upside risks subsided, bringing the monetary policy stance to broadly neutral.
Continue the transition toward inflation targeting (IT), including preparing to remove the exchange rate peg as inflation stabilizes.	Preparations for IT continue, including improvements to FX and interest-rate hedging markets. No changes have been made to the exchange rate band.
Advance financial sector reforms, including creation of a secondary market for NPLs, broadening the definition of NPLs, strengthening provisioning, and mitigating concentration risk until SREP is fully implemented.	Progress continued: the draft law establishing an NPL secondary market was finalized and transmitted for inclusion in the legislative adoption process; reforms to NPL definitions and provisioning have been formalized through Circular 1/W/2025, with phased implementation starting in 2027. Concentration risks are monitored and constrained by large exposure limits until SREP fully implemented, including Pillar II capital requirements, by 2027.

Recommendation	Status
Strengthen governance, including accelerating anti-corruption reforms (illicit enrichment, conflict of interest, whistleblower protection, asset declaration) and improving market competition.	Amendments were made to the Code of Criminal Procedure. Further progress is needed on the adoption and implementation of key laws, including on illicit enrichment, conflict-of-interest rules, whistleblower protection, and asset declaration.
Redirect Active Labor Market Policies (ALMPs) to better address structural unemployment and agricultural job displacement and implement a comprehensive employment strategy—especially for youth and rural workers.	The Job Plan 2030 was launched in February 2025, providing a comprehensive framework to reduce unemployment through public and private investment, modernize ALMPs, and expand support for youth without diplomas. Implementation is ongoing. Complementary education and labor-market reforms are needed to address skills gaps and employer flexibility.
Boost private-sector development, especially SMEs, by extending Investment Charter incentives, strengthening CRIs' role, improving SME financing and technical support, removing regulatory barriers to firm growth, and advancing SOE reform and privatization.	Progress includes continued rollout of the Investment Charter; CRIs empowered to approve smaller projects; and operationalization of the thematic funds of the Mohammed VI Investment Fund. SOE reforms are advancing, and further progress is needed to improve SOE performance and governance. Further steps needed to reduce barriers hindering SME growth and market competition.

## Annex IX. Youth Unemployment in Morocco <sup>1</sup>

*High unemployment remains a major challenge in Morocco, particularly for youth. Beyond cyclical factors, structural factors contribute to Morocco's persistent labor market weaknesses, including structural transformation of the agriculture sector, insufficient private sector dynamism, limited financing for small and medium-sized firms, skills mismatches, high reservation wages partly linked to the public sector wage premium, and barriers to female employment. Private-sector job creation is the key medium-term driver of durable employment gains. The success of the Job Plan 2030 will depend on implementation and reforms that strengthen private-sector dynamism, improve labor market responsiveness, and promote market neutrality between the public and private sectors.*

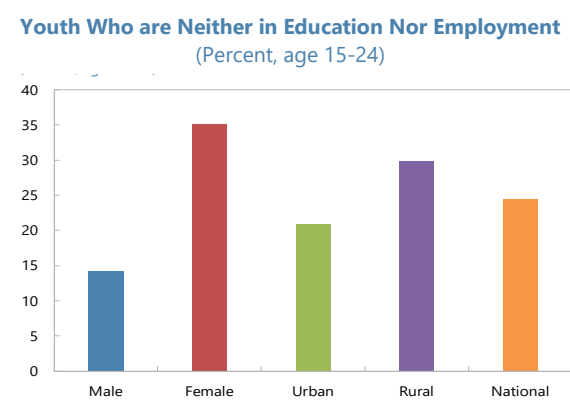
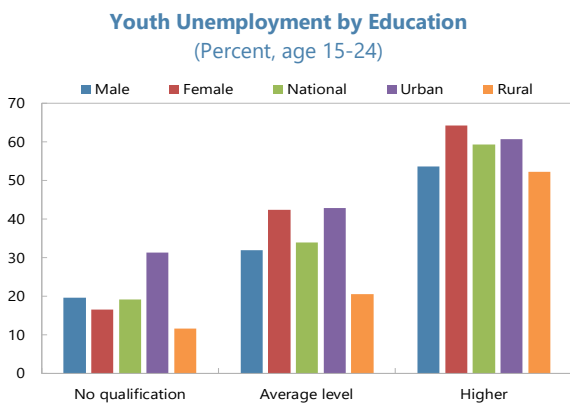
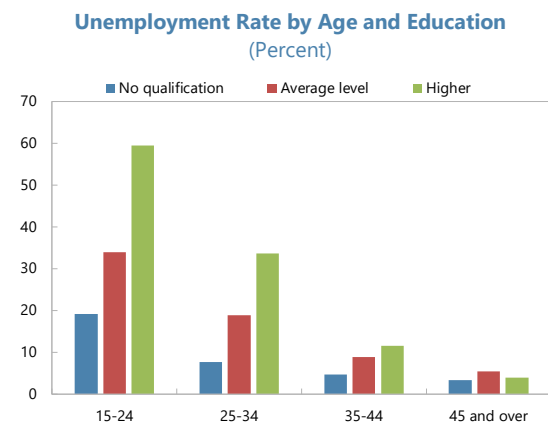
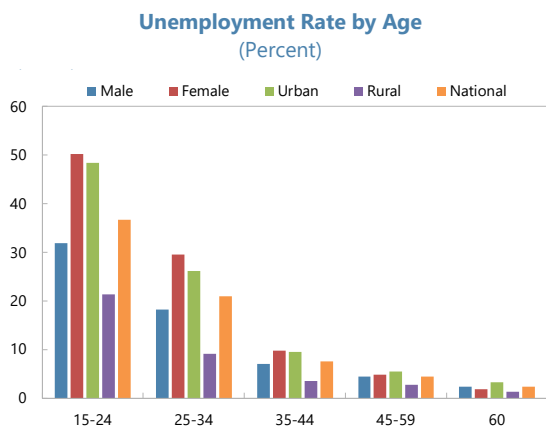
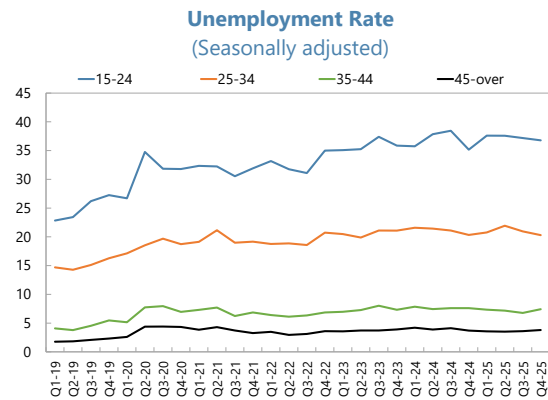
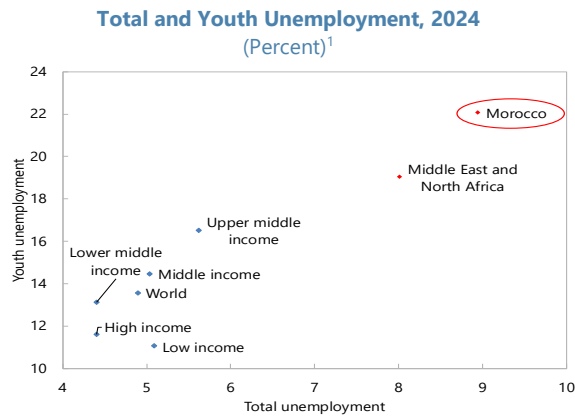
### A. An Overview of Morocco's Labor Market

1. **Structural labor market weaknesses are a major challenge for Morocco, that disproportionately affect youth and women** (Figure 1). In 2025, the unemployment rate reached 13 percent, with over 64.8 percent of the unemployed jobless for at least 12 months. According to the 2024 Labor Force Survey (which provides more granular breakdowns across the population than the quarterly statistics provided by the HCP), the youth unemployment rate (ages 15–24) reached 36.8 percent in 2024, up from 25 percent in 2019. It stood at 31.9 percent for young men and 50.2 percent for young women. Both total and youth unemployment remain above averages in MENA and other emerging markets (Figure 2). The ratio of youth to overall unemployment has risen from about 2.7 to 2.9, pointing to structurally weak entry conditions.
2. **The situation is aggravated by the significant share of Moroccan youth that is neither working nor accumulating skills.** In 2025Q3, 25.2 percent of youth aged 15–24 were classified as Not in Education, Employment, or Training (NEET), above the MENA average of 21.5 percent and 19.2 percent in emerging markets ([HCP 2024](#)). According to a [2024 HPC report](#), roughly one quarter of NEET youth are unemployed, while three quarters are inactive and not seeking work or training. Gender disparities are pronounced: 37.3 percent of young women are NEET, compared with 13.5 percent of young men.
3. **Youth unemployment in Morocco is disproportionately concentrated among the most educated.** In 2024, the unemployment rate among university graduates reached 25.7 percent, compared to 5.2 percent for individuals with no qualifications (Figure 3). Moreover, the likelihood of being unemployed without ever having had a job rises sharply with education attainment—70.4 percent of unemployed individuals with higher education have never worked, compared to 16.6 percent among those without qualifications. Long-term unemployment follows a similar pattern, with 73.7 percent of unemployed graduates jobless for over 12 months, versus 36.4 percent among those without qualifications (LFS, 2024).

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<sup>1</sup> Prepared by Marzie Taheri Sanjani (MCD) and Daniela Viana Costa (SPR).

Annex IX. Figure 1. Morocco: Labor Market Indicators



Sources: World Bank World Development Indicators, Morocco 2024 Labor Force Survey (LFS), Haver and IMF staff calculations.

1/ For compatibility across countries, this chart uses data from the World Bank’s World Development Indicators—which tends to rely on the latest projections from the ILO and typically underpredict official values.

## B. Key Factors Behind Youth Unemployment

### 4. Several structural factors contribute to Morocco's persistent labor market weaknesses.

- Structural transformation of agriculture and recurrent drought. The agriculture sector employs 25.4 percent of Morocco's total workforce, rising to 60.2 percent in rural areas. Agricultural modernization—while productivity-enhancing—has steadily reduced rural labor demand. Recurrent droughts, particularly given the predominance of rainfed agriculture, has further weakened agriculture sector employment. As a result, employment gains in services, construction, and industry between 2019 and 2025 have been more than offset by job losses in the agriculture sector (Table 1).

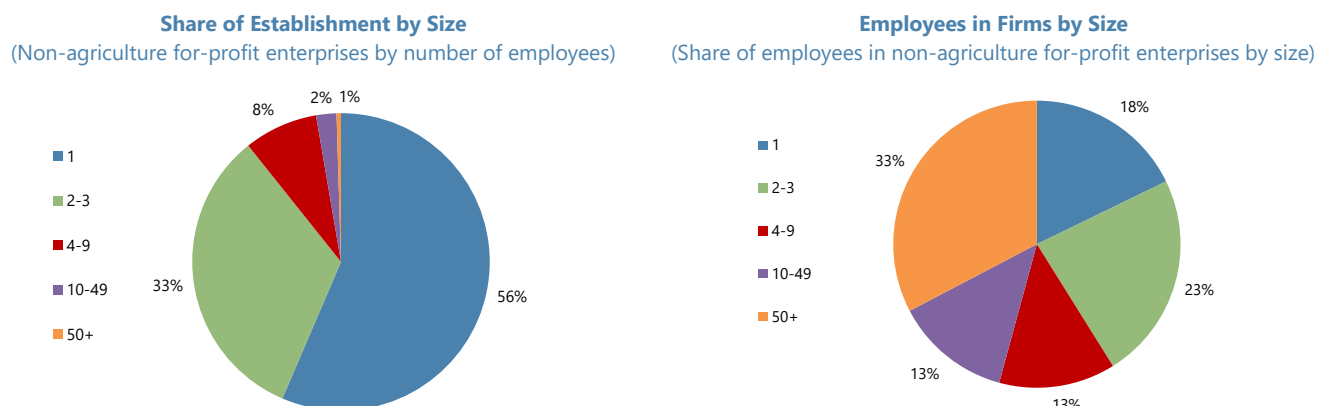
**Annex IX. Table 1. Morocco: Sectoral Employment Shifts and GDP Contribution, 2019–2025**

Sector	2019 Employment (millions)	2025 Employment (millions)	2019-2025 (cumulative change, thousands)	Share of gross value added (percent of 2024 total)	Share of employment (percent of 2025 total)
<b>Agriculture</b>	3.6	2.8	-809	11	26
<b>Industry</b>	1.3	1.4	90	13	13
<b>Construction</b>	1.1	1.3	170	6	12
<b>Services</b>	4.9	5.4	523	59	50
<b>Total</b>	10.9	10.9	-25.9	89	100

Sources: Haver, HCP, LFS survey and IMF staff calculations.

- **Insufficient private-sector dynamism.** Morocco's productive structure is characterized by a small number of large firms accounting for a disproportionate share of output alongside a predominance of micro and small firms, with relatively few medium-size, scalable firms capable of sustained job creation. Firms employing fewer than 10 people account for an estimated 97 percent of non-agriculture for-profit firms and about 54 percent of employment among such firms (Figure 4). These small, often low-productivity firms have limited capacity to absorb expanding labor supply. According to Morocco's 2023 World Bank Enterprise Survey (WBES), a significant share of firms identifies regulatory constraints as major barriers to business, more so than in peer countries. Firms cite licensing, land access, and labor regulations as key constraints (Figure 5), while regulatory fragmentation and administrative complexity raise entry and scaling costs. In addition, the presence of SOEs in certain sectors may hinder competitive neutrality and private investment when SOEs benefit from preferential treatment, such implicit or explicit state guarantees, preferential access to financing or public contracts, or government transfers that allow some SOEs to operate at a loss. Therefore, addressing such asymmetries can further support private sector development and job creation.

### Annex IX. Figure 2. Morocco: Non-Agriculture For-Profit Enterprises by Size, 2023

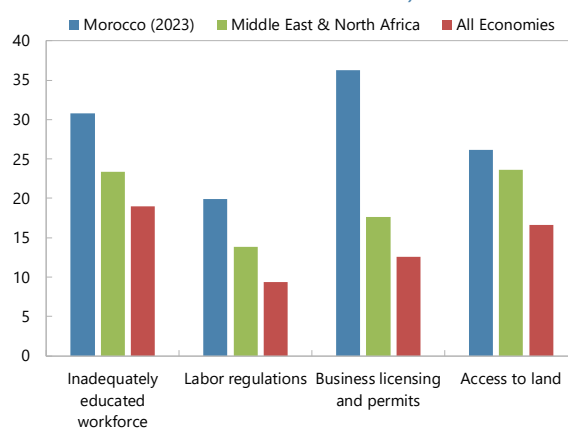


Sources: Recensement General de la Population et de l'Habitat 2024 (CEE 2023/2024).

- Lack of access to finance for SMEs.** According to HCP, in 2023 only 22 percent of firms reported having a bank loan in 2023, and about 77 percent of fixed investment was self-financed. Credit allocation to SMEs is affected by information asymmetries, limited movable collateral frameworks, elevated SME non-performing loans, and scarce equity financing for startups. Strengthening the depth, coverage, and effectiveness of SME financing instruments will be critical to support firm scaling and job creation.
- Skills mismatches.** According to Morocco's 2023 WBES, over 30 percent of formal firms report an inadequately educated workforce as a major constraint—higher than the average in other regions. The coexistence of graduate unemployment and reported skill shortages suggests qualitative mismatches and insufficient work-based learning pathways. Fragmented active labor market programs and limited labor intermediation further constrain matching efficiency.

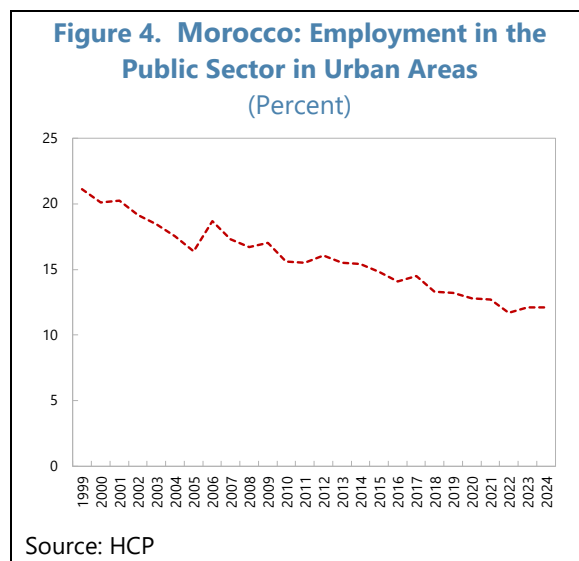
### Annex IX. Figure 3. Morocco: Business Constraints

(Percent of firms reporting as a major or severe constraint)



Sources: Formal Sector Enterprise Surveys, World Bank

- Public sector wage premium and high reservation wages.** The public sector employs 12 percent of the urban labor force ([HCP 2024](#)) and absorbs over 40 percent of graduates in high-skilled occupations ([World Bank, 2022](#)). Public wages are estimated to be two to three times higher than private wages ([Malouche and Partow, 2019](#)). This public sector wage premium suggests that educated youth may prefer to queue for public employment rather than enter the private sector, reducing effective labor supply to private firms and lengthening graduate unemployment spells<sup>2</sup>.
- Barriers to female employment.** Women's ability to participate in formal employment is affected by limited access to affordable childcare, concerns with safety of public transportation (particularly for commuting to industrial zones or urban centers after dark), and lack of flexible work arrangements.



## C. Increasing Employment

**5. The authorities' Job Plan 2030 provides a comprehensive framework to address Morocco's structural employment challenges.** Launched in early 2025, the plan aims to reduce unemployment to 9 percent by 2030. The Plan promotes stronger coordination across the national and local levels, closer collaboration with the private sector in program design, and the extension of active labor market programs to youth without diplomas. The Plan also envisions a modernization of the national employment agency (ANAPEC) and the management of a unified fund for up to half a million beneficiaries annually. The Plan is structured around five axes:

- Private sector investment:** The plan seeks to stimulate labor demand by expanding incentives under the Investment Charter to smaller-scale projects and streamlining business regulations, with an allocation of MAD 12 billion in 2025.
- Human capital and work placement:** A major focus is the scaling and reform of active labor market programs. This involves expanding existing subsidy and training schemes, with a goal of reaching 400,000-500,000 beneficiaries annually.

<sup>2</sup> There is a strong association between NEET status and living with parents, indicating that family support enables prolonged job search or inactivity while "waiting" for the preferred public-sector job ([Alfani et al., 2023](#)).

- **Rural and agricultural labor:** The plan includes measures to safeguard farm jobs, such as maintaining cereal cultivation and launching a digital platform for seasonal work.
- **Female and youth inclusion:** The plan targets barriers to female employment by proposing investments in safer public transport and expanded access to childcare. For youth, it aims to combat school dropout rates through "second-chance" schools and excellence centers.
- **Technical and vocational education and training (TVET) and skills reform:** The TVET system is being modernized by better aligning technical diplomas with professional licenses and building bridges between vocational and academic tracks to reduce the skills mismatch.

**6. The Jobs Plan 2030 appropriately addresses the key structural constraints, and its implementation needs to be supported by reforms that encourage private sector dynamism and improve labor market responsiveness:**

- **A more dynamic private sector.** The Investment Charter, Mohammed IV Investment Fund, TAMWILCOM, and the new Charter for MSMEs are providing more targeted financial and technical assistance to SMEs and startups. Ensuring that these instruments facilitate firm entry and firm growth will maximize their employment impact. Strengthening access to finance and reducing regulatory barriers will help unlock SME job creation. Close monitoring and reporting of employment outcomes will facilitate an assessment of the effectiveness of these incentives.
- **Better skills matching and a more responsive labor market.** Promoting greater partnerships between the TVET industry and the private sector will ensure that training is more directly aligned with market demands. Closer collaboration with employers and stronger work-based learning components will be key to reducing qualitative skill mismatches. Effective targeting and coordination across education, labor, and social policies will be essential to reduce elevated female and youth NEET rates. Complementary reforms are also needed, including in education to address skills mismatches and modernization of the labor code to improve worker conditions and employers' flexibility in managing their workforce.
- **Leveling the playing field between the public and private sectors.** Enhancing competitive neutrality would improve resource allocation and expand space for private-sector-led job creation. It is important to limit state intervention to cases justified by clear public interest and rigorous cost-benefit analysis, remove preferential tax and regulatory treatment for SOEs, and improve SOE performance to gradually phase out budget transfers.
- **Improving resilience of the agriculture sector.** Over the medium-term, the agriculture sector is likely to continue to be affected by droughts. Measures are needed to increase resilience of the sector, including by addressing water scarcity and reducing reliance on rainfed agriculture.
- **Monitoring and evaluation.** Strengthening data analytics and the monitoring and evaluation framework will support a more effective implementation of the reform measures. Disaggregating performance data by gender, age, education level, and region will enable tracking across cohorts

and enable agile, data-driven policy adjustments, while enhancing transparency and accountability. Systematic impact evaluation of major programs would further strengthen evidence-based recalibration.

## Annex X. Revenue Impact of Recent Tax Policy and Revenue Administration Reforms <sup>1</sup>

Revenue growth over the past four years has been exceptional, amounting to an increase of 4.3 percent of GDP between 2021 and 2025. Administrative reforms regarding VAT and corporate income tax account for most of the impact on revenues. The Moroccan authorities are reaping the rewards of several years of efforts, especially in terms of digitalization. Withholding tax has also had a significant impact over the past two years. An important factor in the success has been the consensual, inclusive, and consultative process surrounding tax reforms.

**1. In recent years, large corporate entities have been overwhelmingly compliant with taxation <sup>2</sup> but many medium and small entities remained in a grey zone, representing the tax administration’s main current challenge.** The authorities adopted two main regimes to help formalize individual workers (with mixed success), <sup>3</sup> but their sheer number and that of small and medium businesses poses significant challenges for improving compliance through tax control alone (Annex X. Figure 1), as many have little financial and fiscal literacy and have one foot in the informal sector, declaring only parts of their operations. Yet, all are registered taxpayers (with TIN) and many have repeated contact with the fully formal sector, either as suppliers to large compliant businesses, as importers (controlled by customs), or as beneficiaries of public contracts or through payment from third parties (e.g., public health insurance). Digitalization has made it easier to record their activities, through these contacts with the formal sector.

**Annex X. Figure 1. Morocco: Number of Small Taxpayers**

Turnovers(MAD) / Regime	Number
> 50 M	5,803
10 M to 50 M	17,099
2 M to 10 M	42,104
< 2 M	322,217
Individuals with business income	75,573
Auto-entrepreneur	469,820
Contribution Professionnelle Unique	256,721

Sources: National authorities, IMF staff calculations.

<sup>1</sup> Prepared by Patrick Petit (FAD).

<sup>2</sup> Compliance is generally understood in terms of four obligations: registration, filing, payment and correct reporting. Large Moroccan entities generally meet the first three, but progress could still be made on the last one.

<sup>3</sup> (1) The “Régime de l’Auto-entrepreneur” (Tax Code, Art. 42 bis) was introduced in 2015 as a replacement for the “Régime du forfait”, for single individuals with an industrial, commercial, or artisanal activity (turnovers < 500,000 MAD, 0.5 percent turnovers tax) and services (turnovers < 200,000 MAD, 1 percent turnovers tax). Payment of the tax includes medical coverage.

(2) The “Contribution professionnelle unique” (better known as CPU — see Tax Code, Art. 40) was introduced in 2021 for individuals working in 23 specific service fields (e.g., food stores, barbers, bakers) and applies a 10 percent rate plus an additional fee based on income level (Tax Code, Art. 73) on a tax base calculated as a fraction of turnovers (fraction depends on service field). Payment of the tax includes medical coverage.

**2. Several of these small businesses have adopted tax avoidance practices.** For example:

- (1) Supply of a good or service (with VAT) to a compliant VAT-registered taxpayer, without declaring this transaction to authorities and keeping the VAT as extra profit.<sup>4</sup>
- (2) Using fake invoices from registered but bogus entities created to increase VAT credits.
- (3) Replacing a small firms' employees by many "Auto-entrepreneurs" (self-employed individuals) and thus avoid high wage taxes and social charges, while maintaining health coverage for the workers.
- (4) Not declaring a real estate transaction, declaring it late, or waiting for tax controls to spot it, at which point the revenue from the transaction is already spent, and hence impossible to recover.
- (5) Providing medical or legal services against undeclared cash payments.

**3. Against this backdrop, the most recent tax policy and revenue administration reforms are anchored in the authorities' 2019 National Tax Conference that reoriented their strategy around digitalization and modernizing tax laws and procedures.**<sup>5</sup> The National Tax Conference brought together stakeholders, namely the national and local governments, the business community, unions, academics, international experts, and other members of civil society. The Conseil Économique, Social et Environmental—a constitutionally independent organization accountable to the King and Parliament—played a key role in anchoring tax reforms around national development objectives, heightening reform legitimacy.<sup>6</sup> Results of the Conference were included in a framework law (Loi-cadre 69-19) approved in 2021 (after the COVID crisis and the finalization of the government's "Nouveau Modèle de Développement") which marks a shift towards enhancing efficiency, simplicity and base broadening, in the context of a modern tax administration. Then on, data became the main managerial vector, and this, along with recruitment to improve controls, paved the way for reforms.

**4. Recent progress in data management has offered several ways to counter tax avoidance practices, notably since the full digitalization of taxpayer filing of the Tax and Customs departments in 2017 and 2019, respectively.** First, because all VAT filings are now electronic and input VAT can only be credited if the supplier (and the total amount of the transactions for the month concerned with that supplier) is explicitly identified with its TIN, the tax administration can identify which suppliers never file or under report. Second, transactions with Auto-entrepreneurs need to be registered, by themselves (with client's TIN) and the client (with the

<sup>4</sup> Or worse, using the VAT as a margin, which puts the fraudulent supplier at a competitive advantage against compliant ones.

<sup>5</sup> For a discussion of earlier reform efforts, see: Mansour, M., A. Joustens and M. Kidd, "L'évolution récente des recettes: analyse et implications pour la politique fiscale," Fiscal Affairs Department, International Monetary Fund, 2009.

<sup>6</sup> See: (1) Conseil Économique et Social, "Le système fiscal marocain: développement économique et cohésion sociale," Auto-saisine 9/2012, 2012, and (2) Conseil Économique, Social et Environnemental, "Un Système Fiscal, pilier pour le Nouveau Système de Développement," Auto-Saisine 39/2019, 2019.

Auto-entrepreneur's TIN — otherwise the expense cannot be deducted) and identifying which ones are economically employer-employee relationship becomes possible (although wider problems with these small taxpayers' regime remain). Third, the authorities now have access to property transactions data from the *Agence Nationale de la Conservation Foncière* and can rapidly identify transactions and tax them through withholding by notaries. Fourth, non-doctors can now incorporate medical clinics (and hence a vast expansion of the sector), and many doctors are now paid by these clinics or by public health insurance, and withholding on doctors' honorariums can now be enforced. There are many more examples of what large-scale data gathering can achieve.

**5. In line with the *Loi-cadre 69-19*, the authorities have introduced a series of tax policy and tax administration measures since 2021.** CIT (2023) and VAT (2024) rates were streamlined, PIT (2025) was lowered for most individuals through changes in rates, base and allowances, and VAT was adapted to tax e-commerce, notably. However, most measures exploit new data capabilities to support the formalization of small taxpayers, notably through withholding of VAT and CIT (measures in bold in Table AX.1).

**6. Tax administration measures had significant revenue impact while tax policy measures improved the tax system.** The impact of rate convergence for CIT and VAT is difficult to calculate, but the authorities believe that the revenue impact of increasing and lowering rates to achieve convergence has cancelled out. PIT reforms have cost 7.3 billion MAD (0.5 percent of GDP), but this has been more than compensated by a tax on repatriated foreign cash assets, which had most of its effect in December 2024 and January 2025 (6.5 billion MAD, 0.4 percent of GDP), and by a PIT control for a large taxpayer (1.9 billion MAD, 0.1 percent of GDP). While the revenue gains related to digitalization and VAT and CIT withholding are difficult to assess, there are plenty of indices they are substantial. Figure AX.4 shows a clear shift over 2021-2025 leading to an extra 4.3 percent of GDP in tax revenue, suggesting that the impact digitalization efforts became apparent after the COVID crisis—in fact, the COVID crisis might have first masked the impact of the reform, before strengthening data-based management out of necessity, and hence the sense of a post-COVID overperformance. Interestingly, the revenue surge came two years before the withholding measures (2023 and 2024), supporting the idea of broader underlying structural changes. Quantifying the impact of revenue administration measures on base broadening though remains much more difficult and uncertain than for a rate increase on a known base, and hence systematic undershooting of revenue forecasts. The CIT and VAT indices do show an extra pick up in 2024 and 2025, with VAT withholding (starting in July 2024) accounting for 6.7 billion MAD (0.4 percent of GDP) and CIT and PIT withholding (rental income, etc.) for another 2.1 and 1.1 billion MAD respectively (together 0.2 percent of GDP) in 2025.

Annex X. Table 1. Morocco: Main Recent Tax Measures<sup>1</sup>

2021	<ol style="list-style-type: none"> <li>1. Insurance firms are excluded from Casablanca Finance City (a tax incentives scheme).</li> <li>2. Creation of the <i>Contribution Professionnelle Unique</i>.</li> <li>3. <b>Blacklisting of suppliers emitting non-conform or fake invoices.</b></li> </ol>
2022	<ol style="list-style-type: none"> <li>1. <b>Cash payments of more than 20,000 MAD bear a 6% fine. Tax deductible payments are limited for cash transactions to 5000 MAD per day (or 50,000 MAD per month) per supplier.</b></li> </ol>
2023	<ol style="list-style-type: none"> <li>1. CIT rates are unified over 2022-2026 to three rates (including for special economic zones): <ol style="list-style-type: none"> <li>a. 20% for taxable income of less than 100 M MAD;</li> <li>b. 35% for taxable income of more than 100 M MAD (no progressivity);</li> <li>c. 40% for banks and insurance.</li> </ol> </li> <li>2. <b>IS withholding at source of 5% on payment to corporations, from State, regional entities, SOEs and their branches for fees, commissions, brokerage fees and other payments of similar nature.</b></li> <li>3. <b>Withholding at source to implement global income tax, and obligation to file for the following types of revenue: (a) Rental income; (b) Buyback of contributions and premiums related to retirement insurance; (c) Professional fees; (d) Revenue from agriculture over 5 M MAD.</b></li> <li>4. <b>Withholding of 30 percent on "Auto-entrepreneur" who work for the same client for over 80,000 MAD.</b></li> <li>5. <b>New tax regime for lawyers based on tax installments.</b></li> <li>6. <b>The Tax Department obtains capacity to access information from other public sector organizations.</b></li> </ol>
2024	<ol style="list-style-type: none"> <li>1. VAT rates are standardized to two rates (10% and 20%) over a period of three years.</li> <li>2. Repatriation of unregistered foreign assets is allowed, subject to a 5% tax (<i>contribution libératoire</i>).</li> <li>3. <b>Income of artist subject to a 30 percent withholding at source, after a 50 percent allowance is applied.</b></li> <li>4. <b>Introduction of an optional reverse charge system for transactions with non-VAT, or exempt suppliers.</b></li> <li>5. <b>100% VAT withholding by VAT-registered clients on their VAT-registered suppliers of equipment goods and works who cannot show that they have been tax compliant in the past 6 months.</b></li> <li>6. <b>75% VAT withholding by the state, territorial govt, public establishments and SOEs, as well as by VAT registered entities transacting specific services with a VAT registered physical person (VAT withholding is 100% if the supplier cannot show they have been tax compliant for past 6 months).</b></li> <li>7. <b>Inclusion of a framework for self-identification and reporting of non-resident suppliers of online services to VAT non-registered taxpayers (small businesses and consumers) on a platform.</b></li> <li>8. <b>Introduction of a principle of solidarity between management (individuals) and managed firm regarding collected VAT not paid to the treasury (i.e., managers are personally held responsible for VAT fraud).</b></li> <li>9. <b>All property registration acts are subject to withholding of all due taxes by the notary.</b></li> </ol>
2025	<ol style="list-style-type: none"> <li>1. Changes to the PIT schedule result in an across-the-board tax decrease. Tax credits for dependents increased from 360 to 500 MAD per dependent and to 600 in 2026 (max 6 dependents).</li> <li>2. <b>New regime for rental revenue through final withholding at source of 20 percent.</b></li> <li>3. <b>Withholding at source of 30% on gains from lotteries and gaming.</b></li> <li>4. <b>Obligation to use electronic payments to pay for customs duties.</b></li> </ol>
2026	<ol style="list-style-type: none"> <li>1. <b>Extension of withholding at source of VAT and IS (5%) to services (fees, commissions, brokerage, etc.) to morale persons by (1) insurance and reassurance companies, (2) businesses with turnovers above 500 M MAD from July 2026 / 350 M MAD in 2027, and 200 M MAD from 2028.</b></li> <li>2. <b>Obligation to pay taxes on property transactions within 30 days of the transaction.</b></li> <li>3. <b>Extension of reverse charging to recycling of industrial scraps.</b></li> </ol>

Sources: Authorities, IMF staff.

1/ All measures in bold are either data or withholding-related.

**7. Estimates suggest that most of the revenue gains since 2021 can be imputed to revenue reforms.** To take into account the role of economic growth on revenue performance, we compare the 2015-2019 and 2021-2025 periods, to avoid the impact of the COVID crisis (Annex IX, Figure 2). Assuming "tax elasticities"<sup>7</sup> calculated over 2015-2019 and using the growth of 2021-2025, we can calculate what revenue would have been expected without the reforms and compare it to

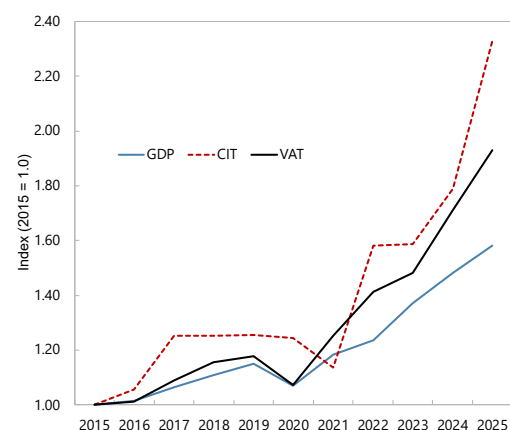
<sup>7</sup> This ratio is not a proper tax elasticity, but it provides some idea of responsiveness to economic growth.

actual revenue. Overall, and although this remains an imprecise estimate, 2.5 percent of the 4.3 percent of GDP revenue increase is unexplained by economic growth and can thus be imputed to reforms (Annex X. Figure 3).

### 8. While it is too early to provide a full assessment of Morocco's recent tax reform, some tentative conclusions emerge.

First, economic growth alone cannot explain recent performance, and reforms appeared to have played a strong role. Second, withholding at source for VAT and CIT builds on, and is made possible by digitalization, whose impact is apparent from 2021. Third, current improvements in terms of revenue level (as a share of GDP) will likely not fade away, but revenue growth should rapidly resume on a path closer to nominal GDP growth, as reforms settle in. Fourth, many usual side-effects of withholding are yet to be observed, but so far, there is little evidence of them, notably regarding VAT credits<sup>8</sup>. Fifth, while withholding provides a convenient way to weave in at a small administrative cost for the authorities a myriad of small taxpayers in the tax system, it remains a short-term solution to a broader compliance problem. While it is a convenient means to broaden the tax system, it is not an end in itself and should be used for fostering self-assessment, notably given its high conformity costs for taxpayers.

**Annex X. Figure 2. Morocco: GDP, CIT and VAT Over 2015–2025**



Sources: National authorities, and IMF staff calculations.

**Annex X. Table 2. Morocco: GDP Growth and the Impact of Reforms**

	2015	2019	2019/2015	2021	2025	2025/2021	Expected 2025 1/	Unexplained /2	Unexplained / GDP (%)
CIT	41,506.0	52,103.0	1.26	47,144.0	96,661.0	2.05	68,783.0	27,878.0	1.6
VAT	74,637.0	87,841.1	1.18	93,421.8	143,917.8	1.54	127,789.3	16,128.5	0.9
GDP	1,078,119.0	1,239,836.0	1.15	1,276,563.0	1,706,249.8	1.34			

Source: Authorities, IMF staff calculation.

1/ (Tax 2019 to 2015 ratio) / (GDP 2019 to 2015 ratio) X GDP (2025 to 2021 ratio) X Tax 2021. E.g. for CIT: 1.26 / 1.15 X 1.34 X 47,144.0

2/ Tax 2025 - Expected 2025.

Sources: National authorities, and IMF staff calculations.

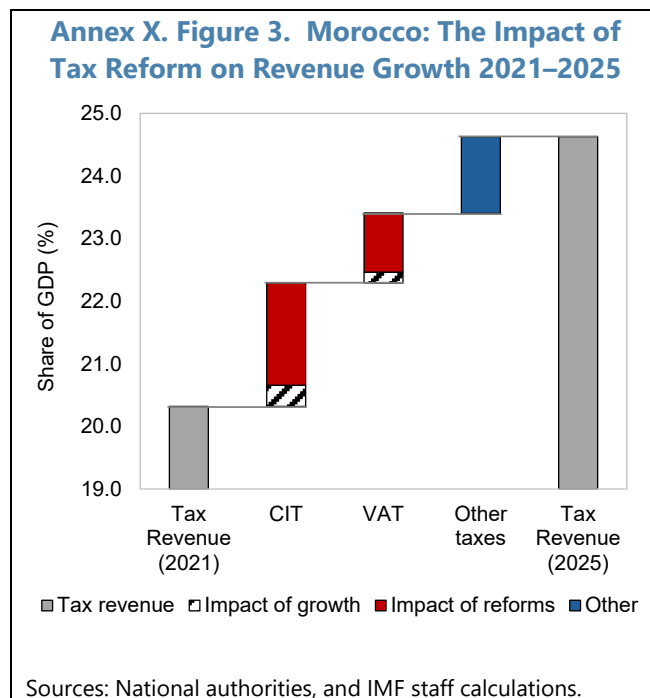
<sup>8</sup> VAT credits usually increase with VAT withholding, as withheld entities have input VAT greater than their output VAT. The authorities argue that this phenomenon is limited as most withheld entities provide services, for which the little input VAT. The private sector broadly corroborates, and preliminary data supports this view, but the extension of withholding from July 2026 (see Figure AX.3) brings worries on that count.

**9. This suggests that most of the recent revenue gain is a permanent increase in the revenue level.**

Recent reforms are firmly anchored in improved control of the tax base through digitalization, which also supports VAT and CIT withholding. Indeed, and in contrast with other such withholding schemes, VAT withholding in Morocco is accompanied by data collection on the withheld taxpayer (TIN, transaction amounts), thus supporting base expansion and tighter control. Besides the immediate impact on VAT revenue (e.g., higher VAT from suppliers, higher value added due to less fake invoices), this also had an important indirect impact on CIT (in addition to CIT withholding), as taxpayers know that the administration is in a better position to reconstitute their turnovers.

In this respect, the impact of recent reforms was most felt among taxpayers whose turnovers were partly in the informal sector, as the authorities could better grasp the extent of their activities. The decrease in the CIT rate to 20 percent has also mitigated the impact of improved compliance, while more numerous and better-informed controls have increased the cost of non-compliance. While the impact of the recent strong economic growth will resorb and taking into account greater difficulties in increasing further the tax base, it remains that most of the recent gains are unlikely to vanish.

**10. Beyond this, Morocco offers a broader lesson on tax reform and the importance of having a consensual, inclusive, and consultative process.** Recent revenue performance builds on past efforts, and to stay the course of reforms over the long run, the Moroccan authorities have developed specific processes and institutions. Framework laws provide visibility and political legitimacy to reforms, as well as bureaucratic and political protection to those promoting them. The national tax conferences offer a second layer of support by channeling input from civil society. The *Conseil Économique, Social et Environmental* helps linking the reforms to the national development plan and carries the implicit support of the Head of the State. As reforms are set into law, progress is also assessed by the *Cour des Comptes*, and hence additional pressure for implementation. Finally, and beyond the law, the Constitution also makes clear references to the ability to pay principle (art. 39) and provides further guidance for tax reforms.





# MOROCCO

March 5, 2026

## STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION AND REVIEW UNDER THE FLEXIBLE CREDIT LINE ARRANGEMENT—INFORMATIONAL ANNEX

Prepared By

The Middle East and Central Asia Department  
(in consultation with other departments)

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## RELATIONS WITH THE FUND<sup>1</sup>

**Membership Status:** Joined: April 25, 1958; Article VIII.

<b>General Resources Account:</b>	<b>SDR Million</b>	<b>%Quota</b>
<u>Quota</u>	894.40	100.00
<u>IMF's Holdings of Currency (Holdings Rate)</u>	744.79	83.27
<u>Reserve Tranche Position</u>	150.08	16.78

<b>SDR Department:</b>	<b>SDR Million</b>	<b>%Allocation</b>
<u>Net cumulative allocation</u>	1,418.66	100.00
<u>Holdings</u>	1,495.83	105.96

<b><u>Outstanding Purchases and Loans:</u></b>	<b>SDR Million</b>	<b>%Quota</b>
RSF Arrangements	937.50	104.82

### **Latest Financial Commitments:**

#### **Arrangements:**

<u>Type</u>	<u>Date of Arrangement</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
FCL	Apr 02, 2025	Apr 01, 2027	3,450.00	0.00
RSF	Sep 28, 2023	Apr 02, 2025	1,000.00	937.50
FCL	Apr 03, 2013	Apr 02, 2025	3,726.20	0.00

### **Overdue Obligations and Projected Payments to Fund <sup>1/</sup>**

**(SDR Million; based on existing use of resources and present holdings of SDRs):**

	<u>Forthcoming</u>				
	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Principal					
Charges/Interest	<u>34.22</u>	<u>34.19</u>	<u>34.20</u>	<u>34.17</u>	<u>34.19</u>
<b>Total</b>	<u>34.22</u>	<u>34.19</u>	<u>34.20</u>	<u>34.17</u>	<u>34.19</u>

<sup>1/</sup> When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

**Implementation of HIPC Initiative:** Not Applicable

**Implementation of Multilateral Debt Relief Initiative (MDRI):** Not Applicable

**Implementation of Catastrophe Containment and Relief (CCR):** Not Applicable

<sup>1</sup> Financial Position in the Fund for Morocco as of January 31, 2026.

## Exchange Rate Arrangements

Morocco's de jure and de facto exchange rate system is a pegged exchange rate within horizontal bands. As part of a gradual and orderly transition to a more flexible exchange rate regime, the authorities further broadened the dirham's fluctuation band to  $\pm 5$  percent on March 6, 2020 (from  $\pm 2.5$  percent) on either side of a reference parity, based on a Euro/US dollar basket with respective weights of 60 and 40 percent.

BAM intervenes in the market to maintain the exchange rate within its target range, defined around a fixed central rate. Rates for most currencies quoted in Morocco are established based on the daily dirham-euro rate and the cross rates for those currencies in relation to the euro in the international exchange markets. Morocco has accepted obligations under Article VIII, Sections 2, 3, and 4, of the IMF's Articles of Agreement and maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions, except for restrictions that Morocco maintains solely for the preservation of national or international security and have been notified to the Fund pursuant to Executive Board Decision 144 (52/51). Capital controls are currently in place in Morocco, but are in the process of being loosened (e.g. lower surrender requirements for exports and higher ceilings for direct investments of residents, particularly for investments in Africa and in the financial sector). As of February 23, 2026, the USD/dirham exchange rate was USD 1=DH 9.18.

## Article IV Consultation

Morocco is on the standard 12-month cycle. The last Article IV consultation was concluded by the Executive Board on March 18, 2025. The discussions for the 2026 consultation were held during January 29–February 11, 2026.

## Technical Assistance

Table 1. Morocco: Technical Assistance

Dept.	TA	Start Date	End Date
MCM	Morocco-MCMCO-Monetary Policy Implementation-MRI-FY25-1	09 March 2026	20 March 2026
ICD	Morocco - Macroeconomic Frameworks (DDT) - Ministry of Economy and Finance	16 February 2026	20 February 2026
MCM	Morocco-MCMFR-Financial Supervision and Regulation-Cyber Workshop - CRS-FY25-1	15 February 2026	19 February 2026
FAD	Morocco - FAD - Revenue Administration	09 February 2026	17 February 2026
MCM	Morocco - Financial Supervision and Regulation	12 January 2026	16 January 2026
FAD	Morocco-STARE-Environment and Climate Change Statistics-ECS-FY26-1	06 January 2026	12 January 2026
FAD	Morocco-PFM-Fiscal Risks	08 December 2025	19 December 2025
FAD	Morocco - FAD - Revenue Administration	01 December 2025	10 December 2025
MCM	Morocco-MCMDM-Medium-Term Debt Management Strategy (MTDS)-MTD-FY25-1	01 December 2025	05 December 2025
MCM	Morocco - Financial Supervision and Regulation	27 October 2025	31 October 2025
FAD	Morocco - FAD - Revenue Administration	30 September 2025	13 October 2025
ICD	Morocco - Macroeconomic Frameworks (DDT) - Ministry of Economy and Finance	16 June 2025	20 June 2025
FAD	Morocco-FAD-PFM-Internal Control framework	23 May 2025	30 May 2025
STA	Morocco-STAGO-Government Finance-SGF-FY24-1	01 May 2025	30 April 2026
MCM	Morocco - Financial Supervision and Regulation	01 May 2025	31 December 2025
MCM	Morocco-MCMCO-Monetary Policy Implementation-MRI-FY25-1	01 May 2025	30 April 2026
FAD	Morocco - FAD - Revenue Administration	21 April 2025	30 April 2025
MCM	Morocco - Financial Supervision and Regulation	04 February 2025	07 February 2025
MCM	Morocco-MCMCO-Monetary Policy Implementation-MRI-FY25-1	27 January 2025	06 February 2025
FAD	Morocco - FAD - Revenue Administration	27 January 2025	31 January 2025
MCM	Morocco - Financial Supervision and Regulation	20 January 2025	31 January 2025
MCM	Morocco - Financial Supervision and Regulation	21 October 2024	25 October 2024
MCM	Morocco-MCMCO-Central Bank Operations-FXM-FY23-1	14 October 2024	18 October 2024
MCM	Morocco-MCMFR-Financial Supervision and Regulation-Cyber Workshop - CRS-FY25-1	07 October 2024	10 October 2024
MCM	Morocco - Financial Supervision and Regulation	07 October 2024	11 October 2024
MCM	Morocco - Financial Supervision and Regulation	16 September 2024	27 September 2024
MCM	Morocco-MCMCO-Central Bank Operations-FXM-FY23-1	16 September 2024	20 September 2024
FAD	Morocco - FAD - Revenue Administration	15 July 2024	24 July 2024
STA	Morocco-STAGO-Government Finance-SGF-FY24-1	01 May 2024	30 April 2025
STA	Morocco-Balance of Payments	29 April 2024	10 May 2024
FAD	Morocco-FAD-PFM-Internal Control framework	15 April 2024	24 April 2024
MCM	Morocco - Financial Supervision and Regulation	15 April 2024	19 April 2024
MCM	Morocco - Financial Supervision and Regulation	09 April 2024	11 April 2024
FAD	Morocco-FAD-MTFF and Fiscal Rule	15 February 2024	26 February 2024
FAD	Morocco-FAD-MTFF and Fiscal Rule	15 February 2024	28 February 2024
FAD	Morocco - FAD - Revenue Administration	12 February 2024	14 February 2024
FAD	Morocco - FAD - Revenue Administration	12 February 2024	23 February 2024
FAD	Morocco - FAD - Revenue Administration	05 February 2024	14 February 2024

<b>Table 1. Morocco: Technical Assistance (concluded)</b>			
<b>Dept.</b>	<b>TA</b>	<b>Start Date</b>	<b>End Date</b>
MCM	Morocco - Financial Supervision and Regulation	15 January 2024	19 January 2024
FAD	Morocco-FAD-MTFF and Fiscal Rule	06 December 2023	06 December 2023
MCM	Morocco - Financial Supervision and Regulation	06 November 2023	30 April 2024
MCM	Morocco Central Bank Digital Currency Issuance	28 July 2023	30 September 2023
MCM	Morocco Central Bank Digital Currency Issuance	01 June 2023	31 December 2023
MCM	Morocco Central Bank Digital Currency Issuance	01 June 2023	27 July 2023
MCM	Morocco Central Bank Digital Currency Issuance	01 June 2023	30 April 2024
FAD	Morocco - FAD - Revenue Administration	03 April 2023	14 April 2023
FAD	Morocco-FAD-MTFF and Fiscal Rule	30 January 2023	10 February 2023
FAD	Morocco - FAD - Revenue Administration	12 January 2023	20 January 2023
FAD	Morocco - FAD - Revenue Administration	09 January 2023	13 January 2023
MCM	Morocco - Financial Supervision and Regulation	14 November 2022	17 November 2022
MCM	Morocco - Financial Supervision and Regulation	09 November 2022	11 November 2022
FAD	Morocco-FAD-PFM-Internal Control framework	20 October 2022	31 October 2022
MCM	Morocco-MCMCO-Central Bank Operations-FXM-FY23-1	07 September 2022	20 September 2022
FAD	Morocco-FAD-MTFF and Fiscal Rule	07 July 2022	07 July 2022
FAD	Morocco-FAD-MTFF and Fiscal Rule	05 July 2022	05 July 2022
MCM	Morocco - Financial Supervision and Regulation	20 June 2022	24 June 2022
FAD	Morocco-FAD-PFM-Internal Control framework	19 May 2022	08 June 2022
MCM	Morocco - Financial Supervision and Regulation	01 May 2022	31 October 2022
FAD	Morocco - FAD - Revenue Administration	18 April 2022	28 April 2022
STA	Morocco-Financial Institutions	28 March 2022	08 April 2022
FAD	Morocco - FAD - Revenue Administration	14 March 2022	25 March 2022
MCM	Morocco Central Bank Digital Currency Issuance	15 December 2021	31 March 2022
ICD	Morocco — Macroeconomic Frameworks TA — Bank Al-Maghrib	05 November 2021	29 April 2022
FAD	Morocco-FAD-PFM-Internal Control framework	09 September 2021	22 September 2021
FAD	Morocco-FAD-PFM-Internal Control framework	09 September 2021	27 October 2021
ICD	Morocco — Macroeconomic Frameworks TA — Bank Al-Maghrib	23 August 2021	10 September 2021
MCM	Morocco - Financial Supervision and Regulation	25 June 2021	27 July 2021
MCM	Morocco - Financial Supervision and Regulation	22 June 2021	27 July 2021
FAD	Morocco-FAD-PFM-Internal Control framework	20 May 2021	25 May 2021

## FSAP Update

The latest update of the Financial Sector Assessment Program was performed in April 2015. The findings were discussed with the authorities during the October/November 2015 Article IV mission and discussed by the Board on December 14, 2015. Continued progress is being made to upgrade the financial sector policy framework in line with the 2015 FSAP recommendations. An FSAP update is tentatively scheduled for end of 2026.

**Safeguard Assessment**

The 2019 assessment found strong safeguards at the central bank. Steps taken by BAM to enhance financial reporting transparency have laid the groundwork for the transition to International Financial Reporting Standards (IFRS), which is planned in accordance with the timelines of the national convergence project in Morocco. This project, which faced some COVID-19 related delays, is nonetheless ongoing. A conceptual framework has been defined, and concerned parties have provided feedback on a draft Accounting Code. Consultations for the adoption timeline are in progress and implementation is expected in 2027. Safeguards procedures in the context of Morocco's 2025 FCL arrangement were completed recently and indicate no significant issues.

**Resident Representative:** None

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As of February 2026

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# MOROCCO

March 17, 2026

## STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION AND REVIEW UNDER THE FLEXIBLE CREDIT LINE ARRANGEMENT—SUPPLEMENTARY INFORMATION

Approved By  
**Taline Koranchelian (MCD)**  
and  
**Geremia Palomba (SPR)**

Prepared by the Middle East and Central Asia  
Department (MCD) in consultation with the Strategy,  
Policy, and Review Department (SPR).

*This supplement provides updated information on developments since the issuance of the staff report (EBS/26/15) on March 9, 2026, and an updated scenario with staff's initial assessment of the potential impact of the ongoing conflict in the Middle East on Morocco. The additional information does not alter the thrust of the staff appraisal.*

**1. The ongoing conflict in the Middle East affects Morocco mainly through its impact on global commodity markets and on Morocco's economic partners, amid heightened global uncertainty.**<sup>1</sup> The conflict is affecting energy and fertilizer markets—both prices and volumes—which may also translate into higher international food prices. The main channels through which Morocco would be affected include:

- **Energy imports.** Higher energy prices would raise Morocco's import bill. In 2025, energy imports amounted to 6.3 percent of GDP. Morocco imports refined petroleum products (one quarter of which is from GCC countries), natural gas (mainly from the United States and Spain), and coal (mainly from the United States). Electricity generation relies on coal (60 percent), petroleum products (13 percent), and renewable energy (27 percent).
- **Phosphate and fertilizer exports.** While higher international prices for fertilizers would raise Morocco's phosphate-based fertilizer export receipts, the gains would be partially offset by increased costs of imported inputs (including ammonia and sulfur) and any disruptions to supply chains. Phosphates and derived products amounted to 5.8 percent of GDP in 2025.

<sup>1</sup> Shipping and logistics disruptions could temporarily weigh on trade flows. According to PortWatch data, since 2019, about 5 percent of Morocco's inbound/outbound cargo capacity was from/to ports in the Middle East.

- **Food imports.** Higher food prices would raise Morocco's import bill. In 2025, Morocco imported 5.5 percent of GDP in food products, including wheat, sugar and corn (14.5 percent, 7.1 percent, and 6.7 percent of total food imports, respectively). At the same time, Morocco's food exports (including fresh fruits and vegetables) amounted to 4.8 percent of GDP in 2025.
- **Other flows.** The impact on tourism, remittances, and foreign direct investment (FDI) flows—which are mainly from Europe, and to a much lesser extent the Middle East—will depend on economic conditions in source countries and foreign investor sentiment in the context of high global uncertainty. Tourism receipts amounted to about 7 percent of GDP in 2024, originating mostly from Europe while the Middle East represented only 0.3 percent of GDP. Remittances amounted to 7.2 percent of GDP in 2025, of which Europe accounted for about two-thirds and GCC countries less than 20 percent (about 1.3 percent of GDP). FDI inflows were 3.3 percent of GDP in 2025, mainly from France (27 percent of total in 2023), the UAE (17 percent), and Spain (9 percent).

**2. The economic impact of the conflict on Morocco will depend on the severity and the duration of the disruptions.** Based on revised global assumptions—that incorporate the potential impact of the conflict in the Middle East on global commodity markets and projected limited effects on Morocco's major economic partners (including European countries)—, staff's updated scenario in this Supplement provides an initial assessment of the potential impact of the conflict on the Moroccan economy. The revised oil and gas price assumptions are broadly consistent with closing future prices in mid-March 2026 (including Brent oil prices of about USD 80 per barrel in 2026, compared to USD 67 in the Staff Report (SR) baseline). The updated scenario assumes that automatic fiscal stabilizers operate, though it does not incorporate additional policy responses that the authorities may undertake to mitigate this impact. While staff's updated scenario indicates that the negative impact of the conflict would peak in 2026 and weaken Morocco's external balances and growth compared to the SR baseline, the effects are manageable and much less severe than the adverse sensitivity analysis discussed in paragraph 11 of the SR (Table 1). Nevertheless, the situation remains very fluid and the impact on Morocco could be amplified if the conflict and associated disruptions were to be deeper and long-lasting—especially if there were a downturn in European countries.

- **Current account balance.** Higher international fuel and food prices in 2026 (by about 20 percent and 3 percent respectively, compared to the SR baseline) would widen the current account deficit by USD 1.4 billion or 0.9 percentage points of GDP compared to the SR baseline. The larger energy and food import bill (1.8 percent of GDP) would be partly offset by higher export receipts from phosphates and fertilizers (0.6 percent of GDP) and food (0.3 percent of GDP). The services surplus would fall by 0.1 percent of GDP reflecting fewer tourists from the Middle East, and remittances would fall by 0.1 percent of GDP reflecting lower inflows from the Middle East. At the same time, weaker domestic demand induced by higher inflation (see below) and lower real incomes would compress non-energy imports, while some exchange rate depreciation would improve price competitiveness and dampen import volumes. As a result, the deterioration in the current account balance would be smaller than the mechanical increase in the energy import bill alone.

- **External financing.** So far, Morocco's sovereign spreads have remained contained. Exposure through higher external borrowing costs is expected to be limited. Only about 20 percent of the central government's gross financing needs in 2026 are in foreign currency (1.9 percent of GDP). Moreover, around two-thirds of external public debt—including SOEs—is from official multilateral and bilateral creditors. In addition, short-term amortizations ( $\leq 1$  year) amounted to only 6 percent of total external debt in 2025. Higher global uncertainty may lead foreign firms to delay or scale back planned investments, which would reduce Morocco's net FDI by 0.3 percent of GDP in 2026 compared to the SR baseline. Morocco's relatively closed capital account would further dampen the transmission of global financial shocks by containing capital flow volatility.
- **Inflation.** Retail gasoline and diesel prices have been fully liberalized since December 2015. Therefore, higher international food and fuel prices would raise inflation by about 0.5 percentage points in 2026 compared to the SR baseline, resulting from both direct (higher food, fuel, and transport prices) and indirect (increased production and distribution costs across goods and services) channels. The pass-through to inflation of possible dirham depreciation (as the current account deficit widens) is expected to be modest.
- **Fiscal balance.** The impact on the central government overall fiscal deficit is expected to be limited, with the fiscal deficit widening by about 0.05 percent of GDP in 2026 compared to the SR baseline because higher spending pressures are offset by higher fuel-related revenues. Spending pressures amounting to 0.3 percent of GDP would emerge, linked to higher cost of subsidies (butane gas, basic food staples), transfers to state-owned enterprises that are providing public services at fixed tariff rates (electricity, some transportation), and social spending (cash transfers). Although weaker economic activity would reduce some revenue categories, key tax heads (income taxes and VAT outside of fuel) are expected to remain broadly flat as a percentage of GDP. At the same time, higher energy import values and dirham depreciation would raise VAT and excise revenues by about 0.26 percent of GDP. Overall, total revenues would be higher by 0.25 percent of GDP compared to the SR baseline. Central government debt would rise by 0.1 percent of GDP in 2026 compared to the SR baseline.
- **GDP growth.** Higher energy prices and greater uncertainty would deteriorate the terms of trade, erode households' real disposable income and consumption, and reduce private investment. This would weaken real GDP growth in 2026 by 0.5 percentage points compared to the SR baseline.

**Table 1. Morocco: Potential Impact of the Ongoing Conflict in the Middle East**

	2025 est.	2026 Updated Scenario	2026 SR Baseline Scenario	2026 SR Adverse Sensitivity Analysis	Difference 2026 Updated Scenario and SR Baseline Scenario	Difference 2026 Updated Scenario and SR Adverse Sensitivity Analysis
Real GDP (annual percentage change)	4.9	4.4	4.9	3.3	-0.5	+1.1
Inflation (p.a. percent)	0.8	1.6	1.2	1.6	+0.5	0.0
Fiscal balance (percent of GDP)	-3.5	-3.4	-3.4	-3.6	-0.05	+0.15
Central government debt (percent of GDP)	67.1	65.9	65.7	67.1	+0.1	-1.2
Current account balance (percent of GDP)	-2.1	-3.3	-2.5	-5.2	-0.9	+1.9
Current account balance (billions of US dollars)	-3.8	-6.4	-4.9	-9.8	-1.5	+3.4
Gross reserves (billions of US dollars)	48.6	49.4	52.6	...	-3.2	...
Gross reserves (percent of the adjusted ARA metric)	134.2	127.4	133.1	...	-5.8	...

Sources: Bank Al-Maghrib; Ministry of Economy and Finance; Office des Changes; HCP; and IMF staff estimates.

Note: As of March 15, 2026.

### 3. Morocco's very strong economic fundamentals, institutions, policy frameworks, and policy buffers give the authorities room to address the ongoing shock and mitigate the growth impact.

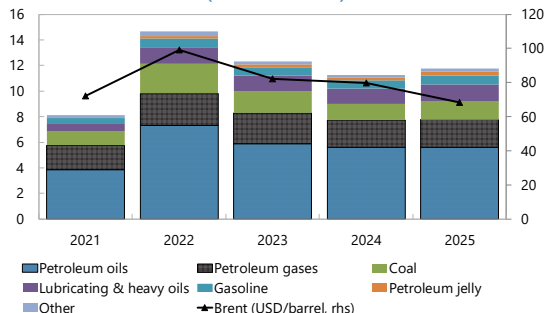
Staff assesses that Morocco continues to meet the qualification criteria for the Flexible Credit Line (FCL) arrangement. Morocco has ample buffers to address the shocks in the updated scenario. The FCL provides additional room to absorb more severe shocks than those in the updated scenario.

- **Exchange rate and international reserves.** Morocco's exchange rate band provides some room to absorb external pressures (with total band width of 10 percent). In addition, Morocco's strong reserve position—with reserves of USD 48.6 billion at 134.2 percent of the adjusted metric at end-2025 (compared to 121.9 percent projected in the FCL request)—and possible access to the FCL constitute ample buffers to address potential external financing needs.
- **Fiscal policy.** Morocco has the fiscal space to allow automatic stabilizers to function. Fiscal policy should protect the most vulnerable through targeted and temporary cash transfers—using the Unified Social Registry—while limiting and gradually phasing out subsidies and sector-specific financial support.
- **Monetary policy.** In the context of subdued inflation in recent months and anchored inflation expectations, the policy response would likely depend on the persistence of the shock and whether it feeds into core inflation and inflation expectations. If inflation expectations were to rise, Bank Al-Maghrib may need to raise policy rates to keep inflation expectations anchored.

**Figure 1. Morocco: Exposure to Conflict in the Middle East**

Morocco imports refined petroleum products.

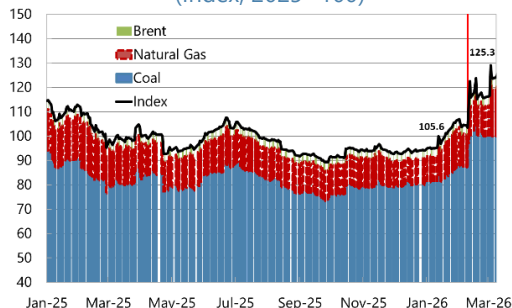
**Morocco: Energy Imports, 2021–2025**  
(USD billions)



Sources: Office des Changes and IMF staff calculations.

Despite the rise in renewables, electricity generation still relies on imported coal and petroleum products.

**Index of Fossil Fuel Import Cost for Power Generation**  
(Index, 2025=100)

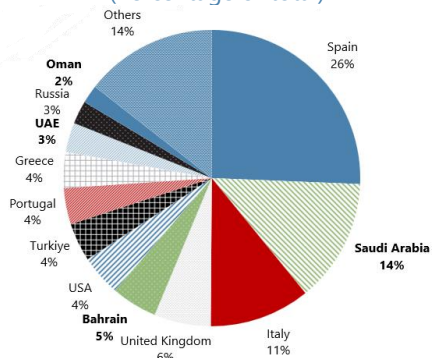


Sources: Datastream and IMF staff calculations, as of March 15<sup>th</sup>, 2026.

Note: Price index weighted by share of different fuels in electricity production (Coal: 81.8%, Gas: 13.5%, Fuel: 4.7%)

A quarter of petroleum product imports are sourced from GCC countries...

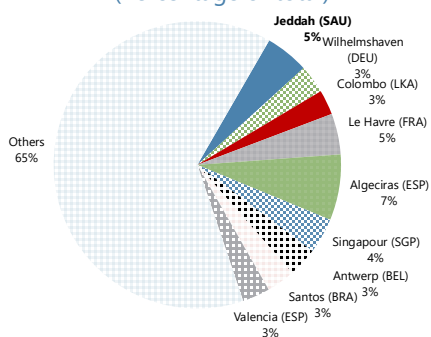
**Morocco: Origin Country of Refined Petroleum Imports, 2023–2024**  
(Percentage of total)



Source: Atlas of Economic Complexity.

Since 2019, about 5 percent of the cargo capacity destined for Morocco originated from GCC countries...

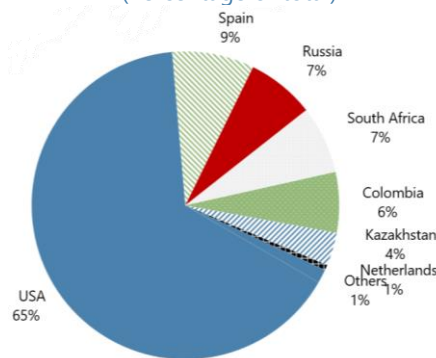
**Cargo to Morocco, Previous Port, 2019–Today**  
(Percentage of total)



Source: PortWatch.

...while Morocco imports coal mainly from the United States.

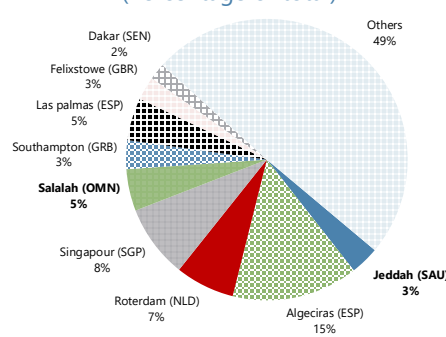
**Morocco: Origin Country of Coal Imports, 2023–2024**  
(Percentage of total)



Source: Atlas of Economic Complexity.

While less than 5 percent of the outbound capacity was destined for GCC countries.

**Cargo from Morocco, Next Port, 2019–Today**  
(Percentage of total)

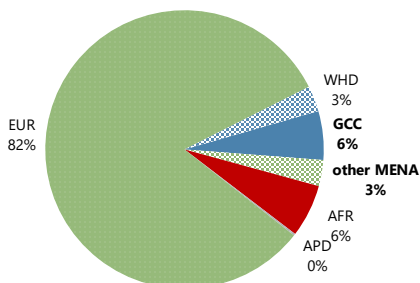


Source: PortWatch.

**Figure 1. Morocco: Exposure to Conflict in the Middle East (concluded)**

Morocco's direct travel exposure to air disruptions in the zone of conflict is limited.

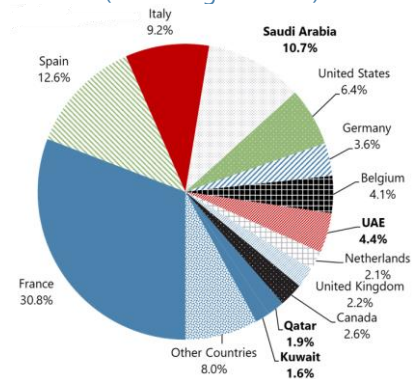
**International Air Passenger Capacity to Morocco by Origin, 2025**



Source: FlightRadar.

GCC is the second source of remittances to Morocco after Europe.

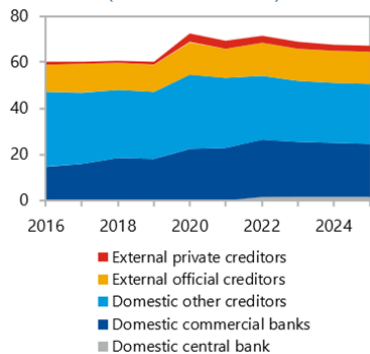
**Morocco: Remittances Inflows, 2023 (Percentage of total)**



Source: Office des Changes.

Central government debt is dominated by domestic and external official multilateral and bilateral creditors.

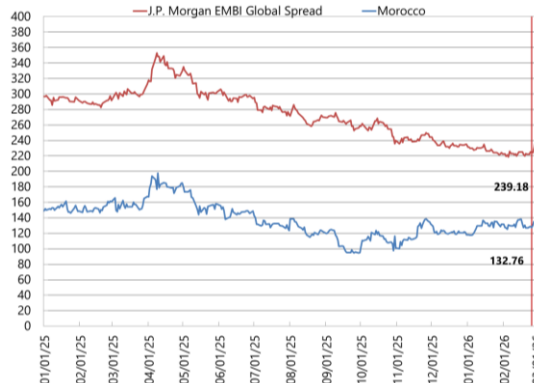
**Public Debt by Holder (Percent of GDP)**



Note: The perimeter shown is central government.

Morocco's sovereign spreads remain contained ....

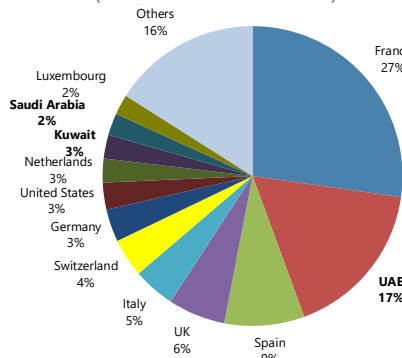
**Weighted Average Spread (Bps)**



Source: IMF Sovereign Spread Monitor, as of March 15<sup>th</sup>, 2026.

FDI inflows are mainly from France, the UAE, and Spain, which account for 53 percent of the total.

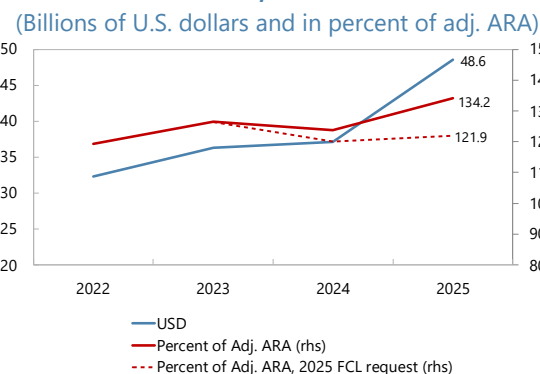
**FDI Inflows, 2023 (Percent of FDI inflows)**



Source: Office des Changes.

Morocco's international reserves continued to strengthen in 2025 and reached 134.2 percent of the adjusted ARA metric.

**Reserves, 2022–2025 (Billions of U.S. dollars and in percent of adj. ARA)**



Sources: BAM; IMF staff calculations.

**Table 2. Morocco: Selected Economic Indicators, 2024–2031**

Population: 36.8 million; 2024

Quota: SDR 894.4 million

Main exports: automobiles, phosphate and derivatives; 2024

Key export markets: France and Spain (43% of total trade); 2024

	2024	2025	2026	2027	2028	2029	2030	2031
					Proj.			
<b>Output (annual percent change)</b>								
Real GDP growth	3.8	4.9	4.4	4.5	4.5	4.4	4.1	4.0
Real nonagricultural GDP growth	4.6	4.9	4.1	4.5	4.6	4.6	4.2	4.1
<b>Employment (percent)</b>								
Unemployment	13.3	13.0	12.3	11.4	11.0	11.0	11.0	11.0
<b>Prices</b>								
Inflation (end of period)	0.7	-0.3	2.1	1.5	2.0	2.0	2.0	2.0
Inflation (period average)	0.9	0.8	1.6	1.6	2.0	2.0	2.0	2.0
<b>Central government finances (percent of GDP) 1/</b>								
Revenue	26.9	27.7	28.1	27.6	27.3	27.2	27.2	27.1
Expenditure	30.9	31.3	31.5	30.9	30.6	30.4	30.3	30.2
Fiscal balance	-3.9	-3.5	-3.4	-3.3	-3.3	-3.2	-3.1	-3.0
Budgetary central government debt	67.7	67.1	65.9	64.8	63.7	62.5	61.5	60.5
<b>Money and credit (annual percent change)</b>								
Broad money	8.0	9.4	6.5	6.7	6.0	5.6	5.4	5.3
Claims to the economy 2/	6.9	8.9	6.2	6.4	6.0	5.8	5.6	5.6
<b>Balance of payments</b>								
Current account including official transfers (percent of GDP)	-1.2	-2.1	-3.3	-3.0	-3.2	-3.4	-3.1	-3.3
Exports of goods (in U.S. dollars, annual percent change)	8.2	10.9	12.9	8.5	8.2	7.2	6.6	6.8
Imports of goods (in U.S. dollars, annual percent change)	8.2	15.9	12.2	8.1	7.9	7.8	6.7	6.5
Merchandise trade balance (percent of GDP)	-17.0	-18.0	-19.2	-18.9	-19.0	-19.1	-19.0	-18.7
FDI (percent of GDP)	0.6	1.2	1.2	1.4	1.6	1.7	1.7	1.7
Gross reserves (months of imports)	4.8	5.6	5.3	5.2	5.1	5.1	5.1	5.2
External Debt (percent of GDP)	42.6	45.1	45.0	43.8	43.6	43.4	43.0	42.4
<b>Exchange rate</b>								
REER (annual average, percent change)	0.3	1.7	...	...	...	...	...	...
<b>Memorandum Items:</b>								
Nominal GDP (in billions of U.S. dollars)	160	183	194	212	227	245	263	284
Net imports of energy products (in billions of U.S. dollars)	-11.4	-11.5	-14.9	-14.5	-15.0	-15.6	-16.3	-17.1
Local currency per U.S. dollar (period average)	9.9	9.4	..	..	..	..	..	..

Sources: Bank Al-Maghrib; Ministry of Economy and Finance; Office des Changes; HCP; and IMF staff estimates.

1/ Includes grants.

2/ Includes credit to public enterprises.

Note: As of March 15, 2026. This Table includes updated information on developments since the issuance of the staff report (EBS/26/15) on March 9, 2026, and reflects an updated scenario with staff's initial assessment of the potential impact of the ongoing conflict in the Middle East on Morocco.

**Statement by Mr. Mohamed El Qorchi on Morocco**  
**Friday, March 20, 2026**

On behalf of the Moroccan authorities, I would like to thank the mission team, led by Ms. Jaramillo, for the constructive dialogue and candid assessment of Morocco's economic and financial developments. My authorities value their engagement with the Fund and broadly concur with staff's assessment of policy priorities.

***Economic Background***

Thanks to the implementation of an ambitious reform agenda, the Moroccan economy has demonstrated remarkable resilience in 2025 in a global context dominated by geostrategic conflicts and slow growth in its economic partners. Despite headwinds, including a multiyear drought that led to significant job losses in the rural area, the authorities pursued far-reaching structural reforms while maintaining economic and financial stability, leveraging Morocco's very strong economic fundamentals.

***Macroeconomic Developments and Policies***

Economic growth accelerated to around 5 percent in 2025, driven by an agricultural recovery following improved rainfall, strong non-agricultural activity, large-scale infrastructure investment, and buoyant tourism. Unemployment remains elevated, though it declined modestly to 13 percent. The authorities remain committed to inclusive, growth-friendly reforms to strengthen job creation, particularly for youth and women. Growth is projected to exceed 5 percent in 2026, supported by higher agricultural output, and sustained public investment.

Public infrastructure investment, amounting to 11.9 percent of GDP in 2024 and supported by increased private sector participation, spans key sectors including energy, digital connectivity, transport, water, health, and education. These investments are expected to raise potential growth and reinforce Morocco's strategic position as a regional hub for trade, industry, renewable energy, and logistics.

Inflation remained low and inflation expectations well anchored in 2025. Headline inflation averaged 0.8 percent, turning slightly negative at year-end. Bank Al-Maghrib maintained a neutral, data-dependent monetary stance, keeping the policy rate at 2.25 percent following cumulative cuts of 75 basis points. The monetary authorities reaffirmed their commitment to a careful and sequenced move toward an inflation targeting framework and greater exchange rate flexibility. The announcement of an inflation target is viewed as an intermediate step while maintaining the exchange rate band unchanged.

The banking sector remains sound, liquid, profitable, and well capitalized, supported by a risk-based supervisory framework aligned with international standards. Banks' exposure to the

public sector remains limited, and large infrastructure projects are primarily financed through long-term syndicated arrangements, mitigating concentration risks. Bank Al-Maghrib continues to strengthen financial sector resilience through regular stress testing, enhanced resolution frameworks, higher capital buffers for systemically important banks, and the rollout of SREP, NSFR, and ILAAP. A draft law establishing an NPL secondary market has been submitted for legislative adoption.

External sector performance was strong in 2025, despite a widening current account deficit driven by higher imports of capital and intermediate goods associated with increased investment. Record tourism receipts and solid remittance inflows helped contain external imbalances, while higher FDI and continued access to international capital markets strengthened the external position. International reserves rose to US\$48.6 billion at end-2025, equivalent to 134.2 percent of the adjusted ARA metric, exceeding adequacy benchmarks. The dirham appreciated during the year and remained broadly aligned with fundamentals, trading within the fluctuation band without central bank intervention.

Fiscal consolidation continued, with the overall deficit declining to 3.5 percent of GDP in 2025, below pre-pandemic levels. The deficit is projected to narrow further over the medium term, while the central government debt declined to 67.1 percent of GDP. It remains sustainable with high probability and the risk of sovereign stress remains moderate.

Revenue performance was particularly strong, driven by higher tax collection reflecting ongoing revenue administration reforms, including full digitalization and implementation of tax withholding. The authorities remain committed to strengthening fiscal credibility through enhanced revenue mobilization, expenditure rationalization, and improved public investment efficiency. Plans are underway to introduce a medium-term, debt-anchored fiscal rule through amendments to the organic budget law.

### ***Structural Reforms***

Creating conditions for durable job creation remains a central priority. The authorities are advancing reforms to strengthen private-sector dynamism and address skill mismatches, particularly among youth. Private investment is supported by the New Investment Charter and the Mohammed VI Fund for investment. The Investment Charter provides direct subsidies for private investment projects in priority sectors, including SMEs and startups. The Mohammed VI Fund supports private investment, including SMEs and startups, through a wide range of financial instruments such as private equity, venture capital, and project finance. Public guarantees are also provided to SMEs to ease credit risk by a TAMWILCOM. The Job Plan 2030 reinforces labor market integration through ANAPEC, alongside ongoing reforms in education and vocational training.

SOE reform remains integral to Morocco's structural transformation. The establishment of ANGSPE, in close coordination with the government, has strengthened oversight, performance monitoring, and alignment with the state's shareholder strategy. Progress has been achieved through performance contracts, restructuring initiatives, and the corporatization of commercial SOEs.

The expansion of social protection continues to support social cohesion and economic formalization. Budgetary allocations for social assistance, health, education, and housing increased in the 2026 budget by 0.8 percent of GDP, while health insurance coverage reached 88 percent of the population in 2025. Efforts are ongoing to achieve full coverage and reduce regional and social disparities.

### ***Concluding Remarks***

Morocco maintains a strong track record of sound macroeconomic management and continues to meet all qualification criteria under the FCL. It remains committed to implementing very strong policies and maintaining very strong economic fundamentals and institutional policy frameworks. Advancing inclusive, job-rich, and greener growth will support employment, enhance female labor force participation, and strengthen social cohesion. The authorities look forward to continuing close engagement and cooperation with the Fund.