

MOROCCAN ECONOMY

MACROECONOMIC RESULTS AND KEY PRIORITIES

OCTOBER 2024

Macroeconomic framework

Economic growth

Balance of payments

Public Finances

Treasury debt

Major orientations and priority objectives

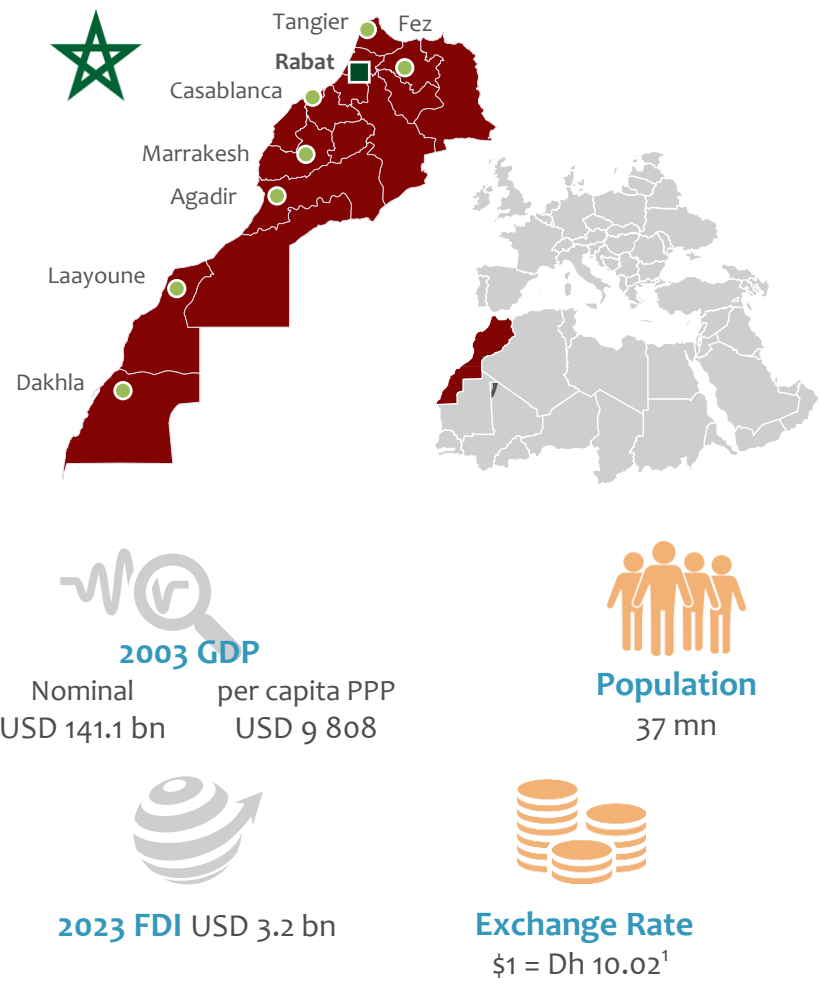
Main Reforms



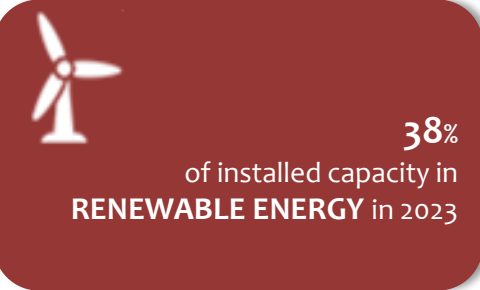
MOROCCO AT A GLANCE

A vast country with a long coastline and a favourable geographical location in North Africa, Morocco continues to build upon its democratic institutions and world class infrastructure to further develop its trade and continued growth

Overview of the Kingdom



INDICATEURS CLÉS



STRENGTHENED CONFIDENCE IN THE INTERNATIONAL FINANCIAL COMMUNITY

01

EXIT OF MOROCCO FROM THE GRAY LIST OF AML/CFT | FATF February 2023 | EU May 2023

Morocco's exit from the FATF and EU gray lists of countries under surveillance in matters of money laundering and terrorist financing (AML/CFT) demonstrates the robustness and effectiveness of its reforms complying with international standards.

02

SUCCESSFUL ISSUANCE ON THE INTERNATIONAL FINANCIAL MARKET | March 2023

Successful issuance of Morocco on the international financial market, with a fundraising of US\$2.5 billion.

This international issuance augurs well trends of the national economy, demonstrating the trust of the international financial market in Moroccan paper.

03

MOROCCO'S ACCESS TO THE IMF FLEXIBLE CREDIT LINE (FCL) | April 2023

The IMF Board of Directors approved, in April 2023, a 2-year arrangement in favor of Morocco under the FCL for an amount equivalent to US\$5 billion. Morocco benefited from this precautionary instrument thanks to its very strong macroeconomic policies and institutional framework.

04

MOROCCO'S ACCESS TO THE IMF RESILIENCE AND SUSTAINABILITY FACILITY (RSF) | September 2023

The IMF Board of Directors approved, in September 2023, an arrangement under the RSF for an amount equivalent to US\$1.35 billion, with the aim of supporting Morocco's efforts in terms of adaptation and mitigation of climate change effects.

05

SUCCESSFUL MARRAKECH 2023 ANNUAL MEETINGS OF THE WORLD BANK GROUP AND IMF | OCTOBER 2023

Renewed confidence in Morocco after the holding of the event one month after the earthquake in the Al Haouz region ;

Adoption of four principles constituting the Marrakech Declaration: (1) revitalize inclusive and sustainable growth, (2) strengthen resilience, (3) support transformative reforms, and (4) strengthen and modernize global cooperation.













06

S&P MOROCCO OUTLOOK REVISED TO POSITIVE |

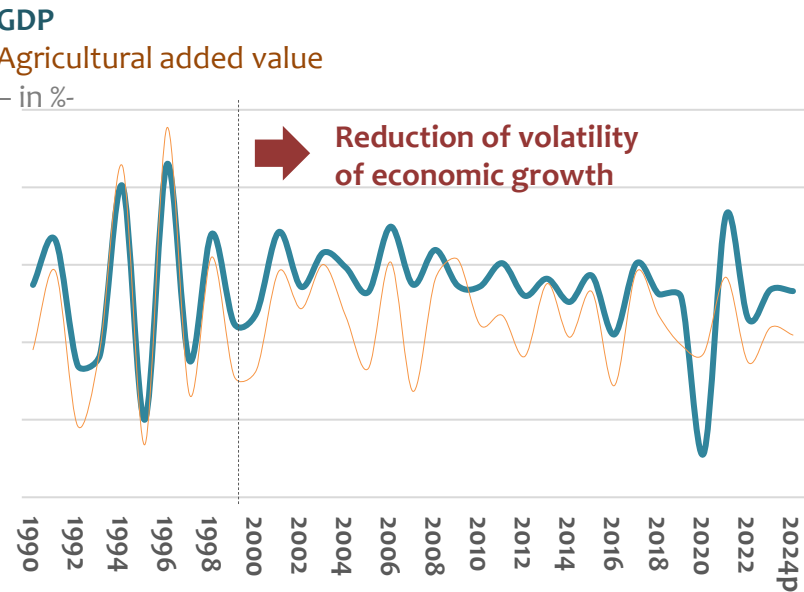
March 2024

In March 2024, Standard & Poor's Revised Morocco Outlook To Positive on proven resilience in the face of multiple shocks over the past years and improving socioeconomic and budgetary reform trajectory.

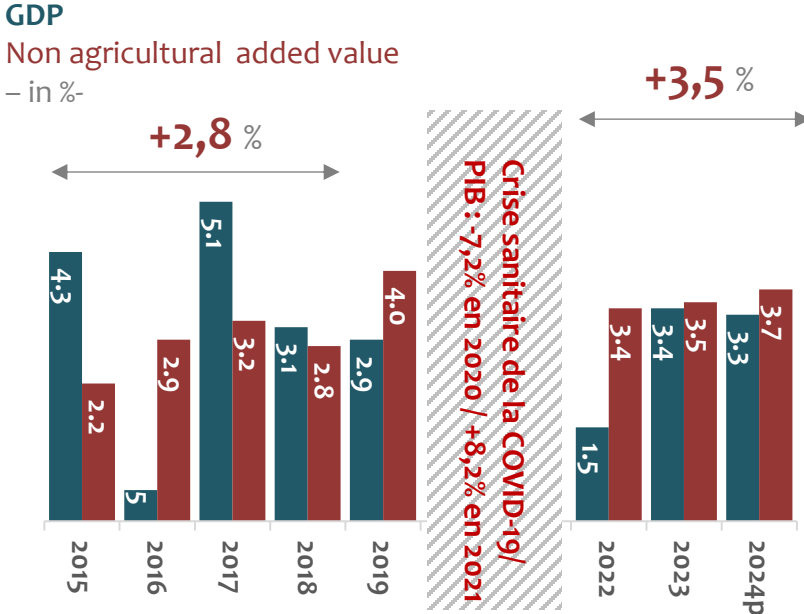
YEAR 2023 : CONTINUED RECOVERY OF THE MACRO-ECONOMIC FRAMEWORK FROM THE DEEP RECESSION OF 2020

	2019	2020	2021	2022	2023	Trends 2019-2023
 ECONOMIC GROWTH	2,9%	-7,2 %	+8,2 %	+1,5 %	+3,4 %	
 INFLATION RATE	+0,2%	+0,7 %	+1,4 %	+6,6 %	+6,1 %	
 CURRENT ACCOUNT OF BP % of GDP	-3,4%	-1,2 %	-2,3 %	-3,6 %	-0,6 %	
 BUDGETARY BALANCE % of GDP	-3,3%	-7,1%	-5,5 %	-5,4 %	-4,3 %	
 TREASURY DEBT % of GDP	60,3%	72,2 %	69,4%	71,5 %	69,5 %	
 UNEMPLOYMENT RATE	9,2%	11,9%	12,3%	11,8%	13,0%	

REBOUND IN ECONOMIC GROWTH DESPITE THE PERSISTENCE OF DROUGHT



- ➡ Reduction in GDP volatility compared to the 1990s.
- ➡ Fast return of economic growth to pre-crisis evolutions despite the effects induced by the succession of shocks and their simultaneity;
- ➡ Economic growth recorded an increase of +3.4% in 2023 compared to +1.5% a year earlier.
- ➡ This evolution was driven by the improvement in agricultural added value of +1.4% against -11.3% while non-agricultural activities showed a slight acceleration in their added value to +3.5% against + 3.4%.



- ➡ Resilience of economic growth despite the poor performance of the agricultural sector.
- ➡ **Acceleration of growth in non-agricultural activities, thus confirming the move to a new level of growth for the 3rd consecutive year** (NAAV +3.4% in 2022 / +3.5% in 2023 / +3.7% in 2024) while the 2014-2019 average was below 3% (+2.8% between 2014 and 2018).

Updated economic growth forecasts

	2023	2024	
		LF-24	LF-24 Act.
Real GDP		+3,7%	+3,3%
Agricultural AV		+5,9%	-1,4%
Non agricultural AV		+3,5%	+3,7%

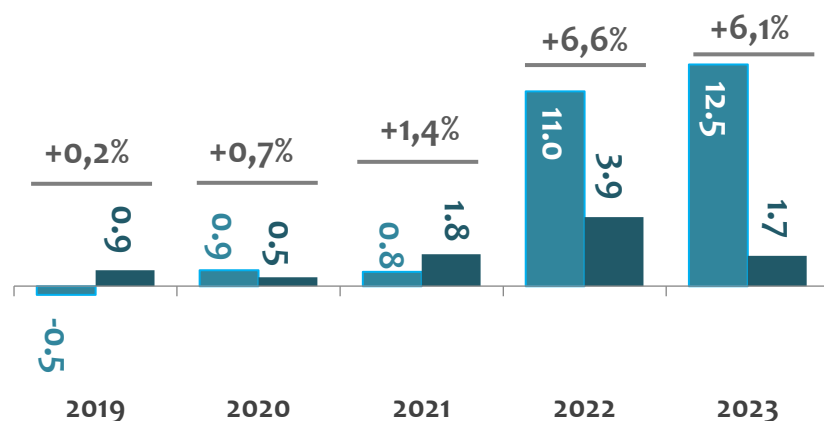
0,4 GROWTH POINT compared to the initial forecasts of the Finance Law:

- ▼ Fall in cereal production following the drop in cultivated areas (-33% to 2.5 million hectares) due to the delay in rainfall;
- ▲ Catching up with other spring crops after the abundant rainfall recorded after February;
- ▲ Upward revision of growth forecasts for non-agricultural added value, due, on the one hand, to better than expected behavior of the extractive and manufacturing industries and the construction sector and, on the other hand, to the continued dynamism of the tertiary sector.

CONFIRMATION OF THE DOWNWARD TREND IN INFLATION

Food / non food Inflation rate

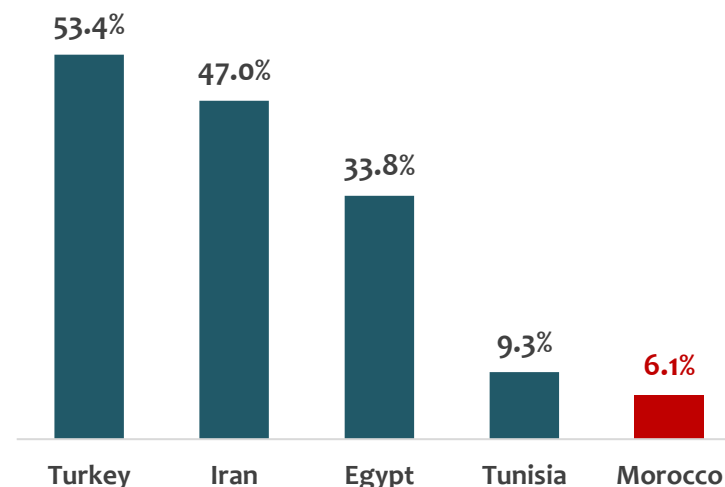
- Annual Average -



Source : High Commissioner for Planning / Calculations : DTFE

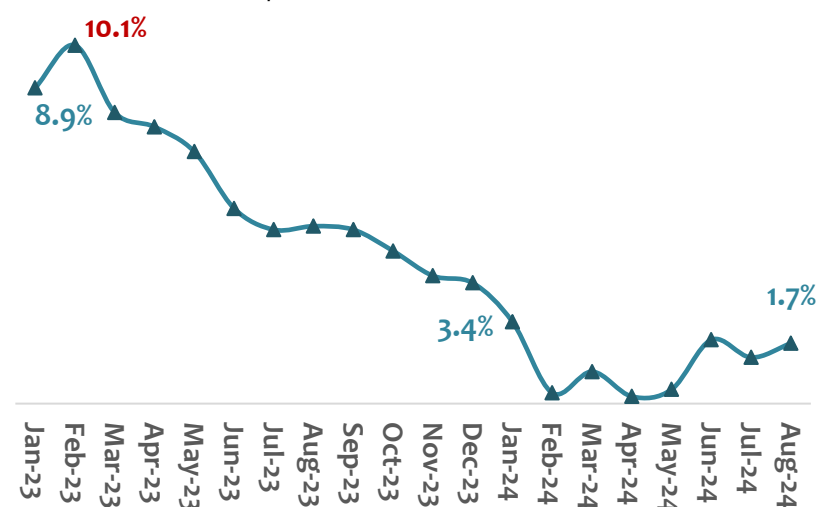
Some comparisons

- Year 2023 -



Source : Bloomberg

INFLATION -Y/Y-



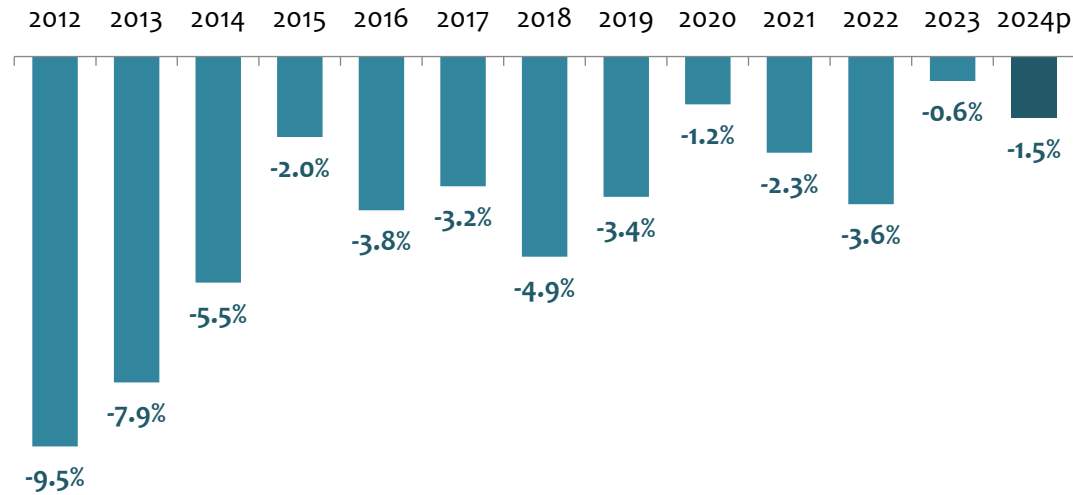
Source : High Commissioner for Planning / Calculations : DTFE

- ➡ **2023 : Confirmation of the downward trajectory of inflation**, benefiting from the decline in international commodity prices, the impact of targeted fiscal, as well as BAM's restrictive monetary policy stance aimed at anchoring inflationary expectations and avoiding a self-perpetuating inflationary spiral ;
- ➡ Despite this trend, inflation remained at a high level of 6.1% on average in 2023, reflecting the **persistence of food inflation at a high level** (+12.5% against +11%), linked to a supply shock accentuated by the effect of drought and water stress. For its part, **non-food inflation normalized** to fall to +1.7% against +3.9% in 2022;
- ➡ **2024 : Return of inflation to its levels before the global inflationary wave** at +1.1% on average for the first eight months of 2024, compared to +7.1% for the same period of 2023. This change comes from the significant deceleration in the prices of food products (+0.8% instead of +14.8%) and, to a lesser extent, in the prices of non-food products (+1.4% after +1.9%).
- ➡ In 2024 **the inflation rate is expected to fall to +1.3%** after +6.1% in 2023, taking advantage of the normalization of international prices of basic products and the fall in prices of food products with volatile prices.

SUSTAINABILITY OF THE BP CURRENT ACCOUNT DEFICIT AND ADEQUATE LEVEL OF FOREIGN EXCHANGE RESERVES

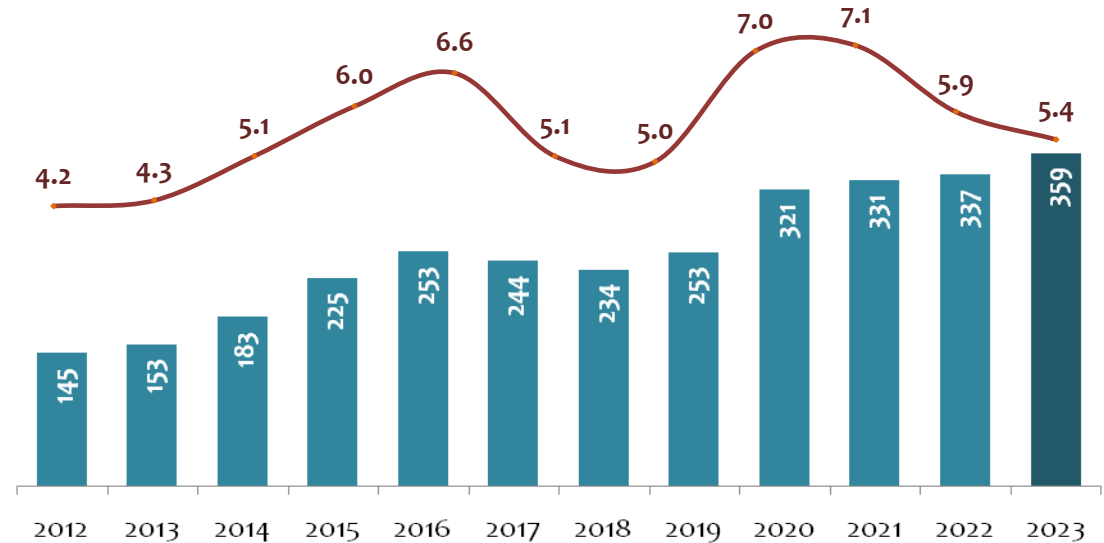
Current account of balance of payments

– As % of GDP –



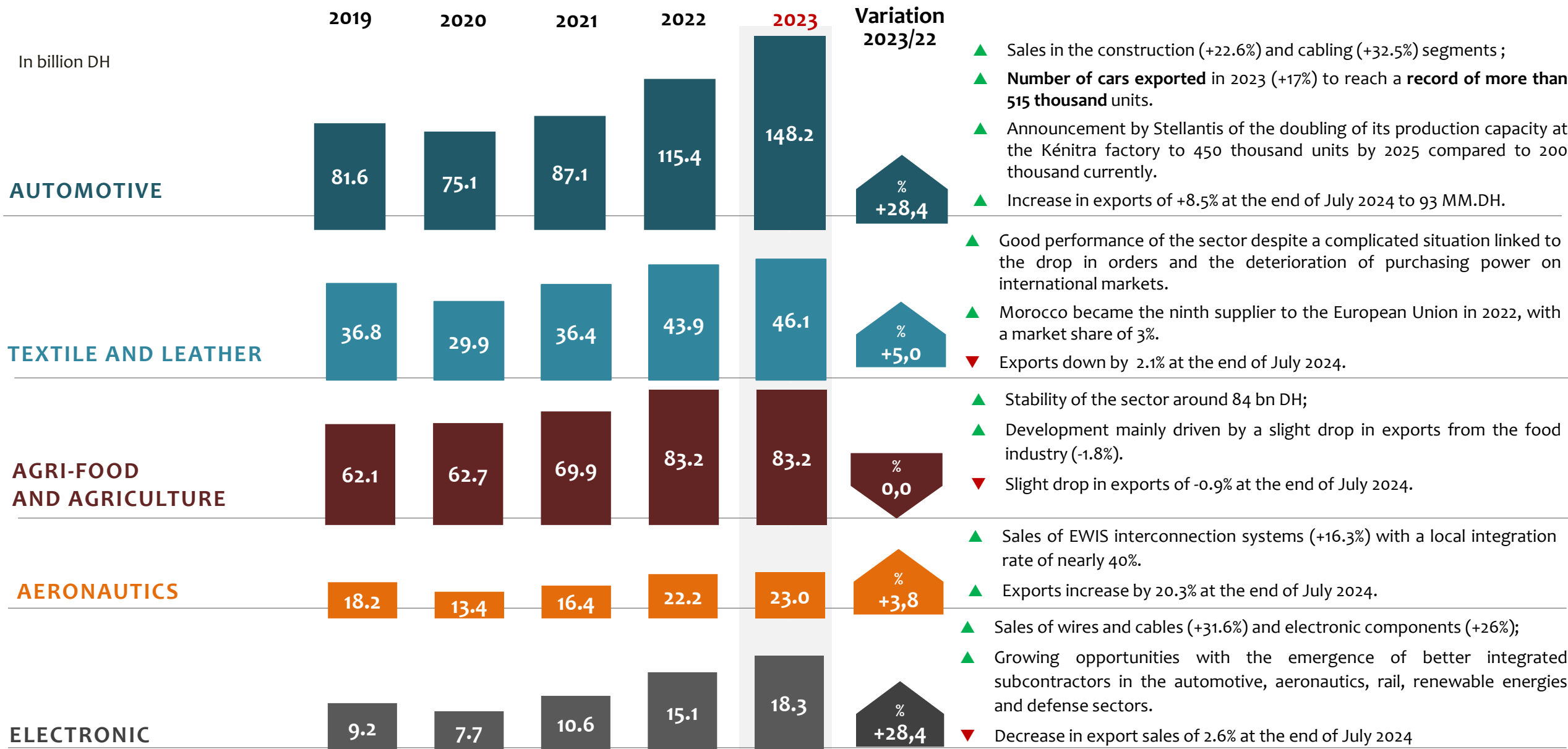
Official Reserve Assets

In months of import (N+1)
in billion DH



- ➔ In 2023, the current account deficit narrows to 0.6% of GDP, thanks to the trade deficit shrinkage, the strong recovery in travel receipts and the continued dynamic of remittances.
- ➔ This deficit was financed mainly by net direct investment flows and net external borrowing by the public sector.
- ➔ Adequate level of BAM's foreign exchange reserves covering the equivalent of more than 5.5 months of imports, and exceeding 120% of the IMF's adjusted ARA metric.

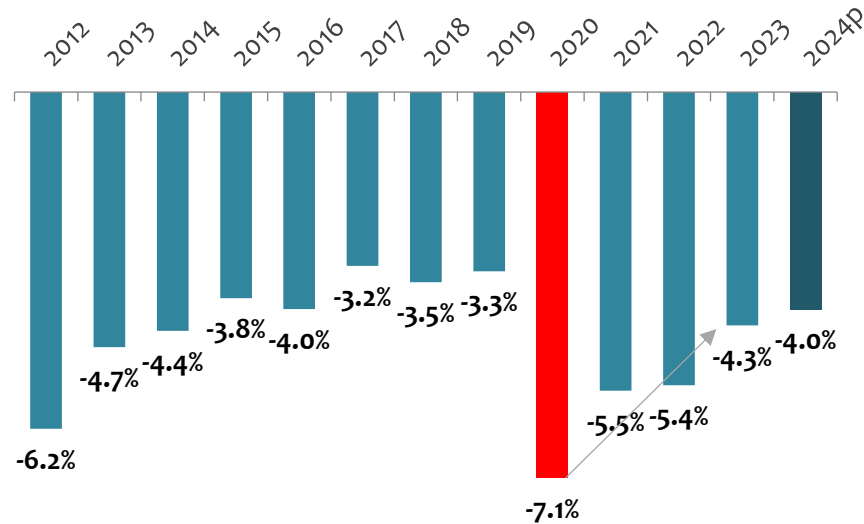
EXPORTS OF MOROCCO'S GLOBAL BUSINESSES



PURSUIT OF THE FISCAL CONSOLIDATION PROCESS INITIATED AFTER THE SHOCK OF 2020

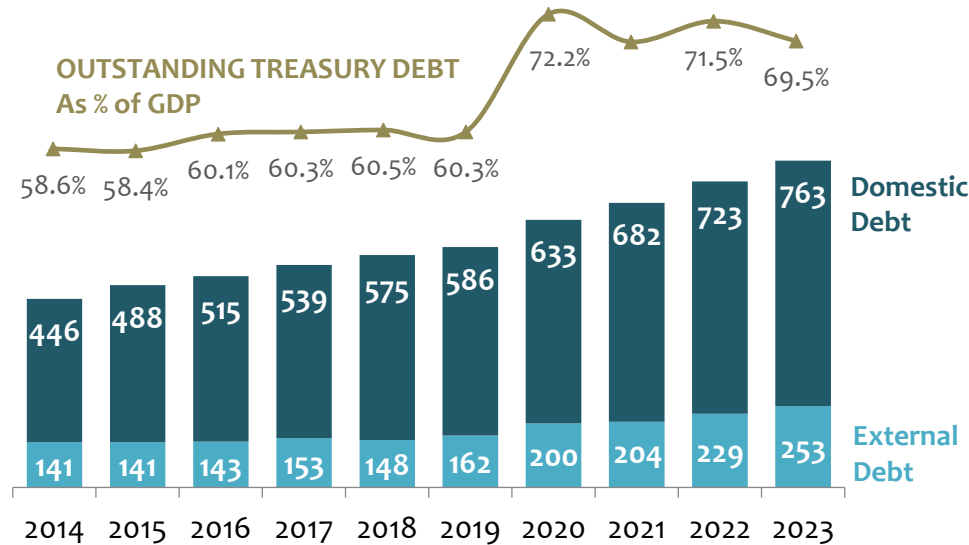
Fiscal deficit

– As % of GDP



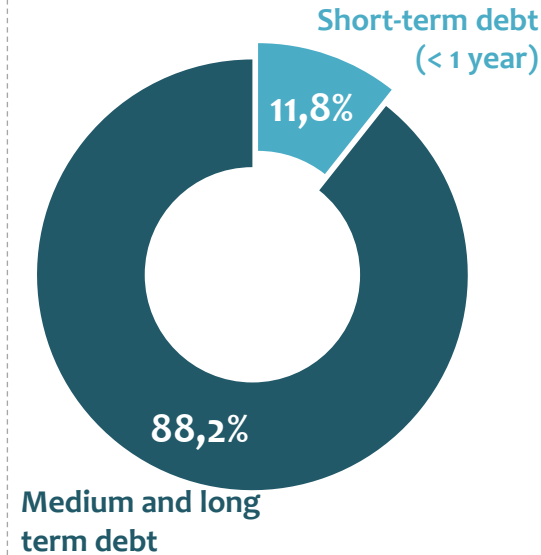
OUTSTANDING TREASURY DEBT

Billion DH



STRUCTURE BY TERM

– End of 2023–

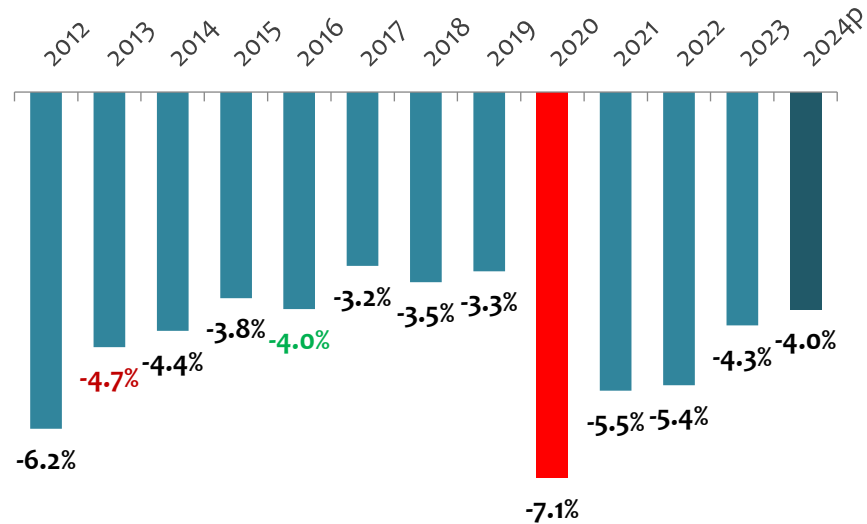


- ➡ control of the deficit was achieved thanks to the good performance of both tax and non-tax revenues, which made it possible to accelerate the investment effort in some structuring projects, to cover exceptional expenditures relating to measures taken to support household purchasing power and economic activity ;
- ➡ A total of roughly DH19.6 billion were raised as a consequence of the solidarity effort, which reduced the fiscal pressure on the budget to repair and restore the areas damaged by the Al-Haouz earthquake ;
- ➡ The ongoing rollout of measures under the social protection generalization program through cash transfers distribution starting from December 2023.

PURSUIT IN 2023 OF THE FISCAL CONSOLIDATION PROCESS INITIATED AFTER THE SHOCK OF 2020

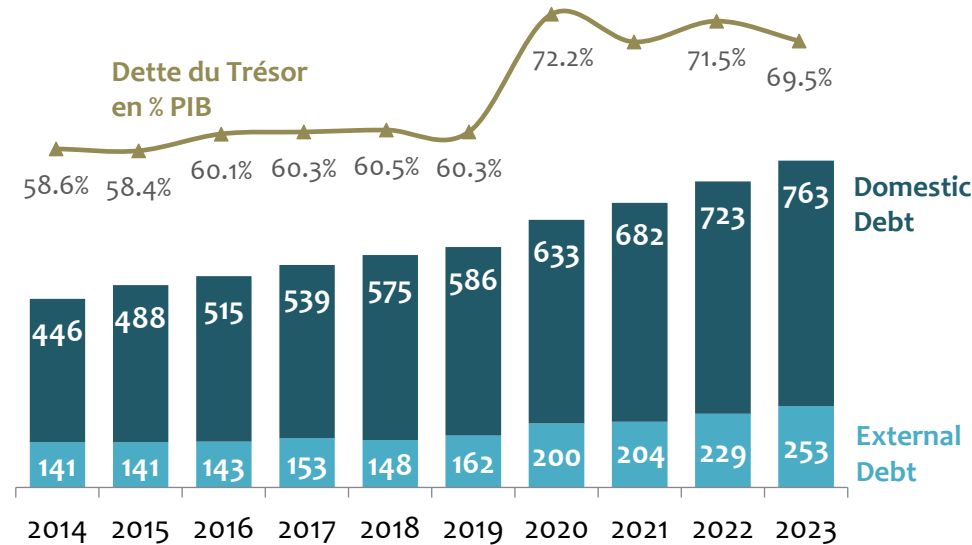
Fiscal deficit

– As % of GDP



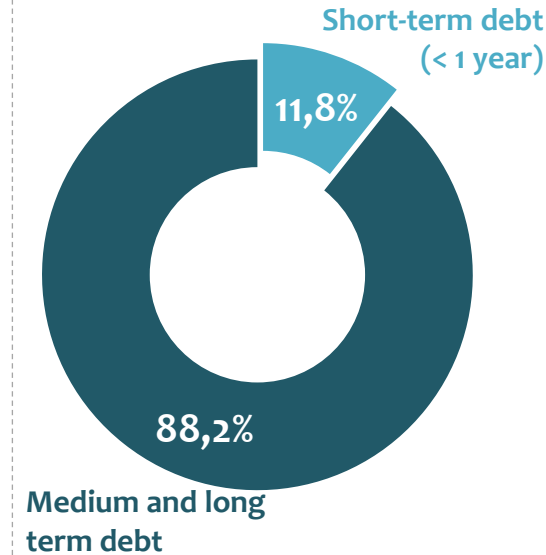
OUTSTANDING TREASURY DEBT

Billion DH



STRUCTURE BY TERM

– End of 2023–



- ➡ The budgetary programming for the period 2025-2027 targets a deficit of 3.5% in 2025 and 3% from 2026.
- ➡ Based on this deficit trajectory, the debt ratio should continue its downward trend, reaching around 66% of GDP in 2027, which will make it possible to rebuild financial margins to face risks and possible future crises.
- ➡ This downward trajectory is based on important structural reforms:
 - ✓ tax reform / overhaul of the EEP sector with a new State shareholder policy,
 - ✓ the amendment of the organic law relating to the finance law through the introduction of a budgetary rule based on anchoring the debt to MT,
 - ✓ the development of PPPs and the pursuit of efforts to improve the efficiency of spending and their rationalization.

PRIORITY OBJECTIVES OF MOROCCO

Continued strengthening of
the foundations of the
welfare state

1

Consolidation of the
dynamic of investment and
job creation

2

Continued operationalization
of structural reforms

3

Preserving the
sustainability of public
finances

4

PRIORITY OBJECTIVES OF MOROCCO

CONTINUED STRENGTHENING OF THE FOUNDATIONS OF THE WELFARE STATE



Generalization of social protection

Deployment in 3 stages in accordance with the framework law relating to social protection:

- ➔ **2021-2022** : Gradual generalization of Compulsory Health Insurance to cover a number of beneficiaries of 28.9 million, i.e. an overall AMO coverage rate of more than 80%.
- ➔ **2023** : Generalization of family allowances which targets 7 million children of school age and 3 million poor/vulnerable households without children or with children over 21 years old.
- ➔ **2024-2025** : (i) Expansion of the membership base of the retirement system by incorporating approximately 5 million Moroccans among the active population not entitled to a pension and (ii) Generalization of access to compensation for loss employment for the benefit of people with regular employment.



Reform of the national health and education system

Allocation of a third of the State budget for the year 2024 to health and education:

- ➔ **Comprehensive reform of the national health system** with the aim of providing quality health services, through the rehabilitation of health provision, the development and strengthening of human resources and governance. This overhaul is part of the implementation of the Framework Law relating to social protection.
- ➔ **Continuation of the reform of the education system** in accordance with the 2022-2026 roadmap which aims to accelerate the generalization of preschool education and nurseries, support the schooling of children from vulnerable categories and rehabilitation teacher training centers and academic institutions.



Direct social assistance program

This is a financial assistance program intended for families in situations of poverty or vulnerability.

- ➔ Mobilizing an **annual budget which will increase from 25 MM.DH in 2024 to 29 MM.DH in 2026**, this program will contribute to the implementation of “dignity income for the elderly”, “family allowances for all households” and “lifetime support for people with disabilities”.
- ➔ In order to target beneficiary families, the **Unified Social Register (RSU)** is adopted as a mechanism to determine the eligibility of households according to objective socio-economic criteria. In this sense, a household socio-economic index is assigned to families registered with the RSU and is calculated on the basis of a scoring formula.

PRIORITY OBJECTIVES OF MOROCCO

CONSOLIDATION OF THE INVESTMENT AND JOB CREATION DYNAMICS



Acceleration of the dynamic of strategic investments

- ➔ Launch of major projects in the rail, aviation, tourism and urban transport sectors (preparations for the 2030 World Cup).
- ➔ Acceleration of the pace of implementation of the PNAEPI 2020-2027 and development of a national industry dedicated to water desalination.
- ➔ Implementation of the “Morocco Offer” energy strategy, with the publication of the circular in March 2024, establishing a clear framework to support project leaders in the green hydrogen sector.
- ➔ Development of renewable energies to reach 50% of the energy mix by 2030 compared to 38% currently.
- ➔ Deployment of the Nigeria-Morocco Gas Pipeline which aims to strengthen energy security and support the SDGs by providing cleaner energy.



Promotion of private investment

- ➔ Launch of the roadmap for improving the business climate 2023-2026 which aims to facilitate the act of investing and entrepreneurship, improving national competitiveness factors and developing a climate conducive to innovation.
- ➔ Redesign of the Investment Charter which aims to raise private investments to 2/3 of total investments by 2035, by proposing an attractive incentive framework.
- ➔ Deployment of the “Mohammed VI Investment Fund” with an initial budget of \$1.5 billion in 2020 and aiming to raise \$3 billion from private investors, to provide financing solutions to companies operating in priority areas.
- ➔ Strengthening the regulatory framework for PPPs.



Strengthening the dynamic of job creation

- ➔ Morocco's New Development Model aims to create 440,000 jobs per year by 2035 to reduce the unemployment rate and increase the participation of women to 45%.
- ➔ Implementation of the employment roadmap, covering:
 - Support for employment in rural areas.
 - The restructuring of active employment programs.
 - Support and support for VSEs and SMEs.
 - Support for women's economic activity and their access to the labor market.
- ➔ The integration, in the new investment charter, of an incentive framework dedicated to projects that integrate gender criteria.

Royaume du Maroc



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Main Reforms

