BANK AL-MAGHRIB

MONETARY POLICY REPORT

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SUMMARY

بنك المغرب

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, which is 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 CHERKAOUI

Mr Mohammed DAIRI

Mrs Najat EL MEKKAOUI

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.

PRESS RELEASE

BANK AL-MAGHRIB BOARD MEETING

Rabat, September 23, 2025

1. The Board of Bank Al-Maghrib held its third quarterly meeting of 2025 on Tuesday, September 23.

2. During this meeting, the Board analyzed national and international economic developments, as well as Bank Al-Maghrib's medium-term macroeconomic projections.

3. At the international level, the Board first examined recent developments in the US trade policy, including the conclusion of few bilateral agreements with no significant dissipation of uncertainty. Indeed, the latter continue to weigh on the global economic outlook, which is expected to continue slowing down, albeit at a slower pace than anticipated in June. In this context, and in view of declining energy prices, inflation should further decelerate, but with divergent dynamics across countries.

4. Domestically, the latest national accounts data, covering the first quarter of 2025, display a continuation of the favorable trend observed in 2024, with a significant improvement in non-agricultural sectors. This momentum, which is expected to consolidate in the medium-term thanks to the numerous large-scale projects launched and planned, was reflected in the labor market, with a notable rebound in job creation starting the third quarter of 2024. However, recent data for the second quarter of 2025 reveal a clear weakening of job creation, especially in the service sector.

5. Inflation continues to evolve at moderate levels, averaging 1.1 percent over the first eight months of 2025. According to Bank Al-Maghrib's projections, inflation is expected at 1 percent this year, remaining virtually unchanged compared with 2024, before accelerating to 1.9 percent in 2026. Core inflation should decline from 2.2 percent in 2024 to 1.1 percent in 2025, then rise to 2 percent in 2026.

6. Inflation expectations remained well anchored, with financial sector experts anticipating, in the third quarter of 2025, average rates of 2.1 percent for the 8-quarter horizon and 2.2 percent for the 12-quarter horizon.

7. Regarding the transmission of the Board's previous decisions, bank lending rates to the non-financial sector continue to decrease. The cumulative decline since the beginning of the monetary easing in June 2024 was 59 basis points in the second quarter, compared with 75 basis points for the key interest rate.

8. Overall, the Board considers that uncertainties weighing on the economic outlook remain high. Externally, in addition to the developments in the US trade policy, these uncertainties stem from persisting geoeconomic tensions and conflicts in the Middle East and Ukraine and their implications. Domestically, these are particularly related to the water stress and weather conditions prevailing during the next crop year, as well as to the data of the 2026-2028 three-year fiscal plan.

9. Considering all these factors, the Board decided to maintain the key interest rate unchanged at 2.25 percent, while continuing to strengthen the measures aimed at easing financing conditions for

businesses, especially VSEs. The Board will continue to closely monitor economic developments and to take its decisions, meeting by meeting, based on the most up-to-date data.

10. In international commodity markets, the oil price downward trend continues, favored by the increasing supply policy of OPEC+ countries, the increase in oil production of the United States and uncertainties surrounding the global demand. Hence, the price of Brent crude should drop from an average of USD 79.8 per barrel in 2024 to USD 68.5 in 2025, then to USD 65.2 in 2026. The price of Moroccan raw phosphate should fall to USD 202 per tonne in 2025 then to USD 183 in 2026, amid improved global supply. Conversely, prices of phosphate derivatives are expected to increase to USD 718 per tonne in 2025 then to USD 720 in 2026 for DAP, particularly driven by persisting restrictions on Chinese exports, and to USD 524 then to USD 561 for TSP. Regarding food products, the FAO index, which declined by 2 percent in 2024, is forecast to increase by 5.1 percent in 2025 and 0.8 percent in 2026.

11. Regarding the pace of activity, global economic growth is projected to decelerate from 3.2 percent in 2024 to 3 percent this year, then to 2.6 percent in 2026. In advanced economies, it is expected to slow from 2.8 percent to 1.7 percent in 2025, then to 1.6 percent in 2026 in the United States, and to improve in the euro area from 0.9 percent in 2024 to 1.3 percent over the next two years. In main emerging countries, owing to solid exports and the tariff truce with the United States, China should achieve its growth target of 5 percent this year, before a slowdown to 4.2 percent in 2026. In India, despite the increase in US tariffs, the economy should remain vigorous, with real GDP growth of 7.1 percent in 2025, then 6.2 percent in 2026, mainly driven by the trade agreement concluded with the United Kingdom.

12. Under these conditions, global inflation is expected to further decelerate in 2025, falling from 3.7 percent in 2024 to 2.9 percent, before picking up slightly to 3.1 percent in 2026. In advanced economies, it would hover around 2.2 percent in 2025 and 2026 in the euro area, while in the United States, it would remain above the FED's target, standing at 2.7 percent in 2025 and 3.1 percent in 2026, largely due to the increase in customs tariffs.

13. Regarding monetary policy in major advanced economies, after eight rate cuts since June 2024, the ECB decided at its meeting on September 11 to keep interest rates unchanged for the second time. On the other hand, pointing to weakening job creation, the FED decided, at its meeting on September 16 and 17, to lower the target range for the federal funds rate by 25 basis points to [4 percent -4.25 percent]. For its part, despite substantial disinflation, the Bank of England decided on September 17 to keep its key interest rate unchanged at 4 percent.

14. Domestically, Bank Al-Maghrib anticipate an acceleration in economic growth from 3.8 percent in 2024 to 4.6 percent this year, and a consolidation to 4.4 percent in 2026. Agricultural value added is expected to increase by 5 percent this year, considering a cereal harvest of 41.3 million quintals (MQx), then by 3.2 percent in 2026, assuming a production of 50 MQx. In non-agricultural sectors, and owing mainly to strong investment in infrastructure, growth is expected around 4.5 percent in 2025 and 2026.

15. Regarding external accounts, the trade momentum should continue in the medium term, with the impact of recent US tariff measures likely to remain subdued. Thus, exports would increase by 6.2

percent in 2025, mainly driven by a rise in the sales of phosphate and derivatives to MAD 110.7 billion, and by 9.4 percent in 2026, in line with the expected recovery in the automotive industry. Sales of the latter are expected to rebound by 20 percent in 2026 to MAD 187.6 billion, following a slight decline this year. Imports should rise by 7.4 percent in 2025 then 7.1 percent in 2026, particularly reflecting a sharp increase in capital goods purchases, while the energy bill should continue falling to reach MAD 94.4 billion in 2026. At the same time, travel receipts are expected to maintain their performance, with additional increases of 11.3 percent this year and 4.8 percent next year to MAD 131.2 billion. Remittances remained virtually stable this year and are projected to grow by 4.8 percent in 2026 to MAD 125.5 billion. Under these conditions, the current account deficit would remain contained at around 2.3 percent of GDP in 2025 and 2 percent in 2026, after 1.2 percent in 2024. As for foreign direct investments, their revenues are expected to reach around 3.3 percent of GDP in 2025 and 3.5 percent in 2026. Overall, considering the Treasury's planned external financing, Bank Al-Maghrib's official reserve assets would continue to strengthen, reaching MAD 418 billion at the end of 2025 and MAD 434.5 billion by end-2026, corresponding to five and a half months of imports of goods and services.

16. Concerning monetary conditions, the liquidity deficit is expected to narrow to MAD 115.3 billion at end-2025 but will widen again to nearly MAD 133 billion in 2026, driven by an increase in currency in circulation. As for bank credit, given the expected economic outlook and banking system forecasts, lending to the non-financial sector is forecast to accelerate significantly by 5.9 percent in 2025 and 2026, after an average of 2.7 percent over the previous two years. The real effective exchange rate should remain stable over the forecast horizon, as a result of a 2.2 percent appreciation expected this year, and a 2.3 percent decline expected in 2026. Similarly, quarterly assessments carried out by Bank Al-Maghrib, based on the latest international methodology, indicate that the value of the national currency is broadly in line with economic fundamentals.

17. On the public finance front, budget execution at end-August 2025 revealed an improvement by 14.5 percent of ordinary revenues, driven mainly by the tax revenue performance. At the same time, considering higher ordinary and capital expenditures, overall expenditure rose by 12.6 percent. In light of these developments, the data from the 2025 Finance Act, the 2025-2027 three-year fiscal plan, the additional appropriations opened by the Government last April, and the guidelines of the 2026 Finance Act, Bank Al-Maghrib's projections foresee that the fiscal deficit, excluding proceeds from the sale of State holdings, would remain stable at 3.9 percent of GDP this year and ease to 3.4 percent in 2026.

18. Finally, as part of its process of openness and consultation aimed at a better understanding of the national economy's sectoral performance and outlook, the Board will hold a meeting with the OCP Group on September 24, 2025.

OVERVIEW

In the third quarter of 2025, the international environment was marked by a relative easing of uncertainty, boosted in particular by progress in trade negotiations between the United States and some of its main partners, and by the extension of certain tariff truces. However, tariff increases begin to weigh on economic activity.

The latest available national accounts data are those of the second quarter of 2025. They show a moderate increase to 2.1 percent in year-on-year economic growth in the United States—after 2 percent in the previous quarter. In the euro area, the pace of activity slowed slightly, from 1.6 percent to 1.5 percent, with significant disparities among member countries. It remained steady at 0.2 percent in Germany and 2.8 percent in Spain, rose from 0.6 percent to 0.8 percent in France, and slowed from 0.7 percent to 0.4 percent in Italy. In other advanced economies, growth slackened from 1.8 percent to 1.3 percent in Japan and from 1.3 percent to 1.2 percent in the United Kingdom.

In emerging economies, trajectories were equally varied. Growth accelerated from 7.4 percent to 7.8 percent in India and from 2.3 percent to 4.8 percent in Türkiye, but slowed from 5.4 percent to 5.2 percent in China, from 2.9 percent to 2.2 percent in Brazil, and from 1.4 percent to 1.1 percent in Russia.

In the **labor markets of advanced economies**, there are signs of easing pressure, particularly in the United States, where August data showed job creation of 22,000, down from 79,000 in July, and an increase in the unemployment rate to 4.3 percent from 4.2 percent. In the euro area, the rate fell slightly from 6.3 percent in June to 6.2 percent in July, with divergences between member countries. It remained unchanged at 7.6 percent in France, 3.7 percent in Germany, and 10.4 percent in Spain, and fell from 6.2 percent to 6 percent in Italy.

In terms of financial markets, performance was mixed over the first eight months of the year. The Euro Stoxx 50 rose by 7.6 percent and the FTSE 100 by 5.8 percent, while the Dow Jones Industrials and Nikkei 225 fell 1.6 percent and 2 percent, respectively. These developments were accompanied by a slight increase in risk aversion on both the US and European markets, with the VIX index rising to 16 and the VSTOXX to 17.4 at the end of August. In emerging economies, the MSCI EM increased by 5.6 percent, driven in particular by the Chinese market.

In terms of **sovereign bond markets**, those in advanced economies remained relatively stable in August, following sharp fluctuations between January and May. The 10-year yield stabilized at around 4.4 percent on average for the United States, rose to 2.7 percent in Germany, 3.4 percent in France, 3.2 percent in Spain, and 3.5 percent in Italy. Among the major emerging economies, the rate remained virtually unchanged at 1.7 percent for China, fell to 14.1 percent for Brazil and to 6.5 percent for India, while rising to 29.2 percent for Türkiye.

On the foreign exchange markets, during the first eight months of the year, the euro appreciated by 6.3 percent against the dollar, mainly due to concerns about the US trade policy and, more recently, to growing expectations of a cut in the federal funds rate target range. It also rose by 2.1 percent against the Japanese yen and 2.4 percent against the pound sterling. The currencies of the major emerging economies performed unevenly against the dollar, with the Chinese renminbi and Brazilian real depreciating and the Indian rupee and Turkish lira appreciating.

On the commodities market, the price of **Brent** crude, in the first eight months of this year, fell by 3.6 percent to USD 71.2 per barrel compared with December 2024, and is down 12.9 percent year-on-year, mainly due to increased production by OPEC+ countries and the expected decline in global demand. Similarly, the prices of non-energy products fell by 1.6 percent, driven in particular by the decline in agricultural prices. Year-on-year, they have risen by 3.3 percent, mainly reflecting increases of 3.1 percent for agricultural products and 1.8 percent for metals and minerals. As for phosphate and derivatives, DAP and TSP prices rose by 17.7 percent to USD 669 per ton and 16.1 percent to USD 554.2 per ton, respectively, during the first eight months of the year, while raw phosphate prices remained stable at USD 152.5. Year-on-year, prices rose by 19.2 percent for both DAP and TSP, while those for raw phosphate remained unchanged.

In this context, **inflation** in the United States remained well above the Fed's target, standing at 2.9 percent in August, compared with 2.7 percent in July. In the euro area, it stabilized at 2 percent, reflecting an acceleration from 1.8 percent to 2.1 percent in Germany, decelerations from 0.9 percent to 0.8 percent in France and from 1.7 percent to 1.6 percent in Italy, as well as stagnation at 2.7 percent in Spain. In other major advanced economies, inflation slowed from 3 percent to 2.7 percent in Japan and remained at 3.8 percent in the United Kingdom.

Regarding monetary policy stance, after 8 cuts since June 2024, the **ECB** decided at its meeting on September 11 to keep its three key interest rates unchanged, indicating that inflation is currently around the 2 percent target. The interest rates on the deposit facility, main refinancing operations, and marginal lending facility were thus upheld at 2.00 percent, 2.15 percent, and 2.40 percent, respectively. On the other hand, citing weak job growth in particular, the **Fed** reduced the target range for the federal funds rate by 25 basis points to [4 percent-4.25 percent] following its meeting on September 16 and 17. For its part, despite substantial disinflation, the **Bank of England** decided on September 17 to maintain its key interest rate unchanged at 4 percent.

At the national level, national accounts data for the first quarter indicate that economic growth accelerated to 4.8 percent, up from 3 percent in the same quarter a year earlier. This change is the result of a 4.5 percent improvement, compared with a 5 percent decline in agricultural value added and a 4.6 percent increase, after 3.6 percent, in non-agricultural activities. On the demand side, domestic demand contributed positively to growth by 8.5 percentage points, while foreign trade remained negative at 3.8 points.

In the **labor market**, between the second quarter of 2024 and the same period in 2025, the national economy created 5,000 jobs, compared with a loss of 82,000 a year earlier. With the exception of agriculture, which saw a decline of 108,000 jobs, other sectors recorded increases of 74,000 in construction and public works, 35,000 in services and 2,000 in industry. Taking into account a net outflow of 32,000 job seekers, the participation rate fell by 0.8 points to 43.4 percent and the unemployment rate fell from 13.1 percent to 12.8 percent.

In terms of **external accounts**, data for the first seven months of 2025 show continued strong performance in travel receipts and FDI, as well as a sharp increase in imports. In fact, imports rose by 8.8 percent to 469.7 billion, compared with 4.2 percent to 274.8 billion for exports. The trade deficit widened by 15.9 percent to MAD 194.9 billion, and the coverage rate fell to 58.5 percent, down from 61.1 percent in July 2024. The increase in imports was mainly driven by a 14.5 percent rise in capital goods purchases, a 13.7 percent rise in finished consumer goods, and a 6.8 percent rise in semi-finished goods, while the energy bill fell by 6.1 percent. As for exports, their improvement mainly reflects increases of 20.9 percent in sales of phosphate and its derivatives and 8.9 percent in the aeronautics sector, while shipments of the automotive sector contracted by 1.8 percent. Travel receipts increased by 12.6 percent, and travel expenditures rose by 7.6 percent. Remittances fell by 1 percent to 68.8 billion. In terms of major financial operations, FDI receipts grew by 26.8 percent, while Moroccan direct investment abroad fell by 3.8 percent. Under these conditions, official reserve assets improved by 11 percent to MAD 406 billion at the end of July, representing the equivalent of 5 months and 14 days of imports of goods and services.

In terms of **monetary conditions**, banks' liquidity need increased from MAD 113.4 billion in the second quarter of 2025 to an average of 118 billion in July and August. As a result, Bank Al-Maghrib increased the volume of its injections from 127.9 billion to 132.1 billion. Monetary conditions in the second quarter of 2025 were marked by a quarterly appreciation of 0.2 percent in the real effective exchange rate and a 14-basis-point decline in the overall average lending rate to 4.84 percent, representing a 59-basis-point drop since the start of monetary easing in June 2024. The annual growth rate of bank credit to the non-financial sector slowed down to 3.4 percent in July from 4.4 percent in the second quarter, mainly reflecting the sharp decline in cash facilities granted to private companies.

On the public finance front, the implementation of the Finance Act for the first eight months of 2025 resulted in a budget deficit—excluding proceeds from the sale of state holdings—of MAD 59.8 billion, with an increase of 17.7 billion compared to the same period in 2024. Ordinary revenues improved by 14.5 percent to 288.2 billion, driven mainly by increases of 15.5 percent in tax revenues and 8.4 percent in non-tax revenues. Conversely, ordinary expenditures increased by 15 percent to 272.7 billion, mainly reflecting increases of 18.4 percent in goods and services and 18.8 percent in debt interest, while compensation costs fell by 26.8 percent. Under these conditions, the current balance showed a surplus of 15.4 billion, compared with 14.5 billion a year earlier. Investment rose by 3.7 percent to 67.9 billion, bringing overall expenditure to 340.6 billion, an increase of 12.6 percent. The balance of the Treasury's special accounts was negative at 7.3 billion, compared with a positive balance of 8.9 billion. Given the reduction in the stock of pending operations by 15.8 billion, cash deficit widened to 75.6 billion, compared with 47 billion at the end of August 2024. This need was covered by net domestic resources of 41.7 billion and a positive net external flow of MAD 34 billion. As a result, outstanding direct public debt is estimated to have increased by 5.8 percent at the end of August 2025 compared with its level at the end of December 2024.

On the **Casablanca Stock Exchange**, prices continued to rise, bringing the MASI index's performance since the end of December 2024 to 35.8 percent. This increase mainly reflects gains of 8.3 percent in the "banking sector", 20 percent in "transportation services", 11.1 percent in "buildings and construction materials", 11.5 percent in "telecommunications", and 13.4 percent in "health". Trading volume stood at MAD 37.5 billion in July and August, up from MAD 31.9 billion in the second quarter of 2025. In this context, market capitalization reached MAD 1,055.7 billion, up 10 percent compared to June and 40.3 percent since December 2024.

In the **real estate market**, transactions posted a further quarterly decline of 10.8 percent in the second quarter of 2025, following a 25.4 percent decline in the previous quarter, reflecting declines of 15.1 percent for residential properties and 13.3 percent for commercial properties, as well as a 6 percent increase for land. Against this backdrop, prices dropped again this year, declining by 0.2 percent after a 1.6 percent drop in the previous quarter. This trend affected all property categories, with residential property falling by 0.3 percent and land and commercial property by 0.2 percent.

In this context, **inflation** fell from an average of 0.5 percent in the second quarter of 2025 to 0.3 percent in July and August. On the one hand, this change reflects the slowdown in the rise in regulated prices from 1.5 percent to 0.5 percent and in core inflation from 1 percent to 0.8 percent, and on the other hand, an acceleration in the rise in volatile food prices from 0.5 percent to 1.1 percent, as well as a slowdown in the decline in fuel and lubricant prices from 14.1 percent to 10.1 percent. **Inflation expectations of financial sector experts** for the third quarter of 2025 stood at 2.1 percent, down from 2.3 percent a quarter earlier, for the next eight quarters, and at 2.2 percent, down from 2.5 percent, for the next 12 quarters.

In terms of outlook, the global economy is expected to continue slowing down in a context marked by higher tariffs and an elevated level of uncertainty. Its growth is therefore expected to fall from 3.2 percent in 2024 to 3 percent this year and then to 2.6 percent in 2026. In the United States, despite the relative easing of trade uncertainties, consumer confidence is expected to remain low due to concerns about purchasing power. Growth is therefore expected to slow from 2.8 percent in 2024 to 1.7 percent in 2025, and then remain at that level in 2026. In the euro area, the trade agreement with the United States would reduce short-term uncertainties but would affect the economies and sectors of the area, albeit to varying degrees. Economic growth would accelerate from 0.9 percent in 2024 to 1.3 percent in 2025 and remain close to this level in 2026. In the United Kingdom, the pace of activity would increase from 1.1 percent to 1.3 percent in 2025, driven mainly by public consumption, then return to 1.1 percent in 2026, and in Japan, it is expected to accelerate from 0.1 percent in 2024 to 1.2 percent in 2025, then slow down to 0.6 percent in 2026.

In the main emerging economies, growth is expected to increase slightly from 4.9 percent in 2024 to 5 percent in 2025 in China, supported by a marked improvement in exports, before falling to 4.2 percent in 2026, weighed down by persistent difficulties in the real estate sector and weak global demand. In India, activity is expected to remain robust, with growth rising from 6.7 percent in 2024 to 7.1 percent this year and then to 6.2 percent in 2026. In Brazil, growth is expected to slow from 3 percent in 2024 to 2.5 percent in 2025 and then to 0.9 percent in 2026, mainly due to the restrictive monetary policy stance and trade tensions. In Russia, growth is expected to decelerate from 4.4 percent in 2024 to 0.6 percent in 2025, then to 0.7 percent in 2026.

On the **commodities markets**, oil prices are expected to continue their downward trend due to significant supply from OPEC+ countries and the anticipated decline in global demand. The price of **Brent** crude in particular is expected to fall from USD 79.8 per barrel in 2024 to USD 68.5 in 2025 and then to USD 65.2 in 2026. As for Moroccan phosphate and derivatives, the Commodities Research Unit projects that the price of DAP will rise from USD 586 per ton in 2024 to an average of USD 718 this year and then to USD 720 in 2026. The price of TSP is expected to rise from USD 436 per ton to USD 524, then to USD 561 in 2026. On the other hand, the price of rock is expected to continue its downward trend, falling from USD 214 per ton in 2024 to USD 202 in 2025, then to USD 183 in 2026. As for food commodities, after a 2 percent decline in 2024, the **FAO** index is expected to grow by 5.1 percent in 2025 and by 0.8 percent in 2026.

Under these conditions, **global inflation** would continue to slow, reaching 2.9 percent this year, compared with 3.7 percent in 2024, and then standing at 3.1 percent in 2026. In the euro area, it would decelerate from 2.4 percent in 2024 to 2.2 percent in 2025, settling at 2.3 percent in 2026, while in the United States, it would fall from 3 percent to 2.7 percent this year, before accelerating to 3.1 percent in 2026.

At the national level, the momentum in foreign trade in goods and services is expected to continue over the forecast horizon. Exports are projected to rise by 6.2 percent in 2025, driven mainly by an increase in sales of phosphate and derivatives, and then by 9.4 percent in 2026, driven by the expected recovery in the automotive manufacturing segment. Imports are likely to increase by 7.4 percent in 2025 and 7.1 percent in 2026, reflecting in particular a sharp rise in capital goods purchases, linked to the investment momentum generated by major launched or planned projects. At the same time, travel receipts are expected to maintain their strong performance, with an increase of 11.3 percent in 2025 and 4.8 percent in 2026 to reach 131.2 billion. Remittances are expected to show a slight improvement of 0.6 percent in 2025 to 119.7 billion, before rising by 4.8 percent in 2026 to 125.5 billion. Under these conditions, the current account deficit should remain contained, standing at around 2.3 percent of GDP in 2025 and 2 percent in 2026, after 1.2 percent in 2024. With regard to FDI, revenues are expected to total the equivalent of 3.3 percent of GDP in 2025 and 3.5 percent in 2026.

Mainly considering the planned external financing, official reserve assets are expected to continue to improve, reaching MAD 418 billion at the end of 2025 and MAD 434.5 billion at the end of 2026, representing coverage of 5 months and 13 days and 5 months and 19 days of imports of goods and services, respectively.

In terms of **monetary conditions**, the banking liquidity deficit is expected to reach MAD 115 billion by the end of 2025, before widening to 133 billion in 2026, mainly due to the expected increase in banknotes and coins in circulation. As for bank credit to the non-financial sector, taking into account actual performance, economic activity projections, and banking system expectations, its growth rate is expected to accelerate from 2.6 percent in 2024 to 5.9 percent in 2025 and 2026. For its part, the real effective exchange rate is expected to remain stable over the forecast horizon, with a 2.2 percent appreciation this year and a 2.3 percent depreciation in 2026.

On the **public finance** front, fiscal consolidation is expected to continue in the medium term. The budget deficit is projected to stabilize at 3.9 percent of GDP in 2025, before easing to 3.4 percent of GDP in 2026. These projections are based on the 2025 Finance Act, the 2025-2027 three-year budget plan, and Bank A-Maghrib's new macroeconomic projections. They also include the additional MAD 13 billion in appropriations opened in April under the general budget and actual performances at the end of July 2025.

In terms of **economic activity**, growth is expected to accelerate from 3.8 percent in 2024 to 4.6 percent this year, then consolidate at 4.4 percent in 2026. This trend would reflect a 5 percent increase in agricultural value added in 2025, taking into account a cereal harvest estimated by the Department of Agriculture at 41.3 million quintals (MQx), followed by a 3.2 percent increase in 2026, assuming a return to an average cereal production of 50 MQx. Non-agricultural activities are expected to maintain their momentum, driven in particular by major infrastructure projects and non-market services, with growth of 4.5 percent in 2025 and 2026.

In this context, after slowing to 0.9 percent in 2024, **inflation** would continue to grow at moderate levels, reaching 1 percent in 2025 and 1.9 percent in 2026. Core inflation would slow from 2.2 percent in 2024 to 1.1 percent in 2025, mainly due to the slowdown in the rise in "fresh meat" prices and the decline in imported inflation, before rising again to 2 percent in 2026.

Despite the relative easing of trade tensions, uncertainty surrounding the global economic outlook remains high and risks hampering international trade, disrupting supply chains, and ultimately weighing on global growth. Added to this are the ongoing difficulties in China's real estate sector, rising global public debt, and persistent inflationary pressures in some major economies such as the United States. Finally, the ongoing conflicts in the Middle East and the war in Ukraine could further weaken global economic activity and disrupt supply chains, particularly for energy.

At the **national level**, the main risks to economic activity are linked to recurring droughts and increasing water stress. On the other hand, launched or planned construction projects in connection with hosting international sporting events may have a greater spillover effect and lead to faster growth. With regard to inflation, risks remain on the upside. In addition to external pressures, unfavorable weather conditions could lead to higher food prices.

1. INTERNATIONAL DEVELOPMENTS

In the third quarter of 2025, the international environment was marked by a relative easing of uncertainties, largely due to the progress made in negotiations between the United States and some of its main partners and the extension of tariff truces. Nevertheless, economic activity is beginning to bear the brunt of higher customs duties.

That being said, the latest data point to a relative resilience in global economic activity, particularly in the United States and China, driven mainly by advance purchases in anticipation of higher trade tariffs. At the same time, inflationary pressures have continued to vary, with inflation remaining well above the 2 percent target in the United States, while approaching the target in the euro area. In the labour markets, some signs of easing tensions are emerging, especially in the United States, where job creation is falling sharply. In the financial markets, the first eight months of the year witnessed a continued appreciation of the euro and high volatility in the equity and bond markets of the major advanced economies. In Europe, concerns about public finances, particularly in France, continue to fuel financial tensions. Finally, on the commodity markets, oil prices have maintained their overall downward trend, with the price of Brent crude falling by 12.9 percent year-on-year in the first eight months of this year. On the other hand, non-energy commodity prices rose by 3.3 percent, reflecting increases of 3.1 percent in agricultural commodity prices and 1.8 percent in metal and mineral prices.

1.1 Economic activity and employment

1.1.1 Economic activity

Data for the second quarter of 2025 show a moderate increase in growth to 2.1 percent in the United States, up from 2 percent in the previous quarter. In the euro area, activity slowed slightly to 1.5 percent from 1.6 percent a quarter earlier, with divergent trends among member countries. Growth accelerated to 0.8 percent in France, stabilised at 0.2 percent in Germany and 2.8 percent in Spain, while it slowed to 0.4 percent in Italy. In other major advanced economies, growth slowed to 1.2 percent in the United Kingdom in the second quarter, down from 1.3 percent in the previous quarter, and in Japan, where it fell from 1.8 percent to 1.3 percent.

In emerging economies, economic activity slowed in Q2 to 5.2 percent in China, down from 5.4 percent in the previous quarter. Similarly, it slowed from 2.9 percent to 2.2 percent in Brazil and from 1.4 percent to 1.1 percent in Russia, while it accelerated from 7.4 percent to 7.8 percent in India and from 2.3 percent to 4.8 percent in Türkiye.

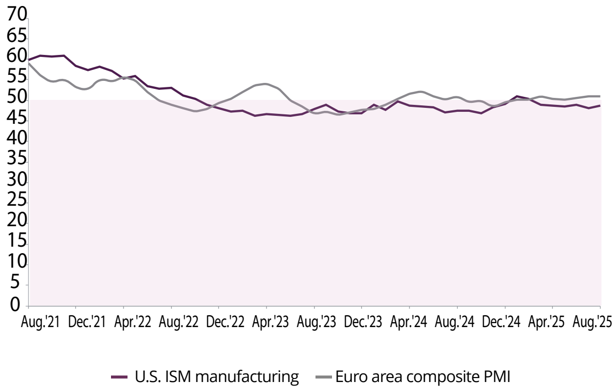
Table 1.1: Quarterly growth profile, in year-on-year (in %)

	2023			2024				2025	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Advanced economies								
United States	2.8	3.2	3.2	2.9	3.0	2.7	2.5	2.0	2.1
Euro area	0.6	0.1	0.2	0.5	0.5	0.9	1.3	1.6	1.5
France	1.9	1.6	1.6	1.7	1.0	1.1	0.6	0.6	0.8
Germany	-0.6	-0.9	-0.8	-0.5	-0.6	-0.6	-0.2	0.2	0.2
Italy	0.4	0.3	0.6	0.3	0.7	0.5	0.6	0.7	0.4
Spain	2.4	2.2	2.3	2.7	3.3	3.3	3.3	2.8	2.8
United Kingdom	0.5	0.4	-0.2	0.7	1.1	1.2	1.5	1.3	1.2
Japan	1.4	0.9	0.6	-1.0	-0.6	0.7	1.4	1.8	1.3
	Emerging economies								
China	6.5	5.0	5.3	5.3	4.7	4.6	5.4	5.4	5.2
India	9.7	9.3	9.5	8.4	6.5	5.6	6.4	7.4	7.8
Brazil	3.9	2.4	2.4	2.6	3.3	4.0	3.6	2.9	2.2
Türkiye	4.6	6.5	4.9	5.3	2.3	2.8	3.2	2.3	4.8
Russia	5.3	6.2	5.3	5.4	4.3	3.3	4.5	1.4	1.1

Source: Thomson Reuters Eikon and Eurostat.

With regard to the leading indicators of economic activity, the euro area composite PMI index picked up slightly to 51 in August from 50.9 in July. Similarly, the US ISM manufacturing index rose from 48 to 48.7 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

The US labour market is showing signs of easing tensions, with August data indicating a further rise in the unemployment rate from 4.2 percent in July to 4.3 percent in August, and a marked slowdown in job creation from 79,000 to 22,000. In the euro area, unemployment fell from 6.3 percent in June to 6.2 percent in July, with mixed trends among member countries. It thus remained unchanged at 3.7 percent in Germany, 7.6 percent in France and 10.4 percent in Spain, while falling to 6 percent in Italy. In the United Kingdom, July data indicate a stable rate of 4.7 percent.

Table 1.2: Change in unemployment rates (in %)

(In %)	2023	2024	2025		
			June	July	August
United States	3.6	4.0	4.1	4.2	4.3
Euro area	6.6	6.4	6.3	6.2	N.D
France	7.3	7.4	7.6	7.6	N.D
Germany	3.1	3.4	3.7	3.7	N.D
Italy	7.7	6.5	6.2	6.0	N.D
Spain	12.2	11.4	10.4	10.4	N.D
United Kingdom	4.1	4.3	4.7	4.7	N.D

Source: Eurostat and BLS.

1.2 Monetary and financial conditions

1.2.1 Monetary policy decisions

At its meeting on 11 September, the ECB decided to keep its three key interest rates unchanged, marking the second straight pause after a total of eight rate cuts since June 2024. As a result, the interest rates on the deposit facility, main refinancing operations and marginal lending facility will remain unchanged at 2.00 percent, 2.15 percent, and 2.40 percent respectively. The ECB indicated that inflation is currently around the medium-term target of 2 percent and that the outlook remains broadly unchanged compared with June. It also emphasised that the portfolios of the asset purchase programme (APP) and the pandemic emergency purchase programme (PEPP) are contracting at a measured and predictable pace, as the Eurosystem is no longer reinvesting the principal repayments on maturing securities.

On the other hand, the Fed, which had kept its target range for the federal funds rate unchanged at its five previous meetings of this year, decided at its meeting on 16 and 17 September to lower the target range by 25 basis points to [4 percent-4.25 percent], in light of the change in the balance of risks. It noted a moderate growth in economic activity in the first half of the year, a slowdown in job creation and a slight increase in the unemployment rate, which nevertheless remains low, as well as a rise in inflation to a level that remains somewhat elevated. In addition, it will continue to reduce its holdings of Treasury securities, agency debt securities and mortgage-backed securities.

As for the Bank of England, it decided at its meeting on 17 September 2025 to keep its key interest rate unchanged at 4 percent, highlighting substantial disinflation over the past two and a half years following previous external shocks, reinforced by the restrictive stance of monetary policy. With regard to its quantitative tightening programme, the Bank decided to slow the pace of reduction in its stock of government bonds from £100 billion to £70 billion over the next twelve months, bringing the stock down to £488 billion.

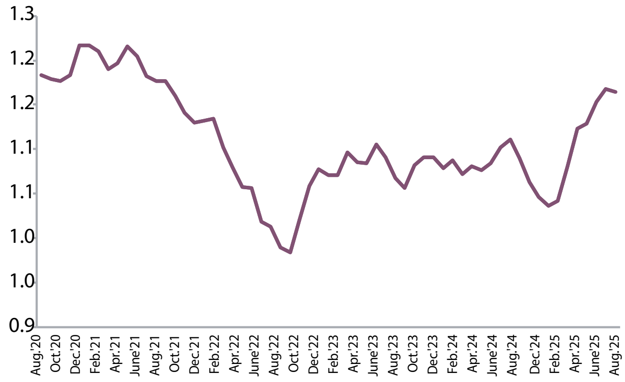
Among the major emerging economies, the central bank of China decided on 20 August to keep its key policy rate[1] unchanged at 3 percent. Similarly, the Reserve Bank of India and the central bank of Brazil maintained their key policy rates at 5.5 percent and 15 percent respectively at their latest meetings. Conversely, the Central Banks of Russia and Türkiye lowered their key interest rates in September by 100 basis points to 17 percent and 250 basis points to 40.5 percent, respectively.

1.2.2 Financial markets

On the foreign exchange markets, the euro appreciated by 6.3 percent against the US dollar over the first eight months of the year, averaging 1.16 dollars in August. This development can be notably explained by the uncertainty surrounding US trade policy and, more recently, by growing expectations of a cut in the federal funds rate target range. The euro also rose by 2.1 percent against the Japanese yen and 2.4 percent against the pound sterling over the same period.

Currencies of the major emerging economies showed mixed performance against the dollar in the first eight months of 2025, with depreciation for the Chinese renminbi (-0.7 percent) and Brazilian real (-6.9 percent), against appreciations for the Indian rupee (+1.5 percent) and the Turkish lira (+9.4 percent).

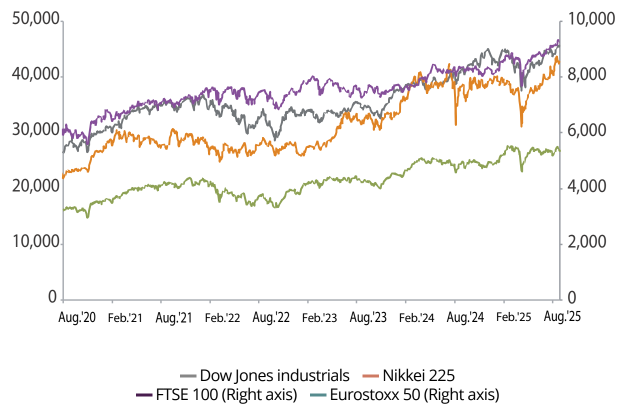
Chart 1.2: Change in the Euro/dollar exchange rate



Source: Thomson Reuters Eikon.

Stock markets in the major advanced economies posted mixed performances over the first eight months of the year. More particularly, European markets were buoyed by more accommodative financial conditions, while uncertainties surrounding trade and fiscal policies weighed on US market performance. The Eurostoxx 50 gained 7.6 percent and the FTSE 100 rose 5.8 percent, while the Dow Jones Industrials fell 1.6 percent and the Nikkei 225 declined 2 percent.

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



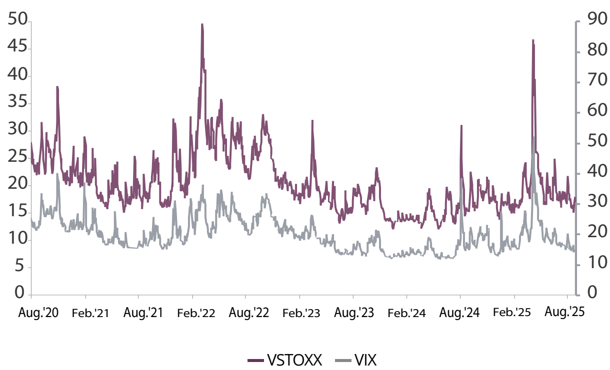
Source: Thomson Reuters Eikon.

1 The one-year Loan Prime Rate.

These developments were accompanied by a slight increase in risk aversion on both the US financial markets, with the VIX index rising from 15 in December to 16 in August, and the European markets, with the VSTOXX rising to 17.4 in August from 16 in December 2024.

In emerging economies, the MSCI EM rose 5.6 percent over the first eight months of the year, with the Chinese sub-index up 12.8 percent and the Brazilian sub-index up 2.8 percent.

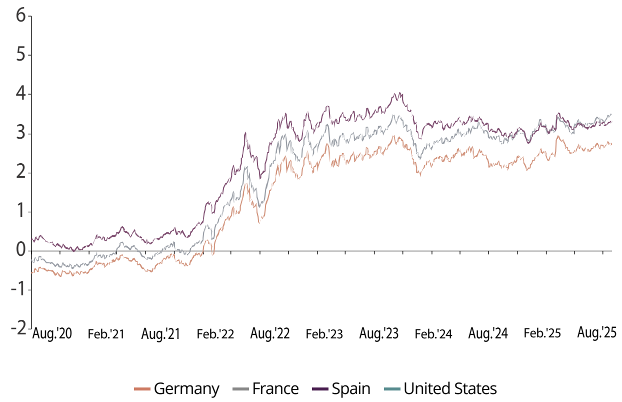
Chart 1.4: VIX and VSTOXX trends



Source: Thomson Reuters Eikon.

Sovereign bond markets in advanced economies remained relatively stable in August, following sharp fluctuations between January and May. Overall, at the end of the first eight months of the year, the 10-year rate remained stable at 4.4 percent for the United States, rose to 2.7 percent for Germany (+39 bp), 3.4 percent for France (+29 bp), 3.2 percent for Spain (+32 bp) and 3.5 percent for Italy (+28 bp). For the major emerging economies, this rate remained virtually unchanged at 1.7 percent for China, fell by 75 bp to 14.1 percent for Brazil and by 27 bp to 6.5 percent for India, while it rose by 113 bp to 29.2 percent for Türkiye.

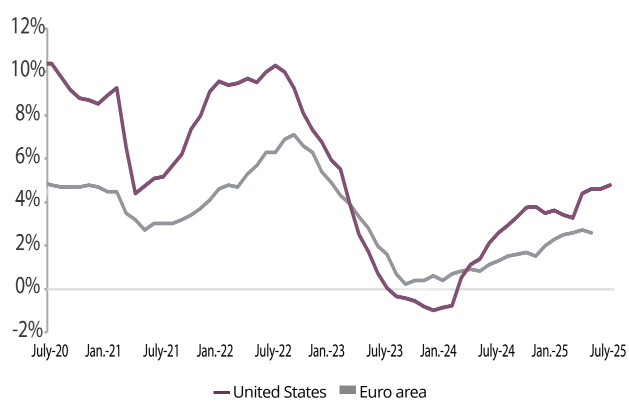
Chart 1.5: Change in 10-year government bond yields



Source: Thomson Reuters Eikon.

On the money markets, the 3-month EURIBOR fell slightly by 10 basis points over the first eight months of 2025, settling at 2 percent, while the SOFR for the same maturity stabilised at around 4.4 percent. Bank lending growth moderated in July in the United States, rising 4.8 percent year-on-year. In the euro area, growth stood at 2.6 percent in July, down from 2.8 percent a month earlier.

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



Source: Thomson Reuters Eikon.

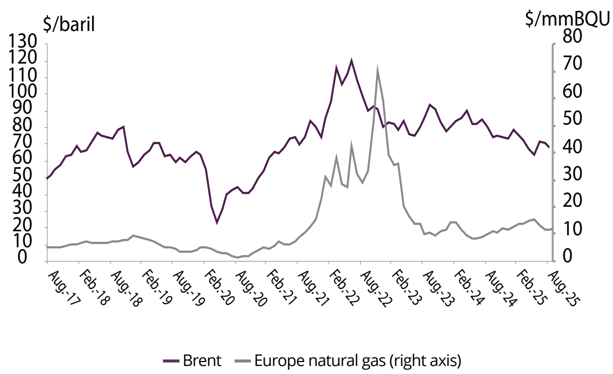
1.3 Commodity prices and inflation

1.3.1 Energy commodity prices

On the oil market, the price of Brent crude fell by an average of 3.6 percent to 71.2 dollars per barrel during the first eight months of the year[1], representing a 12.9 percent decline year-on-year. This trend is primarily attributable to an excess supply resulting from sustained increases in production by OPEC+[2] countries since April 2025 and the expected decline in global demand, which more than offset concerns about falling US inventories and the ongoing conflict in Ukraine.

On the European natural gas market, prices fell by 8.3 percent over the first eight months of the year, averaging USD 12.7/mmBTU, up 28.5 percent from the level recorded the previous year.

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

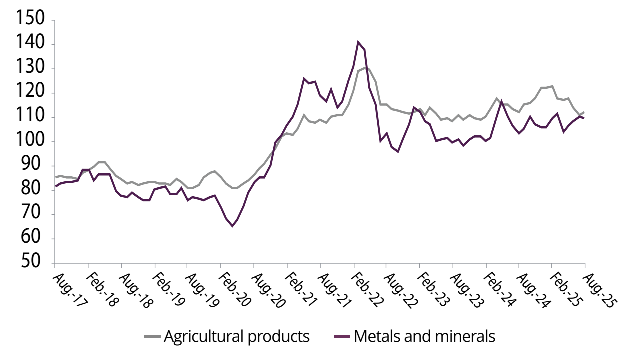


Source: World Bank.

1.3.2 Non-energy commodity prices

During the first eight months of the year, non-energy commodity prices fell by an average of 1.6 percent, reflecting a 4.1 percent decline in agricultural commodity prices and a 2.3 percent increase in metal and mineral prices. Year-on-year, they rose by 3.3 percent, with agricultural commodity prices increasing by 3.1 percent and metals and minerals prices by 1.8 percent. Gold continued to benefit from its status as a safe haven, posting an average increase of 18.8 percent in the first eight months of the year to reach USD 3,147 per ounce[3], a year-on-year increase of 39.1 percent.

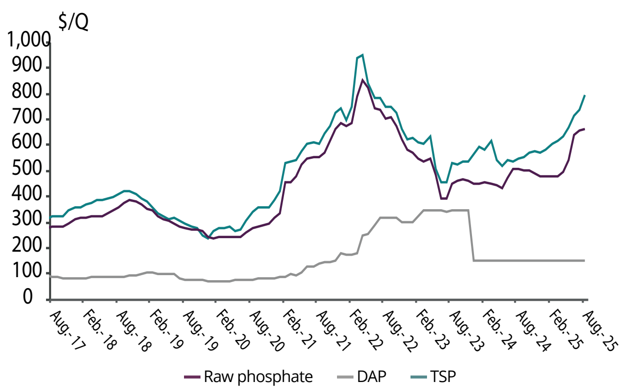
Chart 1.8: Change in non-energy commodity price indexes (2010=100)



Source: World Bank.

With regard to phosphate and its derivatives, prices remained unchanged on average at USD 152.5/t for rock during the first eight months of the year, while they rose on average by 17.7 percent to USD 669/t for DAP and by 16.1 percent to USD 554.2/t for TSP. Year-on-year, prices rose by 19.2 percent for both DAP and TSP, while they remained unchanged from the previous year for raw phosphate.

Chart 1.9: Change in global prices of phosphates and derivatives



Source: World Bank.

1 In comparison with December 2024.

2 Following their meeting on September 7, OPEC+ countries decided to continue the cycle of production increases that began in April 2025, with a further increase of 137,000 barrels per day starting in October 2025.

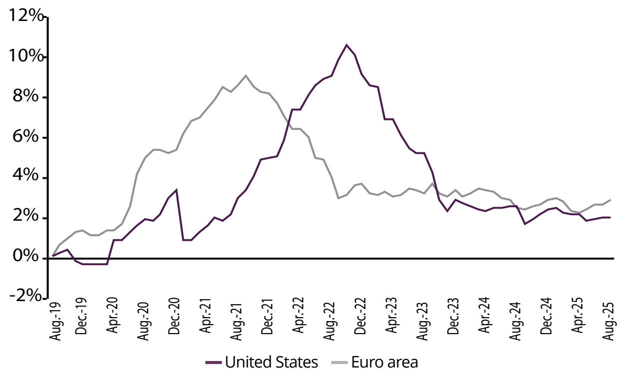
3 Its price peaked at a historic high of USD 3,685.7 per ounce on September 17.

1.3.3 Inflation

In the United States, annual inflation remained well above the Fed's target, accelerating to 2.9 percent in August[1] after standing at 2.7 percent in July. In the euro area, it stood unchanged at 2 percent in August, the same level as in the previous two months. This reflects an acceleration from 1.8 percent in July to 2.1 percent in August in Germany, stabilisation at 2.7 percent in Spain, and a slight deceleration from 0.9 percent to 0.8 percent in France and from 1.7 percent to 1.6 percent in Italy. In other major advanced economies, inflation stabilised at 3.8 percent in August in the United Kingdom but slowed from 3 percent to 2.7 percent in Japan.

As for the major emerging economies, after remaining broadly stable in June and July, inflation in China fell back into negative territory once again, standing at -0.4 percent in August. Elsewhere, it slowed from 8.8 percent in July to 8.1 percent in August in Russia and from 5.2 percent to 5.1 percent in Brazil, while it accelerated from 1.6 percent to 2.1 percent in India.

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 %)

	2023	2024	2025		
			June	July	August
United States	4.1	3.0	2.7	2.7	2.9
Euro area	5.4	2.4	2.0	2.0	2.0
Germany	6.0	2.5	2.0	1.8	2.1
France	5.7	2.3	0.9	0.9	0.8
Spain	3.4	2.9	2.3	2.7	2.7
Italy	5.9	1.1	1.8	1.7	1.6
United Kingdom	7.3	2.5	3.6	3.8	3.8
Japan	3.3	2.7	3.2	3.0	2.7

Sources: Thomson Reuters, Eurostat & FMI.

1 Most of the tariffs imposed by the United States came into effect in August, after the initial truces. According to the BLS, inflation in the United States was driven in particular by increases in food and housing prices.

2. EXTERNAL ACCOUNTS

Foreign trade data for the first seven months of 2025 point to an acceleration in the growth of trade in goods, continued strong performance of travel receipts, and a strengthening of FDI flows relative to the same period a year earlier.

Indeed, imports increased by 8.8 percent to MAD 469.7 billion, and exports by 4.2 percent to 274.8 billion. The goods trade deficit therefore widened to 194.9 billion and the cover rate declined from 61.1 percent to 58.5 percent.

Concomitantly, travel receipts recorded a 12.6 percent increase to 67.1 billion, while remittances edged down by 1 percent to 68.8 billion. Regarding the main financial transactions, FDI receipts amounted to MAD 30.5 billion, up from 24 billion a year earlier, while Moroccan direct investment abroad declined by 3.8 percent to 11.7 billion.

At end-July 2025, Bank Al-Maghrib's outstanding stock of official reserve assets stood at MAD 406 billion, which represents the equivalent of 5 months and 14 days of imports of goods and services.

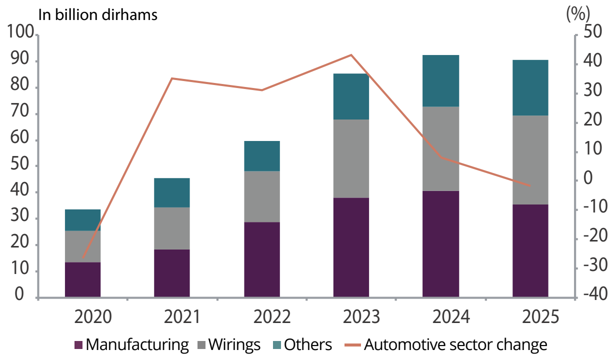
2.1 Trade balance

2.1.1 Exports

The growth in exports was mainly driven by phosphates and derivatives, which rose by 20.9 percent to MAD 55.2 billion. This development reflects increases of 19.3 percent in sales of "natural and chemical fertilizers", 56.2 percent in "crude phosphate," and 12.1 percent in "phosphoric acid". Similarly, exports of the "agriculture and agri-food" sector increased by 3.4 percent to MAD 53.8 billion, reflecting on the one hand a 10.5 percent rise for agricultural products to MAD 28.7 billion, and on the other, a 3.3 percent decline in food industry sales to MAD 23.6 billion. At the same time, the momentum of the aerospace industry continued, with its exports further expanding by 8.9 percent to MAD 16.7 billion, including MAD 11 billion for the "assembly" segment, up from MAD 10.1 billion in the same period a year earlier.

However, exports of the automotive sector declined by 1.8 percent to MAD 90.7 billion, reflecting a 12.7 percent dip in sales of the "manufacturing" segment to MAD 35.4 billion, while sales of the "wiring" segment rose by 5 percent to MAD 33.9 billion.

Chart 2.1: Automotive sector exports at end-July



Source: Foreign Exchange Office.

As for the "textile and leather" sector, exports contracted by 3.3 percent to 2.7 billion, reflecting in particular a 3 percent decline to 17.9 billion for "ready-made garments".

For their part, sales in the "electronics and electricity" sector decreased by 6.5 percent to MAD 10.1 billion, driven by a 39.6 percent fall in "electronic components" to MAD 2.9 billion, which more than offset the 28.7 percent rise to MAD 4.1 billion in "wires and cables".

Table 2.1: Exports by sector
(in million dirhams)

Sectors/Segments	January - July		Change	
	2025	2024	In value	In %
Exports	274,803	263,665	11,138	4,2
Phosphates and derivatives	**55,185**	**45,630**	**9,555**	**20,9**
Natural and chemical fertilizers	40,429	33,897	6,532	19,3
Phosphates	5,684	3,640	2,044	56,2
Phosphoric acid	9,073	8,093	980	12,1
Agriculture and Agri-food	**53,810**	**52,039**	**1,771**	**3,4**
Agriculture, forestry, and hunting	28,714	25,986	2,728	10,5
Tobacco industry	764	753	11	1,5
Food industry	23,619	24,427	-808	-3,3
Aeronautics	**16,717**	**15,351**	**1,366**	**8,9**
Assembly	10,954	10,059	895	8,9
Electrical Wiring Interconnection System	5,706	5,218	488	9,4
Other mining extractions	**2,895**	**3,106**	**-211**	**-6,8**
Other metallic ores and metallic waste	34	131	-97	-74,0
Zinc ore	173	238	-65	-27,3
Lead ore	499	466	33	7,1
Electronics and electricity	**10,067**	**10,766**	**-699**	**-6,5**
Electronic components	2,862	4,739	-1,877	-39,6
Devices for disconnecting or connecting electrical circuits and resistors	1,083	1,145	-62	-5,4
Wires and cables	4,091	3,179	912	28,7
Textile and leather	**27,033**	**27,942**	**-909**	**-3,3**
ready-made garments	17,942	18,504	-562	-3,0
Hosiery	5,007	5,309	-302	-5,7
Technical textile	420	312	108	34,6
Automotive	**90 703**	**92 390**	**-1 687**	**-1,8**
Construction	35 393	40 536	-5 143	-12,7
Wiring	33 852	32 253	1 599	5,0
Vehicle and seat interiors	5 920	5 415	505	9,3
Powertrain	7 499	7 046	453	6,4
Other industries	**18 394**	**16 440**	**1 954**	**11,9**
Metallurgy and metalworking	5 141	4 376	765	17,5
Plastics and rubber industry	1 166	909	257	28,3
Pharmaceutical industry	876	895	-19	-2,1

Source: Foreign Exchange Office.

2.1.2 Imports

The increase in imports concerned all main products, except for energy products whose bill eased by 6.1 percent to MAD 62.8 billion, reflecting a 14.2 percent contraction in supplies of “gas oils and fuel oils” to MAD 29.5 billion. Acquisitions of capital goods strengthened by 14.5 percent to MAD 110.4 billion, underpinned, in particular, by a 30.2 percent rise to MAD 9.8 billion in “parts of aircrafts and other aerial vehicles”.

For their part, purchases of commodities rose by 28.8 percent to MAD 24.4 billion, mainly driven by a 52.3 percent increase in “crude and unrefined sulfur” acquisitions, while semi-finished product purchases reached MAD 100.4 billion, up 6.8 percent.

Similarly, imports of consumer goods rose by 13.7 percent to MAD 115.6 billion, driven by increases of 39.9 percent in “passenger cars” and 17.6 percent in “medicines and other pharmaceutical products.” Purchases of food products increased by 2.7 percent to MAD 55.1 billion, with a 39.9 percent rise for “live animals”. By contrast, wheat imports declined by 13.1 percent to nearly MAD 10 billion.

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

Main products	January - July 2025	January - July 2024	Change In value	Change In %
Imports	469,726	431,868	37,858	8,8
Capital goods	**110,357**	**96,362**	**13,995**	**14,5**
Aircraft and other aerial or space vehicles	2,785	78	2,707	-
Parts of aircraft and other aerial vehicles	9,797	7,525	2,272	30,2
Various machines and devices	7,881	6,825	1,056	15,5
Finished consumer products	**115,552**	**101,592**	**13,960**	**13,7**
Passenger cars	20,806	14,874	5,932	39,9
Medicines and other pharmaceutical products	7,481	6,361	1,120	17,6
Seating, furniture, mattresses and lighting fixtures	3,906	3,170	736	23,2
Bicycles and motorcycles, their parts and components	1,852	1,332	520	39,0
Semi-finished products	**100,400**	**93,981**	**6 419**	**6,8**
Chemical products	10,448	9,164	1 284	14,0
Plastics and various plastic products	13,442	12,511	931	7,4
Copper wires, bars and profiles	6,853	6,091	762	12,5
Raw products	**24,384**	**18,932**	**5,452**	**28,8**
Raw or refined soybean oil	7,760	5,094	2,666	52,3
Crude or refined soybean oil	4,016	3,260	756	23,2
Scrap metal, waste and other minerals	2,975	2,278	697	30,6
Food products	**55,122**	**53,683**	**1,439**	**2,7**
Live animals	3,673	2,625	1,048	39,9
Corn	4,510	3,641	869	23,9
Coffee	1,661	1,131	530	46,9
Wheat	9,945	11, 446	-1,501	-13,1
Energy products	**62,825**	**66 895**	**-4,070**	**-6,1**
Gas oils and fuel oils	29,476	34,358	-4,882	-14,2
Petroleum gasoline	3,735	3,935	-200	-5,1
Coal, cokes and similar solid fuels	8,147	7,601	546	7,2

Source: Foreign Exchange Office.

2.2 Other components of the current account balance

Regarding the balance of services, its surplus increased by 10.8 percent, reflecting rises of 8.8 percent in exports and 7 percent in imports.

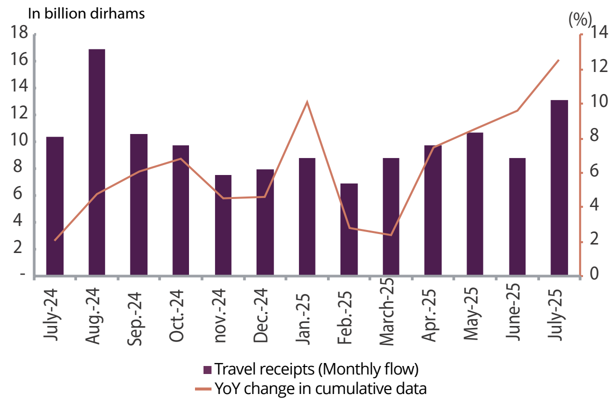
Table 2.3: Balance of services (in million dirhams)

	January - July 2025	January - July 2024	Change In value	Change In %
Imports	86,785	81,088	5,697	7.0
Exports	168,903	155,213	13,690	8.8
Balance	82,118	74,125	7,993	10.8

Source: Foreign Exchange Office.

In particular, travel receipts maintained their robust performance, expanding by 12.6 percent to MAD 67.1 billion, while travel expenditure rose by 7.6 percent to MAD 18.2 billion.

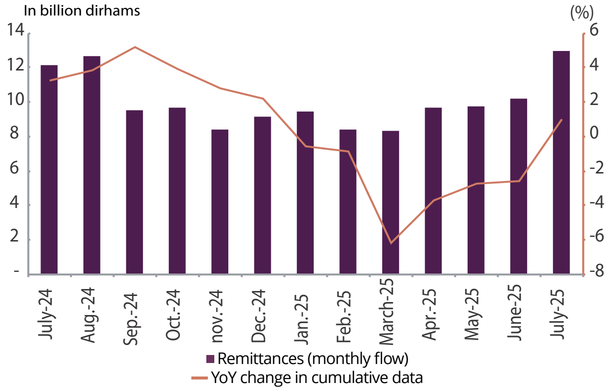
Chart 2.2: Monthly change in travel receipts



Source: Foreign Exchange Office.

By contrast, remittances continued to decline, albeit at a slower pace, posting a 1 percent decrease to MAD 68.8 billion.

Chart 2.3: Monthly change in remittances



Source: Foreign Exchange Office.

2.3 Financial account

As for the main financial transactions, net FDI flows strengthened by 25.6 percent to MAD 16.9 billion, driven by a 26.8 percent increase in receipts to MAD 30.5 billion, while disposals rose by 28.3 percent to MAD 13.5 billion. In parallel, the net flow of Moroccan direct investment abroad amounted to MAD 3.5 billion, reflecting declines of 3.8 percent in outflows to MAD 11.7 billion and 22.4 percent to MAD 8.2 billion in repatriations of these investments.

At end-July 2025, the outstanding stock of official reserve assets reached MAD 406 billion, which represents the equivalent of 5 months and 14 days of imports of goods and services.

Table 2.4: Direct investments (in million dirhams)

	January - July		Change	
	2025	2024	In value	In %
Foreign direct investments	16,932	13,481	3,451	25.6
Revenues	30,460	24,026	6,434	26.8
Expenditure	13,528	10,545	2,983	28.3
Moroccan direct investments abroad	3,460	1,553	1,907	122.8
Expenditure	11,667	12,133	-466	-3.8
Revenues	8,207	10,580	-2,373	-22,4

Source: Foreign Exchange Office.

3. MONEY, CREDIT AND ASSET MARKET

During the second quarter of 2025, the overall average lending rate fell by 14 basis points quarter-on-quarter and the real effective exchange rate appreciated by 0.2 percent. The annual growth rate of bank credit to the non-financial sector slowed to 3.4 percent in July from 4.4 percent in the second quarter, mainly reflecting the sharp decline in cash facilities granted to private non-financial corporations. As for the other components of the money supply, official reserve assets increased by 11 percent year-on-year in July, following an increase of 11.1 percent, while net claims on the central government rose by 0.1 percent after a decline of 0.9 percent. Overall, the money supply rose by 7.7 percent year-on-year in July, compared with 8 percent in the second quarter.

In the real estate market, transactions posted a further quarterly decline of 10.8% in the second quarter of 2025, following a 25.4 percent decline in the previous quarter, reflecting declines of 15.1 percent for residential properties and 13.3 percent for commercial properties, as well as a 6 percent increase for land. In this context, prices fell again on a quarterly basis, declining by 0.2 percent after a 1.6 percent decline in the previous quarter. This trend affected all property categories, with rates of 0.3 percent for residential properties and 0.2 percent for land and commercial properties.

On the Casablanca Stock Exchange, prices continued their upward trend, with the MASI index rising in August, bringing its performance to 35.8 percent since December 2024. Under these conditions, market capitalization reached MAD 1,055.7 billion, up 10 percent compared to June and 40.3 percent since the end of December 2024.

3.1 Monetary conditions

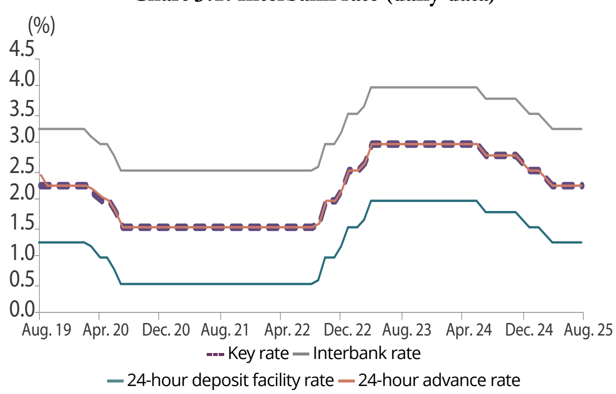
3.1.1 Bank liquidity and interest rates

The liquidity deficit of banks widened from MAD 113.4 billion in the second quarter of 2025 to an average of MAD 118 billion in July and August.

Bank Al-Maghrib increased the volume of its injections to MAD 132.1 billion, after MAD 127.9 billion in the second quarter, divided mainly between 7-day advances amounting to 54.6 billion, repurchase agreements amounting to 43.7 billion, and guaranteed loans granted under support programs for financing SMEs, amounting to 33.8 billion.

These developments were accompanied by a shortening of the average duration of the Bank's interventions from 14 days to 11 days. Under these conditions, the interbank rate remained aligned with the key rate, standing at 2.25 percent.

Chart 3.1: Interbank rate (daily data)



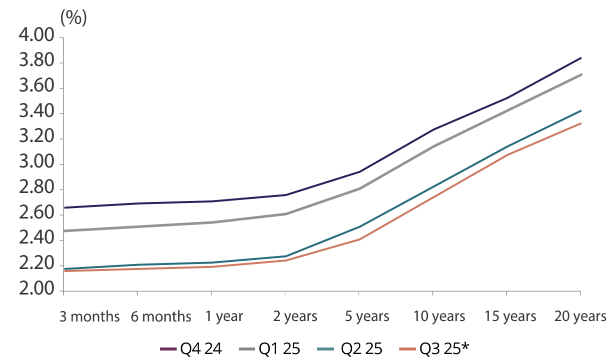
On the Treasury bill market, rates generally trended downward on average in July and August compared to the second quarter of the year, both on the primary and secondary markets.

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

	2024			2025		
	Q2	Q3	Q4	Q1	Q2	Q3*
26 weeks	2.85	2.70	2.58	2.45	2.09	1.94
52 weeks	-	2.74	2.59	2.54	2.02	2.04
2 years	3.24	2.85	2.71	2.60	2.20	2.24
5 years	3.43	3.11	2.94	2.84	2.46	2.37
10 years	3.75	3.48	3.25	3.17	2.80	2.72
15 years	4.03	3.74	3.54	3.45	3.12	3.08

*Average obsereved in July and August.

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



*Average observed in July and August.

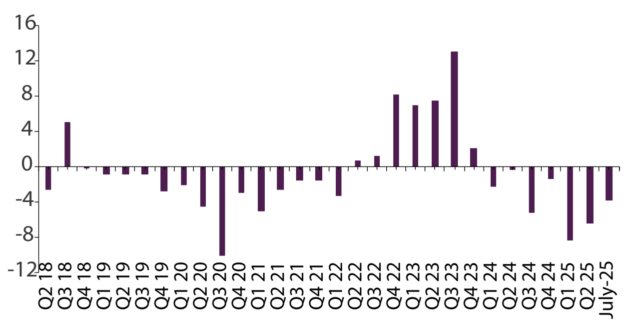
In the private debt market, rates on certificates of deposit rose in July compared with the second quarter. As for lending rates, those applied to term deposits fell by 29 bp to 2.16 percent for six-month deposits and by 23 basis points to 2.57 percent for one-year deposits.

Table 3.2: Deposit rates (%)

	2024			2025		
	Q2	Q3	Q4	Q1	Q2	july
6 months	2.56	2.77	2.45	2.53	2.45	2.16
12 months	3.06	2.60	2.88	2.78	2.80	2.57

As for the minimum rate of remuneration for passbook savings accounts, it was set at 1.91 percent for the second half of 2025, down 30 basis points from the previous half-year. Under these conditions, the cost of financing for banks[1] remained virtually stable in July 2025 compared with the second quarter.

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



As regards lending rates, the results of Bank Al-Maghrib's survey of banks for the second quarter of 2025 indicate a quarterly decrease of 14 bp in the overall average rate to 4.84 percent. By institutional sector, rates on loans to individuals fell by 19 bp to 5.77 percent, with declines of 25 bp to 6.88 percent for consumer loans and 6 bp to 4.68 percent for home loans. As for rates on loans to non-financial companies fell by 12 bp to 4.72 percent, with declines of 32 bp to 4.82 percent for equipment loans and 9 bp to 4.64 percent for cash facilities, while remaining virtually stable at 5.47 percent for real estate development loans. By company size, the decline was 29 bp to 4.67 percent for large companies and 18 bp to 5.43 percent for micro-enterprises.

1 The cost of financing for banks is calculated as a weighted average of the costs of their various resources.

Table 3.3: Lending rates (%)

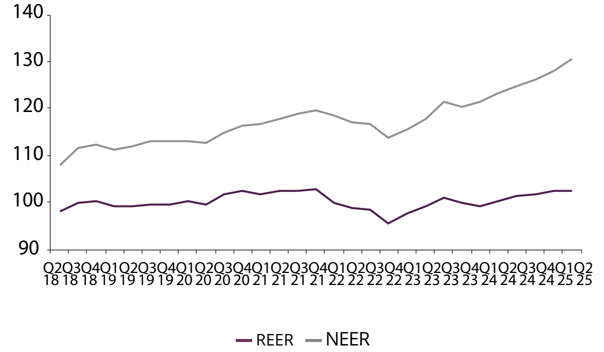
	2024				2025	
	Q1	Q2	Q3	Q4	Q1	Q2
Overall rate	5.40	5.43	5.21	5.08	4.98	4.84
Personal loans	6.09	5.89	5.91	5.79	5.96	5.77
Real estate loans	4.81	4.79	4.76	4.75	4.74	4.68
Consumer loans	7.22	7.03	7.06	6.99	7.13	6.88
Loans to businesses	5.26	5.37	5.12	5.00	4.84	4.72
Cash advances	5.30	5.38	5.06	4.99	4.73	4.64
Equipment loans	5.11	4.99	5.24	4.98	5.14	4.82
Real estate loans	5.19	5.69	5.68	5.18	5.48	5.47

3.1.2 Exchange rate

On the foreign exchange market, the euro appreciated by 7.8 percent against the US dollar in the second quarter of 2025 on average compared to the previous quarter. As a result, the dirham depreciated by 0.7 percent against the euro and appreciated by 7.2 percent against the US dollar.

Against the currencies of the main emerging countries, between the first and second quarters of 2025, the national currency appreciated by 14.6 percent against the Turkish lira, 6.5 percent against the Chinese yuan, and 1 percent against the pound sterling. As a result, and given Morocco's inflation differential relative to its main trading partners and competitors, the effective exchange rate appreciated by 2 percent in nominal terms and 0.2 percent in real terms.

Chart 3.4: Change in the nominal and real effective exchange rates (Base 100 in 2010)



Data of July and August indicate a continued appreciation of the euro against the US dollar, with an average increase of 2.8 percent compared to the second quarter. Under these conditions, the dirham appreciated by 2.4 percent against the US dollar and depreciated by 0.3 percent against the euro.

Chart 3.5: Dirham exchange rate

*Average observed in July and August 2025.

In terms of transaction volume, the amount of currency trading against dirhams on the interbank market amounted to MAD 23.1 billion in July, down 32 percent compared to the second quarter of 2025. Spot transactions between banks and their customers rose by 12.5 percent to MAD 41.4 billion for customer purchases and by 16 percent to MAD 41.2 billion for customer sales. As for forward transactions, they totaled MAD 23.3 billion for purchases, up 41.5 percent, and MAD 2.2 billion for sales, down 46.3 percent.

3.1.3 Monetary situation[1]

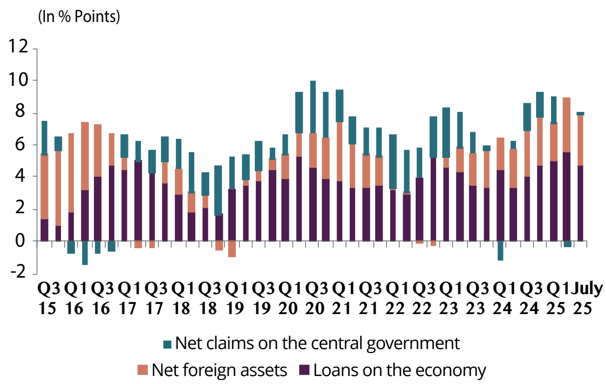
The M3 aggregate grew by 7.7 percent in July, following 8 percent growth in the second quarter of 2025. By main component, this slowdown reflects the deceleration in the growth of demand deposits at banks from 11.8 percent to 11.2 percent and the decline in time deposits by 0.3 percent after an increase of 3.2 percent. Similarly, foreign currency deposits increased by 2.8 percent after 3 percent. On the other hand, the rate of growth in currency in circulation accelerated from

1 Quarterly data represent outstanding amounts at the end of the period.

7 percent in the second quarter to 8.7 percent in July. Money market UCITS and savings accounts rose by 7.6 percent and 1.9 percent respectively, following increases of 6.3 percent and 1.8 percent in the previous quarter.

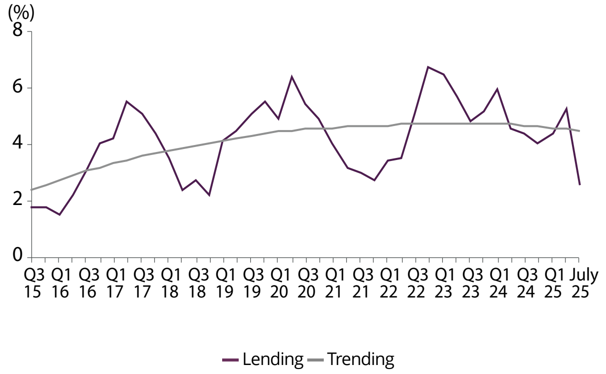
By main counterparties, the change in the money supply is the result of the slowdown in the growth of bank credit from 5.8 percent in the second quarter to 4.9 percent in July, the virtual stability of the growth rate of official reserve assets at 11 percent, and the 0.1 percent increase in net claims on the central government after a 0.9 percent decline.

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



In particular, credit to the non-financial sector increased by 3.4 percent in July after 4.4 percent in the second quarter, as a result of a slowdown in lending to private companies from 3.5 percent to 1.2 percent and virtually stable growth in lending to public companies at 7.5 percent, while loans to households accelerated from 2.5 percent to 2.9 percent.

Chart 3.7: Bank credit (change in YoY)



The trend in lending to private non-financial corporations reflects the sharp decline in cash facilities from 2.3 percent to 8.2 percent, with loans for real estate development increasing by 8.3 percent after 7.1 percent and loans for equipment by 13.9 percent after 12 percent.

As for loans to public-sector companies, their growth is the result of an acceleration in the pace of equipment loans from 3.5 percent to 11 percent, while cash facilities increased by 10.2 percent after 16.9 percent in the second quarter.

Loans to individuals grew from 2.5 percent to 3 percent, with accelerations from 2 percent to 2.5 percent for home loans and from 2.8 percent to 3.2 percent for consumer loans. On the other hand, lending to sole proprietors declined further, from 0.6 percent to 1.6 percent.

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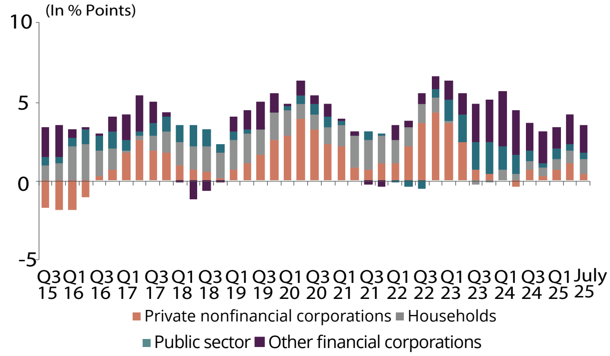
Chart 3.8: Contribution of institutional sectors to total outstanding loans



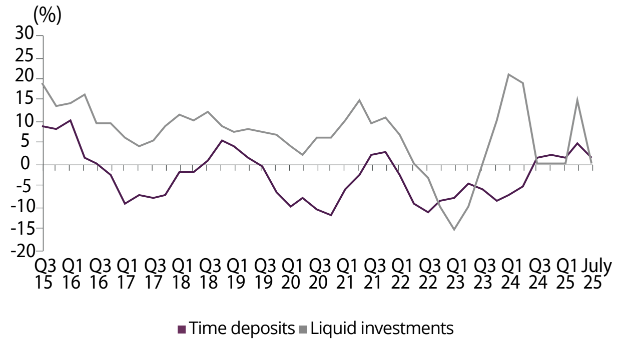
By industry, the available data for the second quarter of 2025 show year-on-year growth of 13.8 percent for the "Electricity, Gas, and Water" sector, 7.5 percent for "Construction and Public Works," 6 percent for "Trade, Auto Repair, and Household Goods," and 2.5 percent for "Transportation and Storage." gas, and water," 7.5 percent for "Construction and public works," 6 percent for "Trade, auto and household appliance repairs," and 2.5 percent for "Food and tobacco industries." Conversely, loans to the "mining and quarrying" and "hotels and restaurants" sectors fell by 9.8 percent and 13.2 percent respectively.

Outstanding loans increased by 5.4 percent in July, with their ratio to outstanding bank credit standing at 8.7 percent. They increased by 5.5 percent for households and 4.9 percent for private non-financial companies, with ratios of 10.6 percent and 13 percent respectively.

Loans granted by non-bank financial companies to the non-financial sector increased by 11.2 percent in the second quarter of 2025. This change reflects increases of 13.1 percent for loans distributed by finance companies and 6.9 percent for loans from microcredit associations, while those granted by offshore banks declined by 12.2 percent.

Liquid investment aggregates grew by 16.2 percent in July after 13.5 percent in the second quarter, with the rate of growth accelerating from 18 percent to 25.6 percent for bond UCITS and from 52.3 percent to 55.6 percent for equity and diversified UCITS. On the other hand, Treasury bills rose by 1.3 percent after 2.3 percent.

Chart 3.9: YoY change in liquid investments and time deposits



3.2 Asset prices

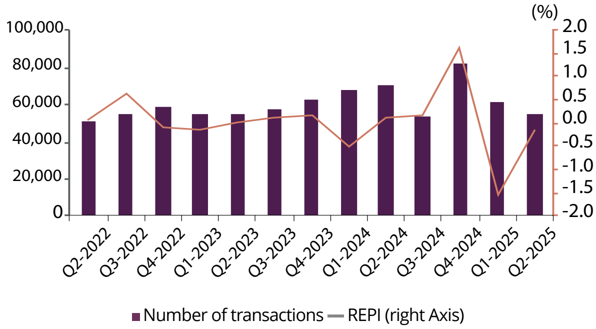
3.2.1 Real estate assets

In the second quarter of 2025, the real estate price index contracted by 0.2 percent quarter-on-quarter, reflecting declines of 0.3 percent for residential property and 0.2 percent for land and commercial property.

At the same time, the number of transactions fell by 10.8 percent quarter-on-quarter, reflecting declines of 15.1 percent for residential properties and 13.3 percent for commercial properties, as well as a 6 percent increase for land.

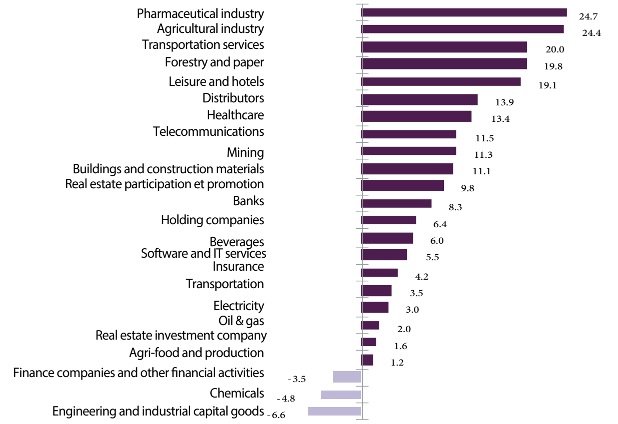
In the main cities, prices fell by 0.5 percent in Casablanca, Tangier, and El Jadida, and by 1.2 percent in Meknes. However, they rose by 1.4 percent in Rabat and Kenitra, and remained virtually stable in Agadir, Marrakech, Fez, and Oujda. In terms of sales, with the exception of Rabat, Agadir, and Marrakech, which recorded increases ranging from 2.7 percent to 9.6 percent, all other major cities posted declines ranging from 9.1 percent in Fez and Oujda to 24.6 percent in Meknes.

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



Source: BAM and ANCFCC.

Chart 3.12: Change in sectoral indices in August compared with the second quarter of 2025 (%)



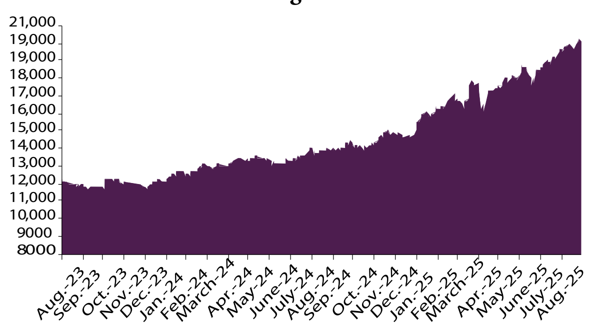
Sources: Casablanca Stock Exchange.

3.2.2 Financial assets

3.2.2.1 Shares

During July and August, the MASI continued its upward trend, posting a 9.6 percent increase compared to the end of June and bringing its performance to 35.8 percent since December 2024. This change mainly reflects increases in sector indices of 8.3 percent for the "Banks" sector, 20 percent for "Transport Services," 11.1 percent for "Buildings and Construction Materials," 11.5 percent for "Telecommunications," and 13.4 percent for "Healthcare."

Chart 3.11: Change in MASI index

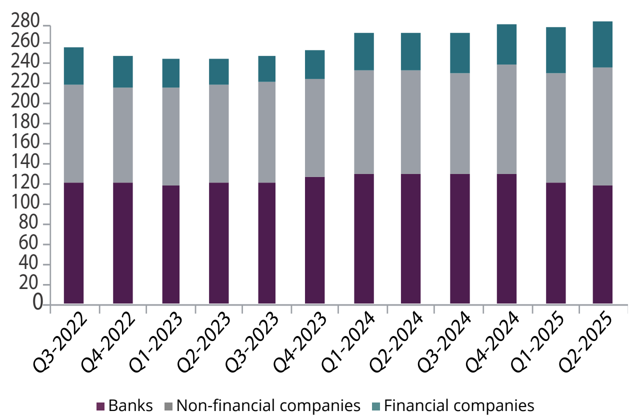


Sources: Casablanca Stock Exchange.

3.2.2.2 Sovereign debt market

During July, Treasury bill issues amounted to MAD 13.4 billion, after MAD 30 billion in the second quarter. They were 79 percent for medium maturities and 20 percent for long maturities. Taking into account repayments of MAD 10.5 billion, the outstanding amount of Treasury bills stood at MAD 779 billion at the end of July, up 0.4 percent compared to the second quarter and 1.2 percent compared to the beginning of the year.

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



Source: BAM.

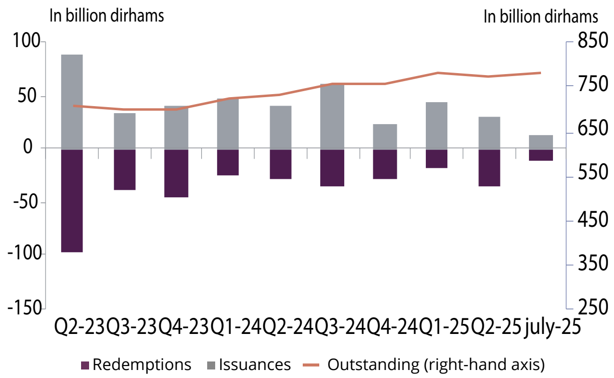
3.2.2.3 Private debt market

Private debt securities issuance amounted to MAD 26.5 billion in the second quarter, up from MAD 24.2 billion in the previous quarter. Financial companies raised MAD 13.1 billion, up from MAD 12.8 billion, while non-financial companies raised MAD 13.4 billion, up from MAD 11.5 billion.

By instrument, negotiable debt securities issuance amounted to MAD 9 billion, divided between MAD 5.9 billion in certificates of deposit, MAD 2.2 billion in corporate bonds, and MAD 1 billion in commercial paper. Bond issuance amounted to MAD 17.5 billion, 70.9 percent of which was carried out by non-financial companies.

Taking repayments into account, outstanding private debt stands at MAD 284.7 billion at the end of June 2025.

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



Source: Maroclear and BAM calculations.

3.2.2.4 UCITS

During the first eight months[1] of the year, subscriptions to mutual funds totaled MAD 1,041.7 billion, compared with MAD 787.6 billion during the same period a year earlier. Redemptions amounted to MAD 949 billion, compared with MAD 751.5 billion, resulting in net inflows of MAD 92.6 billion. Performance indices rose in August for all funds, with rates ranging from 2.8 percent year-on-year for money market UCITS to 46.1 percent for equity funds.

The net assets of UCITS stood at MAD 806.6 billion at the end of August, up 23.5 percent compared to the end of December 2024. With the exception of contractual UCITS, which saw a 30.3 percent decline in assets under management, other categories of UCITS recorded increases ranging from 12.9 percent for medium- and long-term bond funds to 55.9 percent for equity funds.

1 The latest available data is from August 22, 2025.

4. FISCAL POLICY TREND

The implementation of the Finance Law for the first eight months of 2025 resulted in a budget deficit, excluding proceeds from the sale of state holdings, of MAD 59.8 billion, an increase of 17.7 billion compared to the same period in 2024. Current revenues improved by 14.5 percent to 288.2 billion, driven mainly by increases of 15.5 percent in tax revenues and 8.4 percent in non-tax revenues. In contrast, ordinary expenditures increased by 15 percent to 272.7 billion, mainly reflecting increases of 18.4 percent in goods and services and 18.8 percent in debt interest, while subsidy costs fell by 26.8 percent. Under these conditions, the ordinary balance showed a surplus of 15.4 billion, compared with 14.5 billion a year earlier. Investment rose by 3.7 percent to 67.9 billion, bringing total expenditure to 340.6 billion, an increase of 12.6 percent. The balance of the Treasury's special accounts was negative at 7.3 billion, compared with a positive balance of 8.9 billion.

Given the reduction in the stock of pending transactions by 15.8 billion dirhams, the cash deficit widened to MAD 75.6 billion dirhams, compared with 47 billion dirhams at the end of August 2024. This requirement was covered by net domestic resources of 41.7 billion dirham and a positive net external flow of 34 billion dirham. As a result, outstanding direct public debt is estimated to have increased by 5.8 percent at the end of August 2025 compared to its level at the end of December 2024. Treasury financing conditions improved, mainly due to lower rates on the Treasury bill auction market.

4.1 Current revenues

The budget execution at the end of August 2025 shows a 14.5 percent increase in ordinary revenues to 288.2 billion, with a 15.5 percent increase in tax revenues to 254.7 billion, mainly driven by corporate income tax and personal income tax revenues, and an 8.4 percent increase in non-tax revenues to 30.2 billion.

Direct tax revenues increased by 24.9 percent to MAD 107.4 billion, reflecting increases of 31.3 percent to 57.4 billion in corporate income tax revenues and 18.3 percent to 46.9 billion dirhams in personal income tax revenues. The change in the latter mainly incorporates revenues of 3.8 billion from voluntary tax adjustments, as well as improvements of 2 billion in revenues from tax audits and MAD 445 million from income tax on salaries. The increase in corporate income tax is mainly due to a 6.9 billion increase in supplementary adjustments, which reached a record level of 19.6 billion, and a 7.2 billion rebound in the first two advance payments.

Indirect tax revenues amounted to 121.1 billion, up 12.1 percent, reflecting an 11.5 percent increase to 95.1 billion in VAT revenues and a 14.6 percent increase to 26 billion in ICT revenues. The change in the latter tax reflects increases of 18.3 percent to 14.1 billion in ICT on energy products and 9.4 percent to 9.3 billion in ICT on tobacco products. The improvement in VAT reflects a 13.5 percent increase to 34.8 billion in domestic VAT revenue and a 10.3 percent increase to 60.3 billion in import VAT revenue.

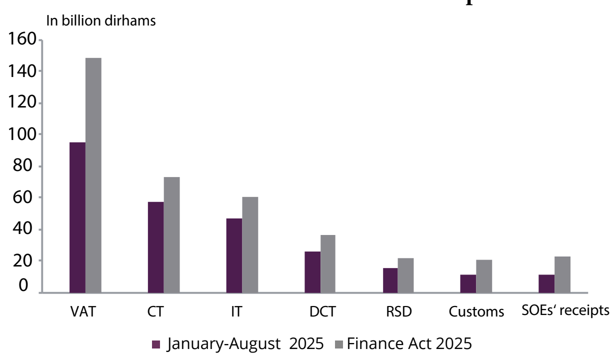
Table 4.1: Current revenues (in billion dirhams)*

	Jan.-Aug. 2024	Jan.-Aug. 2025	Change in%	FA 2025	Actual rates against FA (%)
Current revenues	251.6	288.2	14.5	436.7	66.0
Tax revenues	220.5	254.7	15.5	367.6	69.3
- Direct taxes	86.0	107.4	24.9	139.3	77.1
Includ. CT	43.7	57.4	31.3	73.0	78.7
I.T	39.6	46.9	18.3	60.9	77.0
- Indirect taxes	108.0	121.1	12.1	185.3	65.4
VAT*	85.3	95.1	11.5	148.4	64.1
ICT	22.7	26.0	14.6	36.9	70.5
- Customs duties	12.1	10.9	-9.8	21.3	51.2
- Registration and stamp duties	14.4	15.3	6.7	21.7	70.5
Nontax revenues	27.9	30.2	8.4	65.6	46.1
- Monopoles and shareholdings	8.3	11.8	41.8	22.6	52.3
- Other revenues	19.6	18.4	-5.8	43.0	42.9
- Innovative financing mechanisms	11.0	3.8	-65.1	35.0	11.0
TSA revenues	3.3	3.2	-1.8	3.6	89.1

* 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.

Customs duties fell by 9.8 percent to 10.9 billion, while registration and stamp duties rose by 6.7 percent to 15.3 billion.

Chart 4.1 : Actual rates of main revenues compared with FA



Sources: Ministry of Economy and Finance and (DTFE), VAT restatement by BAM.
Note:
- VAT: Value added tax
- CT: Corporate tax
- IT: Income tax
- ICT: Internal Consumption Tax
- RSD: Registration and stamp duties
- CD: Customs duties
- SOEs: State-owned enterprises

As for non-tax revenues, receipts under the heading "other revenues" reached 18.4 billion, compared with 19.6 billion, including 3.8 billion in revenues from innovative financing mechanisms, instead of 11 billion at the end of August 2024. Resources from public institutions and enterprises (EEP) totaled 11.8 billion dirhams, compared with 8.3 billion dirhams a year earlier. These were mainly paid by the OCP (4.4 billion, compared with 3 billion), Bank Al-Maghrib (4 billion, compared with 2.6 billion), and the National Agency for Land Conservation, Cadastre and Cartography (ANCFCC) (2.5 billion, compared with 2 billion).

4.2 Expenses

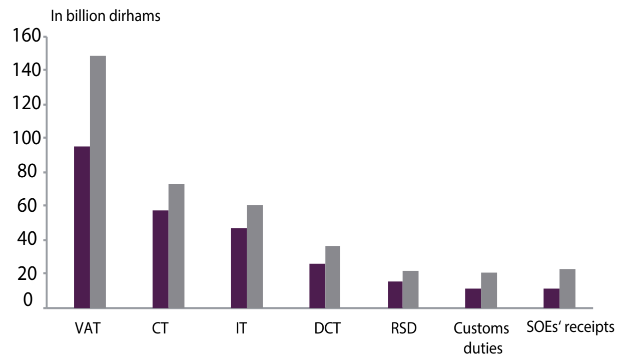
Overall expenditure rose by 12.6 percent to 340.6 billion at the end of August 2025, reflecting increases of 15 percent to 272.7 billion in ordinary expenditures and 3.7 percent to 67.9 billion in investment expenditures. Expenditures on goods and services amounted to 197.3 billion, up 18.4 percent, as a result of increases of 11.6 percent to 118.9 billion in payroll and 30.3 percent to 78.3 billion in expenditure on other goods and services. The latter includes transfers of 35.1 billion to State-Owned Enterprises (SOEs) and 22.6 billion to special Treasury accounts, representing increases of 6 billion and 12.9 billion, respectively. Regarding the evolution of the wage bill, the portion served by the Personnel Expenditure Directorate increased by 11.7 percent to 100.6 billion, as a result of a 14.5 percent increase in its structural component and a 23.8 percent decline to 5.1 billion in back pay.

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

	Jan.-Aug. 2024	Jan.-Aug. 2025	Change in %	FA 2025	Actual rates against FA (%)
Overall expenditure	302.6	340.6	12.6	507.0	67.2
Current expenditure	237.2	272.7	15.0	401.4	68.0
Goods and services	166.7	197.3	18.4	294.2	67.1
Wage bill	106.5	118.9	11.6	180.3	66.0
Other goods and services	60.1	78.3	30.3	113.9	68.8
Debt interests	26.8	31.8	18.8	42.6	74.7
Subsidy cost	18.1	13.3	-26.8	17.1	77.4
Transfer to local governments	25.6	30.4	18.9	47.5	64.1
Investment	65.4	67.9	3.7	105.6	64.3

* 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.

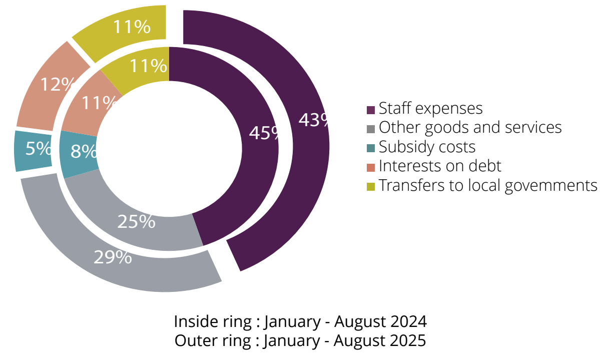
Chart 4.2: Expenditure execution compared to the FA



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

Interest expenses on debt rose by 18.8 percent to 31.8 billion, reflecting a 28.5 percent jump to 25.6 billion in interest expenses on domestic debt and a 9.5 percent decline to 6.2 billion in interest expenses on external debt.

Chart 4.3: Structure of current expenditure

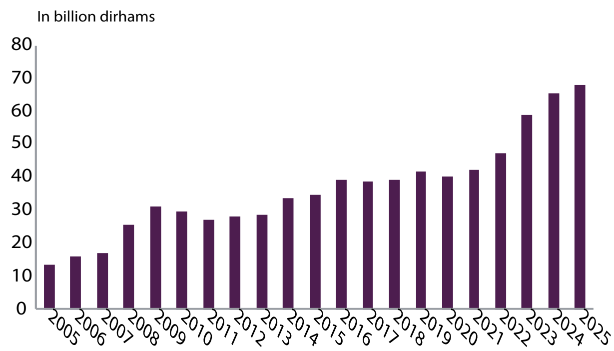


Sources: Ministry of Economy and Finance (DTFE) data, VAT restatement by BAM.

Subsidy costs fell by 26.8 percent to 13.3 billion dirhams, representing an execution rate of 77.4 percent compared to finance law. This result reflects decreases of 1.9 billion dirhams in the subsidy allocated to butane gas, 1 billion dirhams in the subsidy allocated to sugar, and 0.4 billion dirhams in the subsidy allocated to domestic soft wheat flour. No expenditure was recorded in support of professionals in the road transport sector, compared with a total of 1.6 billion dirhams granted a year earlier.

Investment expenditure rose by 3.7 percent to 67.9 billion dirhams, representing an execution rate of 64.3 percent compared to the expenditure forecasts in the Finance Act. This includes a 0.9 percent increase to 38.4 billion in ministry expenditure.

Chart 4.4: Capital expenditure at end-August

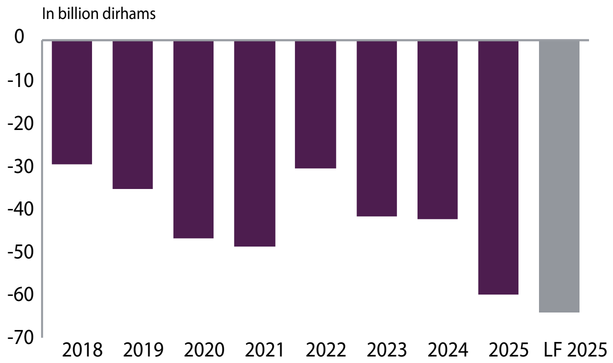


Sources: Ministry of Economy and Finance (DTFE).

4.3 Deficit and Treasury Financing

Taking into account changes in revenue and expenditure as well as the balance of the Treasury's special accounts, the Treasury's expenditure and revenue situation resulted in a widening of the budget deficit from 42.1 billion to 59.8 billion. In addition, the Treasury reduced its stock of pending transactions by 15.8 billion dirhams, compared with 4.9 billion at the end of August 2024, bringing the cash deficit to 75.6 billion, instead of 47 billion.

Chart 4.5: Fiscal balance, at end-August



Source: MEF (DTFE).

The Treasury's financing requirement was covered by domestic resources amounting to a net total of 41.7 billion and by a positive net external flow of MAD 34 billion. This includes gross drawings of 41.3 billion, compared with 22.7 billion a year earlier, of which 20.9 billion was raised on the international financial market and 10 billion from the World Bank.

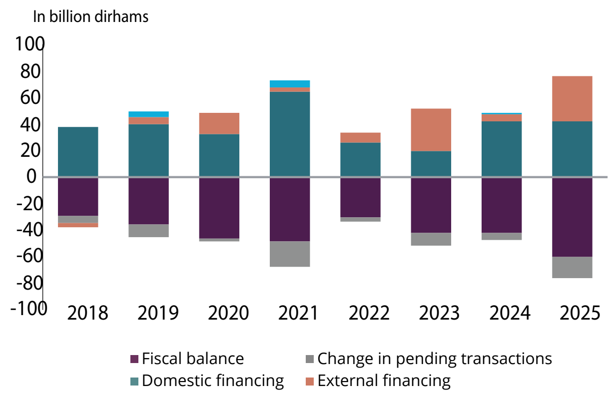
Table 4.3: Deficit financing (in billion dirhams)

	Jan.- Aug. 2024	Jan.- Aug. 2025	FA 2025
Current balance	14.5	15.4	35.4
Balance of TSA	8.9	-7.3	6.0
Primary balance	-15.3	-28.0	-21.6
Fiscal balance	-42.1	-59.8	-64.2
Change in pending transactions	-4.9	-15.8	0.0
Financing requirements	-47.0	-75.6	-64.2
Domestic financing	40.3	41.7	58.2
External financing	4.9	34.0	51.5
Privatization	1.7	0.0	6.0

Sources: Ministry of Economy and Finance (DTFE).

In terms of domestic financing, the use of the auction market made it possible to raise a net amount of 30.4 billion, compared with 51.1 billion a year earlier. Net subscriptions mainly concerned 5-year bonds for an amount of 10 billion, 20-year bonds for 5 billion, 10-year bonds for 4.4 billion, and 52-week bonds for 4.2 billion.

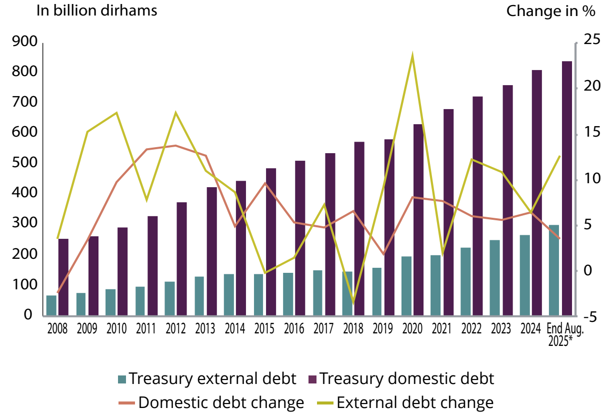
Chart 4.6: Fiscal balance and financing, at end-August*



Sources: Ministry of Economy and Finance (DTEF).
* Receipts from the sale of government equity, limited and discontinued over time, were included in domestic financing.

With regard to the Treasury's financing conditions on the auction market, data at the end of August show a decrease in weighted average rates compared with the same period in 2024. For medium and short maturities, the declines reached 79 basis points (bp) to 2.36 percent for 2-year bonds, 76 bp to 2.58 percent for 5-year bonds, 75 bp to 2.05 percent for 13-week bills, 66 bp to 2.22 percent for 52-week bills, and 55 bp to 2.25 percent for 26-week bonds. Similarly, for long maturities, rates fell by 101 bp to 3.89 percent for 30-year bonds, by 78 bp to 3.20 percent for 15-year bills, by 76 bp to 2.95 percent for 10-year bills and by 75 bp to 3.49 percent for 20-year bills.

Chart 4.7: Treasury indebtedness



* BAM estimates.
Sources: Ministry of Economy and Finance (DTEF).

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

	2019	2020	2021	2022	2023	2024	End Aug. 2025*
Treasury external debt	161.6	199.7	203.8	228.9	253.6	269.8	303.8
Change in %	9.2	23.6	2.0	12.3	10.8	6.4	12.6
Treasury domestic debt	585.7	632.9	681.5	722.9	763.0	811.8	840.2
Change in %	1.9	8.1	7.7	6.1	5.6	6.4	3.5
Outstanding direct debt	747.3	832.6	885.3	951.8	1 016.7	1 081.6	1 144.0
Change in %	3.4	11.4	6.3	7.5	6.8	6.4	5.8

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 would have increased by 5.8 percent at the end of August 2025 compared to its level at the end of December 2024, with increases of 3.5 percent in its domestic component and 12.6 percent in its external component.

5. DEMAND, SUPPLY AND LABOR MARKET

In the first quarter of 2025, economic growth accelerated to 4.8 percent, compared with 3 percent in the same quarter of 2024. This change was the result of a 4.5 percent increase in agricultural value added, compared with a 5 percent decline, and a 4.6 percent increase in non-agricultural value added, compared with 3.6 percent. On the demand side, domestic demand contributed 8.5 percentage points to growth, while net exports in volume terms remained negative at 3.8 points.

In the second and third quarters of 2025, agricultural value added is expected to grow by 4.9 percent and non-agricultural value added by 4.6 percent on average, resulting in growth of 4.6 percent.

In the labor market, between the second quarter of 2024 and the same period in 2025, the national economy recorded the creation of 5,000 jobs, after a loss of 82,000 a year earlier. With the exception of agriculture, which recorded a decline of 108,000 jobs, other sectors recorded job creation of 74,000 in construction, 35,000 in services, and 2,000 in industry. Taking into account a net outflow of 32,000 job seekers, the labor force participation rate fell by 0.8 points to 43.4 percent and the unemployment rate fell from 13.1 percent to 12.8 percent. For young people aged 15 to 24 in particular, this rate fell by 0.3 points to 35.8 percent overall and by 1.9 points to 46.9 percent in cities, while it rose by 1.1 points to 21.3 percent in rural areas.

5.1 Domestic demand

5.1.1 Consumption

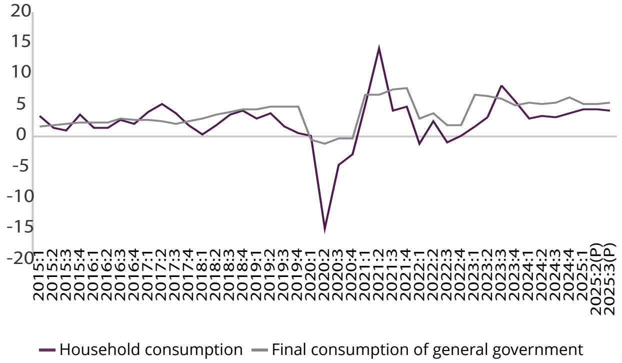
In the first quarter of 2025, final household consumption rose by 4.4 percent after 2.8 percent in the same quarter of the previous year. Its contribution to growth was 2.6 percentage points after 1.7 points.

In the second and third quarters of 2025, it is expected to average 4.2 percent, up from 3.2 percent in the same period a year earlier.This momentum would reflect the continued slowdown in inflation, the relative improvement in agricultural incomes, and the consolidation of non-agricultural incomes.

Final consumption by public administrations increased by 5.2 percent after 5.5 percent, and its contribution to growth fell from 1 percentage point to 0.9 points.

During the second and third quarters, its pace is expected to accelerate slightly, rising from an average of 5.3 percent to 5.4 percent, linked particularly to the 9.8 percent increase in personnel expenses between April and July, compared with 8.5 percent a year earlier.

Chart 5.1: Consumer expenditure (Change in %)



Sources: HCP Data and BAM forecasts.

5.1.2 Investment

In the first quarter of 2025, investment jumped 17.5 percent year-on-year, following a 4.9 percent increase in the same quarter of the previous year, bringing its contribution to growth to 4.9 percentage points instead of 1.4 points.

Available indicators suggest that growth will accelerate to an average of 17.9 percent in the second and third quarters, compared with 13.1 percent a year earlier. This trend reflects, in particular, increases at the end of July from 19.6 percent to 33 percent in the volume of imports of capital goods and from 12.6 percent to 20.5 percent in equipment loans, as well as an improvement in cement sales, which rose from 12.3 percent to 13.8 percent at the end of August.

Furthermore, the quarterly results of Bank Al-Maghrib's business survey for the second quarter of 2025 show that the business climate was described as "normal" by companies.

5.2 Foreign demand

In the first quarter of 2025, net exports of goods and services contributed negatively to growth by 3.8 points, compared with 1.3 points in the previous year. Exports grew by 2.2 percent instead of 5.8 percent and imports by 9.8 percent after 7.6 percent.

In terms of outlook, the pace of exports is expected to slow to an average of 6.4 percent in the second and third quarters, compared with 8.2 percent a year earlier. This development would reflect the slowdown in sales of phosphates and derivatives, as well as the decline in shipments in the automotive sector. Similarly, imports are expected to increase by an average of 13.9 percent, instead of 12.4 percent, reflecting in particular the increase in imports of capital goods for the needs of large-scale construction projects that have been launched or are planned.

5.3 Overall supply

In the first quarter of 2025, economic growth stood at 4.8 percent, compared with 3 percent in the same quarter a year earlier. This acceleration reflects a 4.5 percent increase in agricultural value added, instead of a 5 percent decline, and a 4.6 percent increase in non-agricultural activities, compared with 3.6 percent previously.

In the second and third quarters, GDP is expected to grow by an average of 4.6 percent, up from 4 percent. Agricultural value added is expected to increase by 4.9 percent, compared with a decline of 4.8 percent, thanks in particular to an improvement in the harvest of the three main cereals from 33.3 percent to 41.3 million quintals (MQx), while non-agricultural value added is expected to increase by 4.6 percent, a rate virtually unchanged from that of 2024.

Box 5.1: Evolution of cereal farming over the period 1961-2025

Cereal farming has historically been one of Morocco's main agricultural sectors and plays an important socio-economic role. Domestic cereal production contributes to food security, given the central place these products occupy in the population's dietary habits. It also supports livestock farming through the production of barley and several by-products on which livestock feed depends. Thus, despite efforts to switch to other crops that are less sensitive to water stress, cereal farming still accounts for nearly 71 percent of usable agricultural land and generates 20 percent of agricultural turnover. It is also a major source of employment[2] and income for a large segment of the population.

1 https://www.agriculture.gov.ma/fr/filiere/Cerealiere.
2 It accounts for 19 percent of agricultural employment, according to the Ministry of Agriculture.

Chart E.5.1.2:Cereal production (in million quintals)

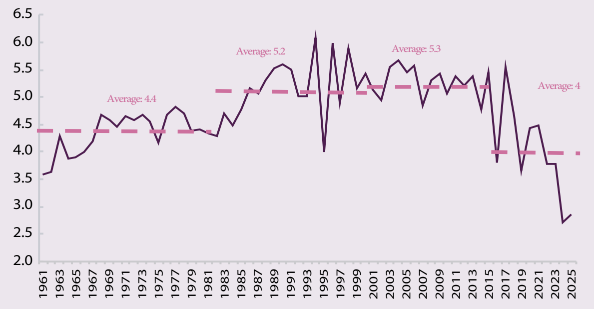
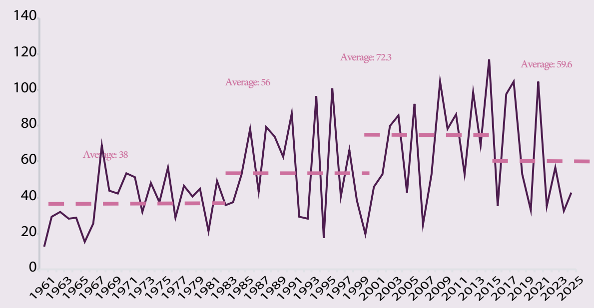


Chart E.5.1.31:Areas occupied by cereals and olives (in millions of hectars)



Sources: HCP and the Ministry of Agriculture, Maritime Fisheries, Rural Development and Water and Forests.

An analysis of cereal farming over the period 1961-2025 reveals four distinct phases.

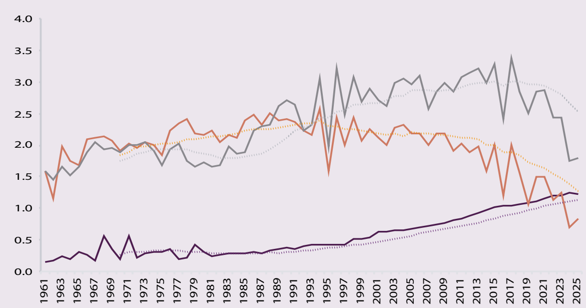
The period from 1961 to 1983 was characterized by strong growth. The area sown and production increased significantly before stabilizing at around 4.4 million hectares and 38 million quintals, respectively. This trend was accompanied by a structural shift in favor of soft wheat at the expense of barley and durum wheat, which are more resistant to water shortages.

During the second period (1984-2000), efforts to expand cereal cultivation intensified. The area under cultivation and production followed an upward trend during the period 1984-1990 before fluctuating around 5 million hectares and 56 MQx respectively.

During the third period (2001-2015), cereal production continued to improve, averaging 72.3 MQx, while the area continued to fluctuate around 5 million hectares. This situation could be explained by the increasing use of modern techniques and mechanization, particularly in the context of the Green Morocco Plan (2008-2020).

During the fourth phase, which began in 2016, cereal farming was severely affected by successive years of drought. The area under cultivation has been on a downward trend, reaching exceptionally low levels of 2.7 million hectares in 2024 and 2.9 million hectares in 2025, with average production falling to 59.6 MQx. According to the Ministry of Agriculture, this trend can only be partially explained by the expansion of other crops, encouraged by public subsidies, particularly olives. Since 2008 in particular, the year the Green Morocco Plan was launched, the area planted with these crops has increased by 481,500 hectares, compared with a loss of 2.4 million hectares for cereals.

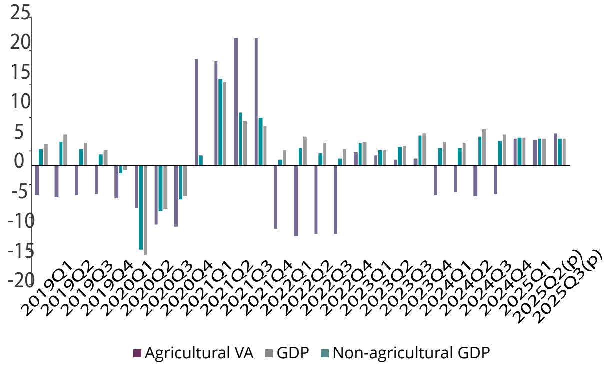
Chart E.5.1.31:Areas occupied by cereals and olives (in millions of hectars)



Sources: FAO and Ministry of Agriculture, Maritime Fisheries, Rural Development, Water, and Forests.

Overall, trends in cereal farming reveal the sector's persistent vulnerability to climate hazards. This reality underscores the urgent need for structural transformation, focused on developing more resilient plant varieties and improving water resource management.

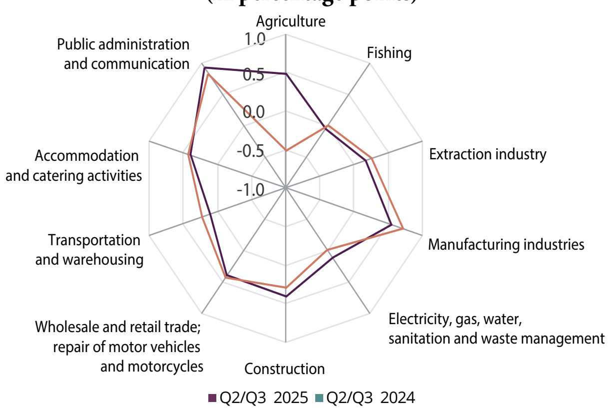
Chart 5.2: GDP per component (Chained prices, YoY change in percent, base year 2014)



Sources: HCP data and BAM forecasts.

In the secondary sector, activity is estimated to have grown by 4.9 percent on average, following 5 percent a year earlier. This performance reflects improvements of 3.7 percent in manufacturing and 7.3 percent in construction.

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



Sources: HCP data and BAM forecasts.

In the tertiary sector, value added is expected to grow by 4.5 percent instead of 4.6 percent in the same period last year. In particular, it is expected to have improved by 9.5 percent, instead of 10.8 percent, for the "Accommodation and food service activities" sector and by 3.8 percent, after 4.1 percent, for trade. Similarly, "public administration and defense, compulsory social security" and "education, human health, and social work" would have seen an increase in their value added in line with the wage increases decided upon in the context of social dialogue.

5.4 Labor market and output capacity

5.4.1 Activity and employment

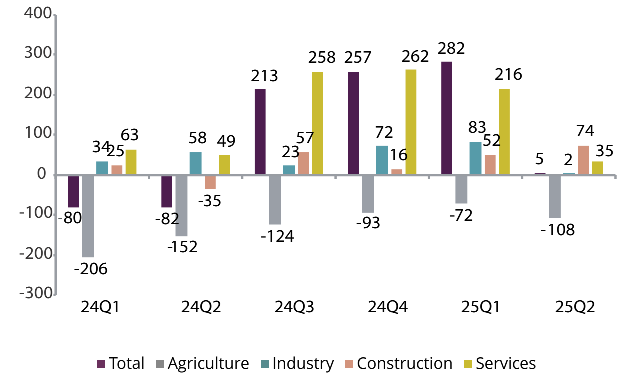
Between the second quarter of 2024 and the same period in 2025, the labor market situation was characterized by a slight decline of 0.3 percent in the number of people aged 15 and over in the labor force, to nearly 12.5 million. This change reflects a 3.1 percent decline in rural areas and a 1.4 percent increase in cities.

Given a 1.5 percent increase in the working-age population, the labor force participation rate fell by 0.8 points to 43.4 percent nationally, by 1.6 points to 46.4 percent in rural areas, and by 0.3 points to 42 percent in urban areas.

At the same time, the national economy saw the creation of 5,000 jobs, after a loss of 82,000 a year earlier, and the employed labor force remained virtually stable at nearly 10.9 million people.

With the exception of agriculture, which saw a further decline of 108,000 jobs, other sectors recorded job creation of 74,000 in construction, 35,000 in services, and 2,000 in industry.

Chart 5.4: Job creation by sector (In thousands)



Sources: HCP.

5.4.2 Unemployment and underemployment

The unemployed population fell by 2.3 percent to 1.6 million people, and unemployment rate fell from 13.1 percent to 12.8 percent nationally, from 16.7 percent to 16.4 percent in urban areas, and from 6.7 percent to 6.2 percent in rural areas. For young people aged 15 to 24 in particular, the rate fell by 0.3 points to 35.8 percent overall and by 1.9 points to 46.9 percent in cities, while it rose by 1.1 points to 21.3 percent in rural areas.

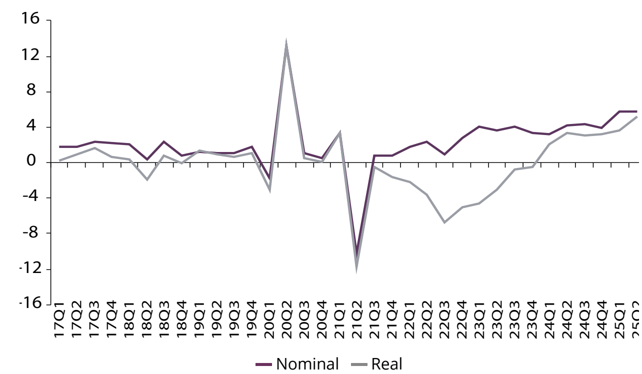
At the same time, the market was marked by an increase in underemployment[1], with the rate rising from 9.6 percent to 10.6 percent nationally, from 8.3 percent to 9.4 percent in urban areas, and from 11.6 percent to 12.4 percent in rural areas.

5.4.3 Productivity and wages

In non-agricultural activities, apparent labor productivity, measured by the ratio of value added to employment, improved in the second quarter of 2025 by 3.2 percent after 2.8 percent a year earlier, as a result of a 4.7 percent increase in value added, instead of 3.8 percent, and a 1.4 percent increase in the number of people employed, compared with 0.9 percent.

For its part, the average wage, calculated on the basis of CNSS data by relating the total wage bill to the number of employees, rose by 5.7 percent in the second quarter of 2025, compared with 4.2 percent a year earlier in nominal terms, and by 5.2 percent after 3.4 percent in real terms.

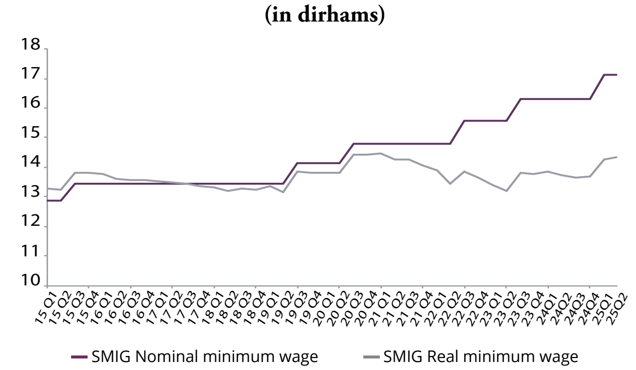
Chart 5.5: Private sector average wage index (YoY change in %)



Sources: CNSS data et BAM calculations.

The hourly minimum wage stood at MAD 17.1 in nominal terms in the second quarter of 2025, up 5 percent year-on-year. Taking into account a 0.5 percent increase in the consumer price index, it would have risen by 4.5 percent in real terms.

Chart 5.6: Hourly minimum wages in nominal and real terms (in dirhams)

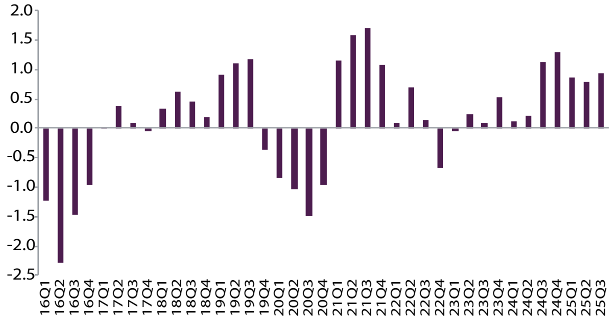


Sources: Ministry of Economic Inclusion, Small Business, Employment and Skills, and BAM calculations.

1 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.

Overall, the output gap is expected to remain positive in the second and third quarters of 2025.

Chart 5.7: Overall output gap (in %)



Source: BAM estimates.

Table 5.1: Labor market main indicators

	Q2 2024	Q2 2025
Participation rate (%)	44.2	43.4
Urban	42.3	42.0
Rural	48.0	46.4
Unemployment rate (%)	13.1	12.8
Youth aged 15 to 25	36.1	35.8
Urban	16.7	16.4
Youth aged 15 to 25	48.8	46.9
Rural	6.7	6.2
Créations d'emplois (en milliers)	-82	5
Urban	60	113
Rural	-141	-107
Sectors		
- Agriculture, forest and fishing	-152	-108
- Industry	58	2
- Construction and public works	-35	74
- Services	49	35
Non-agricultural apparent productivity (change in %)	2.8	3.2
Average wage index (change in %) — Nominal	4.2	5.7
Average wage index (change in %) — Real	3.4	5.2

Sources: HCP and CNSS data, BAM calculations

6. RECENT INFLATION TRENDS

In line with the expectations published in last June's Monetary Policy Report, inflation declined 2 percent in the first quarter of 2025 to 0.5 percent in the second quarter. It then decelerated to a 0.3 percent average in July and August, bringing its average for the first eight months of the year to 1.1 percent. This development, observed between the second quarter and the last two months, mainly reflects decreases in the growth pace of the core inflation indicator from 1 percent to 0.8 percent and regulated tariffs from 1.5 percent to 0.5. Conversely, the decrease in fuel and lubricant prices eased from -14.1 to -10.1 percent and volatile food products rose by 1.1 percent instead of 0.5 percent.

In the third trimester, inflation is expected to slow down to 0.3 percent in average and its core component to stand at 0.8 percent.

6.1 Inflation trends

Inflation fell from 0.5 percent in the second quarter to an average of 0.3 percent in July and August. This change reflects a slowdown in core inflation and an increase in regulated tariffs, as well as an acceleration in the rate at which volatile food prices are rising and an easing in the decline of fuel and lubricant prices.

6.1.1. Prices of products excluded from core inflation

Volatile food prices increased, year-on-year, by an average of 1.1 percent in July and August, following a rise of 0.5 percent in the second quarter. This acceleration was driven mainly by the increase in prices of "fresh vegetables" from 6.9 percent to 11.7 percent, as well as rises in the price of "eggs" and "citrus fruits" by 10.4 percent and 11.3 percent respectively, after declines of 5.8 percent and 9 percent.

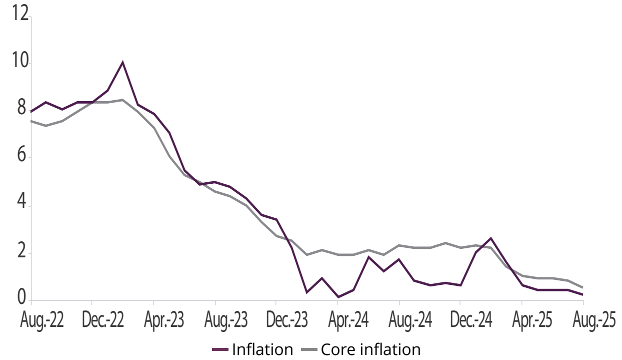
Consequently, this component's contribution to inflation virtually stabilized at 0.1 percentage point.

Table 6.1: Inflation and its components

(In %)	Monthly change			YoY change		
	June 25	July 25	Aug. 25	June 25	July 25	Aug. 25
Inflation	0.4	-0.1	0.5	0.4	0.5	0.3
- Food products with volatile prices	1.5	-1.3	3.5	0.9	1.9	0.3
- Price-regulated products	0.0	0.0	0.0	0.5	0.5	0.5
- Fuels and lubricants	0.3	3.5	0.4	-13.0	-11.1	-9.1
Core inflation	0.2	-0.1	0.0	1.0	0.8	0.6
Food products	0.4	-0.2	-0.2	0.7	0.3	-0.1
-Clothing and footwear	0.1	-0.1	0.2	0.7	0.7	0.9
-Housing, water, gas, electricity, and other fuels	0.1	0.0	0.1	1.1	1.0	1.0
-Furniture, household goods and routine maintenance	0.0	0.4	-0.1	0.4	0.8	0.6
-Healthcare[1]	-0.2	0.4	-0.1	-0.9	-0.7	-0.5
-Transport[2]	0.4	0.1	0.3	1.4	1.4	0.8
-Communication	0.0	0.0	0.0	-0.2	-0.2	-0.2
-Leisure and culture[1]	0.0	-0.2	0.0	-0.8	-1.0	-1.0
-Education	0.0	0.0	0.0	2.3	2.3	2.3
-Restaurants and hotels	0.4	0.3	0.7	3.8	3.4	2.9
-Miscellaneous goods and services[1]	0.1	0.2	0.1	1.5	1.5	1.5

1 Excluding products with regulated prices.
2 Excluding fuels and lubricants, and products with regulated prices.
Sources: HCP data and BAM calculations.

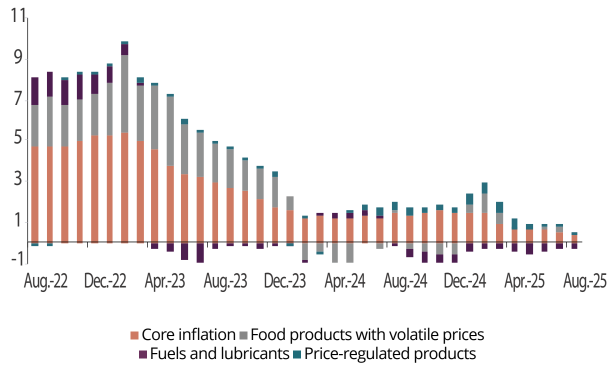
Chart 6.1: Inflation and core inflation (%, YoY)



Sources: HCP and BAM calculations.

Regulated tariffs rose by an average of 0.5 percent in July and August, compared with 1.5 percent in the second quarter, reflecting the stagnation of "gas" prices after a 10.9 percent increase. Their contribution to inflation was 0.1 percentage points, compared with 0.3 points in the previous quarter.

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

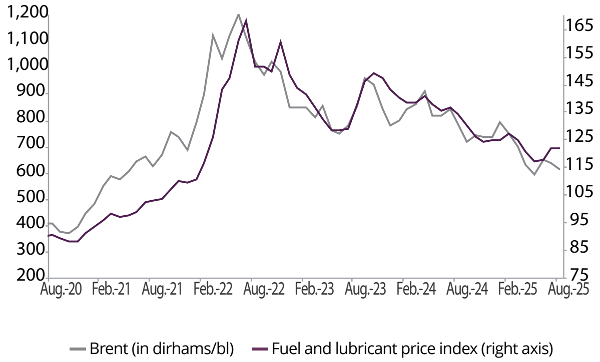


Sources: HCP data and BAM calculations.

For its part, the decline in fuel and lubricant prices eased from 14.1 percent in the second quarter to an average of 10.1 percent in July and August. This development comes amid a rise in international oil prices and a 2.4 percent appreciation of the dirham against the US dollar. In particular, the price of Brent crude rose from USD 67.8/bl in the second quarter to an average of USD 69.6/bl in July and August, an increase of 2.6 percent.

Consequently, fuel and lubricant prices contributed negatively to inflation by 0.3 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)



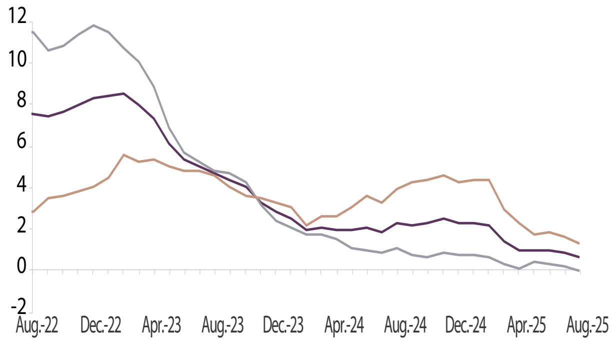
Sources: World Bank, HCP and BAM calculations.

6.1.2. Core inflation

Core inflation slowed down from 1 percent in the second quarter to 0.8 percent on average in July and August. This deceleration is mainly linked to the slowdown from 0.7 percent to 0.2 percent in the rise in its food component, with in particular a slowdown in the increase in the price of "fresh meat" from 3.4 percent to 1.2 percent and a sharp decline in the price of "oils" from 1.4 percent to 2.3 percent.

Prices for non-food products and services included in the core inflation indicator rose by an average of 1.1 percent in July and August, compared with 1.2 percent in the previous quarter, driven mainly by a 3.1 percent increase in prices for "restaurants and hotels" instead of 4 percent.

Chart 6.4: Change in the price indexes of tradables and non-tradables (in %,YoY)



Source: HCP data and BAM calculations.

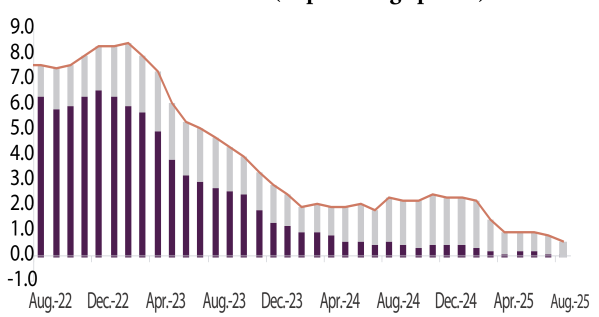
The breakdown of the core inflation indicator into tradable and non-tradable goods shows that the slowdown in its growth was mainly driven by the change in the prices of non-tradable goods and services. The latter rose by 1.5 percent on average in July and August, compared with 1.9 percent in the second quarter, while the growth of tradable goods and services fell from 0.3 percent to 0.2 percent.

Table 6.2: Change in the price indexes of tradables and non-tradables

	Monthly variation			Year-on-year		
	June 25	July 25	Aug. 25	June 25	July 25	Aug. 25
Tradable goods	-0.2	-0.1	0.0	0.3	0.2	0.0
Non-tradable goods	0.8	0.0	0.0	1.9	1.7	1.3
Core inflation	0.2	-0.1	0.0	1.0	0.8	0.6

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.

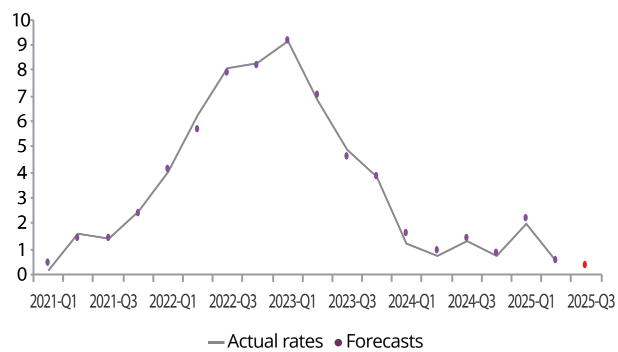
6.2 Short-term outlook for inflation

In the short term, inflation is expected to slow down to 0.3 percent in the third quarter, compared with 0.5 percent in the second quarter of 2025. This change would be mainly due to the decelerating core inflation, which is likely to stand at 0.8 percent instead of 1 percent, and, to a lesser extent, to the slowing increase of regulated prices, which is set to fall to 0.5 percent after 1.5 percent.

However, taking into account the increase in demand during the summer period and the impact of the heatwave on the supply of certain products, volatile food prices are expected to rise by 0.9 percent in the third quarter, compared with 0.5 percent in the second quarter.

Similarly, the decline in fuel and lubricant prices is expected to ease to 9.4 percent in the third quarter, compared with 14.1 percent in the second quarter, in line with the expected trend in international oil product prices.

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

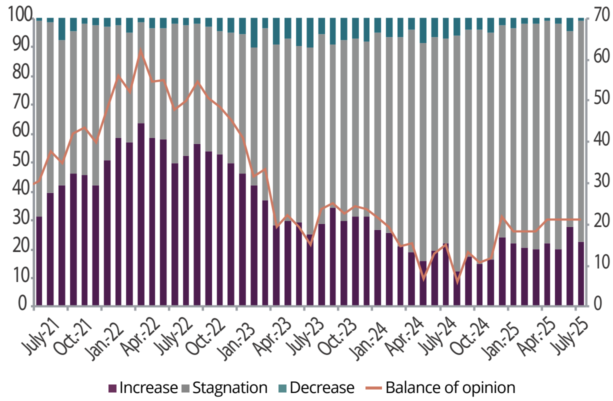


Source: HCP data and BAM forecasts.

6.3 Inflation expectations

The results of Bank Al-Maghrib's business survey of manufacturers for July 2025 show that 76 percent of respondents expect inflation to stabilize over the next three months, 23 percent anticipate an increase, and 1 percent expect a decrease. The balance of opinion thus stands at 21 percent.

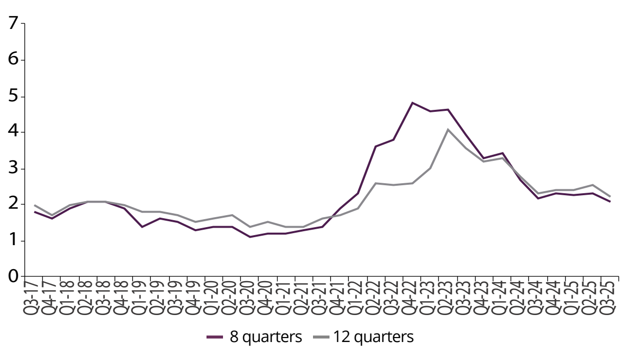
Chart 6.7 : Business owners' expectations of inflation over the next three months (%)



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 third quarter of 2025, show an average inflation rate of 2.1 percent over the next eight quarters, down from 2.3 percent in the second quarter. Similarly, over the next 12 quarters, they expect a rate of 2.2 percent after 2.5 percent.

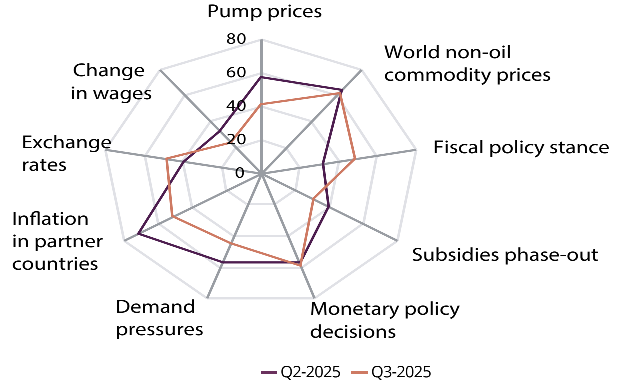
Chart 6.8: Inflation expectations of financial sector experts over the next eight quarters (%)



Source: BAM's quarterly survey on inflation expectations.

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 exchange rates.

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



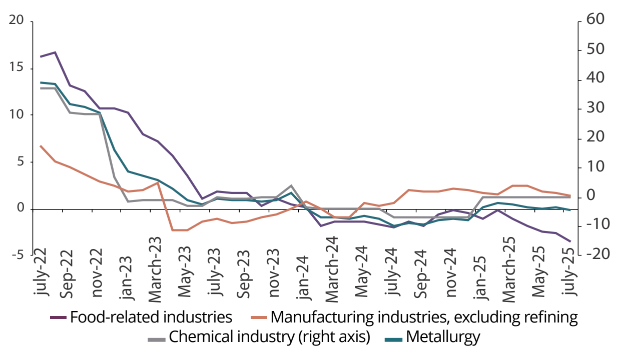
Source: BAM's quarterly survey on inflation expectations.

6.4 Producer prices

Producer prices in manufacturing industries excluding oil refining posted a monthly decline of 0.1 percent in July. This decline was mainly driven by decreases of 0.4 percent fin "food industries," 0.2 percent in "clothing industry," and 0.3 percent in the "manufacture of rubber and plastic products" sector.

Year-on-year, producer prices excluding refining were down 0.1 percent in July, compared with an average increase of 0.2 percent in the second quarter of 2025.

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



Source: HCP.

7. MEDIUM TERM OUTLOOK

Summary

The global economy is expected to continue slowing in 2025 and 2026, against a backdrop of rising tariffs and continued high levels of uncertainty.

As for economic activity, it is expected to slow from 3.2 percent in 2024 to 3 percent this year and then to 2.6 percent in 2026. In the United States, despite the relative easing of trade uncertainties, consumer confidence is expected to remain low due to growing concerns about purchasing power. Growth is therefore expected to slow from 2.8 percent in 2024 to 1.7 percent in 2025, and then remain at that level in 2026. In the euro area, the trade agreement with the United States would reduce short-term uncertainty but would affect the economies and sectors of the zone, albeit to varying degrees. Investor and consumer sentiment would remain generally gloomy, and economic growth would accelerate from 0.9 percent in 2024 to 1.3 percent in 2025 and remain close to this level in 2026. In the United Kingdom, the pace of activity would improve from 1.1 percent to 1.3 percent in 2025, driven mainly by public consumption, then return to 1.1 percent in 2026, and in Japan, it would accelerate from 0.1 percent in 2024 to 1.2 percent in 2025, then slow to 0.6 percent in 2026.

In the main emerging countries, growth is expected to increase slightly from 4.9 percent in 2024 to 5 percent in 2025 in China, supported by a marked increase in exports, before falling to 4.2 percent in 2026, suffering from persistent difficulties in the real estate sector and weak global demand. In India, activity is expected to remain strong, with growth rising from 6.7 percent in 2024 to 7.1 percent this year and then to 6.2 percent in 2026. In Brazil, growth is expected to slow from 3 percent in 2024 to 2.5 percent in 2025 and then to 0.9 percent in 2026, mainly due to restrictive monetary policy and trade tensions. In Russia, growth is expected to slow from 4.4 percent in 2024 to 0.6 percent in 2025, then to 0.7 percent in 2026.

On the commodity markets, oil prices are expected to continue their downward trend, due to significant supply from OPEC+ countries and the expected decline in global demand. The price of Brent crude is particularly expected to fall from USD 79.8 per barrel in 2024 to USD 68.5 in 2025 and then to USD 65.2 in 2026. As for Moroccan phosphate and derivatives, the price of DAP is expected, according to projections by the Commodities Research Unit, to increase from USD 586 per ton in 2024 to an average of USD 718 this year and then to USD 720 in 2026. The price of TSP is expected to rise from USD 436 per ton to USD 524, then to USD 561 in 2026. On the other hand, the price of rock would continue its downward trend, falling from USD 214 per ton in 2024 to USD 202 in 2025, then to USD 183 in 2026. As for food commodities, after a 2 percent decline in 2024, the FAO index is expected to increase by 5.1 percent in 2025 and 0.8 percent in 2026.

Under these conditions, global inflation would continue to slow, reaching 2.9 percent this year, compared with 3.7 percent in 2024, and then 3.1 percent in 2026. In the euro area, it would slow to 2.4 percent in 2024 to 2.2 percent in 2025, and settle at 2.3 percent in 2026, and in the United States, it would fall from 3 percent to 2.7 percent this year, before accelerating to 3.1 percent in 2026.

Regarding the monetary policy direction, the ECB decided, following its meeting on September 11, to keep its three key interest rates unchanged, the second consecutive decision to maintain the status quo after a total of eight cuts since June 2024, indicating that inflation is currently around the 2 percent target and that the outlook remains broadly unchanged from June.

The interest rates on the deposit facility, main refinancing operations, and marginal lending facility were thus kept at 2.00 percent, 2.15 percent, and 2.40 percent, respectively. On the other hand, citing weakening job creation, the Fed reduced the target range for the federal funds rate by 25 basis points to [4 percent-4.25 percent] at its meeting on September 16 and 17. For its part, highlighting substantial disinflation, the Bank of England decided at its meeting on September 17 to keep its key interest rate unchanged at 4 percent.

At the national level, the momentum in foreign trade in goods and services is expected to continue over the forecast horizon. Exports are projected to increase by 6.2 percent in 2025, driven mainly by an increase in sales of phosphate and derivatives, and then by 9.4 percent in 2026, driven by the expected recovery in the automotive manufacturing segment. Imports are expected to grow by 7.4 percent in 2025 and 7.1 percent in 2026, reflecting in particular a sharp increase in purchases of capital goods, linked to the investment momentum generated by major projects that have been launched or are planned. At the same time, travel revenues are expected to maintain their strong performance, with an increase of 11.3 percent in 2025 and then 4.8 percent in 2026 to reach 131.2 billion. As remittances, they are expected to show a slight improvement of 0.6 percent in 2025 to 119.7 billion, before rising by 4.8 percent in 2026 to 125.5 billion. Under these conditions, the current account deficit is expected to remain contained, standing at around 2.3 percent of GDP in 2025 and 2 percent in 2026, after 1.2 percent in 2024. With regard to FDI, revenues are expected to total the equivalent of 3.3 percent of GDP in 2025 and 3.5 percent in 2026.

Taking into account the planned external financing, official reserve assets would continue to improve to reach MAD 418 billion at the end of 2025 and 434.5 billion at the end of 2026, representing coverage of 5 months and 13 days and 5 months and 19 days of imports of goods and services, respectively.

In terms of monetary conditions, after slowing to 2.6 percent in 2024, the pace of growth in bank credit to the non-financial sector is expected to increase to 5.9 percent in 2025 and 2026. For its part, the real effective exchange rate is expected to remain stable at the end of the forecast horizon, with an appreciation of 2.2 percent in 2025 and a depreciation of 2.3 percent in 2026.

In terms of public finances, fiscal consolidation is expected to continue in the medium term. The budget deficit is projected to stabilize at 3.9 percent of GDP in 2025, before easing to 3.4 percent of GDP in 2026. These projections are based on the 2025 Finance Act, the 2025-2027 three-year budget plan (PBT), and BAM's new macroeconomic projections. They also include the additional MAD 13 billion in appropriations opened in April under the general budget and achievements at the end of July 2025.

In terms of economic activity, growth is expected to accelerate from 3.8 percent in 2024 to 4.6 percent this year, then consolidate at 4.4 percent in 2026. This trend would reflect a 5 percent increase in agricultural value added in 2025, taking into account a grain harvest estimated by the Department of Agriculture at 41.3 million quintals (MQx), followed by a 3.2 percent increase in 2026, assuming a return to average cereal production of 50 MQx. Non-agricultural activities are expected to maintain their momentum, driven in particular by major infrastructure projects and non-market services, with growth of 4.5 percent in 2025 and 2026.

In this context, after slowing to 0.9 percent in 2024, inflation would continue to evolve at moderate levels, standing at 1 percent in 2025 and 1.9 percent in 2026. Its underlying component would slow from 2.2 percent in 2024 to 1.1 percent in 2025, before rising to 2 percent in 2026.

7.1 Underlying assumptions

Slowdown in global economic activity over the forecast horizon

In the United States, despite the relative easing of trade uncertainties, consumer confidence is expected to remain low due to growing concerns about purchasing power. Under these conditions, growth is expected to slow from 2.8 percent in 2024 to 1.7 percent in 2025 and remain at virtually the same level in 2026. In the euro area, the trade agreement with the United States reduces short-term uncertainties and helps prevent a wider trade conflict but would affect the economies and sectors of the area, albeit to varying degrees. Investor and consumer sentiment remains generally gloomy, and economic growth is expected to accelerate from 0.9 percent in 2024 to 1.3 percent in 2025 and remain close to this level in 2026. For its part, the British economy is expected to grow by 1.3 percent in 2025 after 1.1 percent in 2024, driven mainly by public consumption, before settling at 1.1 percent in 2026. In Japan, growth is expected to increase from 0.1 percent in 2024 to 1.2 percent in 2025, driven by higher consumption and investment, as well as strong export performance. However, it is expected to slow to 0.6 percent in 2026, hampered by weaker external demand.

As for the major emerging economies, growth in China is expected to reach the 5 percent target set by the authorities in 2025, thanks in particular to robust exports, sustained momentum in manufacturing and services, and the respite offered by the extended tariff truce with the United States. However, a slowdown to 4.2 percent is expected in 2026, attributable to global demand being held back by trade tensions, as well as sluggish domestic demand, particularly in relation to difficulties in the real estate sector. In India, activity is expected to remain strong, with growth rising from 6.7 percent in 2024 to 7.1 percent in 2025 and then to 6.2 percent in 2026, thanks to a good agricultural season, recent reductions in taxes on goods and services, accommodative monetary policy, and increased investment driven by public spending on infrastructure. In Brazil, economic growth is expected to slow from 3 percent in 2024 to 2.5 percent this year and then to 0.9 percent in 2026, mainly due to restrictive monetary policy and trade tensions. In Russia, after reaching 4.4 percent in 2024, growth is expected to slow to 0.6 percent in 2025 and hover around that level in 2026. Higher-than-expected budget spending and rapid monetary easing would only partially offset the deterioration in business confidence and increased pressure on exporters linked to the appreciation of the ruble.

Chart 7.1: Growth in the euro area

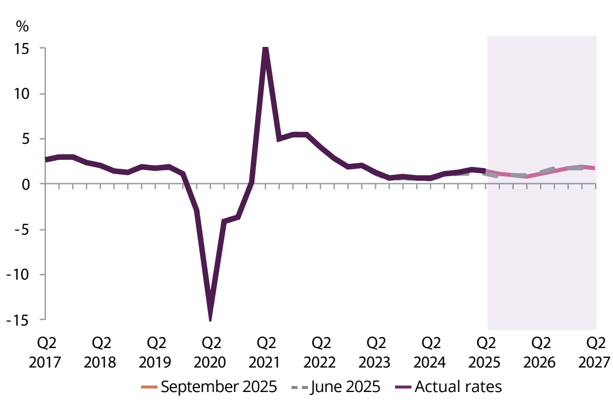
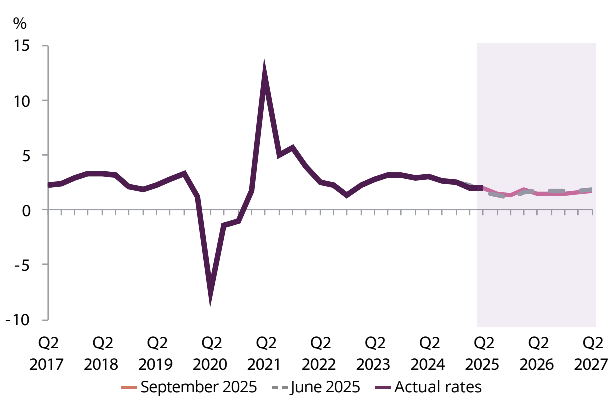


Chart 7.2: Growth in the USA



Source : GPMN, August 2025.

Downward trend in oil prices and continued decline in inflation in 2025 with marked differences between economies

In the commodities market, oil prices are expected to continue falling over the forecast horizon. The price of Brent crude is particularly expected to fall from an average of USD 79.8 per barrel in 2024 to USD 68.5 in 2025 and then to USD 65.2 in 2026, due to significant supply from OPEC+ countries and the expected decline in global demand. Coal prices are expected to remain low at USD 101.9 per ton in 2025 and USD 103.9 in 2026, in line with weakening global demand (particularly from China) and the gradual transition to renewable energies. For its part, the price of natural gas on the European market fell by 16.4 percent in 2024 to an average of USD 11/mmbtu and, according to World Bank projections for April 2025, is expected to hover around this level in 2025 and 2026.

With regard to phosphates and derivatives, derivative prices are expected to rise in 2025, in line with the decline in supply from China in particular due to its continued restrictions on DAP exports. On the other hand, rock prices are expected to continue their downward trend, mainly reflecting the improvement in supply. Under these conditions, prices for derivatives of Moroccan origin are expected, according to projections by the Commodities Research Unit, to rise to USD 718 per ton for DAP and USD 524 for TSP in 2025, then settle at USD 720 and USD 561 respectively in 2026. As for raw phosphate, its price is expected to fall to USD 202 per ton in 2025, then to USD 183 in 2026.

As for food prices, after a 2 percent decline in 2024, the FAO index is expected to rise again, driven mainly by increases in the prices of vegetable oils, meat, and dairy products (especially butter). Overall, an increase of 5.1 percent is expected in 2025, followed by a more moderate increase of 0.8 percent in 2026. Regarding US durum wheat in particular, after a contraction of 26.7 percent in 2024, its price is expected, according to World Bank projections April 2025 World Bank projections, its price is expected to continue falling over the forecast period, with declines of 2.1 percent to USD 263 in 2025 and 1.1 percent to USD 260 in 2026.

Under these conditions, global inflation would continue to slow, falling from 3.7 percent in 2024 to 2.9 percent in 2025, mainly due to weaker economic activity and lower energy prices. In the United States, higher tariffs are expected to feed through to consumer prices, with inflation remaining above the Fed's target at 2.7 percent in 2025 and 3.1 percent in 2026. In the euro area, inflation is expected to fall from 2.4 percent in 2024 to 2.2 percent in 2025 and 2.3 percent in 2026, due to lower energy prices, slower growth in service prices, and the appreciation of the euro. In China, inflation is expected to remain close to zero in 2025, reflecting lower food and energy prices, before reaching 1.2 percent in 2026, in line with a gradual recovery in domestic demand.

Chart 7.3: Price of Brent

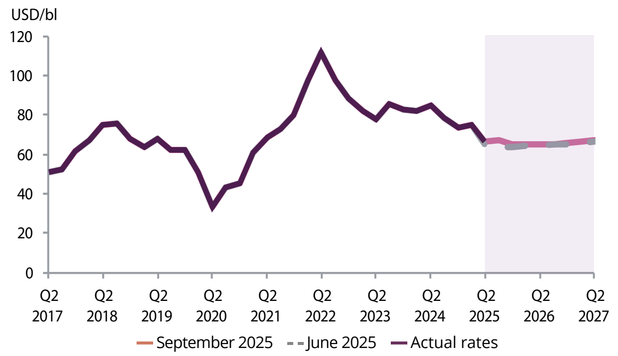


Chart 7.4: FAO Food Price Index (2017=100)

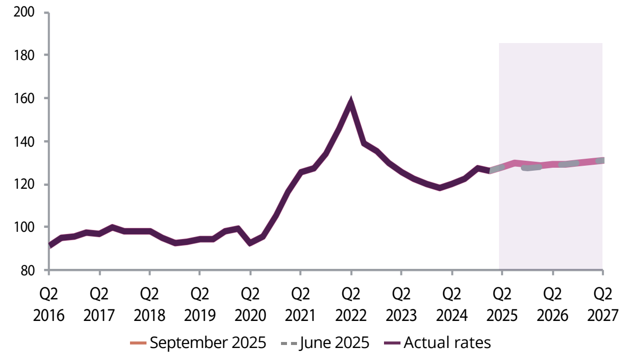


Chart 7.5: Inflation in the euro area

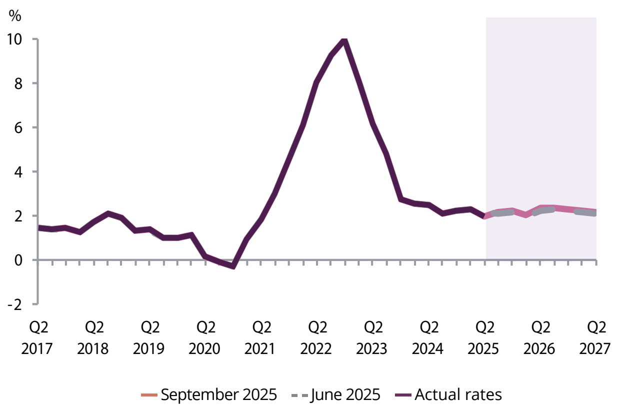
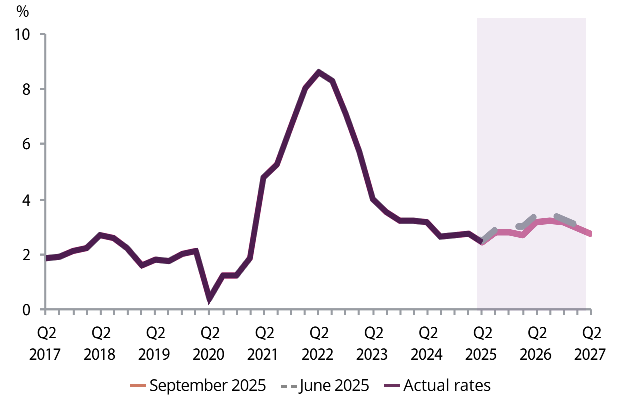


Chart 7.6: Inflation in the United States



Source : GPMN, August 2025.

Lower key rates for the Fed and status quo for the ECB and the BoE

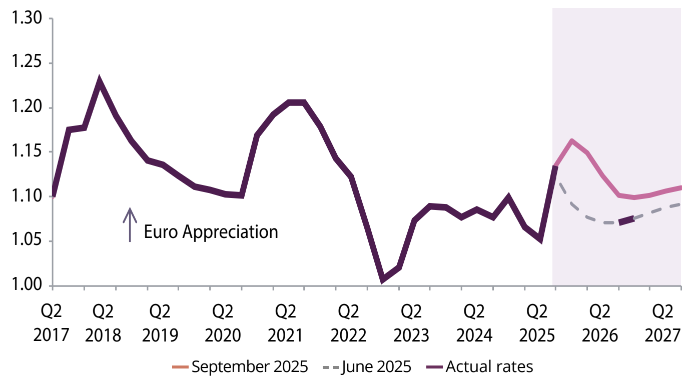
At its meeting on 11 September, the ECB decided to keep its three key interest rates unchanged, marking the second consecutive decision to maintain the status quo after a total of eight cuts since June 2024, thereby indicating that inflation now hovers around the 2 percent target and that the inflation outlook remains broadly unchanged from June. It also pointed out that the portfolios of the asset purchase programme (APP) and the pandemic emergency purchase programme (PEPP) are shrinking at a measured and predictable pace, as the Eurosystem is no longer reinvesting the principal payments from maturing securities.

On the other hand, the Fed, which had kept rates unchanged at its previous five meetings, decided, at the end of its meeting on 16 and 17 September, to lower the target range for the federal funds rate by 25 basis points to [4 percent-4.25 percent]. This decision was made in view of the change in the balance of risks, with risks to employment having increased. The Fed noted a moderation in economic growth in the first half of the year, a slowdown in job creation and a slight increase in the unemployment rate, which remains low, as well as a rise in inflation to a level that remains somewhat elevated. In addition, it will continue to reduce its holdings of Treasury securities, agency debt securities and mortgage-backed securities.

As for the Bank of England, it decided at its meeting on 17 September 2025 to keep its key interest rate unchanged at 4 percent, while highlighting substantial disinflation over the past two and a half years as a result of previous external shocks, reinforced by the restrictive stance of monetary policy. Regarding its quantitative tightening programme, the Bank decided to slow the pace of reducing its stock of government bonds held for monetary policy purposes from 100 billion to 70 billion over the next twelve months, thereby reducing this stock to 488 billion.

On the international foreign exchange market, the euro is set to continue appreciating against the US dollar in 2025, the latter expected to weaken further over the rest of the year, mainly due to the anticipated reduction in the federal funds rate target range. The European currency is then likely to depreciate in 2026, given the expected narrowing of the interest rate differential between the ECB and the Fed and the structural economic difficulties in the eurozone. Overall, the euro is forecast to appreciate by 4 percent against the dollar to an average of USD 1.125 in 2025, before depreciating by 1.7 percent to 1.106 in 2026.

Chart 7.7: USD/EUR exchange rate



Source : GPMN, August 2025.

Cereal production of 41.3 MQx for the 2024/2025 crop year and an average harvest of 50 MQx assumed for the 2025/2026 crop year

Based on the latest data released by the Department of Agriculture, the harvest of the three main cereals for the 2024/2025 crop year stood at 41.3 million quintals (MQx), up 33.3 percent from the previous year. Meanwhile, citrus fruit production rose by 14.3 percent while market garden production grew by 3.5 percent. Under these conditions, agricultural value added is expected to increase by 5 percent, unchanged from the June 2025 forecast.

For the 2025/2026 crop year, assuming cereal production of 50 million quintals and average growth in other crops, agricultural value added should grow by 3.2 percent in 2026.

7.2 Macroeconomic projections

Continued momentum in foreign trade of goods and in travel revenue performance over the forecast horizon

After settling at 1.2 percent of GDP in 2024, the current account deficit is expected to widen slightly to 2.3 percent in 2025 and then to 2 percent in 2026.

In 2025, exports are forecast to increase by 6.2 percent, driven mainly by a 27.2 percent improvement in sales of phosphates and derivatives to 110.7 billion, while sales in the automotive sector are expected to end the year down 0.8 percent at 156.3 billion. At the same time, the pace of import growth is expected to accelerate to 7.4 percent, driven by a 14.8 percent increase in capital goods purchases, in line with the anticipated momentum in investment. Travel receipts are likely to maintain their momentum, rising by 11.3 percent to 125.2 billion. Remittances from Moroccans living abroad are projected to rise slightly by 0.6 percent to 119.7 billion, while FDI receipts are expected to continue their strong performance, reaching 55.9 billion dirhams, i.e. 3.3 percent of GDP after 2.7 percent in 2024.

Assuming that the planned external financing materialises, official reserve assets are forecasted to strengthen to MAD 418 billion by the end of 2025, equivalent to 5 months and 13 days of imports of goods and services.

In 2026, exports are expected to improve by 9.4 percent, driven by the anticipated recovery in the construction sector, where sales will jump by 25.2 percent. Similarly, sales of phosphates and derivatives are expected to increase by 5.1 percent to 116.4 billion. Imports are projected to rise by 7.1 percent, mainly reflecting a 12.5 percent increase in capital goods purchases. The energy bill is expected to fall by 2.5 percent to MAD 94.4 billion. Travel receipts are forecast to rise by 4.8 percent to MAD 131.2 billion, while remittances from Moroccans living abroad are expected to reach MAD 125.5 billion, an increase of 4.8 percent. FDI revenues are forecast to reach 3.5 percent of GDP in 2026. Taking into account, in particular, the external drawdowns planned by the Treasury, foreign exchange reserves should amount to 434.5 billion at the end of 2026, corresponding to 5 months and 19 days of imports of goods and services.

Table 7.1: Main components of the balance of payments

Tableau 7.1 : Principales composantes de la balance des paiements

Change in %, unless otherwise indicated	Actual rates							Forecast		Gap (sept./june)	
	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	6.1	6.2	9.4	1.1	0.5
Imports of goods (CIF)	9.9	2.0	-13.9	25.0	39.5	-2.9	6.4	7.4	7.1	2.3	0.0
Travel receipts	1.2	7.8	-53.7	-5.1	171.5	14.6	4.6	11.3	4.8	3.0	-0.6
Remittances	-1.5	0.1	4.8	40.1	16.0	4.0	3.3	0.6	4.8	3.9	-0.2
Current account balance (% GDP)	-4.9	-3.4	-1.2	-2.3	-3.5	-1.0	-1.2	-2.3	-2.0	-0.1	0.0
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	5.4	5.6	0.1	0.1

Sources: Office des Changes data and BAM forecasts.

Faster growth in lending to the non-financial sector over the forecast horizon

The banking liquidity deficit is expected to ease to MAD 115 billion by the end of 2025. In 2026, it is expected to widen to MAD 133 billion, mainly due to the increase in banknotes and coins in circulation. After growing by 7.6 percent in 2024, the latter are expected to grow by 8.1 percent in 2025 and 7.1 percent in 2026. Taking into account actual performance, economic projections and banking system expectations, bank credit to the non-financial sector is expected to grow by 5.9 percent in 2025 and 2026. Under these conditions, and in line with the expected evolution of other counterparts of the money supply, the M3 aggregate is set to rise by 7.7 percent in 2025 and 6.2 percent in 2026.

For its part, the effective exchange rate should appreciate in 2025 by 4.2 percent in nominal terms and 2.2 percent in real terms before depreciating in 2026 by 1.2 percent in nominal terms and 2.3 percent in real terms.

Table 7.2: Money supply and bank lending

Change in %, unless otherwise indicated	Actual rates					Forecast		Gap (sept./june)	
	2020	2021	2022	2023	2024	2025	2026	2025	2026
Bank credit to the non-financial sector	4.2	2.9	7.8	2.9	2.6	5.9	5.9	-0.3	-0.2
M3	8.4	5.1	8.0	3.9	8.0	7.7	6.2	0.4	-0.1
Liquidity requirement, in million MAD	-74.6	-64.4	-86.6	-111.4	-137.4	-115.3	-132.9	7.2	7.1

The budget deficit is expected to stabilise in 2025 then ease in 2026

The budget deficit is expected to stabilise at 3.9 percent of GDP in 2025, before falling to 3.4 percent of GDP in 2026. These projections are based on the 2025 Finance Act, the 2025-2027 three-year fiscal plan, budget implementation data at end-July 2025, and BAM's new macroeconomic forecasts. They also take into account the additional 13 billion in appropriations opened in April under the general budget.

In 2025, tax revenues are projected to improve by 10.8 percent, driven by increases of 10.7 percent in indirect tax revenues and 14 percent in direct tax revenues. Meanwhile, non-tax revenues are expected to decline by 0.8 percent, mainly impacted by decreases in non-tax 'other revenues' of 43.6 percent and in innovative financing mechanisms of 0.8 percent to 35 billion. On the other hand, ordinary expenditure is expected to increase by 15 percent, with an 18.7 percent surge in goods and services. The wage bill is set to increase by 11.3 percent and expenditure on other goods and services by 32.9 percent. Similarly, debt interest payments should rise by 23.9 percent. On the other hand, clearing expenses are expected to fall by 40.9 percent and investment expenditure by 1.5 percent to 115.6 billion, or 6.9 percent of GDP.

In 2026, tax revenue is expected to increase by 5.9 percent, with a 1.3 percent rise in direct tax revenue and an 8.4 percent rise in indirect tax revenue. Meanwhile, non-tax revenues are set to decline by 1.2 percent, with a 4.4 percent drop in resources from public enterprises, while innovative financing mechanisms should remain stable at 35 billion. At the same time, current expenses are projected to increase by 4 percent, driven mainly by gains of 4.8 percent in goods and services and 1 percent in debt interest charges. The wage bill is forecast to grow by 5.3 percent and expenditure on other goods and services by 4.1 percent. Clearing expenditure is expected to fall by 23.6 percent to 11.5 billion, while investment expenditure is forecast to rise by 0.6 percent to 116.3 billion.

Sustained growth of non-agricultural activities in the medium term

National economic growth is projected to accelerate from 3.8 percent in 2024 to 4.6 percent in 2025, before consolidating at 4.4 percent in 2026, unchanged from the June forecasts. On the supply side, this trend reflects a 5 percent increase in agricultural value added in 2025, followed by a 3.2 percent increase in 2026, assuming a return to an average cereal harvest of 50 MQx. For its part, non-agricultural growth is expected to reach 4.5 percent in 2025 and 2026, thereby continuing the favourable momentum observed in 2024, when it stood at 4.8 percent.

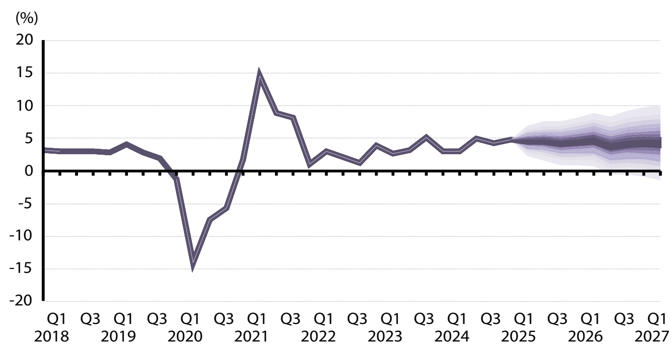
On the demand side, growth is expected to remain supported by domestic factors, notably sustained investment momentum linked to infrastructure projects that have been launched or are planned, and continued consolidation of final household consumption linked to improved agricultural and non-agricultural revenues. On the other hand, net exports are likely to make a negative contribution, as imports of goods and services are expected to grow faster than exports.

Table 7.3: Economic growth

Change in %	Actual rates						Forecast		Gap (sept./june)	
	2019	2020	2021	2022	2023	2024	2025	2026	2025	2026
National growth	2.9	-7.2	8.2	1.8	3.7	3.8	4.6	4.4	0.0	0.0
Agricultural VA	-5.0	-8.1	19.5	-11.3	1.5	-4.8	5.0	3.2	0.0	0.0
Non-agricultural VA	3.8	-7.1	6.9	3.5	3.9	4.8	4.5	4.5	0.0	0.0

Sources: HCP data and BAM forecasts

Chart 7.8: Growth outlook over the forecast horizon(Q2 2025- Q2 2027), YoY*

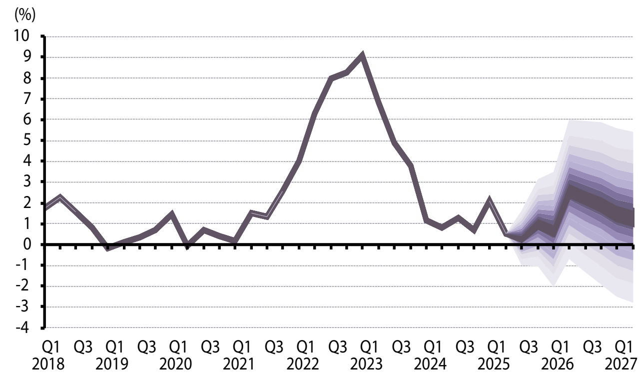


*Uncertainty surrounding the central forecast with confidence intervals ranging between 10 percent and 90 percent

Moderate inflation over the forecast horizon

After a sharp slowdown to 0.9 percent in 2024, inflation is expected to stand at 1 percent in 2025, a downward revision of 0.1 percentage points compared to the June projections, before settling at 1.9 percent in 2026. Driven mainly by the slowdown in the prices of 'fresh meat' and the decline in imported inflation, core inflation is expected to decelerate from 2.2 percent in 2024 to 1.1 percent in 2025, before returning to 2 percent in 2026. Fuel and lubricant prices should fall by 10.2 percent in 2025, followed by a 5.4 percent increase in 2026, in line with the expected changes in global Brent prices and the exchange rate against the dollar. Regulated tariffs are expected to rise by an average of 2.1 percent over the forecast period, taking into account the ongoing process of gradually removing subsidies on butane gas. As for the prices of volatile food products, projections point to an increase in 2025 and stability in 2026.

Chart 7.9: Inflation expectations over the forecast horizon (Q3 2025 to Q2 2027)*



*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 (sept./june)	
	2019	2020	2021	2022	2023	2024	2025	2026	Forecast horizon Q3-2025 – Q2-2027	2025	2026
Inflation	0.2	0.7	1.4	6.6	6.1	0.9	1.0	1.9	1.5	-0.1	0.1
Inflation sous-jacente	0.5	0.5	1.7	6.6	5.6	2.2	1.1	2.0	1.4	-0.1	0.2

Sources: HCP data and BAM calculations and forecasts.

Chart 7.10: Change in core inflation and output gap

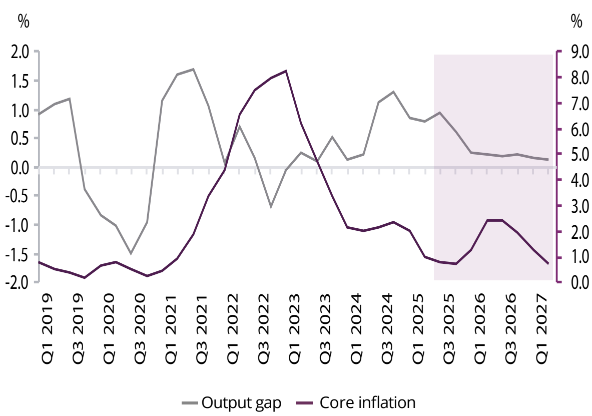
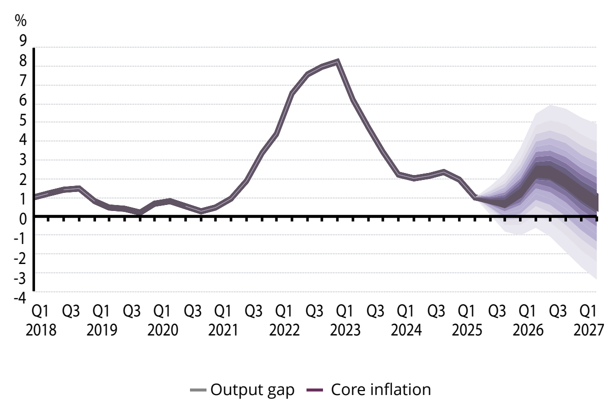


Chart 7.11: Projections of core inflation over the forecast horizon (Q3 2025 - Q2 2027)*



* 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

Despite the relative easing of trade tensions, the uncertainties surrounding the persisting global economic outlook pose a risk of slowing international trade, disrupting supply chains and ultimately weighing on global growth. Added to this are the ongoing difficulties facing China's property sector, the rising global public debt and the lingering inflationary pressures in some major economies such as the United States. Finally, the ongoing conflicts in the Middle East and the war in Ukraine could further weaken global economic activity and disrupt supply chains, particularly for energy.

At the national level, economic activity is mainly exposed to risks related to recurring droughts and increasing water stress. On the other hand, construction projects launched or planned to host international sporting events may have a more significant knock-on effect and lead to faster growth. With regard to inflation, risks remain on the upside. In addition to external pressures, unfavourable weather conditions could lead to higher food prices.

LIST OF ABBREVIATIONS

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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