



# MONETARY POLICY REPORT

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THE BANK BOARD  
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## FOREWORD

According to the provisions of Article 6 of Law No. 40-17 on the Statute of Bank Al-Maghrib, promulgated by Dahir No. 1-19-82 of 17 Chaoual 1440 (June 21, 2019), “the Bank defines and conducts the monetary policy in full transparency and within the framework of the economic and financial policy of the Government. The Bank’s primary objective is to maintain price stability.”

This stability helps preserving citizens’ purchasing power, encourages investment and boosts growth. Price stability does not mean zero inflation; rather, it refers to keeping it at a moderate and stable level over the medium term. To achieve such objectives, the Bank intervenes in the money market using the appropriate instruments, mainly the key policy rate and the reserve requirement.

Monetary policy decisions are transmitted to the economy, particularly through their impacts on interest rates across various markets, the expectations of economic units and on the asset prices, whose change affects overall demand for goods and services and, eventually, inflation. Since these impacts do not materialize until after a certain time period, forecasts play an important role in monetary policy formulating and decision-making. They are thus produced by the Bank for an eight-quarter horizon on the basis of an integrated analysis and forecasting framework articulated around a central monetary policy model, itself supplied and supplemented by several satellite models. The central forecasting model used is of the semi-structural New-Keynesian one, which relies both on the theoretical underpinnings underlying general-equilibrium models and on the adjustment to data characterizing the empirical models.

With a view to ensuring transparency of monetary policy decisions, the Bank, after each Board meeting, issues a press release, and the Governor holds a press conference where he reviews the decision and explains its foundations. In addition, the Bank prepares and publishes on its website the quarterly Monetary Policy Report, which outlines all the analyses underlying its decisions. This report, which starts with an overview summing up recent economic, monetary and financial developments as well as the macroeconomic projections, includes two parts. The first part, consisting of six chapters, describes the recent economic developments, namely with regard to: (i) international developments; (ii) external accounts; (iii) money, credit and asset markets; (iv) the stance of fiscal policy; (v) demand, supply and the labor market; and (vi) inflation. The second part is devoted to presenting the medium-term outlook for the national economy, the risks surrounding it and the main underlying hypotheses.

Members of the Board of Bank Al-Maghrib (Article 26 of the Bank’s Statute)

The Governor, Chairman,

The Director General

Director of Treasury and External Finance, Representative of the Ministry in charge of Finance

Mrs. Mouna CHERKAOU

Mr Mohammed DAIRI

Mrs Najat EL MEKKAOU

Mr. Larabi JAÏDI

Mr Mustapha MOUSSAOUI

Mr. Fathallah OUALALOU

The Government Representative shall also attend the meetings of the Board, by virtue of Article 41.

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# PRESS RELEASE

## BANK AL-MAGHRIB BOARD MEETING

**Rabat, March 18, 2025**

1. The Board of Bank AlMaghrib held its first quarterly meeting of 2025 on Tuesday, March 18.
2. During this meeting, the Board analyzed domestic and global economic developments, Morocco's recent public policies, as well as the Bank's medium-term macroeconomic projections.
3. At the international level, the Board noted that despite the geopolitical tensions, and restrictive monetary conditions, the world economy remained relatively resilient in 2024, despite diverging trajectories across countries. Its outlook, which points to a further slowdown, continues to be surrounded by significant uncertainty mainly related to economic policy stances, and especially trade policies. These developments, coupled with the expected decline in energy prices and cooling of labor markets, are likely to result in further inflation slowdown, which is nevertheless projected to remain above the targets set by central banks of major advanced economies.
4. Domestically, the Board noted the significant dynamics in non-agricultural sectors, particularly driven by investment, mainly in infrastructure. The Board also took note of the Government's commitment to further consolidate macroeconomic balances while maintaining the momentum of reforms, as well as its recently adopted roadmap to boost employment, notably by stimulating investment by very small, small, and medium-sized enterprises (VSMEs). As for the agricultural sector, production continues to suffer from unfavorable weather conditions, although with notable improvement since the beginning of this month.
5. After two years of high levels, inflation slowed significantly in 2024, to an average of 0.9 percent. According to Bank AlMaghrib's projections, it should accelerate, while remaining in a moderate level, to revolve around 2 percent over the next two years. Core inflation stood at 2.2 percent in 2024 and is projected to evolve around 2 percent over the medium term. This outlook remains surrounded by a high degree of uncertainty, mainly driven, at the international level, by persisting geo-economic tensions and their implications for global inflation; and, at the domestic level, by developments in the supply of agricultural products. Moreover, the Board noted that inflation expectations remain anchored, with financial sector experts anticipating, in the first quarter of 2025, average rates of 2.2 percent for the 8-quarter horizon, and 2.4 percent for the 12-quarter horizon.
6. Regarding the transmission of the Board's decisions, data collected in the fourth quarter of 2024 show a 35 basis point (bp) decline in bank lending rates to the non-financial sector, compared to the second quarter of the same year, while the key rate was lowered by 25 bps over the same period.
7. Considering that inflation is expected to evolve at levels in line with the price stability objective, and in order to strengthen its support to the economic activity and employment, the Board decided to reduce the key rate, for the second consecutive time and the third since last June, by 25 bps to 2.25 percent. The Board will continue to closely monitor economic developments, and will take its decisions, meeting by meeting, based on most up-to-date data.

8. In the same vein, Bank Al-Maghrib is rolling out a new program to support bank financing for very small enterprises (VSEs), with a special focus on refinancing participating banks at a preferential rate, equal to the key rate minus 25 basis points. This scheme, along with the commitment shown by the banking sector, should improve access to financing for VSEs and increase their contribution to job creation in our country.
9. In international commodities markets, oil prices are expected to continue their downward trend over the medium term, owing to higher supply particularly from non-OPEC+ countries, and subdued global demand. The price of Brent crude oil, in particular, is expected to decline from USD 79.8 per barrel on average in 2024 to USD 69.1 per barrel in 2026. Similarly, according to Commodities Research Unit's projections, prices of Moroccan raw phosphate should decrease from USD 215 per tonne in 2024 to USD 182 per tonne in 2026. Those of its derivatives are expected to rise, over the same period, from USD 586 to USD 591 per tonne for DAP, and from USD 436 to USD 468 per tonne for TSP. Regarding food products, the FAO index should increase by 3.1 percent in 2025 and by 0.9 percent in 2026, following a 2.1 decline in 2024.
10. Regarding the global economic outlook, the pace of activity is likely to slow to 3 percent in 2025 and 2.8 percent in 2026. In advanced economies, Growth is forecast to decelerate to 2 percent this year, then to 1.7 percent in 2026 in the United States, while it is expected to remain subdued in the euro area, standing at 1 percent in 2025, then at 1.3 percent next year. In major emerging countries, after virtually reaching the 5-percent target set by the authorities for 2024, the Chinese economy is expected to grow by 4.8 percent in 2025, followed by 4.3 percent in 2026, while in India, activity is set to remain vigorous at 7.2 percent and 6.7 percent growth, respectively.
11. Under these conditions, global inflation should decelerate further, from 3.7 percent in 2024 to 3.2 percent in 2025 and 2026. As regards major advanced economies, it is projected to stand at 2.4 percent in 2025 and 2.1 percent in 2026 in the euro area and should remain at around 3 percent in the United States for both years.
12. In this context, monetary policies of the central banks of major advanced economies remain oriented towards easing. At its meeting on March 6, the ECB decided to lower its three key interest rates by 25 bps for the fifth consecutive time, marking the sixth cut since June 2024. Meanwhile, after three consecutive rate cuts totaling 100 bps in 2024, the Fed decided at its January 28-29 meeting to mark a pause, maintaining the target range for the federal funds rate unchanged at [4.25-4.50 percent].
13. Domestically, non-agricultural growth has been estimated at 4.2 percent in 2024. It should remain close to this level in the medium term, primarily driven by the surge in infrastructure investment. However, agricultural value added remains dependent on weather conditions, having contracted by 4.7 percent in 2024. Based on a preliminary cereal harvest estimate by Bank Al-Maghrib of 35 million quintals and the expected improvement in non-cereal production, agricultural value added is expected to increase by 2.5 percent in 2025 before jumping to 6.1 percent in 2026, assuming a return to an average harvest of 50 million quintals. As a result, overall economic growth, estimated at 3.2 percent in 2024, is expected to accelerate gradually to 3.9 percent this year and 4.2 percent in 2026.
14. Labor market data for 2024 reveal ongoing challenges due to the contraction in agricultural production, with a further loss of 137,000 jobs in the sector. Conversely, non-agricultural employment showed



signs of recovery, with 160,000 jobs created in services, 46,000 in industry and 13,000 in construction and public works. Considering a net inflow of 140,000 jobseekers, the participation rate fell slightly to 43.5 percent, while unemployment rate worsened to 13.3 percent nationwide, 6.8 percent in rural areas and 16.9 percent in urban areas.

15. Regarding external accounts, the 2024 trade momentum should continue over the medium term. Exports would be driven primarily by sales of phosphate and derivatives, which would rise by 15.2 percent this year and 8.6 percent in 2026 to MAD 108.6 billion, and by those of the automotive sector, which would reach MAD 195 billion in 2026. At the same time, imports would be influenced by the sustained sharp rise expected in the acquisition of capital goods, as well as the increase in consumer goods purchases, while the energy bill would further decline, reaching 104.6 billion in 2026. In addition, travel receipts are likely to continue to grow, standing at almost MAD 125 billion in 2026, while remittances would consolidate, reaching around MAD 123 billion in the same year. In view of these developments, the current account deficit would widen to 2.9 percent of GDP in 2025, before narrowing to 2 percent in 2026. Foreign direct investment receipts would continue to improve, approaching the equivalent of 3 percent of GDP in 2025 and 3.3 percent in 2026, after 2.8 percent in 2024. Overall, and taking into account the Treasury's planned external financing, official reserve assets would increase to MAD 391.8 billion by the end of 2025 and MAD 408 billion by the end of 2026, representing the equivalent of 5 months and 5 days and 5 months and 11 days of imports of goods and services, respectively.
16. Concerning monetary conditions, bank liquidity needs eased to an average of MAD 128.7 billion in January and February 2025, mainly due to the decline in currency in circulation, largely driven by the voluntary tax regularization operation for individuals. However, it should rise again to MAD 143 billion by end-2025, and 162 billion in 2026. Taking into account the expected trend in economic activity and banking system expectations, the growth of credit to the non-financial sector would significantly accelerate from 2.6 percent in 2024 to 5.9 percent in 2025 and 6 percent in 2026. The real effective exchange rate is expected to appreciate by 0.8 percent in 2025, before remaining virtually unchanged in 2026, as the nominal appreciation of the dirham would be offset by the inflation differential between Morocco and its main trading partners and competitors.
17. Regarding public finances, ordinary revenues improved by 15.3 percent in 2024, mainly driven by the solid performance of tax receipts. At the same time, overall expenditure rose by 6.5 percent, reflecting higher spending on goods and services and capital expenditure. In light of these developments, the provisions of the 2025 Finance Act and the three-year fiscal framework for 2025-2027, Bank Al-Maghrib forecasts that the fiscal deficit, excluding proceeds from the sale of State holdings, will gradually narrow, falling from 4.1 percent of GDP in 2024 to 3.9 percent in 2025 and 3.6 percent in 2026.

## OVERVIEW

Despite heightened geopolitical tensions and restrictive monetary conditions, the global economy continues to show relative resilience overall. However, trajectories vary significantly from one economy to another, and the outlook remains surrounded by considerable uncertainty.

The latest intra-annual data available for the fourth quarter of 2024 show a slight deceleration in year-on-year **growth** in the United States, slowing to 2.5 percent from 2.7 percent in the previous quarter. In the euro area, growth stood at 1.2 percent compared to 1 percent, with significant disparities across member countries. It remained stable at 3.5 percent in Spain and 0.6 percent in Italy, slowed from 1.2 percent to 0.6 percent in France and recorded another contraction in Germany of 0.2 percent following a previous decline of 0.3 percent. As for other advanced economies, the pace of activity improved from 0.6 percent to 1.4 percent in Japan and from 1 percent to 1.4 percent in the United Kingdom.

Emerging economies experienced similarly mixed developments. In China, growth improved to 5.4 percent in the fourth quarter, up from 4.6 percent in the previous quarter, driven by strong export performance. Likewise, economic activity remained robust in India at 6.2 percent, compared to 5.6 percent a quarter earlier, accelerated from 2.2 percent to 3 percent in Turkey, while it slowed from 4 percent to 3.6 percent in Brazil. In Russia, third-quarter data indicate a deceleration from 4.1 percent to 3.1 percent.

On the **labor markets of advanced economies**, conditions remained favorable despite some easing. February data show a slight increase in the unemployment rate in the United States to 4.1 percent alongside a rise in job creation to 151,000 compared to 125,000 the previous month. In the euro area, the unemployment rate remained stable at 6.2 percent in January, with divergences across member states. It remained unchanged in France and Germany, and declined slightly in Italy and Spain.

On the **financial markets**, the performance recorded in 2024 by the stock exchanges of major advanced economies broadly continued over the first two months of 2025. Specifically, after ending the year with a gain of 13.9 percent, the Euro Stoxx rose by 6.7 percent, the FTSE 100 by 3.9 percent following 6 percent and the Dow Jones Industrials by 0.4 percent following 18.1 percent. By contrast, the Nikkei 225 fell by 0.6 percent, following a surge of 25.1 percent in 2024. These trends were accompanied by an increase in risk aversion in both U.S. and European financial markets, with the VIX index rising to 19.6 and the VSTOXX to 16.6 by the end of February. With regard to emerging economies, the MSCI EM saw a slight increase of 0.1 percent in the first two months of the current year, namely due to the rise in the Chinese sub-index, following an increase of 8.6 percent in 2024.

**Sovereign yields** rose overall in 2024 continued over the first two months of this year, largely due to rising inflation expectations. Accordingly, the 10-year bond yield rose by 14 basis points (bps) to 4.5 percent in the United States, by 23 bps to 2.5 percent in Germany, by 19 bps to 3.1 percent in France, by 24 bps to 3.1 percent in Spain, and by 22 bps to 3.5 percent in Italy. In key emerging economies, yields declined by 14 bps to 1.7 percent in China, by 29 bps to 14.9 percent in Brazil, by 2 bps to 6.7 percent in India, and by 182 bps to 26.2 percent in Turkey.

In **currency markets**, after remaining nearly flat in 2024 at an average of USD 1.08, the euro depreciated by 0.7 percent over the first two months of the current year. This development mainly reflects the diverging monetary policy stances between the Federal Reserve and the European Central Bank (ECB) in an environment of heightened uncertainty, which has strengthened demand for the U.S. dollar a safe-

haven asset. Against other major currencies, the euro declined by 0.7 percent versus the Japanese yen, while it appreciated by 0.8 percent against the British pound. Among key emerging market currencies, movements were mixed relative to the dollar: the Chinese renminbi remained broadly stable, the Indian rupee and Turkish lira appreciated, and the Brazilian real experienced a marked depreciation.

**In commodity markets**, Brent crude prices recorded an average monthly increase of 4.5 percent in January and February, reaching USD 77.2 per barrel, though they declined by 5.9 percent year-on-year. In Europe, natural gas prices rose by 8.3 percent over the first two months and by 69.4 percent year-on-year. Non-emerging commodity prices rose by 0.4 percent, mainly supported by increases in metal and mineral prices. Compared to the same period last year, overall non-energy prices rose by 9.3 percent driven primarily by a 10.5 percent increase in agricultural product prices. Regarding phosphates and derivatives, DAP and TSP prices rose month-on-month, by 44 percent to USD 593.2 per ton and 0.4 percent to USD 479.3, respectively, while the price of raw phosphate remained stable at USD 152.5. Year-on-year, DAP increased by 0.5 percent, TSP by 5.9 percent and raw phosphate remained stable.

In this context, **inflation** continues to hover above central bank targets in major advanced economies. It slowed in February to 2.4 percent in the **euro area** and 2.8 percent in the **United States**. Conversely, inflation accelerated in January to 4 percent in Japan and 3 percent in the United Kingdom. In major emerging economies, February data indicate an acceleration to 10.1 in **Russia** and 5.1 percent in **Brazil**. On the other hand, inflation slowed to 3.6 percent in **India** and dropped by 0.7 percent in **China**.

**In terms of monetary policy stances**, the **ECB** decided at its meeting held on March 6 to cut its three key interest rates by 25 basis points, marking the fifth consecutive cut and the sixth since June 2024, considering that the disinflation process in the euro area is progressing as expected. As a result, the deposit facility rate, main refinancing operations rate, and marginal lending facility rate were lowered to 2.50 percent, 2.65 percent, and 2.90 percent, respectively. Meanwhile, following three consecutive rate cuts totaling 100 bps in 2024, the **Federal Reserve** decided at its January 28-29 meeting to keep the target range for the federal funds rate unchanged at [4.25 percent - 4.50 percent], in a context of sustained economic activity, a strong labor market, and slightly elevated inflation.

**At the national level**, the latest national accounts data remain those for the third quarter of 2024 and show a significant acceleration in year-on-year GDP growth to 4.3 percent, up from 3 percent in the same quarter year earlier. This improvement reflects a rise in the value added of non-agricultural activities to 5.1 percent from 3.1 percent and a drop in agricultural value added by 5.2 percent, following an increase of 0.9 percent. On the demand side, domestic demand contributed positively to growth by 6.9 percentage points, while net external demand had a negative contribution of 2.5 percentage points.

**In labor markets**, the national economy created 82,000 jobs in 2024, after losing 157,000 the previous year. Excluding agriculture, which saw a loss of 137,000 jobs, all other sectors recorded employment gains: 13,000 in construction, 46,000 in industry, and 160,000 in services. Considering a net increase of 140,000 in the labor force, participation rate slightly declined by 0.1 point to 43.5 percent, while the unemployment rate rose from 13 percent to 13.3 percent overall, from 16.8 percent to 16.9 percent in urban areas, and from 6.3 percent to 6.8 percent in rural areas.

Regarding **external accounts**, 2024 was marked by an acceleration in the pace of trade in goods and services, continued strong performance in travel receipts and remittances from Moroccans residing abroad (MRE), and a significant increase in net inflows of foreign direct investment (FDI). Specifically, exports rose by 5.8 percent, reaching MAD 455 billion, while imports increased by 6.4 percent to MAD

761.4 billion, resulting in a 7.3 percent widening of the trade deficit to MAD 306.5 billion and a 0.4-point decline in the coverage ratio to 59.8 percent. Imports were mainly driven by increases of 12.9 percent in capital goods, 10.7 percent in consumer goods, and 8 percent in semi-finished products. Conversely, the energy bill decreased by 6.5 percent, settling to 114 billion. The improvement in exports was primarily due to a 13.1 percent rise in phosphate and derivative sales, reaching MAD 86.8 billion, and a 6.3 percent increase in automotive sector exports, amounting to MAD 157.6 billion. In parallel, travel receipts reached 112.5 billion, up 7.5 percent, while related expenditures expanded by 22.9 percent to MAD 29.4 billion. Remittances grew by 2.1 percent, totaling MAD 117.7 billion. As for key financial operations, FDI inflows increased by 24.7 percent to 43.2 billion, while net outflows of Moroccan direct investments abroad declined by 23.2 percent to MAD 6.5 billion. Under these conditions, official reserve assets strengthened to MAD 375.4 billion by the end of 2024, representing the equivalent of 5 months and 7 days of imports of goods and services.

**With regard to monetary conditions,** banks' liquidity need rose to an average of MAD 137.9 billion per week in the fourth quarter of 2024, before easing to 128.7 billion on an average in January and February 2025. This decline is mainly due to reduced notes and coins in circulation following the voluntary tax regularization scheme for individuals. In response, Bank Al-Maghrib increased its liquidity injections to MAD 151.4 billion, then to MAD 142.8 billion. Monetary conditions in Q4 2024 were also characterized by a 13-basis point quarterly decrease in the average lending rate to 5.08 percent, and a 0.6 percent appreciation in the real effective exchange rate. Concerning bank lending to the non-financial sector, it slowed to 2.6 percent by year-end 2024, compared to 2.8 percent in 2023. However, this trend reversed in January 2025, with an increase of 3.3 percent, primarily due to an upward trend in loans to private non-financial corporations, rising from 0.6 percent in December 2024 to 1.2 percent.

**In terms of public finances,** Budget execution for 2024 shows a continued decline in the budget deficit. Excluding proceeds from the sale of state holdings, the deficit stood at MAD 62.6 billion, compared to 65.8 billion the previous year. Ordinary revenue improved by 15.3 percent, reflecting increases of 14.5 percent in tax revenues and a 19.9 percent in non-tax revenues, notably including MAD 35.3 billion from innovative financing mechanisms. Overall expenditure rose by 6.5 percent, mainly due to a 7.9 percent increase in spending on goods and services and a 6 percent rise in capital expenditure, while subsidy costs fell by 15.3 percent. Data from January 2025 indicate that, compared to the same month in 2024, the budget deficit widened by 1.7 billion to reach 6.9 billion, driven by a 41.7 percent increase in overall expenditure, a 19.9 percent rise in ordinary revenue, and an improvement in the surplus of special Treasury accounts to 15.8 billion, up from 9.5 billion.

**As for Casablanca Stock Exchange,** the benchmark index ended 2024 with a 22.2 percent increase. The volume of transactions rose by 52.3 percent to 99.1 billion, including 61 billion on the central market and 28.8 billion on the block market. In this context, market capitalization grew by 20.2 percent, reaching 752.4 billion at the end of 2024. Recent data indicate a continuation of this trend, with the MASI index gaining 5.2 percent in February after a 10 percent increase in January, bringing its year-to-date performance to 15.7 percent. Trading volume stood at 8.9 billion in February, 91 percent of which was carried out on the central market, compared with 12.7 billion in January and a monthly average of 8.3 billion in 2024.

On the **real estate market,** prices rose by 1.1 percent in the fourth quarter of 2024, reflecting increases of 1.7 percent for commercial properties, 1.4 percent for land, and 1.3 percent for residential properties. The number of transactions grew by 43.9 percent overall: 79.9 percent for commercial properties, 42.7 for residential properties, and 35.2 percent for urban lands.

In this context, after a sharp decline to an average of 0.9 percent in 2024, **inflation** accelerated in January 2025 to reach 2 percent. By component, core inflation remained stable at 2.3 percent. Prices of volatile food products rose 3.1 percent year-on-year in January, compared to an average decline of 2.9 percent in 2024, while regulated tariffs increased by 2.6 percent, up from 1.2 percent. Similarly, the decline in fuel and lubricant prices moderated to 10.9 percent in January from an average of 3.4 percent in 2024. As for financial sector experts' inflation expectations for the first quarter of 2025, they stood at 2.2 percent, down from 2.3 percent a quarter earlier, over an eight-quarter horizon, and stabilized at 2.4 percent over the next 12 quarters.

**In terms of outlook, the global economy** is expected to continue slowing in an environment of significant uncertainty, particularly related to the orientation of economic — especially trade — policies. Global growth is projected to decelerate from 3.2 percent in 2024 to 3 percent in 2025, and then to 2.8 percent in 2026. In the USA, activity remained resilient in 2024 with an estimated growth rate of 2.8 percent, supported by strong private consumption. However, growth is expected to slow to 2 percent in 2025 and 1.7 percent in 2026. In the Euro area, growth was limited to 0.7 percent in 2024, mainly due to persistent weaknesses in the manufacturing sector and weak domestic demand. Growth is expected to accelerate to 1 percent in 2025 and 1.3 percent in 2026, driven by a rebound in private consumption and investment amid a less restrictive monetary policy stance. In the United Kingdom, the economy is set to grow from 0.9 percent in 2024 to 1 percent in 2025, stimulated particularly by a robust public and private consumption, and to reach 1.2 percent in 2026. In Japan, after a slight increase of 0.1 percent in 2024, real GDP is expected to grow by 1.2 percent in 2025 and by 0.5 percent in 2026.

In the main emerging countries, China nearly reached its official growth target of 5 percent for 2024. However, growth is expected to slow to 4.8 percent in 2025 and 4.3 percent in 2026, reflecting structural challenges such as ongoing real estate sector difficulties, rising public debt, demographic pressures, and the anticipated impact of U.S.–China trade tensions. In India, economic activity is expected to remain vigorous, with growth accelerating from 6.6 percent in 2024 to 7.2 percent in 2025, supported by robust public investment in infrastructure, before moderating to 6.7 percent in 2026. In Brazil, growth is projected to slow from 3.2 percent in 2024 to 2.4 percent in 2025 and 0.7 percent in 2026, reflecting expected fiscal consolidation and tighter monetary policy. Russia's economy grew by 4.1 percent in 2024, driven by strong domestic demand, but is expected to decelerate to 1.6 percent in 2025 and 0.2 percent in 2026 as the effects of fiscal stimulus fade and the monetary conditions tighten.

**On the commodities markets**, oil prices are expected to continue their downward trend, particularly due to ample supply from non-OPEC+ countries, including the United States. Brent crude is projected to decline from USD 79.8 in 2024 to USD 75.5 in 2025 and USD 69.1 in 2026. As for Moroccan phosphate and derivatives, the price of DAP is expected to rise from USD 586/ton in 2024 to USD 600 in 2025, before easing to USD 591 in 2026. TSP is projected to increase from USD 436/ton to USD 460, and then to USD 468 in 2026. However, raw phosphate prices are expected to continue falling, from USD 215/ton in 2024 to USD 189 in 2025 and USD 182 in 2026. In case of foodstuffs, after a 2.1 percent decline in 2024, the FAO index is forecast to increase by 3.1 percent in 2025 and by 0.9 percent in 2026.

In this context, **global inflation** would continue to decelerate, reaching 3.2 percent in 2025 from 3.7 percent in 2024, and remaining at this level in 2026. In the euro area, inflation is expected to hold steady at 2.4 percent in 2025 before easing to 2.1 percent in 2026, while in the **United States** it is expected to remain around 3 percent over the forecast horizon.



**At the national level**, the momentum of external trade in goods and services is expected to continue over the medium term. Exports are projected to grow by 6.4 percent in 2025, driven mainly by the anticipated volume increase in phosphate and derivative exports, and by 9.7 percent in 2026, primarily due to the recovery in automotive shipments. Imports are also expected to rise, by 6.8 percent in 2025 and 6 percent in 2026, reflecting in particular an increase in capital goods acquisitions in line with projected investment growth. In parallel, travel revenues are expected to maintain their strong performance, increasing by about 5.4 percent annually, reaching 124.9 billion in 2026. Remittances are forecast to rise by 1.1 percent in 2025 and by 3.4 percent in 2026, reaching 123 billion. Under these conditions, the current account deficit is projected to widen from 2.2 percent of GDP in 2024 to 2.9 percent in 2025, before narrowing to 2 percent in 2026. Foreign direct investment inflows are expected to reach 3 percent of GDP in 2025 and 3.3 percent in 2026. Assuming the realization of planned external financing, official reserve assets would strengthen to 391.8 billion by end-2025 and 408 billion by end-2026, equivalent to 5 months and 5 days, and 5 months and 11 days, respectively, of imports of goods and services.

As for **monetary conditions**, Bank liquidity deficit is expected to continue widening, reaching MAD 142.7 billion by end-2025 and 161.6 billion by 2026, compared to MAD 137.4 billion in 2024. As for bank lending to the non-financial sector, taking into account past trends, economic prospects, and banking system expectations, its growth rate is projected to accelerate from 2.6 percent in 2024 to 5.9 percent in 2025, and 6 percent in 2026.


Regarding **public finances**, based on budgetary performance to 2024, the 2025 Finance Act, the 2025–2027 medium-term fiscal framework, and BAM's new macroeconomic projections, the budget deficit, excluding revenues from state asset sales, is expected to decline gradually from 4.1 percent of GDP in 2024 to 3.9 percent in 2025 and 3.6 percent in 2026.

In terms of **economic activity**, growth is expected to slow from 3.4 percent in 2023 to 3.2 percent in 2024, reflecting a 4.7 percent contraction in agricultural value added, following a 1.4 percent increase, and a 4.2 percent increase in non-agricultural GDP, following a 3.6 percent increase. In the medium term, it should consolidate at 3.9 percent in 2025 and then 4.2 percent in 2026. This trend would reflect a 2.5 percent increase in agricultural value added in 2025, taking into account a cereal harvest of around 35 million quintals (MQx) according to BAM forecasts, followed by a 6.1 percent increase in 2026, assuming a return to average cereal production of 50 MQx. Non-agricultural activities are expected to continue to improve, with growth of 4 percent in 2025 and 2026.

Under these conditions, after slowing sharply to 0.9 percent in 2024, **inflation** is expected to accelerate to an average of nearly 2 percent over the forecast horizon. Its underlying component would also evolve around this level.

**Uncertainty surrounding the global economic outlook** remains high, linked to trade tensions that risk slowing international trade, disrupting supply chains and weighing on investment, while increasing inflationary pressures. Added to this are the ongoing real estate crisis in China and the difficulties facing the German economy, which point to the risks of weaker growth. Furthermore, an intensification of regional conflicts, particularly in the Middle East and Ukraine, could further weaken global economic activity and disrupt supply chains, particularly for energy and food.

At the national level, the main risks to economic activity are related to recurring droughts and worsening water stress in the medium term. However, the Kingdom's efforts to stimulate investment are fueling optimism about faster growth in the medium and long term. With regard to inflation, risks remain on



the upside. In addition to external pressures, unfavorable weather conditions could cause food prices to spike, thereby exacerbating inflationary pressures. However, His Majesty the King's recent call to refrain from performing Eid sacrifice ritual this year may result in lower red meat prices, and consequently lower inflation, in the upcoming months.

# 1. INTERNATIONAL DEVELOPMENTS

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Despite intense geopolitical tensions and restrictive monetary conditions, the global economy showed relative resilience in 2024. However, this trend conceals heterogeneous trajectories from one economy to another. On labor markets, despite a relative easing, conditions remained generally favorable in advanced economies, with unemployment rates evolving at low levels. Inflation, for its part, fell sharply in 2024 in the major advanced economies and in many emerging economies, the result in particular of the restrictive monetary policies adopted by central banks over the previous two years and the fall in energy prices. These trends look set to continue over the first two months of the current year, albeit with a high level of uncertainty linked in particular to the new US administration's trade policy guidelines. Over the first two months of the year, these uncertainties were reflected in a rise in volatility, particularly on the US and European stock markets, and in a strengthening of the dollar as a safe-haven asset. Financial markets were also characterized at the start of the year by a rise in long-term sovereign yields in the main advanced countries.

## 1.1 Economic activity and employment

### 1.1.1 Economic activity

The global economy proved relatively resilient in 2024, despite an unfavorable environment characterized by persistent uncertainty linked in particular to geopolitical tensions and elections in many countries (United States, European Union, United Kingdom, etc.), as well as by persistently restrictive monetary conditions. However, this trend masks heterogeneous performances from one country to another.

In the USA, growth fell back to 2.5 percent in the fourth quarter after 2.7 percent the previous quarter. Conversely, growth in the eurozone rose to 1.2 percent against 1 percent, albeit with marked divergences between member countries. Growth stabilized at 3.5 percent in Spain and 0.6 percent in Italy, while it slowed to 0.6 percent in France and contracted a further 0.2 percent in Germany. In the other advanced economies, British and Japanese GDP grew by 1.4 percent, compared with 1 percent and 0.6 percent respectively in the previous quarter.

Trends in emerging economies were equally mixed. In China, growth accelerated to 5.4 percent in the fourth quarter from 4.6 percent in the previous quarter, driven by exports. Similarly, the pace of activity remained vigorous in India at 6.2 percent versus 5.6 percent a quarter earlier, accelerated from 2.2 percent to 3 percent in Turkey, and declined from 4 percent to 3.6 percent in Brazil. In Russia, third-quarter data showed a decline in growth to 3.1 percent from 4.1 percent in the previous quarter.



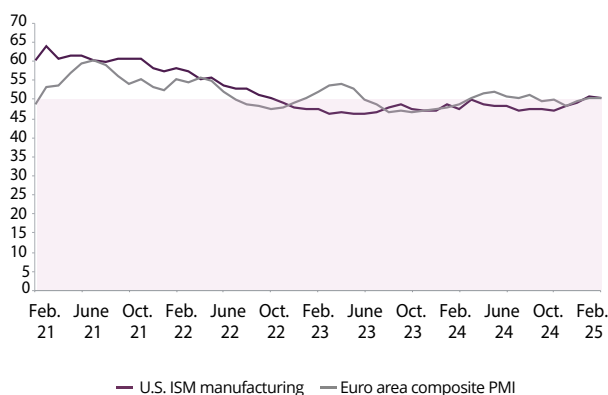
**Table 1.1: Quarterly growth profile, in year-on-year (in %)**

	2022		2023			2024			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Advanced economies</b>									
United States	1.3	2.3	2.8	3.2	3.2	2.9	3.0	2.7	2.5
Euro area	1.9	1.4	0.6	0.0	0.2	0.5	0.5	1.0	1.2
France	0.9	1.0	1.3	0.9	1.3	1.4	1.0	1.2	0.6
Germany	0.2	0.2	0.1	-0.3	-0.2	-0.1	-0.2	-0.3	-0.2
Italy	2.3	2.1	0.4	0.2	0.5	0.3	0.6	0.6	0.6
Spain	4.6	3.9	2.4	2.2	2.3	2.7	3.3	3.5	3.5
United Kingdom	1.5	0.9	0.6	0.3	-0.3	0.5	0.9	1.0	1.4
Japan	0.4	2.3	1.7	1.1	0.9	-0.9	-0.8	0.6	1.4
<b>Emerging economies</b>									
China	2.9	4.5	6.3	4.9	5.2	5.3	4.7	4.6	5.4
India	4.8	6.2	9.7	9.3	9.5	7.8	6.5	5.6	6.2
Brazil	2.7	4.4	3.9	2.4	2.4	2.6	3.3	4.0	3.6
Türkiye	3.3	4.5	4.6	6.5	4.6	5.4	2.4	2.2	3.0
Russia	-1.8	-1.6	5.1	5.7	4.9	5.4	4.1	3.1	N.D

Source: Thomson Reuters Eikon and Eurostat.

In terms of leading activity indicators, the euro area composite PMI stabilized at 50.2 in February compared with the previous month, while the US ISM manufacturing index fell from 50.9 to 50.3 over the same period.

**Chart 1.1: Change in some leading activity indicators in the United States and the Euro area**



Source: Thomson Reuters Eikon.

## 1.1.2 Labor market

Despite a relative easing, conditions in the advanced economies' labor markets remained generally favorable in 2024, with unemployment rates continuing to evolve at low levels overall. This trend looks set to continue in 2025, with February's data showing a slight rise in the US unemployment rate to 4.1 percent, alongside an increase in job creation to 151,000 from 125,000 the previous month. In the euro area, the unemployment rate stabilized in January at 6.2 percent, with varying trends between member countries. It remained unchanged at 3.5 percent in Germany and 7.3 percent in France, while falling to 6.3 percent in Italy and 10.4 percent in Spain. In the UK, December data show a stabilization at 4.4 percent.

**Table 1.2: Change in unemployment rates (in %)**

(in %)	2022	2023	2024	2025	
			Dec.	Jan.	Feb.
United States	3.6	3.6	4.1	4.0	4.1
Euro area	6.8	6.6	6.2	6.2	N.D
France	7.3	7.3	7.3	7.3	N.D
Germany	3.2	3.1	3.5	3.5	N.D
Italy	8.1	7.7	6.4	6.3	N.D
Spain	13.0	12.2	10.6	10.4	N.D
United Kingdom	3.9	4.0	4.4	N.D	N.D

Source: Eurostat and BLS.

## 1.2 Monetary and financial conditions

### 1.2.1 Monetary policy decisions

After three consecutive 100 bp cuts in 2024, the Fed decided at its January 28-29 meeting to take a break from its monetary easing cycle by keeping the target range for the federal funds

rate unchanged at [4.25 percent-4.50 percent] in an environment characterized by a sustained pace of economic activity, a solid labor market and somewhat elevated inflation. At the same time, announced that it would continue to reduce holdings of Treasury securities and mortgage-backed securities.

For its part, the ECB decided at its meeting on March 6 to cut all three key interest rates by 25 basis points, the fifth cut in a row and the sixth since June 2024, indicating that the disinflation process is on track. As a result, the interest rates on the deposit facility, the main refinancing operations and the marginal lending facility were cut to 2.50 percent, 2.65 percent and 2.90 percent respectively. It also reported that the Asset Purchase Program (APP) portfolio and the Emergency Pandemic Purchasing Program (EPPP) are contracting at a measured and predictable pace, as the Eurosystem is no longer reinvesting principal repayments on maturing securities.

Similarly, the Bank of England decided at its February 6 meeting to cut its key rate by 25bp to 4.5 percent, underlining that domestic inflationary pressures are easing, but remain somewhat high. In contrast, the Bank of Japan decided at its January 24 meeting to raise its key rate by 25bp to 0.5 percent, its highest level since 2008, against a backdrop of rising inflation.

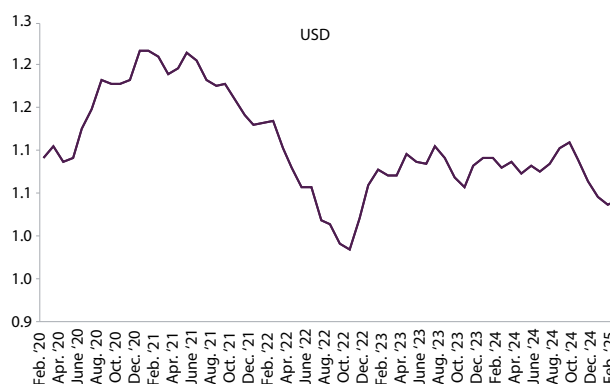
Among the major emerging economies, China's central bank kept its main policy rate unchanged at 3.1 percent at the end of its February 20 meeting. The same applies to the Central Bank of Russia, whose rate remained stable at 21 percent following its meeting on February 14. Meanwhile, Brazil's central bank decided to raise its key rate to 13.25 percent at its meeting on January 29, against a backdrop of renewed

inflationary pressures. Conversely, the central banks of India, Turkey and South Africa cut their key rates at their latest meetings.

## 1.2.2 Financial markets

After virtually stagnating in 2024 at an average of USD 1.08, the euro depreciated by 0.7 percent over the first two months of the current year. This trend essentially reflects the divergent monetary policy stances of the FED and the ECB, and a highly uncertain environment that is reinforcing demand for the dollar as a safe-haven asset. The euro also fell by 0.7 percent against the Japanese yen, but gained 0.8 percent against sterling. The currencies of the main emerging economies performed unevenly against the dollar in the first two months of 2025, with the Chinese renminbi remaining virtually unchanged, the Indian rupee (+1.9 percent) and the Turkish lira (+2.4 percent) appreciating, while the Brazilian real depreciated significantly (-3.4 percent).

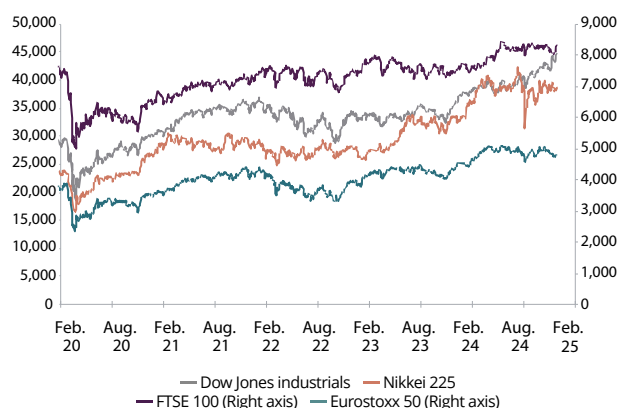
Chart 1.2: Change in the Euro/dollar exchange rate



Source: Thomson Reuters Eikon.

On the stock markets of the major advanced economies, the good performance recorded in 2024 continued overall in the first two months of 2025. The Eurostoxx gained 6.7 percent, the FTSE 100 3.9 percent and the Dow Jones Industrials 0.4 percent, while the Nikkei 225 was down 0.6 percent.

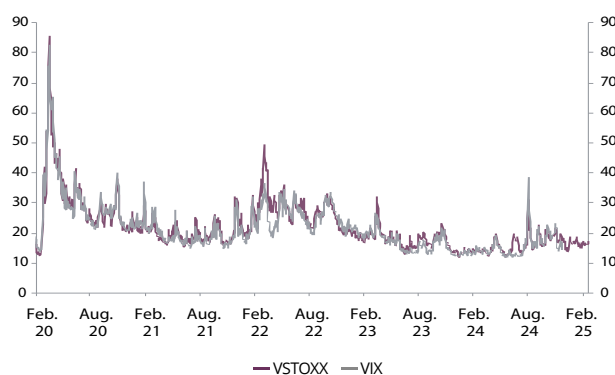
**Chart 1.3: Change in the main stock market indexes of advanced economies**



Source: Thomson Reuters Eikon.

These developments were accompanied by an increase in risk aversion on the US financial markets, with the VIX index rising to 19.6 at the end of February, and in Europe, with the VSTOXX rising to 16.6. As for emerging economies, the MSCI EM recorded a slight increase of 0.1 percent over the first two months of the current year, due in particular to the rise in the Chinese sub-index (+3.3 percent).

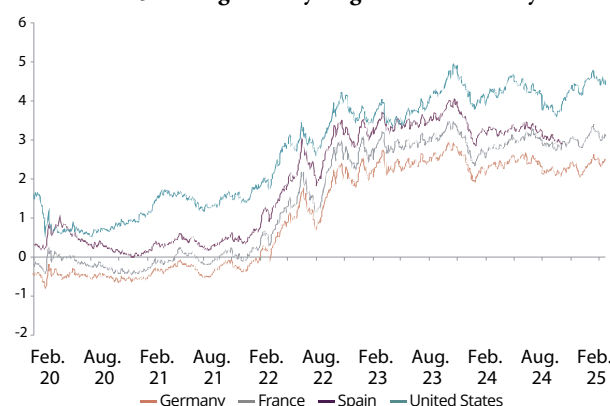
**Chart 1.4: VIX and VSTOXX trends**



Source: Thomson Reuters Eikon.

On the sovereign bond markets, the rise in yields recorded in 2024 continued in the first two months of this year. The 10-year yield rose by 14 bp to 4.5 percent in the USA, by 23 bp to 2.5 percent in Germany, by 19 bp to 3.1 percent in France, by 24 bp to 3.1 percent in Spain and by 22 bp to 3.5 percent in Italy. For the main emerging economies, the rate fell by 14 bp to 1.7 percent for China, 29 bp to 14.9 percent for Brazil, 2 bp to 6.7 percent for India and 182 bp to 26.2 percent for Turkey.

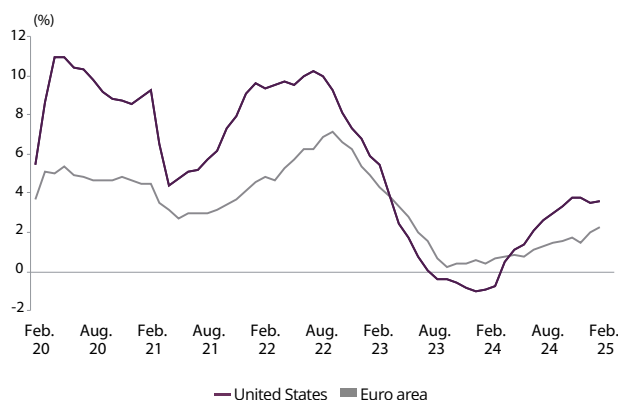
**Chart 1.5: Change in 10-year government bond yields**



Source: Thomson Reuters Eikon.

On the money markets, the 3-month EURIBOR fell over the first two months of 2025, by 20 bp to 2.6 percent, as did the SOFR for the same maturity, down 26 bp to 4.5 percent. As for bank loans, growth accelerated again in January in the eurozone, at an annual rate of 2.3 percent, and picked up again in the United States with an increase of 3.6 percent.

**Chart 1.6: Credit trends in the US and eurozone  
(year-on-year)**



## 1.3 Commodity prices and inflation

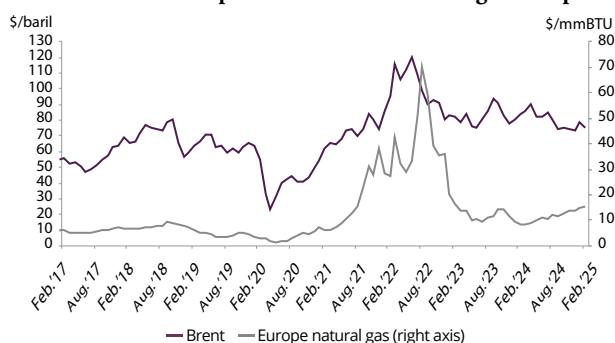
### 1.3.1 Energy commodity prices

On the commodities market, 2024 saw increases of 5.1 percent in the energy products index and 1.9 percent in the non-energy products index.

On the oil market, after declining by 2.3 percent on average over 2024, the price of Brent crude rose by 4.5 percent to USD77.2 a barrel in the first two months of 2025, boosted by tensions on the oil market at the start of the year, notably a drop in US oil inventories, a severe cold snap on the East Coast, and a downward revision of the oil surplus forecasts for 2025 published in the latest report by the International Energy Agency. Year-on-year, oil prices were down 5.9 percent. Against this backdrop, OPEC+ countries agreed at their meeting on March 3 to gradually increase their oil production from April 1, 2025.

The price of natural gas on the European market rose by 8.3 percent over the first two months of the current year, averaging USD15/mmBTU, a year-on-year increase of 69.4 percent.

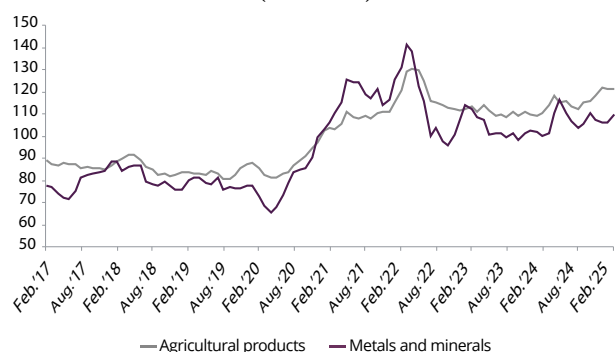
**Chart 1.7: World price of brent and natural gas-Europe**



### 1.3.2 Non-energy commodity prices

Excluding energy, the World Bank's price index rose slightly by 0.4 percent in the first two months of the year, mainly as a result of a 1.8 percent increase in metal and mineral prices. Year-on-year, prices rose by 9.3 percent, mainly reflecting a 10.5 percent increase in agricultural prices. For its part, benefiting from its status as a safe haven, gold recorded increases of 5.8 percent over the first two months of the year and 38.1 percent year-on-year.

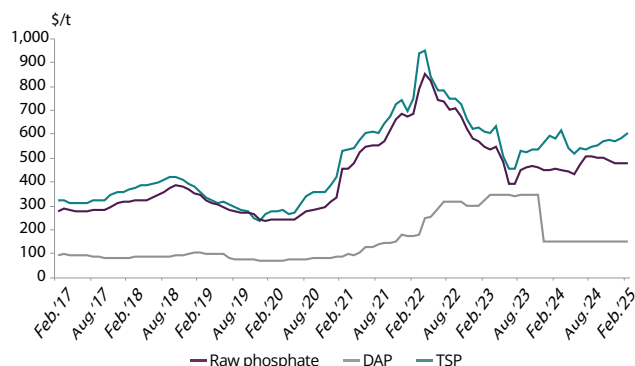
**Chart 1.8: Change in non-energy commodity price indexes  
(2010=100)**



With regard to phosphate and derivatives, prices followed different trajectories in the first two months of 2025. Prices rose by an average of 44

percent to USD 593.2/t for DAP and by 0.4 percent to USD 479.3/t for TSP, while remaining stable at USD 152.5/t for raw phosphate. Year-on-year, prices rose by 0.5 percent for DAP and 5.9 percent for TSP, while those for raw phosphate remained stable.

**Chart 1.9: Change in global prices of phosphates and derivatives**



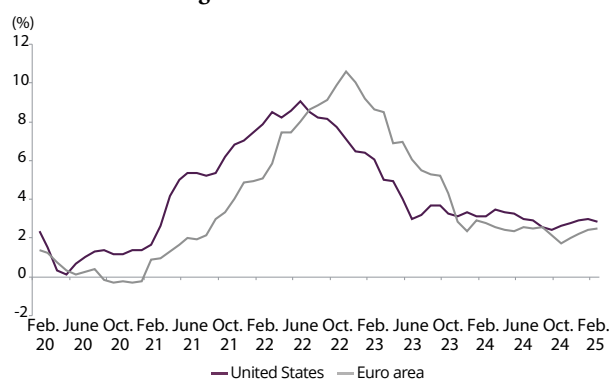
Source: World Bank.

### 1.3.3 Inflation

Inflation in the euro zone slowed slightly in February to 2.4 percent, reflecting in particular a sharp slowdown to 0.9 percent in France and stagnation at 2.8 percent in Germany, 2.9 percent in Spain and 1.7 percent in Italy. Similarly, in the United States, inflation fell slightly from 3 percent in January to 2.8 percent in February. Conversely, it accelerated from 2.5 percent in December to 3 percent in January in the United Kingdom, and from 3.7 percent to 4 percent in Japan.

As for the major emerging economies, inflation in China entered negative territory for the first time since January 2024, standing at -0.7 percent in February compared with 0.5 percent the previous month. It also slowed in India, falling from 4.3 percent in January to 3.6 percent in February. On the other hand, it accelerated in Russia, rising from 9.9 percent in January to 10.1 percent in February, as well as in Brazil, with prices rising 5.1 percent in February, compared with 4.6 percent a month earlier.

**Chart 1.10: Change in inflation in the US and the euro area**



Source: Thomson Reuters Eikon.

**Table 1.3: Recent year-on-year change in inflation in major advanced countries (in %)**

	2022	2023	2024	2025	
			Dec.	Jan.	Feb.
United States	8.0	4.1	2.9	3.0	2.8
Euro area	8.4	5.5	2.4	2.5	2.4
Germany	8.6	6.1	2.8	2.8	2.8
France	5.9	5.7	1.8	1.8	0.9
Spain	8.3	3.4	2.8	2.9	2.9
Italy	8.7	6.0	1.4	1.7	1.7
United Kingdom	9.0	7.4	2.5	3.0	N.D
Japan	2.5	3.3	3.7	4.0	N.D

Sources: Thomson Reuters, Eurostat & FMI.

## 2. EXTERNAL ACCOUNTS

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The year 2024 was marked by an increase in trade in goods and services, a continued good performance in travel receipts and transfers from Moroccan expatriates, and a significant rise in the net flow of foreign direct investment into Morocco.

Exports of goods increased by 5.8 percent to 455 billion, while imports rose by 6.4 percent to 761.4 billion. Consequently, the trade deficit widened by 7.3 percent to MAD 306.5 billion, and the coverage ratio declined by 0.4 percentage points to 59.8 percent in 2023. Meanwhile, travel receipts maintained their upward trend, growing by 7.5 percent to MAD 112.5 billion, and remittances increased by 2.1 percent to MAD 117.7 billion. Regarding the main financial operations, FDI receipts rose by 24.7 percent to 43.2 billion, while Moroccan direct investment, after rebounding by 25 percent in 2023, decreased by 5 percent to 24.3 billion. Under these conditions, outstanding official reserve assets stood at MAD 375.4 billion at the end of 2024, equivalent to 5 months and 7 days of imports of goods and services.

In January 2025, the trade deficit widened by 13.3 percent to MAD 24.5 billion, compared with the same month a year earlier, as a result of a 2.4 percent fall in exports and a 3.4 percent rise in imports. At the same time, travel receipts rose by 10.1 percent to 8.8 billion and remittances totalled 9.5 billion, a slight improvement in January 2024. With regard to direct investment, FDI receipts rose by 24.1 percent to 4.9 billion and Moroccan investments abroad by 60 percent to 2.2 billion. Overall, Bank Al-Maghrib's official reserve assets reached 369.8 billion dirhams at the end of January 2025, representing the equivalent of 5 months and 5 days' imports of goods and services.

### 2.1 Trade balance

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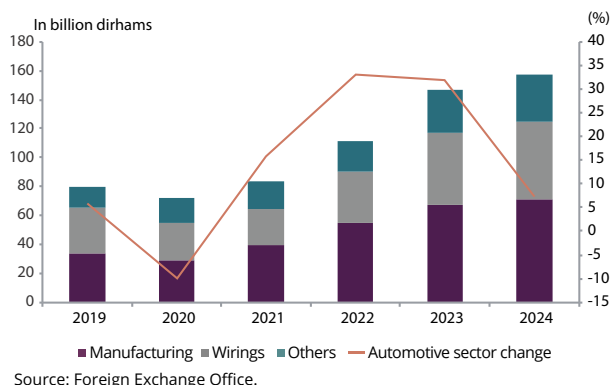
#### 2.1.1 Exports

The improvement in exports reflects the dynamic performance of most of the main sectors. Driven mainly by increases in quantities shipped, sales of phosphate and its derivatives rose in value by 13.1 percent to 86.8 billion, the result of increases of 13.9 percent for fertilizers, 11.4 percent for phosphoric acid and 10.1 percent for raw phosphate. Similarly, automotive sector shipments reached 157.6 billion dirhams, up 6.3 percent, with increases of 4.9 percent to 71 billion for the "manufacturing" segment and 6.5 percent to 53.7 billion for the "wiring" segment. Meanwhile, exports from the aeronautical sector continued their upward trend, rising by 14.9

percent to 26.4 billion, boosted by a 23.6 percent increase to 17.2 billion in the "assembly" segment.

Despite unfavorable weather conditions, sales in the "agriculture and agri-food" sector rose by 3.1 percent, driven by a 6.8 percent increase in exports of agricultural products to MAD 39.9 billion, while sales in the food industry remained virtually unchanged at almost MAD 43 billion. Sales in the "electronics and electricity" sector remained virtually stable at 18.3 billion.

Chart 2.1: Automotive industry's exports by the end of 2024



Conversely, shipments in the “textiles and leather” sector fell slightly by 0.5 percent to 45.9 billion, reflecting in particular a 7.2 percent drop to 3 billion for the ‘footwear’ sector, with the “ready-made garments” sector remaining virtually unchanged at 29.6 billion.

Table 2.1: Exports by sector  
(in million dirhams)

Sectors/Segments	Year		Change	
	2024	2023	In value	In %
<b>Exports</b>	<b>454,976</b>	<b>430,209</b>	<b>24,767</b>	<b>5.8</b>
<b>Phosphates and derivatives</b>	<b>86,759</b>	<b>76,695</b>	<b>10,064</b>	<b>13.1</b>
Natural and chemical fertilizers	63,822	56,019	7,803	13.9
Phosphoric acid	14,412	12,933	1,479	11.4
Phosphates	8,525	7,743	782	10.1
<b>Automotive</b>	<b>157,602</b>	<b>148,196</b>	<b>9,406</b>	<b>6.3</b>
Construction	70,955	67,629	3,326	4.9
Cabling	53,650	50,365	3,285	6.5
Vehicle and seat interiors	9,050	7,660	1,390	18.1
<b>Aeronautics</b>	<b>26,447</b>	<b>23,008</b>	<b>3,439</b>	<b>14.9</b>
Assembly	17,233	13,944	3,289	23.6
Electrical Wiring Interconnection System	9,100	8,969	131	1.5
<b>Agriculture and Agri-food</b>	<b>85,810</b>	<b>83,212</b>	<b>2,598</b>	<b>3.1</b>
Agriculture, forestry, and hunting	39,853	37,312	2,541	6.8
Tobacco industry	1,299	1,068	231	21.6
Food industry	42,981	43,017	-36	-0.1
<b>Other mining extractions</b>	<b>5,570</b>	<b>5,446</b>	<b>124</b>	<b>2.3</b>
Fluorite fluorspar	382	267	115	43.1
Copper ore	1,659	1,589	70	4.4
Barium sulfate	1,046	1,130	-84	-7.4
<b>Electronics and electricity</b>	<b>18,345</b>	<b>18,323</b>	<b>22</b>	<b>0.1</b>
Wires and cables	5,615	5,245	370	7.1
Devices for disconnecting or connecting electrical circuits and resistors	2,085	1,716	369	21.5
Electronic components	7,735	8,444	-709	-8.4
<b>Textile and leather</b>	<b>45,880</b>	<b>46,093</b>	<b>-213</b>	<b>-0.5</b>
Footwear	3,020	3,253	-233	-7.2
Ready-made garments	29,617	29,530	87	0.3
Hosiery	9,125	8,937	188	2.1
<b>Other industries</b>	<b>28,564</b>	<b>29,235</b>	<b>-671</b>	<b>-2.3</b>
Metallurgy and metalworking	7,675	8,459	-784	-9.3
Plastics and rubber industry	1,542	1,643	-101	-6.1
Pharmaceutical industry	1,510	1,586	-76	-4.8

Source: Foreign Exchange Office.



## 2.1.2 Imports

The increase in imports covered all the main products, except for energy products. Purchases of capital goods rose by 12.9 percent to 180.2 billion dirhams, with a 36.8 percent increase in purchases of “commercial vehicles” and a 14.9 percent rise in “appliances for cutting or connecting electrical circuits”. Imports of consumer goods rose by 10.7 percent to MAD 177.5 billion, driven particularly by an 8.4 percent increase in purchases of “passenger cars”, a 9 percent rise in purchases of their parts and components, and a 17.9 percent increase in purchases of “medicines and other pharmaceutical products”. Meanwhile, acquisitions of semi-finished products rose by 8 percent to 164 billion, mainly due to imports of “chemical products”, which rose by 18.6 percent to 16.3 billion, and “semi-finished products of iron or non-alloy steel”, which reached 5 billion after 3.2 billion in 2023. Similarly, imports of crude products rose by 4.3 percent to 33.3 billion, mainly as a result of the increase in “crude and unrefined sulfur” imports.

Foodstuffs amounted to 91.6 billion, up 2.2 percent, driven mainly by a 95.2-percent increase to 5.6 billion in purchases of live animals, while wheat supplies fell by 7.9 percent to 17.8 billion due to a 14.1 percent decline in its import price.

Conversely, in line with lower international prices, the energy bill fell by 6.5 percent to MAD 114 billion, with a 23.2 percent contraction in imports of “coal, cokes and similar solid fuels”, 11.2 percent in “petroleum gas and other hydrocarbons” and 2 percent in “gas oils and fuel oils”.

**Table 2.2: Imports by main products  
(in million dirhams)**

Main products	Year		Change	
	2024	2023	In value	In %
<b>Imports</b>	<b>761,448</b>	<b>715,752</b>	<b>45,696</b>	<b>6.4</b>
<b>Capital goods</b>	<b>180,211</b>	<b>159,570</b>	<b>20,641</b>	<b>12.9</b>
Utility cars	11,041	8,069	2,972	36.8
Devices for the disconnection or connection of electrical circuits	16,567	14,422	2,145	14.9
Machines for working rubber or plastics	2,775	1,091	1,684	154.4
<b>Finished consumer products</b>	<b>177,449</b>	<b>160,278</b>	<b>17,171</b>	<b>10.7</b>
Parts and components for passenger cars	33,608	30,834	2,774	9.0
Passenger cars	24,058	22,189	1,869	8.4
Medicines and other pharmaceutical products	10,842	9,198	1,644	17.9
<b>Semi-finished products</b>	<b>163,970</b>	<b>151,768</b>	<b>12,202</b>	<b>8.0</b>
Chemical products	16,273	13,722	2,551	18.6
“Semi-finished products made of iron or non-alloy steel”	5,015	3,192	1,823	57.1
Pipe fittings and metal construction	4,846	3,145	1,701	54.1
<b>Food products</b>	<b>91,576</b>	<b>89,620</b>	<b>1,956</b>	<b>2.2</b>
Live animals	5,576	2,857	2,719	95.2
Cafe	2,605	1,498	1,107	73.9
Wheat	17,832	19,357	-1,525	-7.9
Press cake	6,977	8,975	-1,998	-22.3
<b>Raw products</b>	<b>33,261</b>	<b>31,898</b>	<b>1,363</b>	<b>4.3</b>
Raw or refined soybean oil	9,108	8,007	1,101	13.8
Oil seeds and fruits	1 396	887	509	57.4
Crude or refined soybean oil	5,456	6,108	-652	-10.7
<b>Energy products</b>	<b>114,043</b>	<b>121,997</b>	<b>-7,954</b>	<b>-6.5</b>
Coal, cokes and similar solid fuels	12,674	16,504	-3,830	-23.2
Petroleum gas and other hydrocarbons	21,253	23,936	-2,683	-11.2
Gas oils and fuel oils	57,015	58,162	-1,147	-2.0

Source: Foreign Exchange Office.



## 2.2 Other components of the current account balance

With regard to the balance of services, the increase in its surplus was limited to 1.2 percent, following the sharp rise recorded in 2023, as a result of a 12.9 percent increase in imports, which was greater than the 6.9 percent increase in exports.

**Table 2.3: Balance of services  
(in million dirhams)**

	Year		Change	
	2024	2023	In value	In %
Imports	141,188	125,102	16,086	12.9
Exports	275,401	257,697	17,704	6.9
Balance	134,213	132,595	1,618	1.2

Source: Foreign Exchange Office.

Travel receipts notably rose by 7.5 percent compared with 2023, to 112.5 billion. Travel expenditure also continued its upward trend, showing a further rise of 22.9 percent to 29.4 billion.

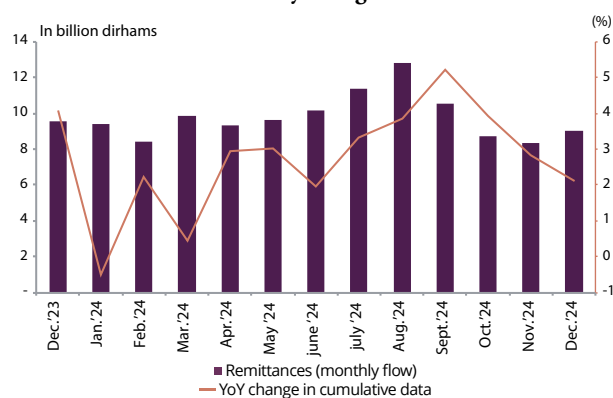
**Chart 2.2: Monthly change in travel receipts**



Source: Foreign Exchange Office.

Despite a slowdown, remittances rose by 2.1 percent to MAD 117.7 billion.

**Chart 2.3: Monthly change in remittances**



Source: Foreign Exchange Office.

## 2.3 Financial account

In terms of the main financial operations, net FDI flows rose by 55.4 percent to MAD 17.2 billion, driven by a 24.7 percent improvement in receipts to MAD 43.2 billion, outstripping the 10.3 percent rise in disposals to MAD 26 billion. As for Moroccan direct investment abroad, net flows contracted by 23.2 percent to 6.5 billion, reflecting a 5 percent fall in outflows to 24.3 billion.

At the end of 2024, outstanding official reserve assets stood at MAD 375.4 billion, representing the equivalent of 5 months and 7 days of imports of goods and services.

**Table 2.4: Direct investments (in million dirhams)**

	Year		Change	
	2024	2023	In value	In %
Foreign direct investments	17,237	11,090	6,147	55.4
Revenues	43,195	34,629	8,566	24.7
Expenditure	25,958	23,539	2,419	10.3
Moroccan direct investments abroad	6,507	8,470	-1,963	-23.2
Expenditure	24,288	25,561	-1,273	-5.0
Revenues	17,781	17,091	690	4.0

Source: Foreign Exchange Office.

Data for January 2025 show a widening of the trade deficit to 24.5 billion from 21.6 billion a year earlier. This was due to a 2.4 percent fall in exports to 35.4 billion and a 3.4 percent rise in imports to 59.8 billion. The coverage rate thus fell from 62.6 percent at the end of January 2024 to 59.1 percent.

The fall in exports mainly reflects a 10.9 percent drop in automotive sales to 10.3 billion, driven by a 36.2 percent decline in the “manufacturing” segment, and a 10.7 percent drop in shipments of phosphate and its derivatives to 5.6 billion. This trend resulted from a 21.4 percent contraction in fertilizer shipments and a 17.4 percent drop in raw phosphate shipments. Similarly, exports by the “agriculture and agrifoods” sector fell by 2.3 percent to 8.7 billion, mainly as a result of a 9 percent decline in sales by the food industry.

Conversely, exports in the aeronautical sector rose by 14.2 percent to 2.2 billion, while those in the “textiles and leather” sector improved by 5 percent to 3.8 billion.

Imports rose for all the main products, except for energy products, which fell by 11.6 percent. Purchases of capital goods and finished consumer goods rose by 10.8 percent and 6.4 percent respectively. Similarly, purchases of raw products rose by 17.8 percent, driven by a 32.2 percent increase in purchases of “crude and unrefined oils”. Purchases of semi-finished products rose by 1.7 percent to 13 billion, while those of food products reached 8.2 billion, up 3.1 percent on January 2024.

At the same time, travel receipts improved by 10.1 percent to reach 8.8 billion, and remittances slightly rose to 9.5 billion. With regard to the main financial operations, FDI revenues amounted to MAD 4.9 billion, after MAD 4 billion in January 2024, and Moroccan direct investments abroad increased by 60 percent to MAD 2.2 billion.

At the end of January 2025, outstanding official reserve assets reached MAD 369.8 billion, representing the equivalent of 5 months and 5 days’ imports of goods and services.

Table 2.5 : Change of main components of balance of payments (in million of dirhams)

Main products	January		Change	
	2025	2024	In value	In %
Exportations de biens	35,359	36,245	-886	-2,4
Automobile	10,286	11,543	-1,257	-10,9
Agriculture and Agri-food	8,698	8,899	-201	-2,3
Phosphates and derivatives	5,634	6,307	-673	-10,7
Textile and leader	3,753	3,572	180	5,0
Aeronautics	2,239	1,962	278	14,2
Imports of good	59,844	57,854	1,990	3,4
Energy products	8,535	9,658	-1,122	-11,6
Capital goods	14,152	12,770	1,383	10,8
Foodstuffs	8,213	7,962	250	3,1
Finished consumer products	12,831	12,064	767	6,4
Travel receipts	8,787	7,979	808	10,1
Remittances	9,452	9,408	44	0,5
Foreign direct investments receipts	4,948	3,988	960	24,1
Investment expenses of Moroccan expatriates	2,235	1,398	837	59,9

Source: Foreign Exchange Office.

## 3. MONEY, CREDIT AND ASSET MARKET

In the fourth quarter of 2024, the overall average lending rate declined by 13 basis points and the real effective exchange rate appreciated by 0.6 percent. The annual growth rate of bank lending to the non-financial sector slowed to 2.6 percent, down from 3.3 percent a quarter earlier, mainly reflecting a deceleration in loans granted to companies, both public and private. The latest available data for January 2025 indicate a 4.1 percent annual growth in bank lending, reflecting increases of 3.3 percent in loans granted to the non-financial sector and 8.3 percent in those extended to financial corporations. Regarding the other counterparts of the money supply, official reserve assets posted a 4.4 percent increase, up from 3.6 percent, and the growth rate of net claims on the central government stabilized at 8.7 percent. Overall, the money supply increased by 8 percent, up from 6.6 percent in the third quarter.

In the real estate market, prices recorded a quarterly growth of 1.1 percent in the fourth quarter of 2024, reflecting increases of 1.7 percent for commercial properties, 1.4 percent for land and 1.3 percent for residential properties. The number of transactions grew by 43.9 percent overall, with increases of 79.9 percent for commercial properties, 42.7 percent for residential properties and 35.2 percent for land.

On the Casablanca stock exchange, the MASI index appreciated by 2.8 percent in the fourth quarter of the year, and the trading volume increased from MAD 14.8 billion to MAD 43 billion quarter-on-quarter. Against this backdrop, market capitalization rose by 20.2 percent to MAD 752.4 billion for the whole year.

### 3.1 Monetary conditions

#### 3.1.1 Bank liquidity and interest rates

Banks' liquidity needs increased from a weekly average of MAD 131.6 billion in the third quarter of 2024 to MAD 137.9 billion in the fourth quarter.

Bank Al-Maghrib heightened its liquidity injections to MAD 151.4 billion, up from MAD 145.4 billion, of which 63.3 billion in the form of 7-day advances, 51.5 billion through repurchase agreements and 36.6 billion through guaranteed loans granted as part of programs to support the financing of VSEs/SMEs.

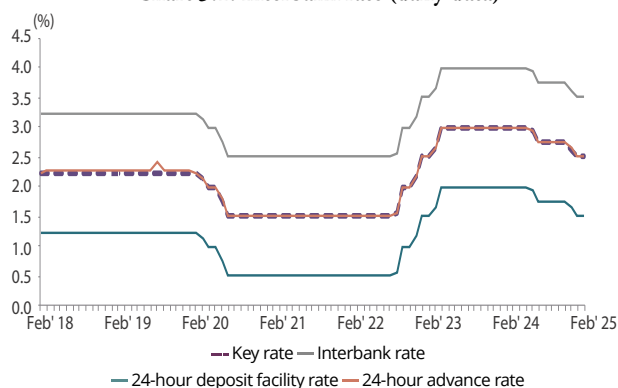
Against this backdrop, the average duration of the Bank's interventions decreased from 47.9 days to 34.6 days, while the interbank rate declined from 2.75 percent to 2.71 percent on average,

following the Bank's Board decision, at its meeting on December 17, 2024, to reduce the key rate by 25 basis points to 2.50 percent.

For the full year 2024, the liquidity deficit widened to 123.7 billion on a weekly average basis, up from 83.3 billion a year earlier.

The latest available data point to a decline in banks' liquidity needs to an average of 128.7 billion in January and February 2025, due in particular, to the decline in currency in circulation, reflecting the effects of the voluntary tax regulation operation for individuals, as well as the decrease in the interbank rate to 2.50 percent over January and February.

**Chart 3.1: Interbank rate (daily data)**

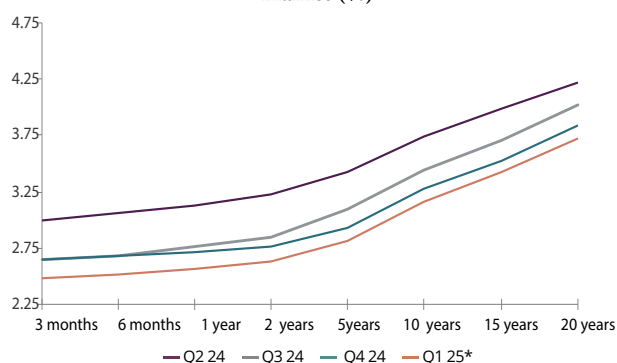


In the treasury bill market, rates recorded further declines in the fourth quarter of 2024, both in the primary and the secondary markets, a trend that continued during the months of January and February 2025 on average.

**Table 3.1: Treasury bond rates in the primary market (%)**

	2023	2024					2025	
	Q4	Q1	Q2	Q3	Q4	Jan.	Feb.	
26 weeks	2.98	2.86	2.85	2.70	2.58	2.54	2.43	
2 years	3.38	3.25	3.24	2.85	2.71	2.60	2.62	
5 years	3.72	3.42	3.43	2.11	2.94	2.82	2.84	
10 years	4.14	3.79	3.75	3.48	3.25	3.20	3.15	
15 years	4.51	4.05	4.03	3.74	3.54	3.45	-	

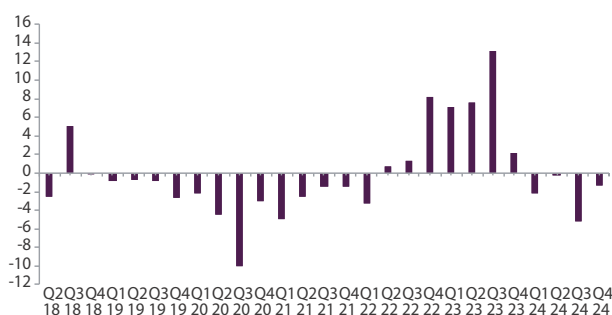
**Chart 3.2 Term structure of interest rates in the secondary market (%)**



\*Average observed in January and February 2025.

In the private debt market, certificate of deposit issue rates declined slightly during the fourth quarter of 2024. Regarding deposit rates, those on 6-month deposits recorded, on average, a quarterly decline of 32 bp to 2.45 percent, while those on 1-year deposits increased by 28 bp to 2.88 percent. As for the minimum rate of remuneration of savings accounts, it was set at 2.48 percent for the second quarter of 2024, down by 25 bp compared with the previous quarter. Under these conditions, banks' financing cost<sup>1</sup> remained virtually stable quarter-on-quarter.

**Chart 3.3: Banks' funding cost (quarterly change in basis points)**



The latest available data for the month of January indicate declines in deposit rates compared with the fourth quarter, down by 22 bp to 2.23 percent for 6-month deposits and by 21 bp to 2.67 percent for 12-month deposits. Regarding the minimum rate of remuneration of savings accounts, it was set at 2.21 percent for the first half of 2025, down by 27 bp compared with the previous semester.

**Table 3.2: Deposit rates (%)**

	2023	2024					2025
	Q4	Q1	Q2	Q3	Q4	Jan.	
6 month	2.47	2.54	2.56	2.77	2.45	2.23	
12 month	2.86	2.86	3.06	2.60	2.88	2.67	

<sup>1</sup> Banks' financing cost is calculated as a weighed average of the costs of their resources.

As for lending rates, the results of Bank Al-Maghrib's survey of banks for the fourth quarter of 2024 indicate a decline by 13 bp in the overall average rate to 5.08 percent. By institutional sector, corporate lending rates declined by 12 bp to 5 percent, with decreases of 50 bp to 5.18 percent for property development loans, 26 bp to 4.98 percent for equipment loans and 7 bp to nearly 5 percent for cash facilities. By company size, rates for large enterprises (LEs) and very small, small and medium-sized enterprises (VSEs/ SMEs) declined by 6 bp and 4 bp to 5.08 percent and 5.70 percent respectively. Similarly, interest rates on loans to individuals fell by 12 basis points to 5.79 percent, reflecting a 7 bp decrease to 6.99 percent for consumer loans while housing loans remained virtually unchanged at 4.75 percent.

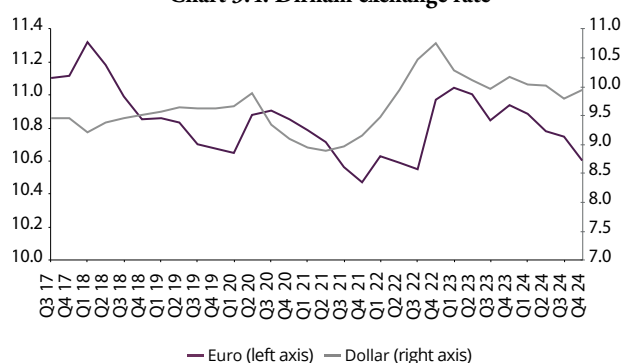
**Table 3.3: lending rates (%)**

	2023		2024			
	Q3	Q4	Q1	Q2	Q3	Q4
Overall rate	5.36	5.36	5.40	5.43	5.21	5.08
Personal loans	5.94	5.94	6.09	5.89	5.91	5.79
Real estate loans	4.74	4.83	4.81	4.79	4.76	4.75
Consumer loans	7.25	7.18	7.22	7.03	7.06	6.99
Loans to businesses	5.32	5.30	5.26	5.37	5.12	5.00
Cash advances	5.31	5.35	5.30	5.38	5.06	4.99
Equipment loans	5.09	4.90	5.11	4.99	5.24	4.98
Real estate loans	5.71	5.49	5.19	5.69	5.68	5.18

### 3.1.2 Exchange rate

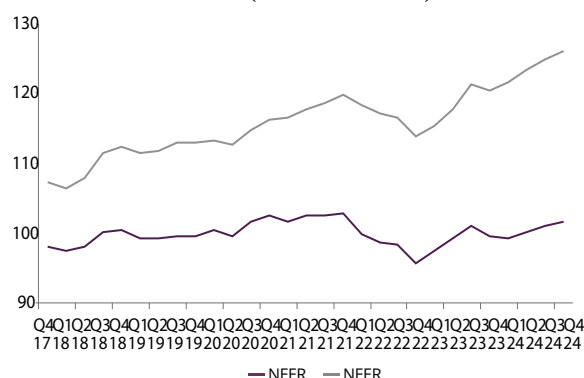
In the fourth quarter of 2024, the euro depreciated by 2.83 percent against the US dollar. Against this backdrop, the value of the dirham appreciated by 1.39 percent against the euro and depreciated by 1.49 percent against the US dollar.

**Chart 3.4: Dirham exchange rate**



Compared with the currencies of the main emerging countries, the national currency appreciated by 3.81 percent against the Brazilian real and 1.53 percent against the Turkish lira, while it depreciated by 1.12 percent against the Chinese yuan. Hence, taking into account the inflation differential vis-à-vis Morocco's main trade partners and competitors, the effective exchange rate appreciated by 0.9 percent in nominal terms and by 0.6 percent in real terms.

**Chart 3.5: Change in the nominal and real effective exchange rates (Base 100 in 2010)**



Regarding transaction volumes, the average monthly amount of foreign currency exchanged against MAD on the interbank market declined by 37.7 percent year-on-year in the fourth quarter, to

MAD 42.3 billion. Spot transactions by banks with their customers increased by 8.7 percent to MAD 38.3 billion for sales and 9.4 percent to 38.6 billion for purchases. Forward transactions fell by 16.9 percent to USD 16.6 billion for purchases and by 48.8 percent to USD 2.3 billion for sales.

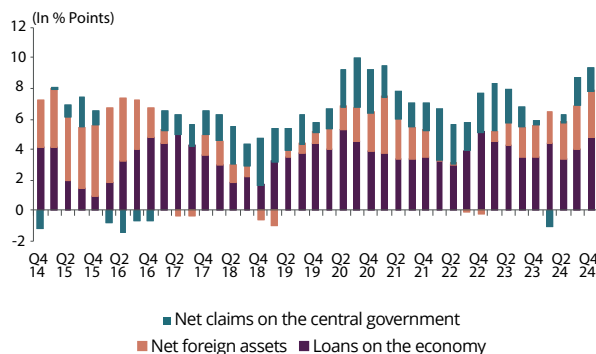
### 3.1.3 Monetary situation<sup>2</sup>

The M3 aggregate grew by 8 percent in the fourth quarter of 2024, after 6.6 percent in the previous quarter. By main components, this development reflects a 21 percent increase in money market fund shares/units, after a 16.5 percent decline. It also reflects accelerations in the growth rates of demand deposits with banks from 10.1 percent to 11.5 percent, and of time deposits from 1.6 percent to 3.4 percent, mainly driven by an increase in household deposits. Conversely, the growth of currency in circulation slowed, from 10.2 percent to 5.2 percent. All these developments are likely linked to the voluntary tax regularization operation for individuals.

Over the entire year, the growth rate of the M3 aggregate accelerated to 8 percent, after 4 percent at the end of 2023, reflecting notably the strong increase of 9.1 percent in bank deposits, after 2.9 percent, and a 21 percent rise in money market fund shares/units, after a 7.6 percent decrease.

By counterparts, the acceleration of the money supply results from a 4.4 percent increase in official reserve assets, after 3.6 percent in the third quarter, a steady growth rate of net claims on the central government at 8.7 percent, and a slowdown in bank lending growth from 4.8 percent to 4.4 percent.

**Chart 3.6: Contribution of the major counterparts to YoY change in money supply**



**Chart 3.7: Bank credit (change in YoY)**



In particular, lending to the non-financial sector decelerated from 3.3 percent to 2.6 percent, reflecting slower growth in loans to State-owned enterprises to 7.3 percent, following 14.5 percent, and in those to private enterprises to 0.6 percent, after 1.4 percent, as well as near stability in the growth of loans to households at 1.7 percent.

The developments in lending to state-owned enterprises mainly result from a slowdown in cash facilities from 55.4 percent to 30.9 percent and sharper declines in equipment loans from 9 percent to 10.4 percent, as well as in real estate development loans, from 7 percent to 11.2 percent.

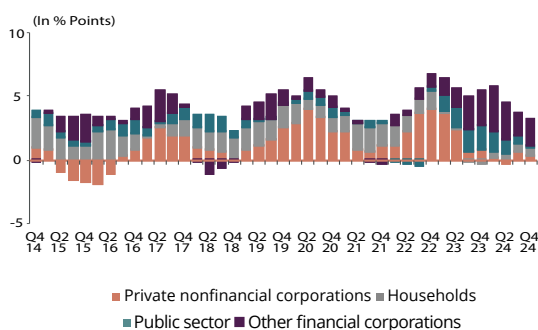
<sup>2</sup> Quarterly data represent outstandings at the end of the period.

The deceleration in loans to private non-financial corporations reflects a 3.9 percent contraction in cash facilities, after a 0.1 percent increase; a slowdown from 8.4 percent to 6.9 percent in real estate development loans, and 10.7 percent increase, after 7.1 percent, in equipment loans.

As for household lending, its evolution reflects a sharper decline in loans to individual entrepreneurs, from 1.2 percent to 3.8 percent and a stable growth rate of loans to individuals at 2.1 percent, with increases of 1.5 percent for consumer loans and 1.6 percent for housing loans.

By branch of activity, loans recorded increases of 12.2 percent for “extractive industries”, 6.7 percent for the “electricity, gas and water” sector, and 3.6 percent for construction companies. Conversely, lending declined by 12.9 percent for the “hotels and restaurants” branch, by 2.7 percent for “Trade, repair of motor vehicles and household goods” and by 14.1 percent for “Textile, clothing and leather industries”.

**Chart 3.8: Contribution of institutional sectors to the YoY change in lending**



As regards non-performing loans, they increased by 2.4 percent, and their ratio to the outstanding volume of bank loans stood at 8.3 percent.

They increased by 5.9 percent for households and virtually stabilized for private non-financial corporations, with respective ratios of 10.4 percent and 12.5 percent.

Year-on-year, the growth of bank lending to the non-financial sector slightly decelerated to 2.6 percent, down from 2.8 percent in 2023, reflecting a slowdown in the growth of loans to state-owned enterprises, from 29.6 percent to 7.3 percent, and those to private enterprises from 2 percent to 0.6 percent, while loans to households increased by 1.7 percent, after a 0.7 percent contraction.

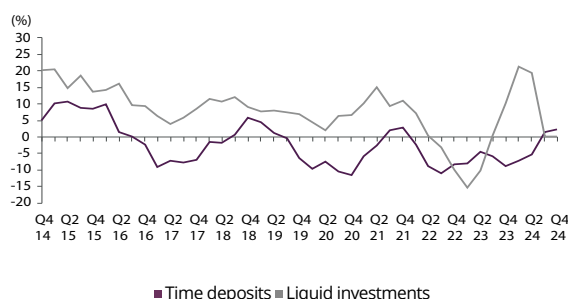
The latest available data for the month of January 2025 show a 4.1 percent year-on-year increase in bank lending, reflecting increases of 3.3 percent in loans to the non-financial sector and 8.3 percent in those to financial corporations.

Lending to the non-financial sector by financial corporations other than banks increased by 6 percent in the fourth quarter, reflecting increases of 8.1 percent in loans provided by finance companies, and 8.6 percent in those extended by micro-credit associations, while those granted by offshore banks declined by 17.5 percent.

Liquid investment aggregates grew by 10.1 percent, down from 14.8 percent a quarter earlier, reflecting a slowdown in the growth rate of bond mutual fund shares/units, from 25.2 percent to 12.7 percent, and of Treasury bills, from 8.1 percent to 5 percent. Conversely, equity and diversified fund shares/units continued to improve, with a 26.5 percent increase, up from 25.1 percent.



**Chart 3.9: YoY change in liquid investments and time deposits**



## 3.2 Asset prices

### 3.2.1 Real estate assets

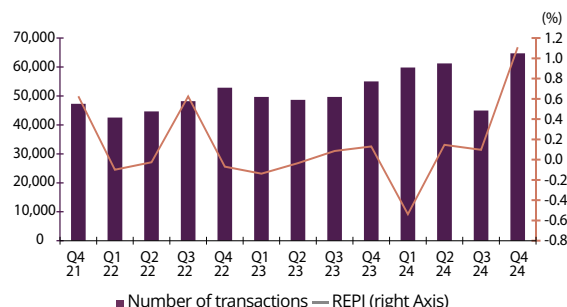
In the fourth quarter of 2024, the real estate asset price index grew by 1.1 percent, reflecting price increases of 1.7 percent for commercial property, 1.4 percent for urban land, and 1.3 percent for residential property. As for transactions, they rose by 43.9 percent overall, and by 79.9 percent for commercial property, 42.7 percent for residential property and 35.2 percent for urban land.

With the exception of Agadir, where the price index remained flat compared with the previous quarter, and Meknes and Oujda, which recorded quarterly declines of 0.2 percent and 1 percent respectively, the other major cities saw increases ranging from 1 percent in Fez and Kenitra, to 2.7 percent in Marrakech. As for sales, all the main cities recorded increases, with rates ranging 16.5 percent in Oujda and 130.7 percent in Marrakech.

Over the whole of 2024, the asset price index fell by 0.1 percent, reflecting a 0.2 percent decline in residential property prices, stagnation in urban land prices, and a 0.1 percent increase in commercial property prices. As for the number of

transactions, it rose by 5 percent with increases of 5.2 percent for residential properties, 1.9 percent for commercial properties, and a decline of 5.8 percent for urban land.

**Chart 3.10: Change in the REPI and in the number of real estate transactions**



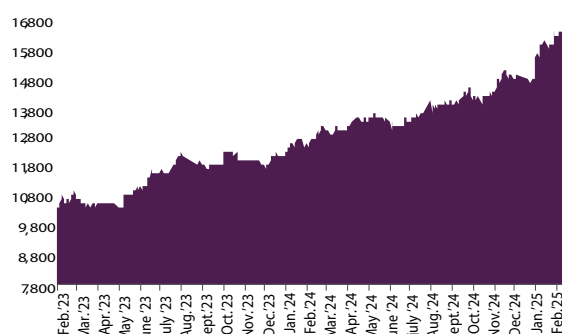
Source: BAM and ANCFCC.

### 3.2.2 Financial assets

#### 3.2.2.1 Shares

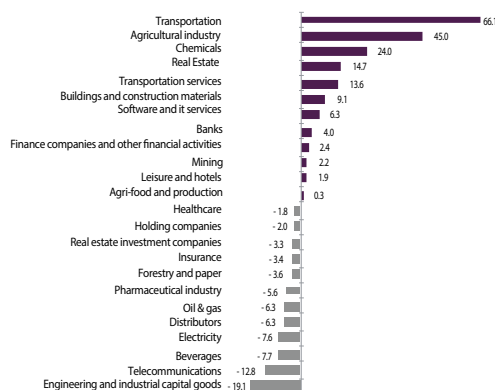
During the fourth quarter of 2024, the MASI index appreciated by 2.8 percent. This change mainly reflects increases of 4 percent increase in the Banking sector index, 9.1 percent in the “Buildings and building materials” index and 13.6 percent in the “Transport services” sector index. Conversely, the “Telecommunications” sector index decreased by 12.8 percent.

**Chart 3.11: Change in MASI index**



Sources: Casablanca Stock Exchange.



**Chart 3.12: Change in sectoral indices in the fourth quarter of 2025 (%)**

Sources: Casablanca Stock Exchange.

Trading volume increased significantly, rising from MAD 14.8 billion to MAD 43 billion quarter on quarter. This change reflects the trading dynamics in the central market as well as in the block trade market, where trading volumes reached MAD 20.2 billion and MAD 19.8 billion, up from MAD 12.9 billion and MAD 234.4 million respectively in the third quarter. It is also linked to the listing of CMGP Group, amounting to MAD 1.1 billion, as well as the public offering of Crédit du Maroc shares, launched by Holmarcom Finance Company for a total of MAD 1 billion. Against this backdrop, market capitalization increased by 20.2 percent since the beginning of the year, reaching MAD 752.4 billion.

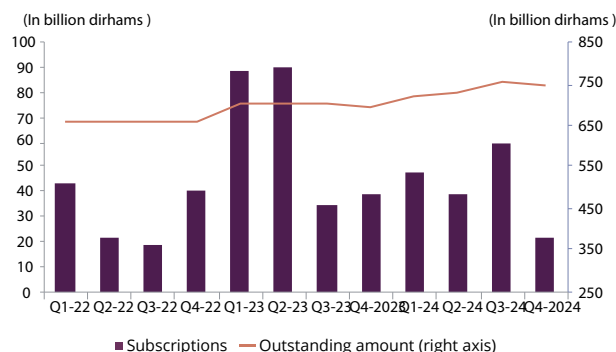
The latest available data point to a continued upward trend for the MASI index, with a monthly increase of 5.2 percent in February<sup>1</sup>, after 10 percent in January, thus bringing its performance since the beginning of the year to 15.7 percent. This monthly increase reflects rises of 22.6 percent in the “Transport services” sector index, 5.5 percent in the “Buildings and building materials” sector index, 9.1 percent in the “Telecommunications” sector index, and 1.9 percent in the “Banking”

<sup>1</sup> DATA as of February 26, 2025

sector index. Trading volume declined from MAD 12.7 billion in January to MAD 8.9 billion in February, 91 percent of which was executed on the central equity market. For its part, market capitalization stood at MAD 876.4 billion, up 16.5 percent since December 2024.

### 3.2.2.2 Sovereign debt market

In the fourth quarter of 2024, Treasury issuance on the domestic market amounted to MAD 22.6 billion, down from MAD 60.6 billion a quarter earlier. Medium-term maturities accounted for 49 percent of the total, long-term for 38 percent, and short-term for 13 percent. Taking into account redemptions totaling MAD 26.4 billion, outstanding Treasury bills stood at MAD 753.6 billion, marking a slight quarter-on-quarter decline of 0.5 percent.

**Chart 3.13: Change in Treasury bill issues (In billion of dirhams)**

Source: BAM.

Data for January point to a sharp increase in Treasury bill issuance to MAD 19.1 billion in January 2025, up from MAD 2.5 billion a month earlier. Medium-term maturities accounted for 50 percent of the total, and long-term maturities for 48 percent. Taking into account redemptions

totaling MAD 2.9 billion, outstanding Treasury bills reached MAD 769.7 billion at end-January, up 2.1 percent month-on-month.

3.2.2.3 Private debt market

In the private debt market, issuance grew by 23.7 percent to MAD 28.9 billion in the fourth quarter of 2024. Financial corporations raised MAD 18.5 billion, up from MAD 16.2 billion a quarter earlier, while non-financial corporations raised MAD 10.4 billion, up from MAD 7.1 billion.

By instrument, negotiable debt securities issues declined by 13.4 percent to MAD 16.9 billion, including MAD 9.5 billion in certificates of deposit and MAD 7.4 billion evenly split between finance company bonds and commercial paper. As for bond issues, they amounted to MAD 12 billion, 55.8 percent of which were issued by non-financial corporations.

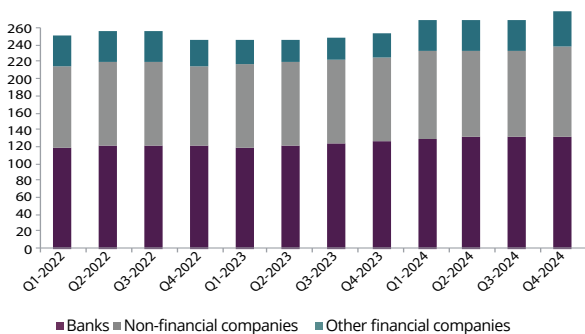
Data for January point to an increase in the issuance of debt securities from MAD 5.7 million to MAD 12.1 million. Taking redemptions into account, the outstanding amount of these securities remained virtually unchanged at MAD 99 million.

3.2.2.4 UCITS

During the fourth quarter of 2024, subscription to mutual funds (UCITS) shares/units increased by 30 percent to MAD 369.2 billion, and redemptions rose by 35 percent to MAD 360.8 billion, representing a net inflow of MAD 8.4 billion. Performance indices rose quarter-on-quarter for all funds, with rates ranging from 0.8 percent for money-market funds to 1.7 percent for diversified mutual funds.

Data for January indicate a 6.3 percent increase in the net assets of mutual funds to MAD 694.6 billion, reflecting rises of 20.8 percent in short-term bond funds, 17.1 percent in equity funds, 9.1 percent in diversified funds, and 3.3 percent in medium- and long-term bond funds. However, the net outstanding volume decreased by 13.8 percent for contractual funds and by 0.3 percent for money-market funds. As for performance indices, all funds recorded quarterly increases ranging from 0.8 percent for money-market funds and 1.7 percent for diversified funds.

Chart 3.14: Change in outstanding private debt per issuer  
(In million of dirhams)



Source: Maroclear and BAM calculations.

## 4. FISCAL POLICY TREND

2024 budget execution was marked by the ongoing process of budget consolidation. Thus, the deficit, excluding the proceeds from the sale of government equity, stood at MAD 62.2 billion, compared to 65.8 billion a year earlier. Current revenues improved by 15.3 percent, reflecting a rise of 14.5 percent in tax receipts and of 19.9 percent in non-tax receipts. The latter mainly include the collection of resources from innovative financing mechanisms amounting to MAD 35.3 billion. In contrast, overall expenditure increased by 6.5 percent, resulting from rises of 7.9 percent in expenditure on goods and services and 6 percent in capital expenditure, while subsidy costs fell by 15.3 percent.

By the end of January 2025, the budget execution resulted in a deficit of MAD 6.9 billion, widening by 5.1 billion compared to the same period in 2024. Current revenues increased by 19.9 percent to 37 billion, reflecting a 24.6 percent rise in tax receipts and a 44.5 percent decrease in non-tax receipts. In parallel, current expenditure rose by 56.3 percent to 46.7 billion, mainly due to a 79.8 percent increase in the costs of goods and services, while interest expenses on debt and subsidy costs fell by 26.1 percent and 34.5 percent, respectively. Under these conditions, the current balance showed a deficit of 9.6 billion, instead of a surplus of one billion at end-January 2024. In their turn, capital expenditure increased by 6.1 percent to 13 billion, bringing overall expenditure to 59.7 billion, an increase of 41.7 percent. As for the balance of the special Treasury accounts, it showed a surplus of 15.8 billion, after 9.5 billion a year earlier.

Given the reduction in the stock of pending transactions by MAD 19.3 billion, the cash deficit increased to MAD 26.2 billion, after MAD 11.3 billion a year earlier. This need was covered by net domestic resources amounting to MAD 26.2 billion. As a result, the direct debt outstanding is estimated to have increased by 1.2 percent at end-January 2024 compared to its level at end-December 2024. Treasury's financing conditions improved compared to the same period in 2024.

### 4.1 Current revenues

By end-January 2025, budget execution showed a 19.9 percent improvement in current revenues, reaching MAD 37 billion. This performance reflects a 24.6 percent increase in tax receipts to MAD 35.4 billion, mainly driven by personal income tax and VAT proceeds, and a 44.5 percent decline in non-tax receipts to MAD 1.1 billion.

Direct tax revenues increased by 56.9 percent to MAD 12.8 billion, reflecting a 78.2 percent rise in personal income tax receipts to MAD 10.1 billion and a 2.4 percent increase in corporate income tax receipts to MAD 2.2 billion.

The change in income tax mainly reflects 3.8 billion receipts from voluntary tax regularization, as well as a 0.4 billion increase in revenues from income tax on salaries and a 0.2 billion rise in revenues from tax administration measures.

Indirect tax revenues amounted 16.8 billion, marking an increase of 13.5 percent. This reflects a 16.7 percent rise in VAT receipts to 14.2 billion and a 1.7 percent decline in Internal Consumption Tax (TIC) receipts to 2.57 billion. The change in the latter tax notably represent a 10.9 percent decrease to 1.4 billion in TIC on energy products.

VAT improvement stems from rebounds of 19.5 percent in domestic VAT receipts to 7.5 billion and 13.8 percent in import VAT revenues to 6.8 billion.

Customs duties receipts, for their part, increased by 21.3 percent to 1.4 billion, while receipts from registration and stamp duties rose by 2.5 percent to 4.4 billion.

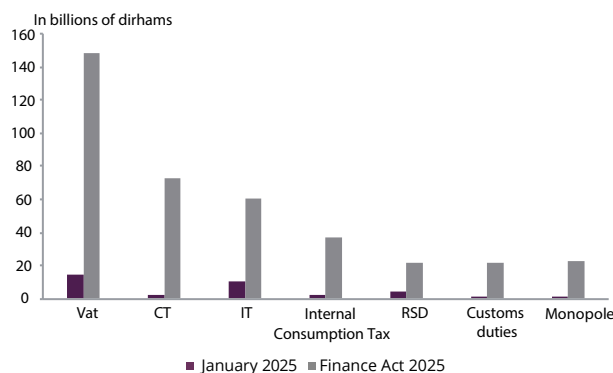
**Table 4.1: Current revenues  
(in billion dirhams)\***

	Jan. 2024	Jan. 2025	Change in%	FA 2025	Actual rates the FA (%)
<b>Current revenues</b>	<b>30.9</b>	<b>37.0</b>	<b>19.9</b>	<b>436.7</b>	<b>8.5</b>
<b>Tax revenues</b>	<b>28.4</b>	<b>35.4</b>	<b>24.6</b>	<b>367.6</b>	<b>9.6</b>
- Direct taxes	8.1	12.8	56.9	139.3	9.2
Including CT	2.1	2.2	2.4	73.0	3.0
I.T	5.7	10.1	78.2	60.9	16.6
- Indirect taxes	14.8	16.8	13.5	185.3	9.1
VAT*	12.2	14.2	16.7	148.4	9.6
TIC	2.61	2.57	-1.7	36.9	7.0
- Customs duties	1.2	1.4	21.3	21.3	6.6
- Registration and stamp duties	4.3	4.4	2.5	21.7	20.1
<b>Nontax revenues</b>	<b>1.9</b>	<b>1.1</b>	<b>-44.5</b>	<b>65.6</b>	<b>1.6</b>
- Monopolies and shareholdings	0.2	0.1	-58.4	22.6	0.3
- Other revenues	1.7	1.0	-43.2	43.0	2.3
- Innovative financing mechanisms	0.0	0.0	0.0	35.0	0.0
<b>TSA revenues</b>	<b>0.6</b>	<b>0.6</b>	<b>3.2</b>	<b>3.6</b>	<b>16.9</b>

\* Taking into account 30 percent of the VAT transferred to local governments (LG) in 2024 and 32 percent in 2025.

Sources: Ministry of Economy and Finance (DTFE) data, VAT restatement by BAM.

**Chart 4.1 : Main revenue results compared with the Finance Act**



Sources: Ministry of Economy and Finance and (DTFE), VAT restatement by BAM.

Note:

- VAT: Value added tax
- IT: Income tax
- RSD: Registration and stamp duties
- SOEs: State-owned enterprises

- CT: Corporate tax
- ICT: Internal Consumption Tax
- CD: Customs duties

The change in non-tax revenues reflects the collection of one billion under the item “Other revenues”, compared with 1.7 billion at end-January 2024. Revenues from state-owned enterprises (SOEs) totaled 72 million (paid by Bank Al-Maghrib) instead of 173 million at the end of January 2024.

## 4.2 Expenses

Overall expenditure rose by 41.7 percent to 59.7 billion at end-January 2025, with current expenditure increasing by 56.3 percent to 46.7 billion and capital expenditure by 6.1 percent to 13 billion. Expenditure on goods and services reached 39.1 billion, up 79.8 percent, as a result of increases of 10.4 percent to 13.3 billion in staff expenses and 165.5 percent to 25.8 billion in expenditure on other goods and services. The latter reflects transfers of 12.4 billion to the Treasury’s special accounts, instead of 245 million a year earlier, and 8.2 billion to SOEs, an increase of 82.2 percent. Regarding the change in the wage bill, the portion served by the Staff Expenses Directorate increased by 14.7 percent

to 11.8 billion, reflecting a 15 percent increase in the structural component and a 10.1 percent decrease in back pay.

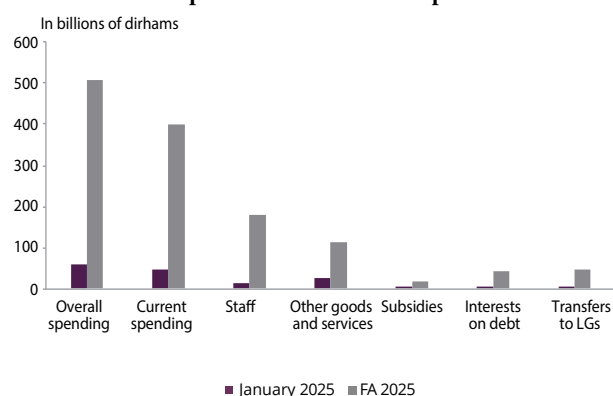
**Table 4.2: Public expenditure execution  
(in billion dirhams)\***

	Jan. 2024	Jan. 2025	Change in %	FA 2025	Actual rates the FA (%)
Overall expenditure	42.1	59.7	41.7	507.0	11.8
Current expenditure	29.9	46.7	56.3	401.4	11.6
Goods and services	21.7	39.1	79.8	294.2	13.3
Wage bill	12.0	13.3	10.4	180.3	7.4
Other goods and services	9.7	25.8	165.5	113.9	22.7
Debt interests	1.3	1.0	-26.1	42.6	2.2
Subsidy cost	3.2	2.1	-34.5	17.1	12.1
Transfer to local governments	3.7	4.6	24.5	47.5	9.6
Investment	12.3	13.0	6.1	105.6	12.3

\* Taking into account 30 percent of the VAT transferred to local governments in 2024 and 32 percent in 2025.

Sources: Ministry of Economy and Finance (DTFE) data, VAT restatement by BAM.

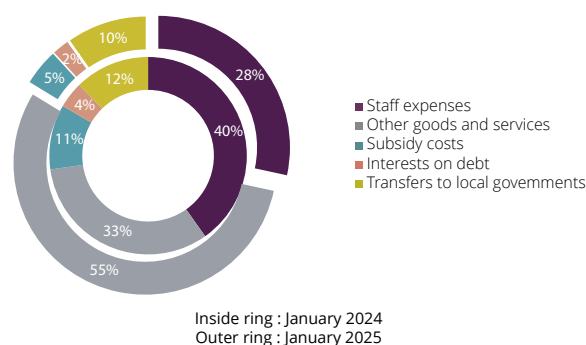
**Chart 4.2: Expenditure execution compared to the FA**



Sources: Ministry of Economy and Finance (DTFE) data, VAT restatement by BAM.

Payments of interest on debt fell by 26.1 percent to 957 million, reflecting declines of 45.5 percent to 300 million for domestic debt and of 11.9 percent to 657 million for foreign debt.

**Chart 4.3: Structure of current expenditure**

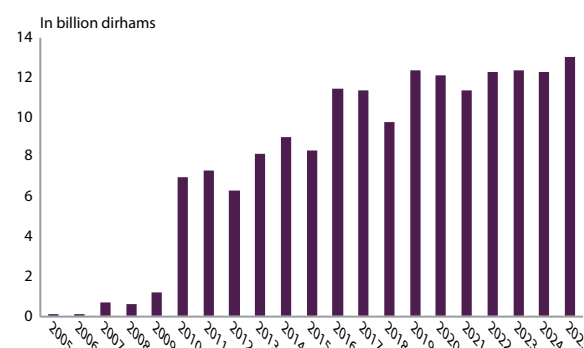


Sources: Ministry of Economy and Finance (DTFE) data, VAT restatement by BAM.

Similarly, subsidy costs fell by 34.5 percent to 2.1 billion, mainly reflecting declines from 0.2 billion to 1.3 billion in the expense allocated to butane gas, 0.2 billion to 0.2 billion in that for domestic soft wheat flour, and 0.2 billion to 0.6 billion in sugar subsidies. In addition, no expenditure was recorded in support of road transport professionals, compared with 0.5 billion granted in January 2024.

Capital expenditure, for its part, increased by 6.1 percent to 13 billion, representing an execution rate of 12.3 percent compared with the forecast presented in the Finance Act. They include a 10.3 percent decline to 1.6 billion in ministries' expenditure.

**Chart 4.4: Capital expenditure at end-January**

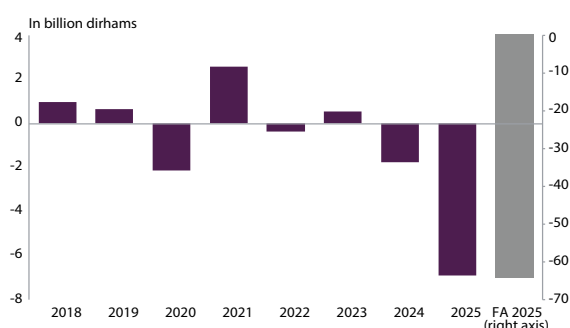


Sources: Ministry of Economy and Finance (DTFE).

### 4.3 Deficit and Treasury Financing

Considering the change in revenues and expenditures, as well as the balance of the Treasury's special accounts, the Treasury's statement of expenditures and revenues resulted in a widening of the budget deficit, from 1.7 billion to 6.9 billion year-on-year. In addition, the Treasury reduced its stock of pending operations by 19.3 billion, compared with 9.5 billion, thereby reducing its financing need to 26.2 billion, instead of 11.3 billion at end-January 2024.

Chart 4.5: Fiscal balance, at end of January



Source: MEF (DTFE).

The Treasury's financing need and the negative net external flow of MAD 35 million were covered by net domestic resources amounting to 26.2 billion. In particular, the use of the auction market enabled the mobilization of a net amount of 16.1 billion, compared to 13.1 billion at the end of January 2024. Net subscriptions notably included 2-year bonds totaling 6.4 billion, 10-year bonds amounting to 4.9 billion, 5-year bonds for 3.2 billion, 15-year bonds for 1.9 billion, and 30-year bonds for 1.7 billion.

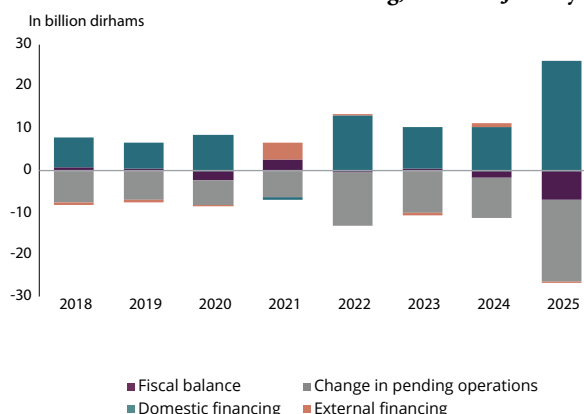
At the same time, the main net repayments were made on 52-week treasury bills totaling 2.2 billion.

Table 4.3: Deficit financing (in billion dirhams)

	Jan. 2024	Jan. 2025	FA 2025
Current balance	1.0	-9.7	35.4
Balance of TSA	9.5	15.8	6.0
Primary balance	-0.5	-5.9	-21.6
Fiscal balance	-1.7	-6.9	-64.2
Change in pending operations	-9.5	-19.3	
Financing requirements	-11.3	-26.2	-64.2
Domestic financing	10.3	26.2	58.2
External financing	1.0	0.0	51.5
Privatization	0.0	0.0	6.0

Sources: Ministry of Economy and Finance (DTFE).

Chart 4.6: Fiscal balance and financing, at end of January\*



Sources: Ministry of Economy and Finance (DTFE).

\* Receipts from the sale of government equity, limited and discontinued over time, were included in domestic financing.

Regarding the Treasury's financing conditions on the auction market, data as of end-January indicate a decrease in weighted average rates compared with the same period in 2024. For medium and short-term maturities, decreases reached 62 bp to 2.6 percent for 2-year notes, 58 bp to 2.82 percent for 5-year notes, 57 bp to 2.28 percent for 13-week bills, 55 bp to 2.48 percent for 52-week bills and 33 bp to 2.54 percent for 26-week bills. Similarly, for long-term maturities, rates declined by 93 bp to 4.22 percent for 30-year bonds and 83 pb to 3.75 percent for 20-year bonds, 66 bp to 3.20 percent for 10-year bonds and by 63 bp to 3.45 percent for 15-year bonds.

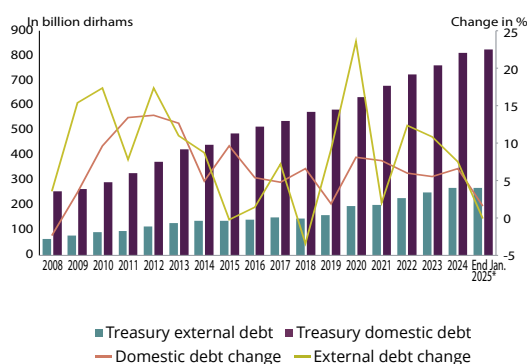
**Table 4.4: Treasury's indebtedness  
(in billion dirhams)**

	2019	2020	2021	2022	2023	2024	End Jan. 2025*
<b>Treasury external debt</b>	161.6	199.7	203.8	228.9	253.6	272.6	272.6
Change in %	9.2	23.6	2.0	12.3	10.8	7.5	0.0
<b>Treasury domestic debt</b>	585.7	632.9	681.5	722.9	763.0	813.3	826.6
Change in %	1.9	8.1	7.7	6.1	5.6	6.6	1.6
<b>Outstanding direct debt</b>	747.3	832.6	885.3	951.8	1016.7	1085.8	1099.1
Change in %	3.4	11.4	6.3	7.5	6.8	6.8	1.2

Sources: Ministry of Economy and Finance (DTEF).

\* For the debt at the end of January 2025, it is estimated based on debt-generating financing flows..

Under these conditions, direct public debt is estimated to have risen by 1.2 percent at end-January 2025, compared with its level at end-December 2024, driven by a 1.6 percent increase in its domestic component, while its external component remained virtually stable.

**Chart 4.7: Treasury indebtedness**

Sources: Ministry of Economy and Finance (DTEF).

\* BAM estimates.

**Box 4.1: Budget execution for 2024**

The fiscal situation for 2024 shows a 62.6 billion deficit, excluding proceeds from the sale of government equity, instead of 65.8 billion a year earlier. As a ratio to GDP\*, this deficit would have amounted to 4.1 percent instead of 4.5 percent in 2023. Current revenue improved by 15.3 percent to 409.1 billion, reflecting increases of 14.5 percent in tax receipts and 19.9 percent in non-tax receipts, including 35.3 billion in revenue from innovative financing mechanisms. At the same time, current expenditure rose by 6.7 percent to 348 billion, as a result of a 7.9 percent increase in expenditure on goods and services and an 8.6 percent rise in interest expenses on debt, while subsidy costs fell by 15.3 percent. The current balance thus shows a surplus of 61.2 billion, compared with 28.6 billion a year earlier. In its turn, capital expenditure rose by 6 percent to 117.4 billion, bringing overall expenditure to 465.3 billion, an increase of 6.5 percent. The balance of the Treasury's special accounts was negative at 6.4 billion, after a positive balance of 16.4 billion at the end of 2023. The resources of the Treasury's special accounts include MAD 3.4 billion in revenue from the Special Fund for Managing the Effects of the Earthquake and MAD 24.1 billion from the Social Protection and Social Cohesion Support Fund (compared to MAD 15.2 billion in 2023).

In terms of tax receipts, those of direct taxes increased by 15.9 percent to 135.1 billion, mainly due to a 13.5 percent increase in corporate income tax proceeds to 70.3 billion and an 18.7 percent increase in personal income tax proceeds to 60.1 billion. This reflects, in particular, the improvement of revenue from income tax on salaries, revenue from income tax on individuals, as well as 2.7 billion in revenue from the contribution in full discharge of liabilities under voluntary tax regularization and 2.1 billion from the administration's collection efforts. Indirect tax receipts reached 105.1 percent of projections, amounting to 164 billion, up by 15 percent. This performance was driven by increases of 16.2 percent to 127.6 billion in VAT receipts and 11.2 percent to 36.5 billion in TIC revenues.

\* Based on BAM's Nominal GDP forecast of March 2025.



The change in the latter notably reflects increases of 11.8 percent to 18.1 billion in TIC on energy products and 8.3 percent to 14.8 billion on tobacco. The improvement in VAT proceeds includes rebounds of 25.6 percent to 42.7 billion in domestic VAT revenue and 11.9 percent to 84.9 billion in import VAT revenue. Revenues from customs duties and registration and stamp duties grew by 8.4 percent to 17.8 billion and 7.6 percent to 21.5 billion respectively.

The change in non-tax revenues is mainly marked by the cash receipts of 35.3 billion from innovative financing mechanisms, which were 101.7 percent of the amount set in the FA, and 16.6 billion in revenues from monopolies, compared to 14 billion a year earlier and 19.5 billion in FA forecasts. These revenues come mainly from ANCFCC (6 billion), the OCP (5.8 billion), and Bank Al-Maghrib (2.9 billion).

In contrast, expenditure on goods and services reached 250.3 billion, up by 7.9 percent, with an 8.5 percent increase in the wage bill to 164.6 billion and a 6.8 percent rise in expenditure on other goods and services to 85.7 billion. Interest expenses on debt grew by 8.6 percent to 33.9 billion, driven mainly by a 26.6 percent increase to 10.5 billion in interest on foreign debt and a 2 percent increase to 23.4 billion in interest on domestic debt. Subsidy costs fell by 15.3 percent to MAD 25.5 billion, mainly due to the decline in the expense allocated to butane gas, linked to the phase-out of butane gas subsidy that took effect on May 20, 2024, resulting in a reduction of 2.5 dirhams for a 3 kg cylinder and 10 dirhams for a 12 kg cylinder.

Given the rebuilding of the stock of pending transactions of 5.2 billion, the cash deficit stood at 57.4 billion, an improvement of 17.5 billion year-on-year. This need was covered by domestic resources amounting to a net amount of 36.7 billion and by net external resources of 19 billion.

Chart B.4.1.1: 2023 and 2024 Budget executions, in billion of dirhams

	2023	2024	Gaps		Execu- tion/2024 FA
			%	In Value	
<b>Current revenues</b>	354.8	409.1	15.3	54.3	110.1
Tax revenues*	295.5	338.4	14.5	42.9	109.9
- Direct taxes	116.5	135.1	15.9	18.6	115.5
Of which: CT	62.0	70.3	13.5	8.4	117.4
IT	50.7	60.1	18.7	9.5	114.0
- Indirect taxes	142.6	164.0	15.0	21.4	105.1
VAT	109.8	127.6	16.2	17.8	102.7
TIC	32.8	36.5	11.2	3.7	114.1
- Customs duties	16.4	17.8	8.4	1.4	113.3
- Registration and stamp duties	20.0	21.5	7.6	1.5	111.6
<b>Non-tax receipts</b>	55.2	66.1	19.9	11.0	109.8
- Monopolies	14.0	16.6	18.7	2.6	85.3
- Other receipts	41.2	49.5	20.3	8.3	121.5
Including receipts from specific mechanisms	25.4	35.3	38.7	9.8	100.8
<b>Receipts of some TSA</b>	4.1	4.6	10.9	0.5	132.3
<b>Overall expenditure</b>	437.0	465.3	6.5	28.4	104.6
<b>Current expenditure</b>	326.2	348.0	6.7	21.7	101.1
Goods and services	232.0	250.3	7.9	18.3	99.0
Staff	151.8	164.6	8.5	12.9	101.9
Other goods and Services	80.2	85.7	6.8	5.5	93.9
Public debt	31.2	33.9	8.6	2.7	91.0
Subsidies	30.1	25.5	-15.3	-4.6	150.2
Transfers to TA	32.9	38.3	16.2	5.3	102.7
<b>Current balance</b>	28.6	61.2	114.0	32.6	
Investment	110.7	117.4	6.0	6.6	116.9
Balance of TSA	16.4	-6.4	-139.2	-22.8	
<b>Fiscal balance</b>	-65.8	-62.6	-4.8	3.1	
In points of GDP	4.5	4.1			
Primary balance	-34.5	-28.7			
Change in pending operations	-9.2	5.2			
<b>Financing balance</b>	-74.9	-57.4	-23.4	17.5	
Domestic financing	38.4	36.7			
External financing	35.0	19.0			
<b>Proceeds from government equity</b>	1.6	1.7			

\*Taking into consideration the 30 percent VAT transferred to local governments.  
Sources: Ministry of Economy and Finance (DTFE), VAT restatement by Bank AL-Maghrib



## 5. DEMAND, SUPPLY AND LABOR MARKET

In the third quarter of 2024, economic growth accelerated to 4.3 percent, following 3 percent in the same quarter a year earlier. This change reflects a 5.1 percent increase in non-agricultural value added after 3.1 percent; and a 5.2 percent decrease in agricultural value added, after a 0.9 percent rise. Domestic demand supported growth, with a contribution of 6.9 percentage points, whereas foreign trade made a negative contribution of 2.5 percentage points.

Throughout the year, the pace of GDP expansion is estimated to have slowed to 3.2 percent in 2024, from 3.4 percent in 2023. This change likely reflects a 4.7 percent decline in agricultural value added, following a 1.4 percent increase, and a 4 percent rise in non-agricultural value added, down from 3.5 percent. In the first quarter of 2025, economic growth is expected to accelerate to 3.9 percent, reflecting a 1 percent increase in agricultural value added—taking into account cereal harvests estimated by BAM at 35 million quintals—and a 4.1 percent increase in non-agricultural value added.

In the labor market, the national economy created 82,000 jobs in 2024, following a loss of 157,000 jobs a year earlier. Excluding agriculture, which recorded a further decline of 137,000 jobs, the other sectors posted increases of 13,000 in construction, 46,000 in industry, and 160,000 in services. Considering a net entry of 140,000 labor force participants, the participation rate fell slightly by 0.1 percentage points to 43.5 percent, and the unemployment rate rose from 13 percent to 13.3 percent overall, from 16.8 percent to 16.9 percent in urban areas, and from 6.3 percent to 6.8 percent in rural areas.

### 5.1 Domestic demand

#### 5.1.1 Consumption

In the third quarter of 2024, the pace of households' final consumption grew by 3.9 percent, down from 8.1 percent in the same quarter a year earlier, contributing 2.4 percentage points to economic growth.

This momentum likely continued in the fourth quarter of 2024, with a 3.6 percent increase, supported by lower inflation and stronger non-agricultural income. Over the year as whole, households' final consumption is estimated to have improved by 3.4 percent, down from 3.7 percent in 2023.

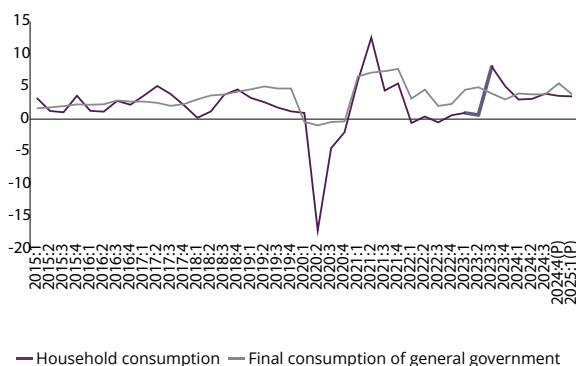
In the first quarter of 2025, it is expected to grow by 3.5 percent, up from 3 percent in the same period one year earlier, supported by government

measures to maintain household purchasing power and by remittance inflows remaining at high levels.

General government final consumption grew by 3.8 percent in the third quarter of 2024, down from 3.9 percent a year earlier, and its contribution to growth stood at 0.7 point.

In the last quarter of 2024, it likely strengthened by 5.5 percent, compared with 3 percent in the same quarter a year earlier, due to the increase in operating expenses, thus bringing its growth for the year as a whole to 4.3 percent. In the first quarter of 2025, it is projected to grow by 3.8 percent, nearly the same pace as that recorded in the same period a year earlier.

**Chart 5.1: Consumer expenditure (Change in %)**



Sources: HCP Data and BAM forecasts.

### 5.1.2 Investment

In the third quarter of 2024, investment rebounded by 13.5 percent, compared with a 3.5 percent contraction a year earlier, contributing 3.7 percentage points to growth, after a negative contribution of 1.2 points.

In the fourth quarter of 2024, it is estimated to have grown by 11.1 percent, in an environment marked by the launch and further implementation of several major infrastructure projects. The available infra-annual indicators corroborate this forecast, notably as reflected in improved cement sales, increased capital goods imports as well as the high levels of Treasury investment expenditure.

Moreover, according to the quarterly results of Bank AlMaghrib's business survey for the fourth quarter of 2024, 78 percent of companies described the business climate as "normal", while 14 percent rated it as "unfavorable".

For 2024 as a whole, the pace of investment is estimated to have accelerated to 9.5 percent, up from 1.5 percent in 2023. This momentum is expected to continue in the first quarter of 2025,

with a projected increase of 9.9 percent, up from 4.6 percent in the same quarter a year earlier.

## 5.2 Foreign demand

In the third quarter of 2024, exports of goods and services in volume terms increased by 9.8 percent after 7.2 percent in the same quarter in 2023, while imports rose by 12.9, compared with 8.6 percent. Against this backdrop, net exports of goods and services made a negative contribution of 2.5 points to economic growth.

In the last quarter of 2024, the pace of exports is estimated to have stood at 7.1 percent, up from 5.5 percent a year earlier, driven in particular by higher sales of phosphate and derivatives. Concomitantly, the pace of imports is estimated to have decelerated from 12.5 percent to 11.2 percent, mainly reflecting a lower energy bill.

Over the full year 2024, export growth is estimated to have slowed from 8.8 percent to 8 percent, while import growth is estimated to have accelerated from 7.4 percent to 11.6 percent. Against this backdrop, foreign trade is estimated to have made a further negative contribution of 2.6 points to growth, after 0.2 points a year earlier.

In the first quarter of 2025, exports in volume terms are projected to grow by 8.3 percent after 7.3 percent, while imports are expected to increase by 10 percent after 9.5 percent.

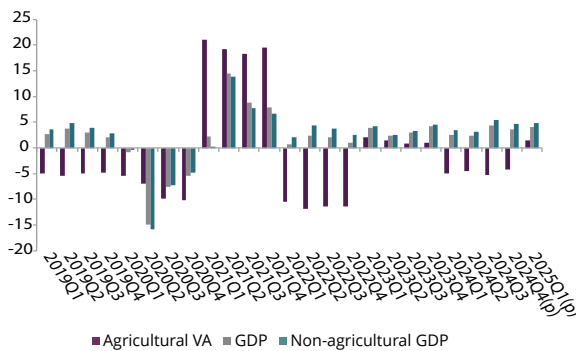
## 5.3 Overall supply

In the third quarter of 2024, the increase in GDP accelerated to 4.3 percent, from 3 percent

in the same period a year earlier, reflecting a 5.2 percent contraction, after a 0.9 percent increase, in agricultural value added, and a 5.1 percent rise, after 3.1 percent, in non-agricultural value added.

In the fourth quarter of 2024, economic growth is estimated to have slowed to 3.6 percent, from 4.2 percent a year earlier. Agricultural value added is estimated to have declined by 4.2 percent, after increasing by 1 percent; while non-agricultural value added is estimated to have strengthened by 4.3 percent, the same pace as a year earlier.

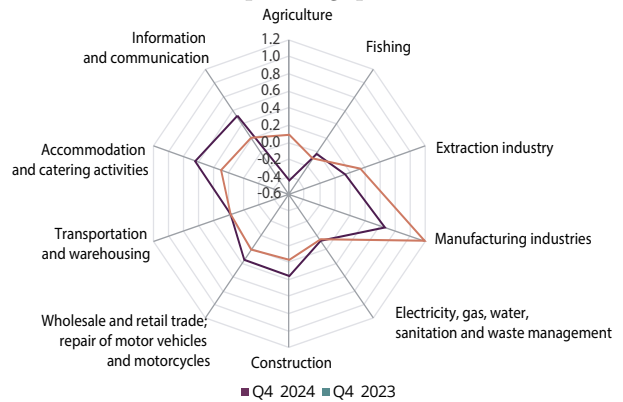
**Chart 5.2: GDP per component (Chained prices, YoY change in percent, base year 2014)**



Sources: HCP data and BAM forecasts.

The value added of the secondary sector is estimated to have risen by 5 percent, after 6.9 percent, notably reflecting a 4.5 percent growth in the manufacturing industry compared with 7.4 percent, and a 6 percent increase, after 2.9 percent, in the construction sector, driven by the implementation of several major infrastructure projects.

**Chart 5.3: Sectoral contribution to growth (in percentage points)**



Sources: HCP data and BAM forecasts.

For the tertiary sector, activity is estimated to have increased by 4.2 percent, from 3.3 percent in the same period a year earlier. In particular, value added is estimated to have risen by 3.3 percent after 1.8 percent in trade, and by 16 percent after 8.2 percent in the accommodation and catering sector. Similarly, it is estimated to have improved in “General government and defense, compulsory social security” and “Education, human health and social action activities”, underpinned by the wage increases agreed upon as part of the social dialogue.

Over 2024 as a whole, GDP growth is expected to stand at 3.2 percent after 3.4 percent in 2023, the result of a 4.7 percent contraction, after a 1.4 percent increase, in agricultural value added and a 4 percent increase, instead of 3.5 percent, in non-agricultural activities.

In the first quarter of 2025, economic growth is expected to reach 3.9 percent instead of 2.5 percent a year earlier. Added agricultural value is expected to grow by 1 percent, taking into account a cereal harvest estimated by BAM at nearly 35 million quintals. For its part, activity in the non-agricultural sectors is expected to continue to rise, reflecting in particular the continued dynamism

observed in construction and tourism-related activities as well as an improvement in the non-market sectors.

## 5.4 Labor market and output capacity

### 5.4.1 Activity and employment

In 2024, the labor force grew by 1.2 percent to 12.3 million people, with a 2.6 percent increase in urban areas and a 1.5 percent decline in rural areas. Taking into account the change in the working age population, the participation rate decreased by 0.1 points to 43.5 percent at the national level and 0.8 points to 46.5 percent in rural areas, while rising by 0.2 points to 42 percent in urban areas.

Meanwhile, the national economy generated 82,000 jobs, following a 157,000 loss a year earlier, bringing the employed labor force up by 0.8 percent to nearly 10.7 million people.

Except for agriculture, which recorded a loss of 137,000 jobs, the volume of employment in the other sectors increased, by 13,000 jobs in construction, 46,000 in industry and 160,000 in services. The latter chiefly reflect 51,000 jobs generated in trade, 44,000 in “social services provided to communities” and 39,000 in “finance, insurance, real estate, scientific, technical, administrative and support services”.

### 5.4.2 Unemployment and underemployment

Job creation fell significantly short of net entries into the job market, resulting in a 3.7 percent increase in the unemployed population to 1.6 million people, and a rise in the unemployment rate, from 13 percent to 13.3 percent overall, from 16.8 percent to 16.9 percent in urban areas, and from 6.3 to 6.8 percent in rural areas. For youths aged 15 to 24 in particular, the rate rose

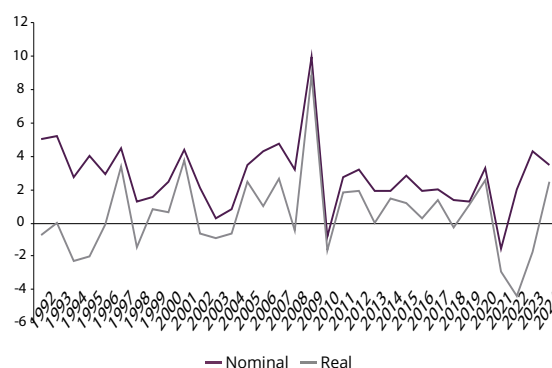
further, by 0.9 points to 36.7 percent overall, by 0.1 points to 48.4 percent in urban areas, and by 0.7 points to 21.3 percent in rural areas. The rise in unemployment was accompanied by an increase in underemployment<sup>1</sup>, the rate of which went up from 9.8 percent to 10.1 percent at the national level, from 8.7 percent to 8.9 percent in urban areas, and from 11.6 percent to 12.2 percent in rural areas.

### 5.4.3 Productivity and wages

Apparent labor productivity in the non-agricultural sectors, as measured by the ratio of value added to employment, is estimated to have improved by 1.1 percent, following 2.9 percent a year earlier. This change reflects increases of 4 percent, up from 3.5 percent, in value added; and of 2.9 percent, after 0.5 percent, in the number of employees.

The average wage, calculated based on CNSS data as the ratio of the wage bill to the number of people employed, increased in nominal terms by 3.5 percent in 2024, after 4.3 percent a year earlier, and in real terms by 2.5 percent, after a 1.8 percent decline.

**Chart 5.4: Private sector average wage index (YoY change in %)**



Sources: CNSS data et BAM calculations.

<sup>1</sup> The underemployed population consists of persons who worked: i) fewer than 48 hours during the reference week but are willing and available to work additional hours, or ii) more than the established threshold and are seeking another job or willing to change jobs due to an inadequacy with their training or qualifications, or insufficient income.

As regards the hourly minimum wage, it stood at MAD 16.29 in nominal terms in 2024, a 3.1 percent increase year-on-year. Taking into account a 0.9 percent rise in the consumer price index, it increased by 2.2 percent in real terms.

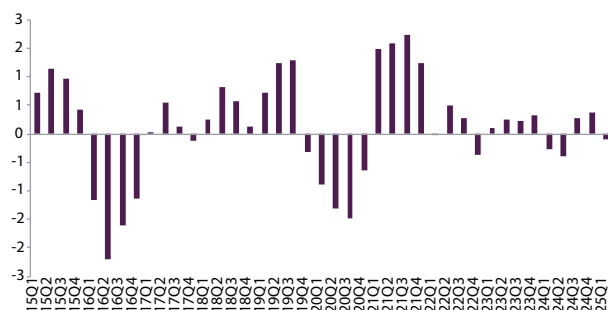
**Chart 5.5: Hourly minimum wages in nominal and real terms (in dirhams)**



Sources: Ministry of Economic Inclusion, Small Business, Employment and Skills, and BAM calculations.

Overall, the output gap is estimated to have remained positive over the last quarter of 2024 but is expected to become negative again in the first quarter of 2025.

**Chart 5.6: Overall output gap (in %)**



Source: BAM estimates.

**Table 5.1: Labor market main indicators**

	2023	2024
<b>Participation rate (%)</b>	43.6	43.5
Urban	41.8	42
Rural	47.3	46.5
<b>Unemployment rate (%)</b>	13	13.3
Youth aged 15 to 24	35.8	36.7
Urban	16.8	16.9
Youth aged 15 to 24	48.3	48.4
Rural	6.3	6.8
<b>Créations d'emplois (en milliers)</b>	-157	82
Urban	41	162
Rural	-198	-80
<b>Sectors</b>		
- Agriculture, forest and fishing	-202	-137
- Industry including handicraft	7	46
- Construction and public works	19	13
- Services	15	160
<b>Non-agricultural apparent productivity (change in %)</b>	2.9	1.1
<b>Average wage index (change in %)</b>	<b>Nominal</b>	4.3
	<b>Real</b>	-1.8
		2.5

Sources: HCP and CNSS data, BAM calculations

## 6. RECENT INFLATION TRENDS

In line with the forecasts published in last December's Monetary Policy Report, inflation fell from 1.3 percent in the third quarter to 0.7 percent in the final quarter of 2024, bringing its average for the year as a whole to 0.9 percent. This trend was reversed in January 2025, when inflation rose to 2 percent. Apart from core inflation, which stabilized at 2.3 percent, the acceleration concerned all other components. Prices of volatile food products rose by 3.1 percent in January, compared with a 4.1 percent fall in the fourth quarter of 2024, while regulated tariffs rose by 2.6 percent, following a 1.9 percent increase. Similarly, the decline in fuel and lubricant prices eased to 10.9 percent in January from 14.7 percent in the previous quarter.

In the first quarter of 2025, inflation is expected to accelerate to 2.2 percent, while its underlying component will remain virtually flat at 2.2 percent.

### 6.1 Inflation trends

Inflation accelerated in January to 2 percent from an average of 0.7 percent in the fourth quarter of 2024. This trend stems from higher prices for volatile food products and regulated tariffs, and to a lesser extent, from the slowdown in the decline in fuel and lubricant prices. Core inflation, meanwhile, stabilized at 2.3 percent.

#### 6.1.1. Prices of products excluded from core inflation

In January, prices of volatile food products rose by 4.1 percent month-on-month, driven mainly by increases of 6.3 percent for "fresh vegetables," 6.4 percent for "fresh fish," and 3 percent for "poultry and rabbit."

Year-on-year, prices for these products climbed by 3.1 percent, following an average decline of 4.1 percent in the fourth quarter of 2024. In terms of contribution, prices for these products contributed 0.4 percentage points to inflation, compared with a contribution of -0.6 points in the previous quarter.

**Table 6.1: Inflation and its components**

(In %)	Monthly change			YoY change		
	Nov. 24	Dec. 24	Jan. 25	Nov. 24	Dec. 24	Jan. 25
<b>Inflation</b>	-0.2	-0.2	0.8	0.8	0.7	2
- Food products with volatile prices	-1.9	-0.7	4.1	-4.4	-4.4	3.1
- Price-regulated products	0	0	0.2	1.9	1.9	2.6
- Fuels and lubricants	-1.5	0.3	0	-15.6	-13.1	-10.9
<b>Core inflation</b>	0.3	0	0.2	2.5	2.3	2.3
Food products	0.6	0	0.5	3.6	3.3	3.6
-Clothing and footwear	-0.1	-0.1	-0.1	1.7	1.3	0.9
-Housing, water, gas, electricity, and other fuels	0.2	0.2	0	1	1	1
-Furniture, household goods and routine maintenance	0	0.1	-0.1	0.3	0.3	0.3
-Healthcare <sup>1</sup>	-0.5	-0.1	-0.1	0.1	-0.3	-1.1
-Transport <sup>2</sup>	0	-0.6	-0.2	3.6	2.6	1.9
-Communication	0.1	0.1	-0.1	-0.1	0.1	0
-Leisure and culture <sup>1</sup>	0.1	-0.1	-0.1	0.1	0.4	0.2
-Education	0	0	0	2.3	2.3	2.3
-Restaurants and hotels	-0.1	0.3	0.3	3.5	3.8	3.5
-Miscellaneous goods and services <sup>1</sup>	0.1	0.1	0	2.4	2.3	2.1

<sup>1</sup> Excluding products with regulated prices.

<sup>2</sup> Excluding fuels and lubricants, and products with regulated prices.

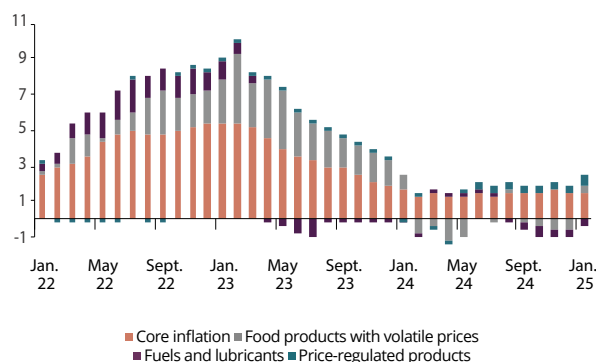
Sources: HCP data and BAM calculations.

**Chart 6.1: Inflation and core inflation (% YoY)**

Sources: HCP and BAM calculations.

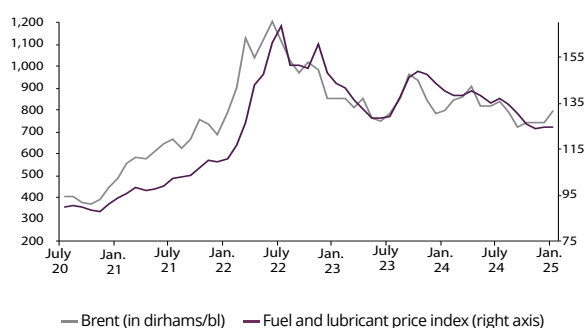
As for regulated prices, they rose by 0.2 percent in January, mainly reflecting the 2.8 percent increase in tobacco prices following the application of the fourth increase in the TIC tax on these products, as provided for in the 2022 Finance Act. The effect of this measure more than offset the 0.1 percent decline in the prices of “pharmaceutical products.”

Compared to last year, regulated rates were up by 2.6 percent in January, compared to an average of 1.9 percent in the fourth quarter of 2024. Their contribution to inflation was 0.5 percentage points, virtually unchanged from the previous quarter.

**Chart 6.2: Contributions of prices of main components to inflation (in percentage points)**

Sources: HCP data and BAM calculations.

Prices of fuels and lubricants eased their decline, falling from 14.7 percent in the fourth quarter of 2024 to 10.9 percent in January. This development comes against a backdrop of rising oil prices, with Brent crude in particular up 6.2 percent between the two periods, as well as a 1.4 percent depreciation of the dirham against the US dollar. As a result, the contribution of these product prices to inflation stands at -0.4 percentage points, compared with -0.5 points in the previous quarter.

**Chart 6.3: Brent crude oil prices and fuel and lubricant price index (base 100 in 2017)**

Sources: World Bank, HCP and BAM calculations.

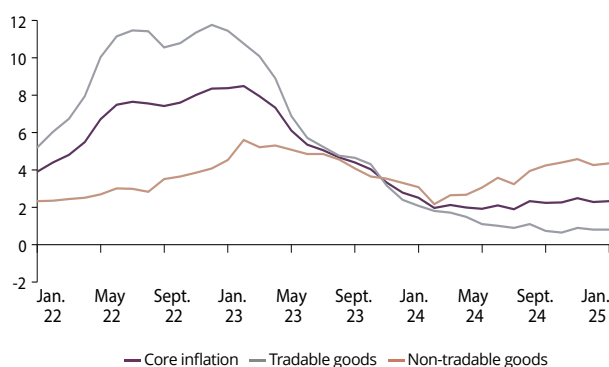
## 6.1.2. Core inflation

The core inflation indicator rose by 0.2 percent month-on-month in January, driven mainly by a 0.5 percent increase in the prices of food products included in the index, with a 1.5 percent increase in the prices of “fresh meat” in particular. Excluding food products, prices rose by 0.3 percent for “restaurants and hotels.”

Year-on-year, core inflation stood at 2.3 percent in January, unchanged from the rate recorded in the fourth quarter of 2024.



**Chart 6.4: Change in price indices of tradable and non-tradable goods (% YoY)**



Source: HCP data and BAM calculations.

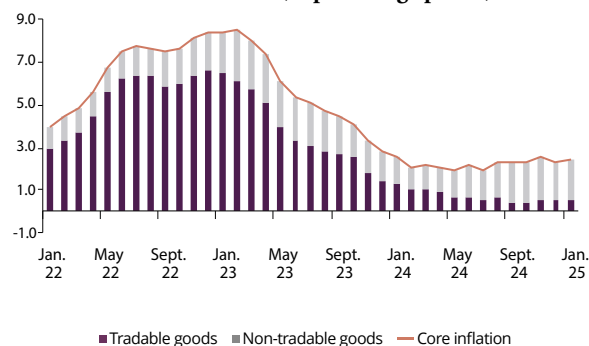
The level of core inflation continues to be driven by prices for non-tradable goods and services, which rose by 4.3 percent after 4.5 percent in the previous quarter, while prices for tradable goods posted limited growth of 0.8 percent.

**Table 6.2: Price indices for tradable and non-tradable goods**

	Monthly variation			Year-on-year		
	Nov. 24	Dec. 24	Jan. 25	Nov. 24	Dec. 24	Jan. 25
Tradable goods	0.2	0.1	0.1	0.9	0.8	0.8
Non-tradable goods	0.3	-0.2	0.3	4.6	4.3	4.3
Core inflation	0.3	0	0.2	2.5	2.3	2.3

Sources: HCP data and BAM calculations.

**Chart 6.5: Contribution of tradable and non-tradable goods to core inflation (in percentage points)**



Sources: HCP and BAM calculation.

## 6.2 Short-term outlook for inflation

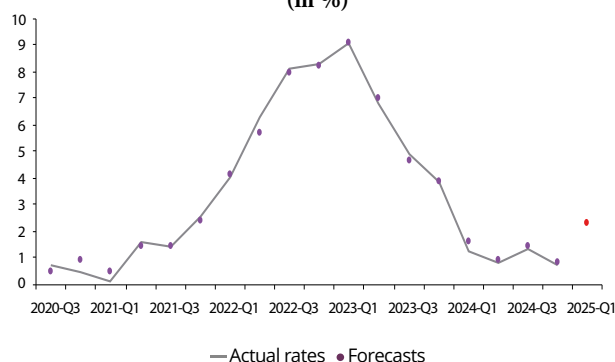
In the short term, inflation is expected to accelerate to 2.2 percent in the first quarter, up from 0.7 percent in the fourth quarter of 2024, driven mainly by the expected rise in volatile food prices, which are expected to increase by 5.2 percent after a 4.1 percent decline. This development would reflect, in particular, the impact of unfavorable weather conditions affecting the agricultural season and demand pressures during the period surrounding the month of Ramadan.

Similarly, regulated tariffs are expected to rise by an average of 2.6 percent over the first three months, following a 1.9 percent increase in the fourth quarter of 2024, mainly due to a 2.8 percent increase in tobacco prices.

For their part, the decline in fuel and lubricant prices is expected to slow to 9.5 percent in the first quarter, compared with 14.7 percent in the previous quarter, driven by changes in international oil prices.

In contrast, core inflation is expected to remain virtually flat at 2.2 percent.

**Chart 6.6: Short-term forecasts and actual inflation rates (in %)**



Source: HCP and BAM forecasts.



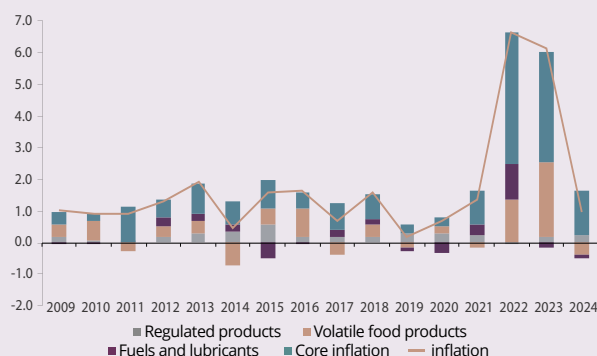
### Box 6.1: Inflation trends in 2024

Following the monetary tightening implemented by Bank Al-Maghrib in 2022 and 2023, inflation fell significantly in 2024 to an average of 0.9 percent. This trend was supported externally by the decline in international commodity prices, particularly for energy and food, and internally by measures taken by the government and improvements in production in certain agricultural sectors, notably market gardening and arboriculture.

By component, the slowdown in inflation reflects the 2.9 percent decline, after an 18.8 percent rise in 2023, in volatile food prices and the slowdown in core inflation from 5.6 percent to 2.2 percent, driven 78 percent by the decline in the prices of food products included in it.

Conversely, regulated tariffs rose by 1.2 percent instead of 0.8 percent, mainly due to the increase in the price of butane gas following its partial decompensation on May 20, 2024. For its part, the decline in fuel and lubricant prices slowed slightly, from 4.1 percent to 3.4 percent.

**Chart E.6.1.1: Contributions to inflation  
(in percentage points)**

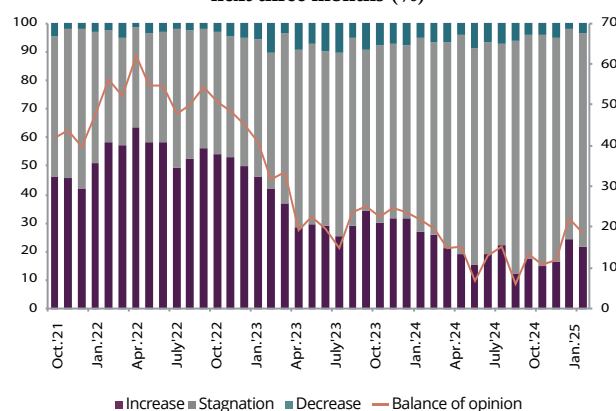


Source : HCP data and BAM calculations

## 6.3 Inflation expectations

The results of Bank Al-Maghrib's business survey of manufacturers for January 2025 show that 75 percent of respondents expect inflation to remain stable over the next three months, 22 percent anticipate an increase, while 3 percent expect a decrease. The balance of opinion is therefore 11 percent.

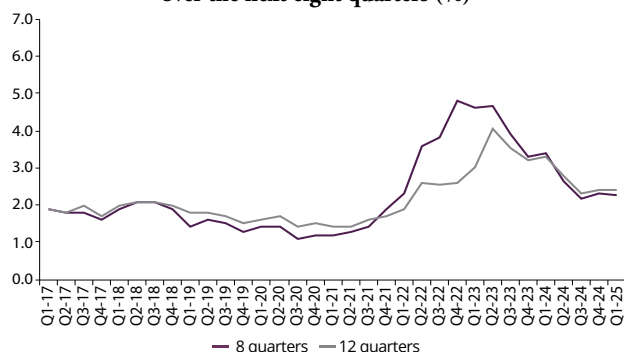
**Chart 6.7 : Business owners' expectations of inflation over the next three months (%)**



Source: BAM's monthly business survey.

Furthermore, the results of Bank Al-Maghrib's survey on inflation expectations, conducted among financial sector experts for the first quarter of 2025, show that their expectations remain virtually unchanged. They anticipate average inflation of 2.2 percent over the next eight quarters, compared with 2.3 percent a quarter earlier. Similarly, over the next 12 quarters, they anticipate 2.4 percent, the same rate as the previous quarter.

**Chart 6.8: Inflation expectations of financial sector experts over the next eight quarters (%)**

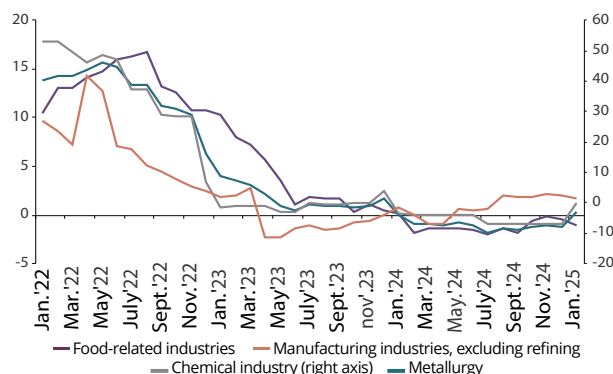


Source: BAM's quarterly survey on inflation expectations.

Survey respondents believe that inflation trends over the next eight quarters will depend mainly on global commodity prices (excluding oil), monetary policy decisions, inflation in partner countries, and demand pressures.

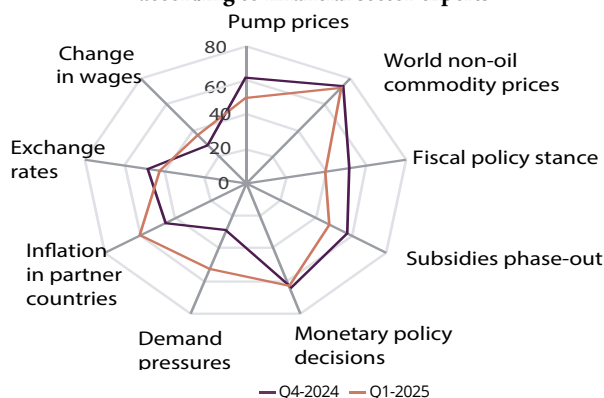
Compared to the previous year, producer prices excluding refining rose by 0.3 percent in January, instead of falling by an average of 1.2 percent in the fourth quarter of 2024.

**Chart 6.10: Change in the main industrial producer price indices, (% YoY)**



Source: HCP.

**Chart 6.9: Determinants of the future change in inflation according to financial sector experts**



Source: BAM's quarterly survey on inflation expectations.

## 6.4 Producer prices

Producer prices in manufacturing industries excluding oil refining rose by 0.1 percent month-on-month in January. This rise was mainly driven by rises of 0.2 percent in the chemical industry, 0.3 percent in the clothing industry, and 0.5 percent in the metallurgy sector.

## 7. MEDIUM TERM OUTLOOK

### Summary

After showing a relative resilience, global economy is likely to continue its slowdown amid heightened uncertainties, particularly tied to how economic, and especially trade, policies are shaped. Its growth is expected to decline from 3.2 percent in 2024 to 3 percent this year, and further to 2.8 percent in 2026. In the United States, growth—which was estimated at 2.8 percent in 2024 due to strong private consumption—is forecast to decelerate to 2 percent in 2025 and 1.7 percent in 2026. In the euro area, growth is estimated to have been limited to 0.7 percent in 2024, held back mainly by persistent difficulties in the manufacturing sector and weak domestic demand. It is expected to remain subdued, although with a slight acceleration, reaching 1 percent in 2025 and 1.3 percent in 2026, supported notably by a recovery in private consumption and investment owing to a less restrictive monetary policy. In the United Kingdom, growth is expected to improve slightly from 0.9 percent in 2024 to 1 percent this year, boosted particularly by the dynamics of both private and public consumption. It is then projected to stand at 1.2 percent in 2026. After a slight 0.1 percent increase in 2024, GDP in Japan is expected to grow by 1.2 percent in real terms in 2025, before easing to 0.5 percent in 2026.

In the main emerging countries, China's economy came close to meeting the official growth target of around 5 percent in 2024. However, growth is expected to slow down to 4.8 percent in 2025, then to 4.3 percent in 2026, as the medium-term outlook remains clouded by structural challenges, including persistent difficulties in the property sector, public debt, demographic pressures, along with the anticipated impact of the ongoing trade tensions with the United States. In India, economic activity is expected to remain robust, with growth rising from 6.6 percent in 2024 to 7.2 percent in 2025, driven by strong public investment in infrastructure. It is then projected to ease slightly to 6.7 percent in 2026. In Brazil, growth is forecast to slow from 3.2 percent in 2024 to 2.4 percent in 2025, and further to 0.7 percent in 2026, due to fiscal consolidation and a restrictive monetary policy stance. In Russia, the economy grew by 4.1 percent in 2024, supported by a solid domestic demand. However, growth is expected to decelerate to 1.6 percent in 2025 and to 0.2 percent in 2026, as the effects of fiscal stimulus fade and monetary conditions tighten.

In commodity markets, oil prices are expected to maintain a downward trend, due in particular to an abundant supply from non-OPEC+ countries, notably the United States. Brent crude is projected to decline from USD 79.8 per barrel in 2024 to USD 75.5 in 2025, and further to USD 69.1 in 2026. Regarding Moroccan phosphates and derivatives, the price of DAP is expected—according to CRU projections—to rise from USD 586 per ton in 2024 to USD 591 in 2026, while the price of TSP is forecast to increase from USD 436 per ton to USD 468. Conversely, the price of phosphate rock is expected to continue its downward trajectory, falling from USD 215 per ton in 2024 to USD 182 in 2026. As for foodstuffs, following a 2.1 percent decline in 2024, the FAO food price index is projected to rise by 3.1 percent in 2025 and by 0.9 percent in 2026.

Under these conditions, global inflation would continue to slow down, reaching 3.2 percent this year, after 3.7 percent in 2024, and then remain at this level in 2026. In the euro area, it would remain stable at 2.4 percent in 2025, before slowing to 2.1 percent in 2026. In the United States, it is expected to remain around 3 percent over the forecast horizon.

Against this background, at its meeting on January 28 and 29, the Fed decided to keep the target range for the federal funds rate unchanged at [4.25-4.50 percent]. For its part, the ECB, at its meeting on March 6, lowered its three key interest rates by 25 basis points (bp), the fifth consecutive cut and the sixth since June 2024. Similarly, the Bank of England decided at its February 6 meeting to lower its key rate by 25 bp to 4.5 percent, noting that domestic inflationary pressures are easing but remain somewhat elevated. As for the Bank of Japan, it raised its key interest rate by 25 bp at its meeting on January 24, bringing it to 0.5 percent, its highest level since 2008.

At the national level, 2024 was marked by an increase in foreign trade in goods, with exports up 5.8 percent and imports up 6.4 percent, and by the continued robust performance of travel receipts and remittances, which reached MAD 112.5 billion and MAD 117.7 billion, respectively. The current account deficit is estimated to have ended the year at nearly 2 percent of GDP, up from 0.6 percent in 2023. In addition, the flow of FDI receipts rose significantly to MAD 43.2 billion, up from MAD 34.6 billion in 2023. Under these conditions, official reserve assets stood at MAD 375.4 billion at the end of 2024, equivalent to 5 months and 7 days of imports.

Over the forecast horizon, the dynamics of external trade in goods and services is expected to continue. Exports are projected to improve by 6.4 percent in 2025, primarily driven by higher export volumes in the phosphate and derivatives sector, and by 9.7 percent in 2026, mainly owing to the shipments from the automotive manufacturing segment. Imports are expected to increase by 6.8 percent in 2025 and by 6 percent in 2026, reflecting in particular a strong rise in capital goods purchases, tied to the anticipated investment dynamics. Meanwhile, travel receipts are set to maintain their upward trend, growing by approximately 5.4 percent annually to reach MAD 124.9 billion by the end of 2026. Remittances are expected to increase by 1.1 percent in 2025 and 3.4 percent in 2026, reaching MAD 123 billion. Under these conditions, the current account deficit is projected to stand at 2.9 percent of GDP in 2025 before narrowing to 2 percent in 2026. As for foreign direct investment, inflows are expected to amount to the equivalent of 3 percent of GDP in 2025 and 3.3 percent in 2026.

Assuming the projected external financing materializes, official reserve assets are expected to increase to MAD 391.8 billion by end-2025 and to MAD 408 billion by end-2026. These levels would correspond to import coverage of 5 months and 5 days, and 5 months and 11 days of goods and services, respectively.

Regarding monetary conditions, after slowing down to 2.6 percent in 2024, bank lending to the non-financial sector is expected to increase by 5.9 percent in 2025 and then by 6 percent in 2026. As for the real effective exchange rate, it is projected to continue appreciating in 2025 before almost stabilizing in 2026.

Concerning public finance, based on budgetary outcomes as of end-2024, and taking into account the data from the 2025 Finance Act, the 2025-2027 three-year budgetary programming, and Bank Al-Maghrib's new macroeconomic projections, the budget deficit—excluding proceeds from government equity—is expected to gradually narrow to 3.9 percent of GDP in 2025 and then to 3.6 percent in 2026, following an estimated 4.1 percent in 2024.

Economic growth is estimated to have slowed from 3.4 percent in 2023 to 3.2 percent in 2024, reflecting a 4.7 percent contraction in agricultural value added—after a 1.4 percent increase—and an acceleration in non-agricultural growth from 3.6 percent to 4.2 percent. In the medium term, growth is expected to strengthen to 3.9 percent in 2025 and to 4.2 percent in 2026. This trend would reflect a 2.5 percent increase in agricultural value added in 2025, based on a cereal harvest of around 35 million quintals (MQx) according to BAM's forecasts, followed by a 6.1 percent increase in 2026, assuming a return to an average cereal production of 50 MQx. As for non-agricultural activities, they are expected to continue improving, with a 4 percent growth in both 2025 and 2026.

In this context, after decelerating to 0.9 percent in 2024, inflation and its underlying component are expected to hover around 2 percent between 2025 and 2026.

## 7.1 Underlying assumptions

### Deceleration of global economic activity over the forecast horizon

The global economy showed relative resilience in 2024. However, its outlook remains uncertain, and is generally trending toward a slowdown. Growth is expected to decline from 3.2 percent in 2024 to 3 percent in 2025, and then to 2.8 percent in 2026.

In the United States, growth reached 2.8 percent in 2024, driven by strong private consumption, and is expected to slow down to 2 percent in 2025 and then to 1.7 percent in 2026, with uncertainties related to the new administration's trade and fiscal policies weighing on these prospects. In the euro area, growth was limited to 0.7 percent in 2024, primarily held back by persistent difficulties in the manufacturing sector and weak domestic demand. It is expected to reach 1 percent in 2025 and 1.3 percent in 2026, supported notably by a recovery in private consumption and investment thanks to a less restrictive monetary policy. In the United Kingdom, growth is projected to rise from 0.9 percent in 2024 to 1 percent this year, boosted mainly by buoyed public and private consumption, before reaching 1.2 percent in 2026. As for Japan, after near stagnation in 2024, economic activity is expected to grow by 1.2 percent in 2025, benefiting from rising wages and household consumption, before slowing to 0.5 percent in 2026, reflecting structural challenges including low productivity, aging population, and high debt levels.

As for the main emerging economies, supported by monetary and fiscal measures aimed at stimulating the economy, growth in China is expected to hold steady at around 5 percent this year before slowing to 4.3 percent in 2026. Medium-term outlook remains hindered by the country's structural challenges, such as persistent difficulties in the property sector, high debt levels, and demographic issues, combined by the anticipated impact of trade measures announced by the United States. In India, economic activity is expected to remain robust, with growth rising from 6.6 percent in 2024 to 7.2 percent, supported by dynamic public investment, before slightly decelerating to 6.7 percent in 2026. In Brazil, after reaching 3.2 percent in 2024, growth is projected to fall back to 2.4 percent this year and decline further to 0.7 percent in 2026, as the fiscal stimulus fades and high interest rates weigh on the economy. In Russia, growth remained strong at 4.1 percent in 2024, driven by strong domestic demand, but is expected to slow to 1.6 percent in 2025 and 0.2 percent in 2026, due notably to the fading fiscal stimulus effect and tighter monetary conditions.

Chart 7.1: Growth in the euro area

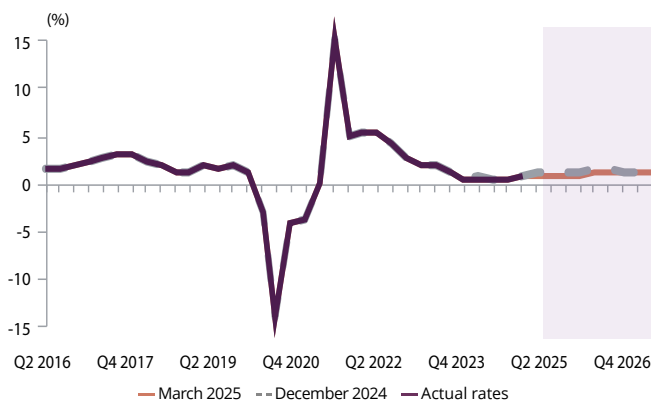
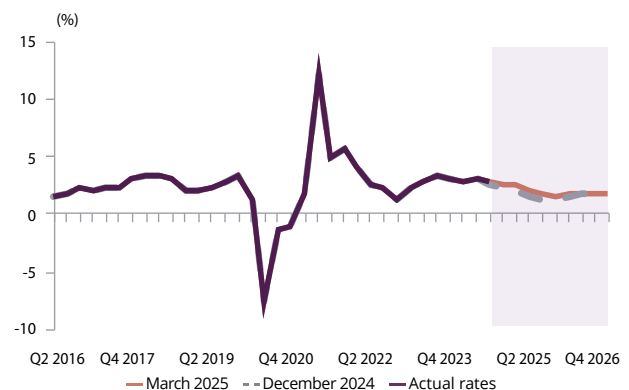


Chart 7.2: Growth in the USA



Source : GPMN, February 2025.

## Downward trend in oil prices and broad-based decline in inflation amid uncertainty

On the commodities market, oil prices are expected to maintain their downward trend, with Brent crude specifically projected to decline from USD 79.8 per barrel to USD 75.5 in 2025, and further to USD 69.1 in 2026, driven by abundant supply from non-OPEC+ countries, particularly the United States. As for coal, its price is expected to continue falling, from USD 112.2 per ton in 2024 to USD 106.1 this year, due to reduced demand and increased renewable energy production. It is then projected to rise slightly to USD 108.6 per ton in 2026. Meanwhile, natural gas prices on the European market fell by 16.4 percent in 2024 to USD 11 per MMBtu and, according to the World Bank's October 2024 projections, they are expected to remain around this level in both 2025 and 2026.

Regarding phosphate and derivatives, the prices of derivatives are expected to rise in 2025, a trend that is likely to continue into the following year, driven by a worsening supply shortage due to China's export restrictions. In contrast, the price of phosphate rock is expected to continue its downward trend, primarily due to improved supply. Under these conditions, and based on CRU data, the prices of Moroccan derivatives are projected to reach USD 600 per ton for DAP and USD 460 per ton for TSP in 2025. In 2026, DAP prices are expected to decline slightly to USD 591 per ton, while TSP prices are projected to increase to USD 468 per ton. As for raw phosphate, its price is expected to fall to USD 189 per ton in 2025 and further to USD 182 per ton in 2026.

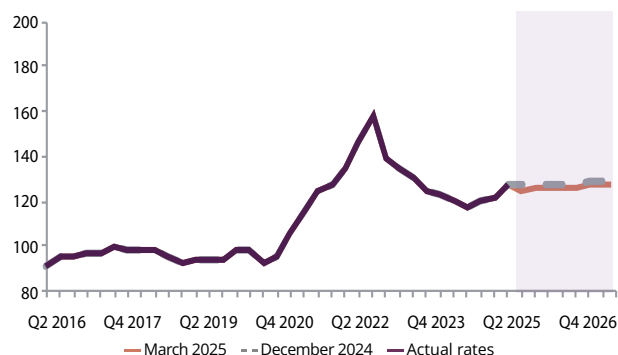
Regarding foodstuffs prices, after a decline of 2.1 percent in 2024, the FAO index is expected to rise, with increases of 3.1 percent in 2025 and 0.9 percent in 2026. Concerning U.S. durum wheat, following a contraction of 20.7 percent in 2024, its price is projected, according to the World Bank's October 2024 projections, to decline further by 1.9 percent in 2025, driven by production levels similar to the previous year and relatively comfortable stock levels. In 2026, it is expected to record a modest increase of 1.1 percent, reflecting increased pressure on stocks.

Under these conditions, global inflation is expected to continue its downward trend, reaching 3.2 percent in 2025 and remaining at that level in 2026, supported by persistently tight monetary conditions, cooling labor markets, weakening demand, and the anticipated decline in energy prices. In the euro area, inflation is projected to remain stable at 2.4 percent in 2025 before slowing to 2.1 percent in 2026. In the United States, it is expected to hover around 3 percent over the forecast horizon, under pressure from rising tariffs. In China, inflation is projected to remain low at 0.3 percent in 2025, before accelerating to 1.5 percent in 2026, reflecting a gradual recovery in domestic demand.

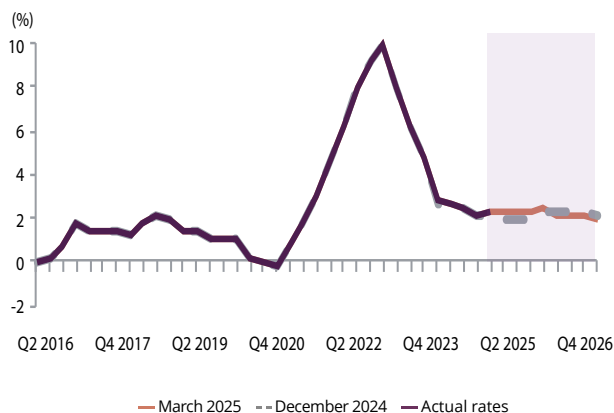
**Chart 7.3: Price of Brent**



**Chart 7.4: FAO Food Price Index (2017=100)**



**Chart 7.5: Inflation in the euro area**



**Chart 7.6: Inflation in the United States**



Source : GPMN, February 2025.

## Continued monetary easing by the ECB and BOE, while the fed maintains status quo

Following its January 28–29 meeting, the Fed decided to keep the target range for the federal funds rate unchanged at [4.25–4.50 percent], in a context marked by sustained economic activity, a strong labor market, and somewhat elevated inflation.

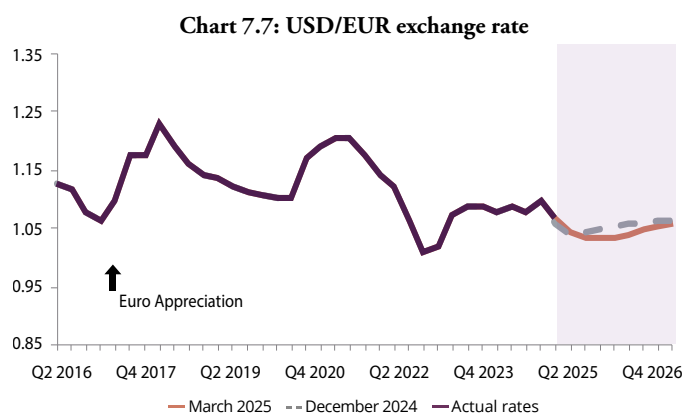
At its March 6 meeting, the ECB decided to cut its three key interest rates by 25 basis points, marking the fifth consecutive reduction and the sixth since June 2024, indicating that the disinflation process is well underway. Consequently, the rates for the deposit facility, main refinancing operations, and marginal lending facility were lowered to 2.50 percent, 2.65 percent, and 2.90 percent, respectively. The ECB also stated that the Asset Purchase Program (APP) portfolio and the Pandemic Emergency Purchase Program (PEPP) are shrinking at a measured and predictable pace, as the Eurosystem no longer reinvests principal repayments from maturing securities.

Meanwhile, at its February 6 meeting, the Bank of England decided to lower its key interest rate by 25 basis points to 4.5 percent, noting that domestic inflationary pressures are easing, though they remain somewhat elevated. At the same time, following its January 23–24 meeting, the Bank of Japan decided to



raise its key rate to 0.5 percent, highlighting that inflation is gradually rising toward the 2 percent target due to wage increases.

On the international foreign exchange market, the euro remained nearly flat against the U.S. dollar in 2024, averaging USD 1.08. It is, however, expected to depreciate by 4.3 percent to USD 1.04 in 2025, before appreciating by 1.3 percent to an average of USD 1.06 in 2026. These developments mainly reflect the divergence in monetary policy stances between the Fed and the ECB, stronger economic growth in the United States, and a high level of uncertainty that is bolstering demand for the U.S. dollar as a safe haven.



## Cereal production of around 35 million quintals for the 2024/2025 agricultural season and an average harvest for 2025/2026

The 2024/2025 agricultural season was marked by early and almost widespread rainfall during October, followed by a period of light precipitation until the second ten-day period of January 2025, then a return of rain across nearly all regions during the subsequent five ten-day periods. Cumulative rainfall reached 180 mm by March 10, representing an increase of 5.2 percent compared to the previous season and of 0.4 percent above the average of the past five years. Meanwhile, dam reservoir levels, although improving, remain low, standing at 35.6 percent as of March 18 compared to 26.7 percent one year earlier. Similarly, vegetation condition, assessed through the vegetation index, shows that the state of the plant cover on March 10 is 3.4 percent below that of the previous season and 12.2 percent below the five-year average. Under these conditions and based on a cultivated area estimated by the Department of Agriculture at 2.6 million hectares, the cereal harvest is projected, according to BAM estimates, to be around 35 million quintals.

Taking into account developments in non-cereal crops as well, agricultural value added is expected to increase by 2.5 percent according to BAM projections. In 2026, assuming an average cereal production of 50 million quintals, agricultural value added is projected to grow by 6.1 percent, compared to the 3.6 percent growth forecast in the previous exercise.

## 7.2 Macroeconomic projections

### Continued dynamism of foreign trade in goods, travel receipts and transfers from Moroccans living abroad in the medium term.

Taking into account foreign trade data at end-2024, the current account deficit is estimated to have stood at 2 percent of GDP in 2024, after 0.6 percent in 2023. It is expected to rise to nearly 2.9 percent in 2025, before declining to 2 percent in 2026.

Over the forecast horizon, exports are projected to increase by 6.4 percent in 2025, driven mainly by a 15.2 percent increase in the sale of phosphates and derivatives, assuming a higher volume of fertilizer exports. As for the exports of the automotive industry, weighed down in particular by an unfavorable situation in the European market, they are expected to grow by only 4.8 percent in 2025. In 2026, they are projected to improve by 9.7 percent, driven, on the one hand by an acceleration in the growth of automobile exports to 17.9 percent, owing to a recovery in the construction segment, and, on the other hand, by continued strong performance in the sales of phosphates and derivatives, which are expected to reach 109 billion. Imports are projected to rise by 6.8 percent in 2025 and by 6 percent in 2026, reflecting, in particular, an annual increase of nearly 13.5 percent in the purchases of capital goods, linked to the expected momentum in investments. For its part, the energy bill should ease by 2.6 percent in 2025, then by 5.8 percent in 2026 to MAD 104.6 billion.

Travel receipts are expected to maintain their momentum, with increases of nearly 5.4 percent year-on-year, reaching MAD 124.9 billion. The growth rate of remittances is projected to slow to 1.1 percent in 2025, before rising to 3.4 percent in 2026. As for FDI receipts, they are projected to reach levels equivalent to 3 percent of GDP in 2025 and 3.3 percent in 2026.

Considering the Treasury's planned external drawings, official reserve assets are expected to reach MAD 391.8 billion in 2025, and 408 billion at end-2026, which represents the equivalent of 5 months and 5 days, and 5 months and 11 days, of imports of goods and services, respectively.

**Table 7.1: Main components of the balance of payments**

Change in %, unless otherwise indicated	Actual rates							Forecast		Gap (Mar./Dec.)	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2025	2026
Exports of goods (FOB)	10.7	3.3	-7.5	25.2	30.1	0.4	5.8	6.4	9.7	-1.1	0.8
Imports of goods (CIF)	9.9	2.0	-13.9	25.0	39.5	-2.9	6.4	6.8	6.0	-1.0	0.0
Travel receipts	1.2	7.8	-53.7	-5.1	171.5	11.5	7.5	5.3	5.4	-1.3	0.5
Remittances	-1.5	0.1	4.8	40.1	16.0	4.1	2.1	1.1	3.4	-1.9	0.2
Current account balance (% GDP)	-4.9	-3.4	-1.2	-2.3	-3.6	-0.6	-2.2*	-2.9	-2.0	-1.1	-0.5
Official reserve assets in months of imports of goods and services	5.4	6.9	7.1	5.3	5.4	5.4	5.2	5.2	5.4	0.1	0.1

\*Estimate

Sources: Office des Changes data and BAM forecasts.

## Acceleration of credit growth to the non-financial sector over the forecast horizon

The bank liquidity deficit is expected to widen to MAD 142.7 billion at end-2025 and MAD 161.6 billion in 2026, mainly due to the growth in currency in circulation. Following a 7.6 percent increase in 2024, the latter is expected to grow by 8.1 percent in 2025 and 7.1 percent in 2026. As for the growth of bank credit to the non-financial sector, considering actual figures, economic activity projections and banking system expectations, it is expected to accelerate to 5.9 percent in 2025 and 6 percent in 2026. Under these conditions, and in line with the expected development in the other counterparts of the money supply, the M3 aggregate is projected to increase by 6.2 percent in 2025 and 6.3 percent in 2026.

As regards the real effective exchange rate, it is expected to continue appreciating in 2025, with a 0.8 percent increase driven by a 1.9 percent rise in its value in nominal terms, tempered by a lower level of domestic inflation compared with trading partners and competitors. It is then projected to nearly stabilize in 2026.

**Table 7.2: Money supply and bank lending**

Change in %, unless otherwise indicated	Actual rates					Forecast		Gap (Mar./Dec.)	
	2020	2021	2022	2023	2024	2025	2026	2025	2026
Bank credit to the non-financial sector	4.2	2.9	7.9	2.8	2.6	5.9	6.0	1.8	0.5
M3	8.4	5.1	8.0	4.0	8.0	6.2	6.3	2.3	2.5
Liquidity requirement, in million MAD	-74.6	-64.4	-86.6	-111.4	-137.4	-142.7	-161.6	21.9	30.7

## Easing of the fiscal deficit over the forecast horizon

Following an estimated level of 4.1 percent of GDP in 2024, the fiscal deficit is projected to narrow to 3.9 percent in 2025—a downward revision of 0.3 points compared with the December forecast—and to 3.6 percent in 2026. These projections are based mainly on the 2025 Finance Act, the 2025-2027 three-year fiscal framework, and BAM's new macroeconomic forecasts.

In 2025, tax revenue is projected to increase by 8.8 percent, reflecting increases of 11.9 percent in indirect tax receipts and 5 percent in direct tax receipts. By contrast, non-tax revenue is expected to decline by 0.8 percent, taking into account, in particular, 35 billion dirhams in receipts from innovative financing mechanisms. On the other hand, current expenditure is projected to rise by 15.1 percent, reflecting, in particular, increases of 9.5 percent in personnel expenditure, 32.9 percent in other goods and services, and 23.9 percent in debt interest costs. Meanwhile, subsidy expenditure is expected to contract by 32.7 percent, while capital expenditure are projected to decline by 10.1 percent, to the equivalent of 6.5 percent of GDP.

In 2026, tax revenue is projected to strengthen by 3.8 percent, with increases of 1.5 percent in direct tax receipts and 5.6 percent in indirect tax receipts. Non-tax revenue is projected to decline by 1.2 percent, including 35 billion dirhams in receipts from innovative financing mechanisms. Concomitantly, current expenditure is projected to increase by 3.3 percent, mainly driven by increases of 5.3 percent in goods and services expenditures and 1 percent in debt interest costs. Subsidy expenditure is expected to ease by 32.4 percent, while capital expenditure is projected to decrease by 0.3 percent, reaching the equivalent of 6.2 percent of GDP.

### Further improvement in non-agricultural activities over the medium term

After accelerating to 3.4 percent in 2023, national economic growth is estimated to have slowed slightly to 3.2 percent in 2024, a 0.6 percentage point upward revision compared with the December projections, due to higher-than-expected actual outcomes in non-agricultural activities. This development reflects a 4.2 percent increase in non-agricultural growth, compared with the 3.5 percent projected in December, and a 4.7 percent contraction in agricultural value added, notably accounting for a cereal harvest of 31.2 million quintals in the 2023–2024 crop year. On the demand side, domestic demand is estimated to have strengthened, underpinned in particular by a sustained momentum in investment and continued consolidation of household final consumption. However, net exports are estimated to have made a negative contribution, reflecting a stronger rebound in imports than in exports of goods and services.

Over the medium term, non-agricultural activities are expected to continue improving, with a 4 percent growth in both 2025 and 2026. Agricultural value added is projected to increase by 2.5 percent in 2025, instead of the 5.7 percent expected in December, taking into account a cereal harvest of around 35 million quintals according to BAM forecasts, followed by a 6.1 percent increase in 2026, assuming an average cereal harvest of 50 million quintals. Overall growth is projected to accelerate to 3.9 percent in 2025, before firming 4.2 percent in 2026. On the demand side, this development is expected to be driven primarily by continued strengthening of the domestic component, supported in particular by the anticipated positive spillovers from various projects, launched or planned, while the negative contribution of net exports is expected to ease.

**Table 7.3: Economic growth**

Change in %	Actual rates					Forecast			Gap (Mar./Dec.)		
	2019	2020	2021	2022	2023	2024	2025	2026	2024	2025	2026
National growth	2.9	-7.2	8.2	1.5	3.4	3.2	3.9	4.2	0.6	0.0	0.3
Agricultural VA	-5.0	-8.1	19.5	-11.3	1.4	-4.7	2.5	6.1	-0.1	-3.2	2.5
Non-agricultural VA	3.8	-7.1	6.9	3.2	3.6	4.2	4.0	4.0	0.7	0.4	0.1

Sources: HCP data and BAM forecasts

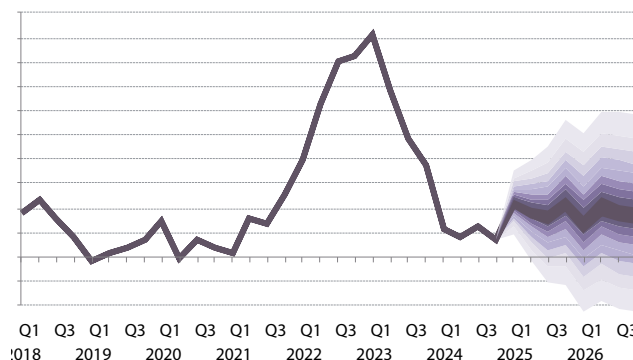
**Chart 7.8: Growth outlook over the forecast horizon (Q4 2024- Q4 2026), YoY\***

\*Uncertainty surrounding the central forecast with confidence intervals ranging between 10 percent and 90 percent

## Moderate inflation over the forecast horizon

Inflation decelerated significantly in 2024 to 0.9 percent, following the high rates recorded in 2022 and 2023: 6.6 percent and 6.1 percent respectively. This slowdown is mainly due to a 2.9 percent price decline in food products with volatile prices, following an 18.8 percent increase in 2023, as well as to a deceleration in the core component of inflation, from 5.6 percent to 2.2 percent. Inflation is expected to later accelerate to an average of 1.9 percent in 2025 and 2026, and its core component should stand at 2 percent on average over the medium term.

Regarding the components excluded from the core inflation indicator, prices of fuels and lubricants are expected to decline over the forecast horizon, in line with the projected fall in global Brent prices. Meanwhile, prices of regulated products are expected to increase in 2025 and 2026, mainly reflecting the continuation of the gradual phase-out of butane gas subsidies. As for food products with volatile prices, an increase is expected in 2025, followed by stability in 2026.

**Chart 7.9: Inflation expectations over the forecast horizon (Q1 2025 to Q4 2026)\***

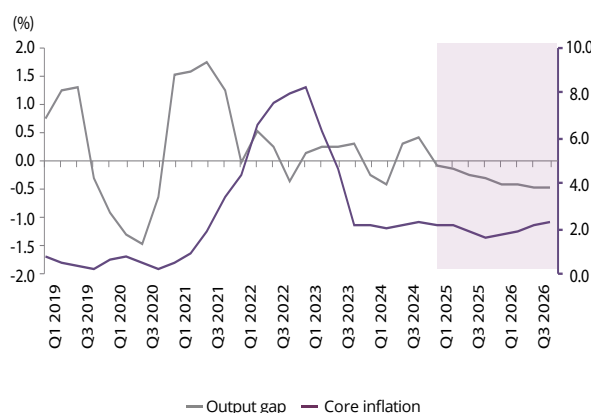
\*Uncertainty surrounding the central forecast with confidence intervals ranging between 10 percent and 90 percent

**Table 7.4: Inflation and core inflation**

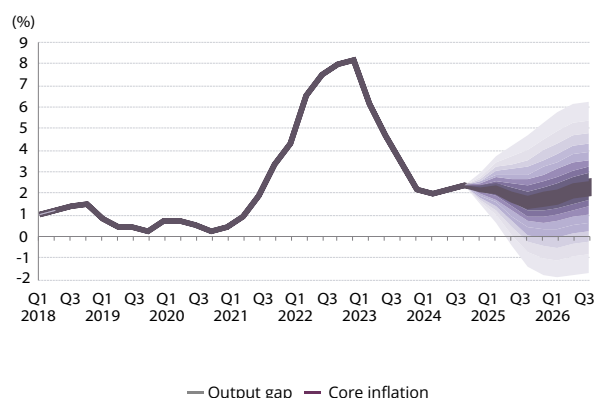
	Actual rates						Forecast			Gap (Mar./Dec.)	
	2019	2020	2021	2022	2023	2024	2025	2026	Forecast horizon Q1-2025 – Q4-2026	2025	2026
<b>Inflation</b>	0.2	0.7	1.4	6.6	6.1	0.9	2.0	1.8	1.9	-0.4	0.0
Core inflation	0.5	0.5	1.7	6.6	5.6	2.2	2.0	2.0	2.0	0.0	0.2

Sources: HCP data and BAM calculations and forecasts.

**Chart 7.10: Change in core inflation and output gap**



**Chart 7.11: Projections of core inflation over the forecast horizon (Q1 2025 - Q4 2026)\***



\* Uncertainties surrounding the central forecast with confidence intervals ranging between 10 percent and 90 percent.  
Sources: HCP data and BAM calculations and forecasts.

## 7.3 Balance of risks

Uncertainty surrounding the world economic outlook remains elevated, further exacerbated by trade tensions, and may hinder international trade, disrupt supply chains and weigh on investment, while heightening inflationary pressures. Added to this are the persistent real-estate crisis in China and the difficulties facing the German economy. Furthermore, a resurgence in regional conflicts, notably in the Middle East and Ukraine, could further weaken global economic activity and disrupt supply chains, particularly for energy and food.

At the national level, the main risks to economic activity are linked to the recurrence of droughts and the worsening of water stress over the medium term. However, the projects launched or planned in connection with hosting international sporting events can stimulate investment, fueling optimism regarding a faster pace of growth. Regarding inflation, risks remain tilted to the upside. In addition to external pressures, adverse climatic conditions could lead to a surge in food prices, exacerbating inflationary pressures. The downside risks are notably linked to the impact of His Majesty the King's recent call to abstain from performing the Eid sacrifice ritual this year, which could have a downward effect on red meat prices.

## LIST OF ABBREVIATIONS

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ADB	: African Development Bank
AFESD	: Arab Fund for Economic and Social Development
ANCFCC	: National Land Registry Office
ANRF	: National Financial Intelligence Authority
APC	: Professional Association of Cement Manufacturers
BAM	: Bank Al-Maghrib
BCP	: Popular Central Bank
BLS	: US Bureau of Labor Statistics
BoE	: Bank of England
BPW	: Buildings and Public Works
CCG	: Gulf Cooperation Council
CIH	: Real Estate and Hotel Credit
CMR	: Moroccan Pension Fund
CNSS	: National Social Security Fund (Caisse Nationale de Sécurité Sociale)
CPI	: Price Consumer Index
CPIX	: Core Inflation Index
CPIXNT	: Consumer price index of nontradables
CPIXT	: Consumer price index of tradables
DAP	: Diammonium phosphate
DF	: Deposit facility
DFI	: Direct Foreign Investment
DJ	: Dow Jones
DTFE	: Treasury and External Finance Department (Direction du Trésor et des Finances Extérieures)
ECB	: European Central Bank
EIA	: U.S. Energy Information Administration
EMC	: Economic Monitoring Committee
ESI	: Economic Sentiment Indicator
EU	: European Union
EUR	: EURO
EUROSTOXX	: Main European Stock Index

FAO	: Food and Agriculture Organization
FED	: US Federal Reserve
FTSE	: Financial Times stock exchanges
GDP	: Gross Domestic Product
GFCF	: Gross fixed capital formation
GPMN	: Global Projection Model Network
HCI	: Household Confidence Index
HCP	: High Commission for Planning
IBR	: Interbank rate
IMF	: International Monetary Fund
INAC	: National Institution for Analysis and Economic Situation (Institut National d'Analyse et de Conjoncture)
IPI	: Import Price Index
IPPI	: Industrial Producer Price Index
ISE	: Intermediate-sized companies
ISM	: United States' ISM manufacturing index
IT	: Income tax
Libor-OIS	: London Interbank Offered Rate-Overnight Indexed Swap
MASI	: Morocco All Shares Index
MEFRA	: Ministry of Economy, Finance and Reform of the Administration
MLA	: Moroccans living abroad
MMEE	: Mechanics, metallurgy, electricity and electronics
MSCI EM	: Morgan Stanley Capital International, Emerging Markets
NDS	: Negotiable debt securities
OC	: Foreign Exchange Office
OCDE	: Organization for Economic Cooperation and Development
OCP	: Office Chérifien des Phosphates (Moroccan state-owned phosphate company)
OMPIC	: Moroccan Industrial and Commercial Property Office
ONEE	: National office of Electricity and Drinking Water
ORA	: Official Reserve Assets
PLL	: Precautionary and Liquidity Line
Private Sector AWI	: Private Sector Average Wage Index
REER	: Real effective exchange rate



REPI	: Real Estate Price Index
RULC	: Relative Unit Labor Cost
SMIG	: Hourly minimum wage
TCU	: Capacity utilization rate
TGR	: Kingdom's General Treasury
TSP	: Triple Super Phosphate
UCITS	: Undertakings for Collective Investment in Transferable Securities
ULC	: Unit Labor Cost
USD	: US Dollar
VA	: Added value
VAT	: Value-added tax
VSMEs	: Very Small, Small, Medium Enterprises
WTI	: West Texas Intermediate

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