



PRESS RELEASE

BANK AL-MAGHRIB BOARD MEETING

Rabat, June 24, 2025

1. The Board of Bank Al-Maghrib held its second quarterly meeting of 2025 on Tuesday, June 24.
2. During this meeting, the Board first examined and approved the annual report on the country's economic, monetary and financial situation, as well as the Bank's activities for the 2024 fiscal year.
3. The Board also reviewed the progress in the roll-out of the new bank financing program for very small enterprises (VSE) launched last March, and the draft charter dedicated to this business category. The latter provides for the establishment of a suitable supply for credit, simplified procedures, optimized guarantee schemes, non-financial support, as well as mechanisms to monitor implementation.
4. Subsequently, the Board analyzed the national and international economic developments, as well as Bank Al-Maghrib's medium-term macroeconomic projections. At the international level, the Board noted the exceptional level of uncertainty, notably induced by the United States' new trade policy, conflicts in Ukraine and the Middle East, and the war between Israel and Iran. Against this backdrop, global economic growth is expected to continue decelerating, which would support the ongoing downward trend in inflation.
5. At the national level, the latest available data show a marked acceleration in the pace of activity in non-agricultural sectors. This momentum is set to continue over the medium term, supported in particular by investment in infrastructure, as part of Morocco's efforts to mitigate the impact of climate change, and to prepare for hosting major international events by 2030. This significant improvement in non-agricultural growth should bolster the tangible recovery in employment observed over recent quarters.
6. Inflation has posted a very sharp slowdown over recent months, declining from 2 percent on average in the first quarter of this year to 0.7 percent in April and 0.4 percent in May. This development mainly reflects the deceleration in food price increases, particularly those of "fresh meats". According to Bank Al-Maghrib's projections, inflation would hover around 1 percent by the end-2025, before settling at 1.8 percent in 2026, and core inflation should follow a similar trajectory. These prospects remain surrounded by considerable uncertainty relating, in particular, externally, to trade policies and the repercussions of geopolitical conflicts and tensions, and domestically, to the evolution of the supply of agricultural products.
7. The Board also noted that inflation expectations remain anchored, with financial sector experts anticipating, in the second quarter of 2025, average rates of 2.3 percent for the 8-quarter horizon and 2.5 percent for the 12-quarter horizon.
8. Regarding the transmission of the Board's previous decisions, bank lending rates to the non-financial sector continue to decrease. The data on the first quarter of 2025 show a cumulative decrease of 45 basis points (bp) since the beginning of the monetary easing in June 2024.



9. Considering inflation development at levels in line with the medium-term price stability objective, the marked acceleration of non-agricultural growth, and the anchoring of inflation expectations, the Board decided—given the significant uncertainties surrounding the outlook—to maintain the key interest rate unchanged at 2.25 percent. The Board will continue to closely monitor the pass-through of its recent key interest rate cuts, particularly to financing conditions of very small, small, and medium-sized enterprises (VSEs-SMEs), and will take its future decisions, meeting by meeting, based on the most up-to-date data.
10. In international commodity markets, forecasts based on data available at end-May suggest a continuation of the downward trend in oil prices, underpinned by the increase in OPEC+ production and the rise in US inventories. The price of Brent crude, in particular, is set to decline from an average of USD 79.8 per barrel in 2024 to USD 66.8 in 2025, then to USD 64.8 in 2026. According to the projections of the *Commodities Research Unit*, the price of Moroccan raw phosphate should decrease from USD 214 per tonne in 2024 to USD 206 in 2025, then to USD 183 in 2026, while the prices of phosphate derivatives would pick up in 2025, in connection with the reduction in global supply. The price of DAP is thus expected to reach USD 689 per tonne in 2025, before receding to USD 678 in 2026, and that of TSP is projected at USD 540 and then at USD 535. As for food products, following a 2 percent decline in 2024, the FAO index should increase by 4.4 percent in 2025 and 1 percent in 2026.
11. Regarding the world economic outlook, growth is projected to decelerate from 3.2 percent in 2024 to 2.8 percent this year, then to 2.6 percent in 2026. In advanced economies, it is expected to slow in the United States to 1.5 percent in 2025, before slightly improving to 1.7 percent in 2026, while in the euro area, it should be limited to 1 percent and 1.5 percent respectively. In main emerging countries, the notable increase in China's exports—in anticipation of the deterioration in tariff conditions—should support growth in 2025, which is set to reach 4.9 percent before decelerating to 3.9 percent in 2026, while India's economy is expected to remain strong, with real GDP growth at 7.4 percent and 6.2 percent respectively.
12. Under these conditions, global inflation is expected to continue decelerating in 2025, falling to 3 percent from 3.7 percent a year earlier, then slightly increasing to 3.2 percent in 2026. In the large advanced economies, inflation would slow to 2.2 percent in 2025 and 2026 in the euro area, while in the United States, it would decline to 2.8 percent in 2025 before accelerating to 3.3 percent in 2026, primarily due to new tariff measures introduced by the US administration.
13. Regarding the stance of monetary policies, the ECB decided, at its meeting on June 5, to lower its three interest rates by 25 basis points for the seventh consecutive time, and the eighth since June 2024. Meanwhile, at its June 17-18 meeting, the FED maintained, for the fourth time in a row, its target range for the federal funds rate unchanged at [4.25%-4.50%].
14. Domestically, according to the annual national accounts data published by the HCP, economic growth reached 3.8 percent in 2024—a pace faster than predicted by the quarterly data for the same year. According to updated projections of Bank Al-Maghrib, growth would accelerate to 4.6 percent this year, before consolidating at 4.4 percent in 2026. Agricultural value added is expected to increase by 5 percent in 2025, based on a cereal harvest estimated by the Department of Agriculture at 44 million quintals, and by 3.2 percent in 2026, assuming an average cereal production of 50 million quintals. For the



non-agricultural sectors, growth is likely to hover around 4.5 percent in both 2025 and 2026, mainly driven by strong investment momentum in infrastructure.

15. Regarding external accounts, trade would strengthen over the medium term as the direct impact of US tariff measures is set to remain limited. Exports are projected to grow by 5.1 percent in 2025 and 9 percent in 2026, particularly driven by the increase in phosphate and derivatives exports, which are forecast to reach MAD 106.7 billion in 2026. Conversely, due to unfavorable conditions in the European market, automotive industry sales are expected to remain virtually stagnant in 2025 before rebounding in 2026 to reach MAD 188 billion. At the same time, imports would increase by 5.1 percent this year and 7 percent next year, particularly driven by higher purchases of capital goods, while the energy bill is expected to ease further to MAD 96 billion in 2026. Travel receipts would continue to perform remarkably well, reaching 128.4 billion in 2026, while remittances are set to continue the decrease observed in recent months, ending the current year in decline, before rising again to nearly 121 billion in 2026. Under these conditions, the current account deficit is projected to remain contained at around 2 percent of GDP in 2025 and 2026. Foreign direct investments would maintain their upward trend, reaching 3.5 percent of GDP in 2026. Overall, taking into account the Treasury's external financing, official reserve assets are projected to increase to MAD 407 billion by the end of 2025 and MAD 423.7 billion by the end of 2026, close to the equivalent of five and a half months of imports of goods and services.
16. Regarding monetary conditions, the liquidity deficit is expected to narrow to MAD 122.5 billion by the end of 2025, before widening to MAD 140 billion in 2026. In view of the expected evolution in economic activity and the banking system's expectations, bank credit to the non-financial sector is projected to accelerate significantly, rising by more than 6 percent in 2025 and 2026, compared to an average of 2.7 percent over the two previous years. The real effective exchange rate should remain virtually stable by the end of 2026, with a 1.9 percent appreciation this year, followed by a 1.7 percent decline in 2026.
17. In terms of public finances, budget execution for the first four months of 2025 indicates a continued improvement in ordinary revenues, which increased by almost 17 percent, driven by higher tax receipts. At the same time, overall expenditure rose by 23.6 percent, reflecting increases in both ordinary and capital expenditures. Taking into account these developments, the provisions of the 2025 Finance Law and the three-year fiscal plan for 2025-2027, as well as the additional credits opened by the Government in April, Bank Al-Maghrib's projections suggest that the fiscal deficit—excluding proceeds from the sale of State holdings—would remain at 3.9 percent of GDP in 2025, before narrowing to 3.4 percent in 2026.