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FOREWORD

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

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

Monetary policy decisions are transmitted to the economy, particularly through their impacts on interest rates across various markets, the expectations of economic units and on the asset prices, whose change affects overall demand for goods and services and, eventually, inflation. Since these impacts do not materialize until after a certain time period, forecasts play an important role in monetary policy formulating and decision-making. They are thus produced by the Bank for an eight-quarter horizon on the basis of an integrated analysis and forecasting framework articulated around a central monetary policy model, 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, December 16, 2025

1. The Board of Bank Al-Maghrib held its last quarterly meeting of 2025 on Tuesday, December 16.
2. During this meeting, the Board first commended the commitment of the various signatory stakeholders of the Charter on the Financing and Support of Very Small Enterprises signed on the 4th of this month. The Board considers that this Charter would contribute significantly to the development of this category of enterprises and reinforce its participation in investment, job creation, and the promotion of integrated territorial development.
3. The Board then analyzed economic developments, as well as Bank AlMaghrib's medium-term macroeconomic projections. At the international level, the Board noted some easing of trade tensions and the end of the US fiscal deadlock, while observing that the level of uncertainty remains elevated, due, in particular, to the developments in the US tariff policy and its implications, as well as to the persistence of geopolitical tensions. Against this backdrop, and despite relative resilience over the first half of the year, helped by trade frontloading, the global economy is expected to continue its slowdown and will not accelerate until 2027. Furthermore, inflation is expected to continue decelerating before picking up again in 2027, albeit with heterogeneous developments across economies.
4. At the national level, the Board noted the remarkable performance of non-agricultural sectors, as well as the signs of recovery in the labor market. This momentum is expected to be sustained over the medium term, underpinned by investment efforts. Furthermore, the Board reviewed the data in the 2026 Finance Act and in the 2026-2028 three-year fiscal plan, which indicate an ongoing fiscal consolidation and a gradual easing of the Treasury's debt.
5. Inflation continues to evolve at low levels, averaging 0.8 percent over the first ten months of 2025, driven in particular by the improved supply food products, notably olive oil, and the decrease in fuel and lubricant prices. According to Bank AlMaghrib's projections, inflation should gradually accelerate toward levels in line with the price stability objective. Indeed, after an inflation rate projected at 0.8 percent for this year as a whole, it is expected at 1.3 percent in 2026, then 1.9 percent in 2027. Core inflation is projected to stand at 0.7 percent this year and the next, before accelerating to 1.9 percent in 2027.
6. Inflation expectations remain well anchored. Financial sector experts surveyed as part of Bank AlMaghrib's quarterly survey anticipate, in the fourth quarter of 2025, average rates of 2 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, the decline in bank lending rates to the non-financial sector remains partial, as the cumulative decline since the beginning of the monetary easing in June 2024 was 58 basis points (bp) in the third quarter of 2025, compared with 75 bp for the key rate.

8. Considering all these factors, the Board deemed the current level of the key interest rate appropriate and decided to maintain it unchanged at 2.25 percent. In view of the still elevated level of uncertainty, linked in particular to persisting geo-economic tensions at the international level and to weather conditions at the domestic level, 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.
9. On international commodity markets, oil prices are projected to continue their downward trend, driven by significant supply from OPEC+ countries along with a still weak growth in global demand. The price of Brent crude in particular is expected to decline by 14.3 percent this year to average USD 68.4 per barrel, then USD 63.1 in 2026 before increasing slightly to USD 65.8 in 2027. As for Moroccan raw phosphate, its price should decline gradually, from USD 214 per tonne in 2024 to USD 182 in 2027. Regarding phosphate derivatives, after a steep increase in 2025, their prices are expected to contract over the medium term due to increasing international production capacity and the expected easing of China's export restrictions. They would decline from an average of USD 712 per tonne in 2025 to USD 641 in 2027 for DAP, and from USD 521 to USD 487 for TSP. Conversely, after declining in 2024, food prices are expected to trend upward, with the FAO index forecast to rise by 4.8 percent in 2025, 0.7 percent in 2026, and 2 percent in 2027.
10. Regarding global economic growth, it is expected to continue decelerating, declining from 3.2 percent in 2024 to 3.1 percent this year, then to 2.7 percent in 2026, before improving to an expected 3 percent in 2027. In major advanced economies, growth would follow diverging trajectories. In the United States, it is forecast to decelerate from 2.8 percent in 2024 to 1.9 percent in 2025 then to 1.8 percent in 2026 and 2027, affected in particular by the uncertainties arising from the tariff policy. In the euro area, it is expected to improve from 0.8 percent in 2024 to a rate ranging from 1.2 percent to 1.5 percent between 2025 and 2027, underpinned by private consumption and a recovery in investment. Among the major emerging countries, growth in China would be moderate, but steady, at close to 5 percent in 2025 and around 4.5 percent in the following two years. In India, growth is poised to remain vigorous, with a pace of 7.3 percent this year, but is expected to slow to 6.1 percent in 2026, adversely affected by the rise in US tariffs, before recovering to 6.7 percent in 2027.
11. In this context, inflation would continue to decline globally, falling from 3.7 percent in 2024 to 2.9 percent in 2025 and 2026, before rising again to 3.1 percent in 2027. In the major advanced economies, it is projected to remain close to the ECB's target in the eurozone, while in the United States, it would stay above the Fed's target, driven in particular by higher tariffs, standing at 2.8 percent in 2025, 3.1 percent in 2026, and 2.7 percent in 2027.
12. Regarding the monetary policy stance in the main advanced economies, after eight interest rate cuts since June 2024, the ECB decided at its meeting on October 30 to keep its rates unchanged for the third consecutive time. In the U.S., noting the rise in unemployment and the increasing downside risks to the employment outlook, the Fed reduced, for the third time in a row this year, the target range for the federal funds rate by 25 basis points to [3.50 percent -3.75 percent] at its meeting on December 9 and 10. For its part, after three cuts in the first 10 months of 2025, the Bank of England decided on November 5 to keep its key rate unchanged at 4 percent.
13. At the domestic level, economic growth is expected, according to Bank Al-Maghrib projections, to accelerate significantly this year to 5 percent and to average 4.5 percent over the next two years. Indeed, assuming a return to average cereal harvests of 50 million quintals, agricultural value added,

following a 5 percent increase in 2025, would rise by 4 percent in 2026 and 2 percent in 2027. As for non-agricultural sectors, growth would remain strong, supported in particular by robust investment, reaching 5 percent this year, 4.8 percent in 2026, and 4.5 percent in 2027.

14. Regarding external accounts, exports are expected to increase by 4.5 percent in 2025, driven by improved sales of phosphate and derivatives to MAD 108 billion, then by 8.4 percent in 2026 and 7.9 percent in 2027, reflecting in particular the expected recovery in automotive industry shipments which, after contracting this year, are likely to grow by around 17 percent annually to reach MAD 208 billion in 2027. At the same time, the pace of imports is set to remain strong, driven mainly by purchases of capital and consumer goods, while the energy bill is expected to ease further in 2025 and 2026, before rising in 2027 to MAD 101 billion. For their part, travel receipts would continue to perform strongly, reaching nearly MAD 155 billion in 2027. Remittances would grow by an average of 3.1 percent per year between 2025 and 2027, to reach MAD 130 billion. Overall, the current account deficit is expected to remain contained, standing at 1.8 percent of GDP in 2025 and staying below 2 percent in the following two years. Similarly, foreign direct investment flows are likely to continue to strengthen, with annual revenues equivalent to 3.5 percent of GDP. Taking into account the Treasury's planned external financing, Bank Al-Maghrib's official reserve assets would gradually strengthen to reach MAD 448 billion at the end of 2027, providing coverage equivalent to nearly five and a half months of imports of goods and services.
15. Concerning monetary conditions, the banking sector's liquidity needs are expected to widen gradually, reaching 158 billion in 2027 due, in particular, to the projected increase in currency in circulation. As for bank credit granted to the non-financial sector and taking into account the economic outlook and the banking system expectations, its growth pace should accelerate to 4.1 percent in 2025 and to 5 percent in 2026 and 2027. As for the value of the dirham, quarterly assessments conducted by Bank Al-Maghrib, based on the latest international methodology, indicate that it remains broadly in line with economic fundamentals. The effective exchange rate is expected to appreciate by 2.2 percent in real terms in 2025, reflecting an increase in its nominal value, offset by lower domestic inflation compared with partner countries and trading competitors. It would subsequently depreciate by 2.8 percent in 2026 and by 0.5 percent in 2027.
16. In terms of public finance, taking into consideration budget execution at the end of October, the provisions of the 2026 Finance Act, and the 2026-2028 Three-Year Fiscal Plan, Bank Al-Maghrib's projections point to continued fiscal consolidation over the medium term. The deficit, excluding proceeds from the sale of state holdings, is expected to decline from 3.9 percent of GDP in 2024 to 3.6 percent in 2025 and further to 3.4 percent in 2026 and 2027.
17. Finally, the Board approved the foreign exchange reserves management strategy and validated the Bank's budget and the internal audit program for the 2026 fiscal year. It also set the dates of its ordinary meetings for the same year on March 17, June 23, September 22, and December 15.

OVERVIEW

In the fourth quarter of 2025, the international environment is marked by a relative easing of uncertainty, thanks in particular to the progress made in trade negotiations between the United States and several of its main partners, including China, as well as the end of the US fiscal deadlock after a record six-week shutdown. However, persistent geopolitical tensions and tariff increases continue to weigh on economic activity and its outlook.

The latest national accounts data for the third quarter of 2025 show a slowdown in **economic growth** to 1.4 percent year-on-year in the euro area, down from 1.6 percent a quarter earlier, with significant contrasts across member countries. Growth slowed from 3 percent to 2.8 percent in Spain, stabilized at 0.3 percent in Germany, and accelerated from 0.7 percent to 0.9 percent in France and from 0.5 percent to 0.6 percent in Italy. In the United States, the data remains unchanged from the second quarter and indicates a moderate improvement in growth to 2.1 percent, after 2 percent in the previous quarter. In other advanced economies, the pace of activity slowed from 1.9 percent in the second quarter to 0.7 percent in the third quarter in Japan and from 1.4 percent to 1.3 percent in the United Kingdom.

In the main emerging countries, the trajectories were just as varied. Growth fell from 5.2 percent in the second quarter to 4.8 percent in the third quarter in China, from 2.4 percent to 1.8 percent in Brazil, and from 4.9 percent to 3.7 percent in Türkiye, while in India it accelerated from 7.8 percent to 8.2 percent. In Russia, the available data are that of the second quarter and show a slowdown to 1.1 percent, after 1.4 percent in the previous quarter.

In the **labor markets of advanced economies**, there are increasing signs of moderating pressures, particularly in the United States. September data showed a monthly increase in the unemployment rate to 4.4 percent from 4.3 percent in August, albeit with 119,000 jobs created after a loss of 4,000. In the euro area, the unemployment rate stabilized at 6.4 percent in October. It remained unchanged at 10.5 percent in Spain, 7.7 percent in France, and 3.8 percent in Germany, while falling from 6.2 percent to 6 percent in Italy.

In terms of **financial markets**, performance was generally positive over the first eleven months of the year, with gains of 10.7 percent for the Dow Jones Industrials, 9 percent for the Euro Stoxx 50, 8 percent for the FTSE 100, and 3.8 percent for the Nikkei 225. These developments were coupled by increased risk aversion on both the US and European markets, with the VIX index rising to 17 and the VSTOXX to 20 at the end of November. In emerging economies, the MSCI EM rose 10.3 percent over the first eleven months of the year, driven in particular by the Chinese market.

In terms of **sovereign bond markets**, those in advanced economies posted mixed developments between January and November. The 10-year yield hovered around 4.1 percent on average for the United States, while it rose to 2.8 percent for Germany, 3.4 percent for France, 3.2 percent for Spain, and 3.4 percent for Italy. Among the major emerging economies, the rate remained unchanged at 1.8 percent for China, fell to 13.7 percent for Brazil and 6.5 percent for India, while rising to 29.2 percent for Türkiye.

On the **foreign exchange markets**, during the first eleven months of the year, the euro appreciated by 7.6 percent against the dollar, mainly due to concerns about US trade policy and, more recently, growing expectations of a cut in the federal funds rate target range. It also rose 3.9 percent against the Japanese

yen and 3.2 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 fell by 5.7 percent to USD 69.6 per barrel in the first eleven months of the year—compared with December 2024—representing a year-on-year decline of 14.4 percent. This was linked in particular to the increased production by OPEC+ countries. Similarly, the prices of non-energy products dropped by 1.6 percent, driven in particular by the decline in the prices of agricultural products. Year-on-year, they rose by 2.7 percent, mainly reflecting increases of 3.8 percent for metals and minerals and 1.2 percent for agricultural products. In terms of phosphate and derivatives, DAP and TSP prices rose by 21.5 percent to USD 690.5 per ton and 21.7 percent to USD 581.2 per ton, respectively, during the first eleven months of the year, while raw phosphate prices remained stable at an average of USD 152.5 per ton. Year-on-year, prices rose by 22.6 percent for DAP and 22.5 percent for TSP, while those for raw phosphate remained unchanged.

In this context, **inflation** remained well above the Fed's target in the United States, standing at 3 percent in September, compared with 2.9 percent in August. In the euro area, it accelerated slightly to 2.2 percent in November, compared with 2.1 percent a month earlier, reflecting in particular an increase from 2.3 percent to 2.6 percent in Germany, a steady 0.8 percent in France, and slight declines from 3.2 percent to 3.1 percent in Spain and from 1.3 percent to 1.1 percent in Italy. In other major advanced economies, inflation fell from 3.8 percent in September to 3.6 percent in October in the United Kingdom and rose from 2.8 percent to 3 percent in Japan.

Regarding **monetary policy**, noting the rise in unemployment and the increased downside risks to the employment outlook, the Fed reduced the target range for the federal funds rate by 25 basis points to [3.50-3.75 percent] at its meeting on December 9 and 10, for the third consecutive time this year. In contrast, at its meeting on October 30, the **ECB** decided to keep its three key interest rates unchanged, the third 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. For its part, the **Bank of England** decided at its meeting on November 5 to keep its key rate unchanged at 4 percent for the second consecutive time—after a total of three cuts since the beginning of 2025—stressing that inflation is considered to have peaked.

At the **national level**, national accounts data for the second quarter show an acceleration in economic growth to 5.5 percent, compared with 3 percent in the same quarter a year earlier. This change is the result of a 4.7 percent improvement in agricultural value added, compared with a 4.4 percent decline, and a 5.5 percent increase, after 3.8 percent, in non-agricultural activities. On the demand side, domestic demand contributed positively by 9.9 percentage points, while foreign trade remained negative at 4.4 points.

On the **labor market**, after employment remained virtually stable in the second quarter of 2025, the momentum observed since the third quarter of 2024 appears to be rebounding. Between the third quarter of 2024 and the same period in 2025, the national economy created 167,000 jobs, compared with 213,000 a year earlier. With the exception of agriculture, which declined by 47,000 jobs, other sectors recorded increases of 94,000 in services, 90,000 in construction, and 29,000 in industry. Taking into account a net inflow of 112,000 job seekers, the labor force participation rate fell by 0.3 points to 43.3 percent and the unemployment rate fell from 13.6 percent to 13.1 percent.

In terms of **external accounts**, data for the first ten months of 2025 show continued momentum in goods trade, an accelerated growth rate of travel receipts, and a sharp increase in FDI receipts. Exports rose by 2.6 percent to 385.2 billion, and imports by 9.4 percent to 682.2 billion. As a result, the trade deficit widened to MAD 297 billion, and the coverage ratio fell to 56.5 percent, down from 60.2 percent at the end of October 2024. Imports were driven mainly by increases of 15.2 percent in capital goods, 12.7 percent in finished consumer products, and 6.4 percent in semi-finished products, while the energy bill fell by 4.4 percent to 91 billion. As for exports, their growth mainly reflects the 16.7 percent increase in sales of phosphate and derivatives, while shipments in the automotive sector contracted by 3.1 percent to MAD 127.2 billion. Travel receipts amounted to MAD 113.3 billion, up 16.7 percent compared to the same period in 2024, while travel expenditures increased by 11.5 percent to 27.5 billion. Remittances rose by 1.5 percent to 102.9 billion. In terms of major financial operations, FDI receipts grew by 28.2 percent to 45.4 billion, while Moroccan direct investment abroad fell by 26.9 percent to 16.2 billion.

At the end of October 2025, official reserve assets rose to MAD 431.6 billion, representing the equivalent of 5 months and 23 days of imports of goods and services.

In terms of **monetary conditions**, banks' liquidity needs increased from MAD 119.7 billion in the third quarter of 2025 to an average of 128.5 billion in October and November. Under these conditions, Bank Al-Maghrib increased the volume of its injections from 132.7 billion to 143.2 billion. The real effective exchange rate appreciated by 0.4 percent in the third quarter of 2025 compared to the previous quarter, while the overall average lending rate remained virtually stable at 4.85 percent but has fallen by 58 points since the start of monetary easing in June 2024. The annual growth rate of bank credit to the non-financial sector accelerated from 3 percent in the third quarter to 3.6 percent in October, mainly reflecting the 0.1 percent increase in cash facilities granted to public non-financial companies to 11.7 percent.

On the **public finances front**, the implementation of the Finance Act for the first ten months of 2025 resulted in a fiscal deficit of MAD 60.3 billion, up by 11.2 billion compared to the same period in 2024. Current revenues improved by 16 percent to 371.6 billion, driven mainly by increases of 15.7 percent in tax revenues and of 19.5 percent in non-tax revenues. In contrast, current expenditures increased by 16.5 percent to MAD 335.5 billion, mainly reflecting increases of 19.3 percent in goods and services and 23.6 percent in debt interest, while compensation costs fell by 25.4 percent. Under these conditions, the current balance showed a surplus of 36.1 billion, compared with 32.3 billion a year earlier. Investment rose by 8.3 percent to 86.2 billion, bringing overall expenditure to 421.7 billion, an increase of 14.7 percent. The balance of the Treasury's special accounts was negative at 10.2 billion, following a negative balance of 1.8 billion. Given the reduction in the stock of pending transactions by 12.7 billion, the cash deficit widened to MAD 73 billion, compared with MAD 54.1 billion at the end of October 2024. This need was covered by net domestic resources of MAD 39.3 billion and net external flows of MAD 33.7 billion. As a result, outstanding direct public debt is estimated to have increased by 6.2 percent at the end of October 2025 compared with its level at the end of December 2024.

On the **Casablanca Stock Exchange**, the MASI fell by 2 percent between September and November, bringing its performance since December 2024 to 26.2 percent. This change mainly reflects declines of 3.1 percent for the "Banks" index, 8.3 percent for "Agri-food and production", 1.8 percent for "Buildings and construction materials", 6.4 percent for "Electricity", and 3.5 percent for "Health". On the other hand, the "Transport services" and "Real estate participation and promotion" indices recorded increases of 3.4 percent and 4 percent, respectively. Trading volume stood at MAD 14.8 billion in October and November,

down from 50.8 billion in the third quarter of 2025. In this context, market capitalization fell to 984.9 billion at the end of November, down 1.9 percent from the end of September, but still up 30.9 percent since the beginning of the year.

In the **real estate market**, transactions rose by 14 percent in the third quarter of 2025, following a 4.1 percent decline in the previous quarter, with increases of 15.7 percent for residential properties, 12 percent for commercial properties, and 9.3 percent for land. At the same time, prices rose by 1.1 percent, after stagnating in the previous quarter, driven by increases of 1.5 percent for residential properties, 1.3 percent for land, and 0.3 percent for commercial properties.

In this context, **inflation** fell from an average of 0.4 percent in the third quarter to 0.1 percent in October, bringing its average for the first ten months of the year to 0.8 percent. This slowdown mainly reflects the deceleration in core inflation from 0.6 percent to 0.3 percent. On the other hand, the rise in prices of volatile food products accelerated from 1.6 percent to 2.3 percent, and the decline in fuel and lubricant prices slowed from 9.5 percent to 5.8 percent. Inflation expectations remain well anchored, with financial sector experts forecasting an average rate of 2 percent over the next eight quarters in the fourth quarter of 2025, and 2.2 percent over the next 12 quarters.

In **terms of outlook, global economic growth** is expected to slow in 2025 and 2026, as the temporary factors that supported its resilience in the first half of this year are likely to fade.

Indeed, the pace of economic activity is expected to return to 3.1 percent this year, then 2.7 percent in 2026, and 3 percent in 2027. In the United States, growth is expected to reach 1.9 percent, driven mainly by resilient household consumption and buoyant investment in technology and artificial intelligence, before slowing slightly to 1.8 percent in 2026 and 2027. In the euro area, the economy is expected to continue growing at a moderate pace, reaching 1.4 percent in 2025, 1.2 percent in 2026, and 1.5 percent in 2027, supported by strong private consumption and a recovery in investment, particularly in the defense and infrastructure sectors. In the United Kingdom, economic activity is expected to grow by 1.4 percent in 2025, driven mainly by public spending and exports in anticipation of tariff increases, before slowing to 1.1 percent in 2026 and then returning to 1.4 percent in 2027. In Japan, economic activity is expected to accelerate to 1.4 percent this year, driven by higher consumption and investment, as well as strong export performance in the first half of the year. Growth is expected to moderate to 0.9 percent in 2026 and 0.8 percent in 2027 as the impact of US tariffs will be felt.

Among the major emerging economies, China is projected to end the year with an annual growth of 4.9 percent. Regarding its prospects, the latest data show signs of slowing, including a decline in retail sales and exports, while investment continues to suffer from ongoing difficulties in the real estate sector. Growth is therefore expected to slow to 4.4 percent in 2026 and 4.6 percent in 2027. In India, activity is likely to remain strong in 2025, at a rate of 7.3 percent, but is expected to slow to 6.1 percent in 2026 before settling at 6.7 percent in 2027. In Brazil, growth is set to slow from 3 percent in 2024 to 2.4 percent in 2025 and then to 1.1 percent in 2026, mainly due to restrictive monetary policy, before rebounding to 2.3 percent in 2027. In Russia, growth is expected to slow sharply to 0.7 percent in 2025, penalized in particular by sanctions targeting national oil companies and by the decline in oil exports to China and India. It is then forecast to slow to 0.5 percent in 2026 before recovering to 1 percent in 2027.

On the **commodities markets**, prices are expected to remain on a downward trend due to significant supply from OPEC+ countries and sustained weak consumption growth. The price of Brent crude in

particular is likely to fall from an average of USD 79.8 per barrel in 2024 to USD 68.4 in 2025 and then to USD 63.1 in 2026. As for Moroccan phosphate and derivatives, the price of Moroccan DAP is estimated to rise to an average of USD 712 this year—according to projections by the Commodities Research Unit—before falling to USD 694 in 2026 and USD 641 in 2027. The price of TSP is expected to fall from USD 521 per ton in 2025 to USD 502 in 2026 and then to USD 487 in 2027. As for raw phosphate, its price is expected to fall to USD 211 per ton in 2025, USD 195 in 2026, and then USD 182 in 2027. As for foodstuffs, after a 2 percent decline in 2024, the FAO index is expected to rise by 4.8 percent in 2025, driven mainly by higher prices for vegetable oils and meat. Subsequently, it is set to post more moderate increases of 0.7 percent in 2026 and 2 percent in 2027.

Under these conditions, **inflation** would continue to decline globally, falling from 3.7 percent in 2024 to 2.9 percent in 2025 and 2026, before rising again to 3.1 percent in 2027. In the euro area, despite tariff hikes and supply chain disruptions, inflation would remain around the ECB's target over the forecast horizon, while in the United States, it would remain above the Fed's target, falling from 3 percent in 2024 to 2.8 percent this year and 3.1 percent in 2026, before decelerating to 2.7 percent in 2027.

At the national level, 2025 is expected to witness an acceleration in the growth pace of goods and services trade, mainly reflecting increases of 4.5 percent in exports and 7.7 percent in imports, as well as a sharp rise in travel receipts, which are expected to end the year up 23 percent compared with 2024. The current account deficit would thus stand at around 1.8 percent of GDP, after 1.2 percent in 2024. Furthermore, FDI receipts are expected to peak at the equivalent of 3.4 percent of GDP, compared with 2.7 percent in 2024. Under these conditions, official reserve assets are expected to stand at MAD 425.2 billion in 2025, equivalent to 5 months and 16 days of imports of goods and services.

In the medium term, trade would continue to pick up. Exports are expected to increase by 8.4 percent in 2026 and 7.9 percent in 2027, driven by the predicted recovery in the automotive manufacturing segment, where sales are expected to reach MAD 83.4 billion in 2027, bringing the total for the automotive sector to 208.5 billion. In addition, exports of phosphate and derivatives are expected to grow by 3.9 percent in 2026, before virtually stabilizing at MAD 112.1 billion in 2027. Imports are expected to increase by 6.1 percent in 2026 and then by 8 percent in 2027, reflecting in particular a sharp rise in capital goods purchases, in line with investment momentum. The energy bill is set to decrease by 8.4 percent in 2026 before increasing by 8.2 percent in 2027 to MAD 100.5 billion. At the same time, travel revenues are expected to continue their momentum, with increases of 5.4 percent in 2026 and 6.1 percent in 2027 to reach MAD 154.7 billion. Remittances are expected to increase by 4.6 percent in 2026 and 2.2 percent in 2027, reaching MAD 130.2 billion. These developments would keep the current account deficit at 1.5 percent of GDP in 2026 and 1.9 percent in 2027. FDI revenues would reach the equivalent of 3.5 percent of GDP in the medium term.

Assuming that the planned external financing are secured, official reserve assets are expected to increase to 437.9 billion at the end of 2026 and then to 448.2 billion at the end of 2027, representing 5 months and 10 days and then 5 and half months of imports of goods and services, respectively.

In terms of **monetary conditions**, the banking liquidity deficit is expected to widen to MAD 132.1 billion at the end of 2025, 146.8 billion in 2026, and MAD 158 billion in 2027, mainly due to the increase in banknotes and coins in circulation. As for bank lending 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 4.1 percent in 2025 and around 5 percent in 2026 and 2027.

In terms of **public finances**, the fiscal deficit is expected to narrow to 3.6 percent of GDP in 2025, before stabilizing at 3.4 percent of GDP in 2026 and 2027. These projections take into account data from the 2026 Finance Act, the 2026-2028 three-year budget plan, and BAM's new macroeconomic projections. They also incorporate updates to the 2025 year-end forecasts published by the MEF in the 2026-2028 three-year budget plan document.

In terms of **economic activity**, after growing by 3.8 percent in 2024, growth is expected to accelerate significantly to 5 percent this year, reflecting a 5 percent increase in agricultural value added and a 5 percent improvement in non-agricultural value added. In the medium term, it is expected to consolidate at 4.7 percent in 2026 and then 4.3 percent in 2027, assuming a return to average cereal harvests. As for non-agricultural activities, their growth is expected to continue improving to 4.8 percent in 2026 and then to 4.5 percent in 2027. On the demand side, domestic demand will continue to drive growth, while net exports will remain negative.

In this context, **inflation** is expected to reach 0.8 percent in 2025 before gradually accelerating to 1.3 percent in 2026 and then to 1.9 percent in 2027. Underlying inflation would slow to 0.7 percent in 2025 and is expected to grow at the same pace in 2026, before rising to 1.9 percent in 2027.

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

At the national level, the main risks to economic activity remain linked to recurring droughts and worsening water stress. On the other hand, launched or planned construction projects linked to hosting international sporting events could generate greater knock-on effects and lead to faster growth. Although inflation has declined in recent months, the risks remain on the upside. In addition to external factors, unfavorable weather conditions could lead to higher food prices.

1. INTERNATIONAL DEVELOPMENTS

In the fourth quarter of 2025, the international environment was marked by the conclusion of new trade agreements between the United States and several partners, including China, hence contributing to a relative easing of trade tensions. Furthermore, the end of the fiscal deadlock in the USA, on November 12, after a record 6-weeks shutdown, reduced concerns. However, the ongoing geopolitical tensions, volatility on financial markets, as well as concerns regarding medium-term effects of the US trade policy, continued to weigh on the world economic outlook.

Against this backdrop, the available data indicate a slowdown in economic growth, notably in the euro area and China, as well as a slight acceleration in inflation in the United States, the euro area, and China. The labor markets of advanced economies show increasing signs of easing, as reflected in the further rise in the unemployment rate in the United States. As for financial markets, November in particular was marked by high volatility in US equity markets, primarily driven by growing concerns regarding an overvaluation of the technology and artificial intelligence segments. Lastly, in commodities markets, the price of Brent crude oil fell by 14.4 percent year-on-year over the first eleven months of the year, while non-energy commodities trended upward overall, mainly driven by a rise in the price of metals and ores and, to a lesser extent, by higher agricultural commodity prices.

1.1 Economic activity and employment

1.1.1 Economic activity

In the United States, the latest available data pertain to the second quarter of 2025¹ and underscore a moderate increase in growth to 2.1 percent after 2 percent a quarter earlier, primarily underpinned by continued buoyant investment in artificial intelligence (AI). In the euro area, economic activity slowed to 1.4 percent in the third quarter, down from 1.6 percent a quarter earlier, albeit with diverging trends among member countries. Indeed, growth accelerated from 0.7 percent to 0.9 percent in France and from 0.5 percent to 0.6 percent in Italy, stabilized at 0.3 percent in Germany, while slowing from 3 percent to 2.8 percent in Spain. In the other major advanced economies, growth declined to 1.3 percent in the United Kingdom in the third quarter after 1.4 percent in the previous quarter, and to 0.7 percent, down from 1.9 percent, in Japan

over the same period. This slowdown occurred as Japan's new government approved a comprehensive stimulus package worth approximately 21.3 trillion yen (nearly 117 billion euros) on November 21 in order to spur household consumption, alleviate the impact of inflation, and bolster investment in strategic sectors such as semiconductors, AI, and energy transition.

In emerging economies, the pace of activity in China slowed to 4.8 percent in the third quarter, down from 5.2 percent in the second quarter, primarily due to weak consumption, a contraction in the real estate sector, and a decline in investment. It is worth noting that the authorities unveiled, in October, the priorities for the next five-year plan (2026-2030)².

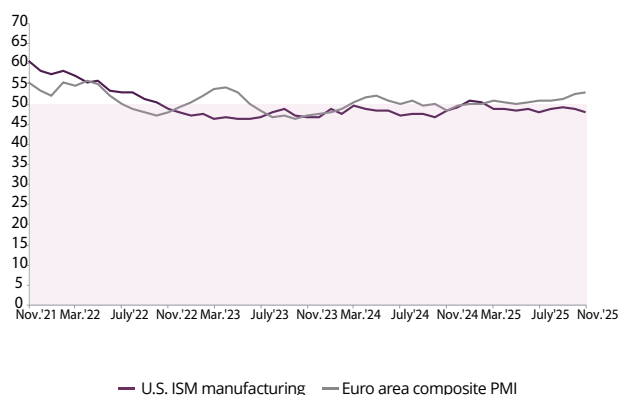
¹ The intermediate estimate of US economic growth for the third quarter was initially scheduled to be released on October 30, but the shutdown led to its postponement. Only the final estimate will be published on December 19, 2025.

² Full details of this stimulus package are expected to be unveiled at the next annual session of Parliament in March 2026.

The latter focuses on high-quality growth built on technological innovation and autonomy, the central role of the manufacturing sector, and the sustainable stimulation of consumption, all while strengthening financial resilience and the green transition.

Regarding the other major emerging economies, growth accelerated in India from 7.8 percent in the second quarter to 8.2 percent in the third quarter, while it slowed from 4.9 percent to 3.7 percent in Türkiye and from 2.4 percent to 1.8 percent in Brazil. For Russia, the latest available data pertain to the second quarter and underscores a slowdown in activity to 1.1 percent from 1.4 percent in the first quarter.

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



Source: Thomson Reuters Eikon.

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

	2023		2024				2025		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Advanced economies									
United States	3.2	3.4	2.9	3.1	2.8	2.4	2.0	2.1	N.D
Euro area	0.1	0.2	0.5	0.5	1.0	1.3	1.6	1.6	1.4
France	1.6	1.6	1.7	1.0	1.1	0.6	0.6	0.7	0.9
Germany	-0.9	-0.8	-0.5	-0.6	-0.6	-0.2	0.2	0.3	0.3
Italy	0.5	1.0	0.3	0.6	0.6	0.5	0.8	0.5	0.6
Spain	2.0	2.2	2.9	3.7	3.6	3.7	3.1	3.0	2.8
United Kingdom	0.1	-0.5	0.3	0.9	1.4	1.9	1.8	1.4	1.3
Japan	0.9	0.6	-1.2	-1.0	0.4	1.1	1.8	1.9	0.7
Emerging economies									
China	5.0	5.3	5.3	4.7	4.6	5.4	5.4	5.2	4.8
India	9.3	9.5	8.4	6.5	5.6	6.4	7.4	7.8	8.2
Brazil	2.4	2.4	2.5	3.5	4.1	3.6	3.1	2.4	1.8
Türkiye	6.5	4.9	5.3	2.3	2.8	3.2	2.5	4.9	3.7
Russia	6.2	5.3	5.4	4.3	3.3	4.5	1.4	1.1	N.D

Source: Thomson Reuters Eikon and Eurostat.

In terms of leading activity indicators, the Eurozone's composite PMI index rebounded to 52.8 in November, up from 52.5 in October, while the US ISM manufacturing index contracted from 48.7 to 48.2 over the same period.

1.1.2 Labor market

In the labor markets, data for September indicate a further increase in the unemployment rate in the United States to 4.4 percent after 4.3 percent in August, accompanied by a marked increase in job creation by 119,000 positions after a loss of 4,000 positions the previous month. In the euro area, the unemployment rate stabilized at 6.4 percent in October. It remained unchanged at 3.8 percent in Germany, 7.7 percent in France, and 10.5 percent in Spain, while declining from 6.2 percent to 6 percent in Italy. In the United Kingdom, the September data indicate an increase in the unemployment rate to 5 percent.

Table 1.2: Change in unemployment rates (in percent)

(In %)	2023	2024	2024		
			Aug.	Sept.	Oct.
United States	3.6	4.0	4.3	4.4	N.D
Euro area	6.6	6.4	6.4	6.4	6.4
France	7.3	7.4	7.7	7.7	7.7
Germany	3.1	3.4	3.7	3.8	3.8
Italy	7.7	6.5	6.0	6.2	6.0
Spain	12.2	11.4	10.5	10.5	10.5
United Kingdom	4.1	4.3	4.8	5.0	N.D

Source: Eurostat and BLS.

1.2 Monetary and financial conditions

1.2.1 Monetary policy decisions

Following its meeting on October 30, the ECB decided to maintain its three key interest rates unchanged, marking the third consecutive decision to maintain the status quo after a total of eight reductions since June 2024. It indicated that inflation currently stands around the medium-term target of 2 percent and that the outlook remains broadly unchanged. It also highlighted that the asset purchase program (APP) and pandemic emergency purchase program (PEPP) portfolios are contracting at a measured and predictable pace, as the Eurosystem is no longer reinvesting principal payments from maturing securities.

In contrast, following its meeting on December 9-10, the Fed decided to lower the federal funds rate target range, for the third consecutive time, by 25 basis points (bp) to [3.50 percent -3.75 percent], considering the rise in unemployment and the increased downside risks to the employment outlook. It indicated that, according to available indicators, economic activity progressed at a moderate pace. Job creation has slowed this year, and the unemployment rate rose slightly through September. Inflation has risen since the beginning of the year and remains somewhat elevated. In addition, the Fed announced that it would resume purchases of short-term Treasury securities in order to maintain a sufficient supply of reserves.

For its part, the Bank of England maintained its key interest rate at 4 percent following its meeting on November 5, emphasizing that progress in underlying disinflation is ongoing, underpinned by the still-restrictive stance of monetary policy. Similarly, the Bank of Japan decided at its October 29-30 meeting to keep its key interest rate unchanged at 0.5 percent.

As for the major emerging economies, the central banks of China¹ and Brazil kept their key interest rates unchanged at their last meetings, held in November and December, at 3 percent and 15 percent respectively. Conversely, the Central Bank of India lowered its key rate by 25 bp to 5.25 percent in December. Similarly, following their October and December meetings, the central banks of Russia and Türkiye reduced their key rates by 50 bp to 16.5 percent and 150 bp to 38 percent, respectively.

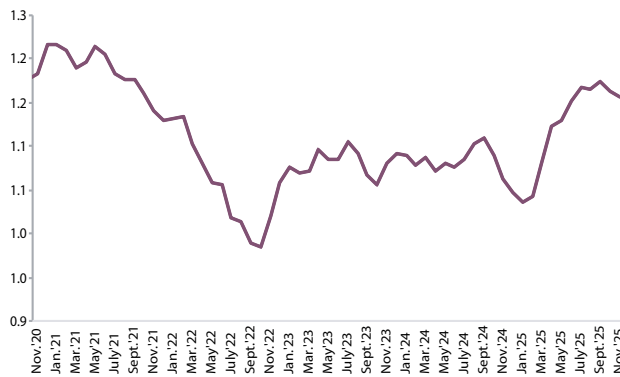
1.2.2 Financial markets

On the foreign exchange markets, the euro appreciated by 7.6 percent against the US dollar over the first eleven months of the year, averaging USD 1.16 in November. Indeed, the US currency was weakened by the high level of uncertainty surrounding the US administration's economic policies since the beginning of the year and, more recently, by expectations of a further cut in the federal funds rate target range in December. The euro also appreciated by 3.9 percent against the Japanese yen and 3.2 percent against the pound sterling over the same period.

As for the currencies of the major emerging economies, they showed uneven performance against the dollar over the first eleven months of the year, with depreciations for the Chinese renminbi (1.1 percent) and the Brazilian real (8.3 percent), and appreciation for the Indian rupee (+2.1 percent) and the Turkish lira (+12 percent).

¹ The one-year prime rate ("Loan Prime Rate")

Chart 1.2: Change in Euro/dollar exchange rates



Source: Thomson Reuters Eikon.

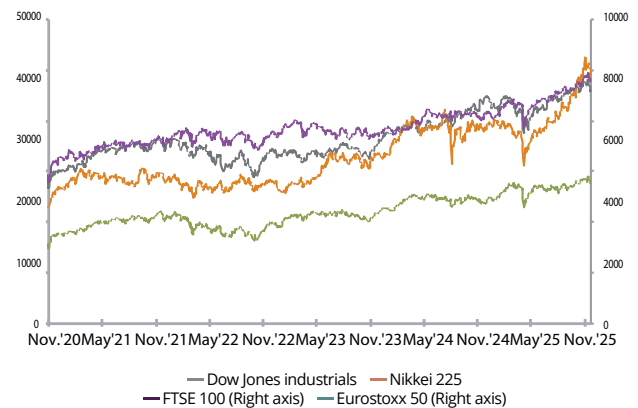
On the stock markets of the major advanced economies, performance was positive overall over the first eleven months of the year. In Europe, indices were underpinned by more accommodative financial conditions. In the US, despite significant uncertainty surrounding trade and fiscal policy, markets benefited from strong momentum in technology and AI stocks, although these showed signs of slowing in November. Overall, the Euro Stoxx 50 gained 9 percent, the Dow Jones Industrials 10.7 percent, the FTSE 100 8 percent and the Nikkei 225 3.8 percent.

In particular, November was marked by strong volatility on the US equity markets, amid prolonged budgetary paralysis of the federal administration. This instability was exacerbated by mounting concerns that enthusiasm for technology and AI stocks was waning, with some investors fearing an increased risk of a speculative bubble forming.

During the period from November 13 to 21, these concerns translated into a significant correction in the share prices of major technology stocks, particularly those of the "Magnificent Seven." Amazon and Tesla declined by nearly 10 percent, while Nvidia and Microsoft fell by around 7.7 percent.

The declines were more moderate for Meta (-2.4%) and Apple (-0.7%). However, this correction appears to be a technical adjustment following the sharp rise in valuations since the beginning of the year. Price/earnings ratios (P/E ratios) rose sharply, reaching particularly high¹ levels in early November, at 59 for Nvidia, 313 for Tesla, 37 for Apple, Amazon, and Microsoft, 22 for Meta, and 28 for Alphabet. As of the last week of November, the share prices of these companies began to rebound, suggesting that the corrective movement may have been temporary amid persistent upward momentum in technology stocks.

Chart 1.3: Change in major equity indices of advanced economies



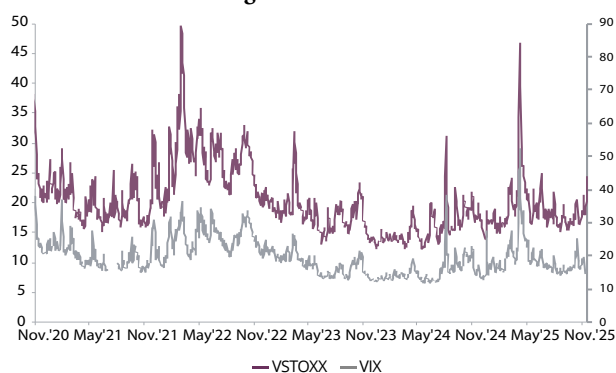
Source: Thomson Reuters Eikon.

Taken together, these developments were accompanied by increased risk aversion both in US financial markets – with the VIX index rising from 15 in December to 17 in November, peaking at 26.4² on November 20 – and in European markets, with the VSTOXX rising to 20 in November from 16 in December 2024. In emerging economies, the MSCI EM rose 10.3 percent over the first eleven months of the year, notably with increases of 18.3% for the Chinese sub-index and 5.4 percent for the Brazilian sub-index.

¹ Compared to an average P/E ratio for the S&P 500 standing at 27.7 over the first eleven months of 2025.

² Second highest peak of the year, the first being 52.3, reached on April 8 following a series of tariff increases decided by the US administration.

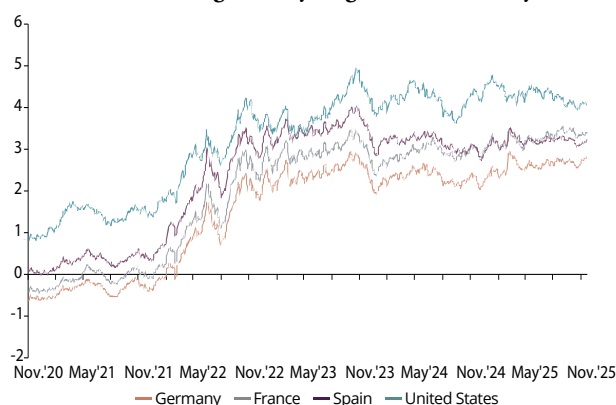
Chart 1.4: Change in the VIX and the VSTOXX



Source: Thomson Reuters Eikon.

For their part, sovereign bond markets in advanced economies experienced uneven developments. At the end of the first eleven months of the year, the 10-year yield stabilized at 4.1 percent for the United States, while it rose to 2.8 percent for Germany (+42 bp), 3.4 percent for France (+33 bp), 3.2 percent for Spain (+31 bp) and 3.4 percent for Italy (+26 bp), broadly reflecting concerns about the trajectory of fiscal policy and public deficits. For the major emerging economies, this rate remained unchanged at 1.8 percent for China, declined by 91 bp to 13.7 percent for Brazil and by 27 bp to 6.5 percent for India, whereas it increased by 113 bp to 29.2 percent for Türkiye.

Chart 1.5: Change in 10-year government bond yields

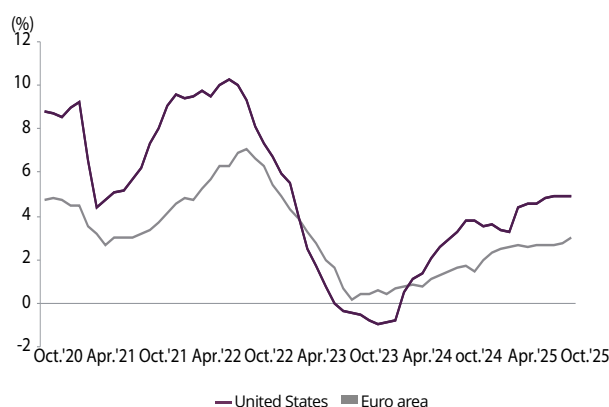


Source: Thomson Reuters Eikon.

On the money markets, the 3-month EURIBOR declined by 60 basis points to 2 percent over the

first eleven months of 2025, while the SOFR was down 40 basis points to 4.3 percent. Bank lending growth stabilized at 4.9 percent year-on-year in October in the United States and accelerated from 2.8 percent in September to 3.0 percent in October in the eurozone.

Chart 1.6: Change in Credit in the United States and in the Euro Area (year-on-year)



Source: Thomson Reuters Eikon.

1.3 Commodity prices and inflation

1.3.1 Energy commodity prices

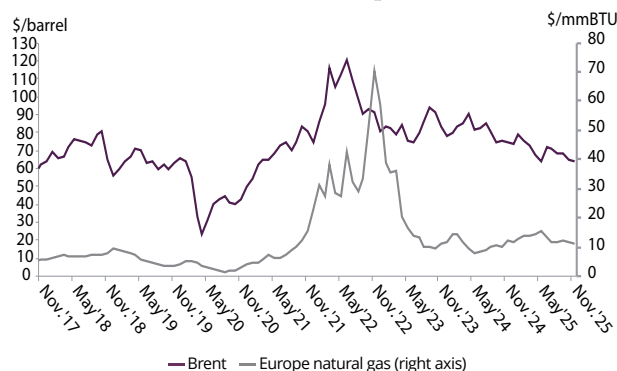
On the oil market, the price of Brent crude, in particular, declined by an average of 5.7 percent to USD 69.6 per barrel during the first eleven months of the year¹, which represents a year-on-year decline of 14.4 percent. This change is mainly attributable to significant supply from OPEC+ countries² and moderate growth in global demand.

On the European natural gas market, prices fell by 12.1 percent over the first eleven months of the year, averaging USD 12.2/MMBtu, while rising by 13.9 percent compared to the previous year's level.

¹ Compared to December 2024.

² As they decided, at their last three monthly meetings, to increase oil production by 137,000 barrels per day for the last three months of 2025 and to pause in the first quarter of 2026.

Chart 1.7: Global Brent Crude Oil Prices and Natural Gas Prices in Europe

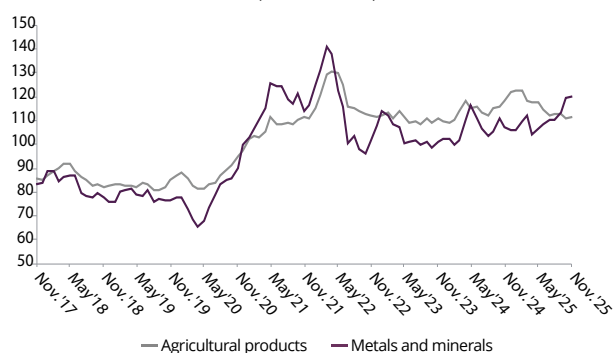


Source: World Bank.

1.3.2 Non-energy commodity prices

Over the first eleven months of the year, non-energy commodity prices declined by an average of 1.6 percent, covering a 5.3 percent drop in agricultural commodity prices and a 4.6 percent increase in metal and ore prices. Year-on-year, they rose by 2.7 percent overall, with increases of 1.2 percent in agricultural product prices and 3.8 percent in metal and ore prices. Gold continued to benefit from its status as a safe haven, rising by an average of 27 percent over the first eleven months of the year to average USD 3,363 per ounce, which represents an increase of 42.2 percent year-on-year.

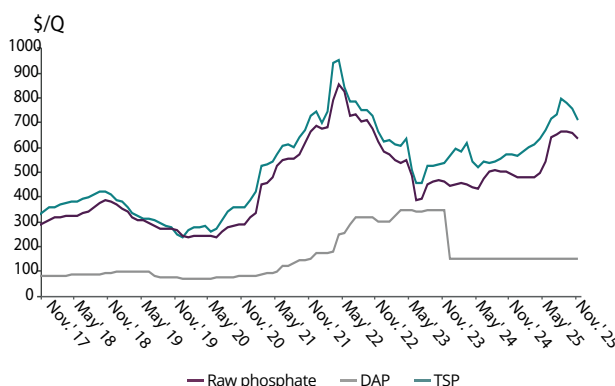
Chart 1.8: Changes in non-energy commodity price indices (2010 = 100)



Source: World Bank.

As regards phosphates and derivatives, prices remained unchanged at USD 152.5/t for rock phosphate over the first eleven months of the year, while they increased on average by 21.5 percent to USD 690.5/t for DAP and by 21.7 percent to USD 581.2/t for TSP. Year-on-year, prices rose by 22.6 percent increase for DAP and 22.5 percent for TSP, whereas raw phosphate prices remained flat compared to the previous year.

Chart 1.9: Change in the global prices of phosphate and derivatives



Source: World Bank.

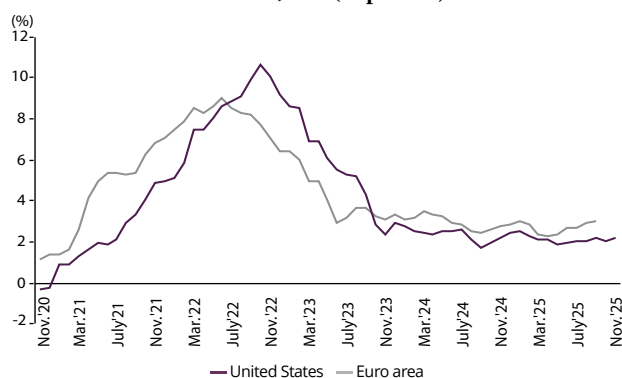
1.3.3 Inflation

In the United States, annual inflation remained significantly above the FED's objective, accelerating to 3 percent in September after 2.9 percent in August. Similarly, in the euro area, it accelerated slightly from 2.1 percent in October to 2.2 percent in November. This change notably covers an acceleration from 2.3 percent to 2.6 percent in Germany, a stabilization at 0.8 percent in France, as well as slowdowns from 1.3 percent to 1.1 percent in Italy and from 3.2 percent to 3.1 percent in Spain. In the other major advanced economies, inflation decelerated from 3.8 percent in September to 3.6 percent in October in the United Kingdom, and, conversely, accelerated from 2.8 percent to 3 percent in Japan.

In key emerging economies, inflation accelerated again in China, reaching 0.7 percent in November,

after 0.2 percent in October. Elsewhere, it slowed from 7.7 percent in October to 6.6 percent in November in Russia, and from 4.7 percent to 4.5 percent in Brazil over the same period. In India, inflation decelerated from 1.4 percent in September to 0.25 percent in October, the lowest rate ever registered. This strong decline is mainly driven by a marked decrease in food prices – notably vegetables, fruits and oils – as well as a favorable base effect and cuts in goods and services tax (GST) rates¹.

Chart 1.10: Change in inflation in the United States and the euro area, YoY (in percent)



Source: Thomson Reuters Eikon.

Table 1.3: Recent change in inflation in the main advanced countries, YoY (in percent)

	2023	2024	2025		
			Sept.	Oct.	Nov.
United States	4.1	3.0	3.0	N.D	N.D
Euro area	5.4	2.4	2.2	2.1	2.2
Germany	6.0	2.5	2.4	2.3	2.6
France	5.7	2.3	1.1	0.8	0.8
Spain	3.4	2.9	3.0	3.2	3.1
Italy	5.9	1.1	1.8	1.3	1.1
United Kingdom	7.3	2.5	3.8	3.6	N.D
Japan	3.3	2.7	2.8	3.0	N.D

Sources: Thomson Reuters, Eurostat & FMI.

¹ Starting in September 2025, India overhauled its local VAT system (Goods & Services Tax) for the first time in eight years. Taxes were reduced on products ranging from basic necessities to luxury items to stimulate consumer spending across all income brackets.

Box 1.1: The 2025 US tariff shock – a trade policy with worldwide implications

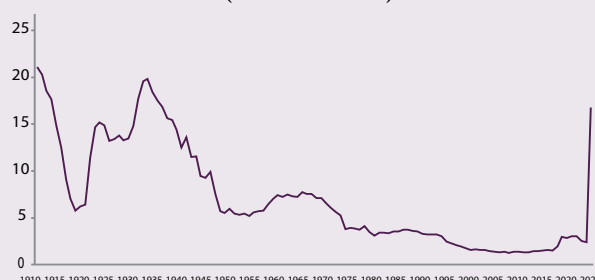
The trade policy implemented by the new US administration forms part of a trend toward increasing geoeconomic fragmentation and inwardness observed in recent years. Ever since his inauguration in January 2025, the President of the United States has consolidated and amplified the protectionist stance taken during his first term (2017-2020). This strategy has translated into a series of tariff increases¹ primarily aimed at reducing the trade deficit (Figure E.1.1.1) and strengthening the competitiveness of domestic industry. These tariff instruments have also been used as negotiating leverage to address issues deemed to be priorities by the executive branch, such as managing migration flows, tackling drug trafficking, and preserving national security.

Chart B.1.1.1: Goods trade balance in the United States (in USD billions)



Source: Trade statistics of the Bureau of Economic Analysis

Chart B.1.1.2: Goods trade balance in the United States (in USD billions)



Source: The Budget Lab at Yale, November 17, 2025.

Consequently, over the first eleven months of the current year, the average effective tariff rate² imposed on US imports increased sharply from 2.4 percent in January to 16.8 percent in November, its highest level since 1934 (chart B.1.1.2). To date, the tariff measures introduced by the US administration are structured around three main categories:

- **Universal tariffs:** (In force since April 2, which is referred to as “Liberation Day” by the US administration). It is a 10 percent tariff applied to all goods imports, irrespective of origin, which apply in addition to existing tariffs. It should be noted that, to date, Morocco forms part of the countries that remain subject solely to the universal 10 percent tariff.
- **Reciprocal tariffs³** (launched on August 7): the White House published a list of approximately 70 countries whose exports to the United States are subject to higher tariffs, reaching up to 50 percent. By way of illustration, India is subject to a 50 percent tariff (it was initially set at 25 percent, then augmented by 25 percent due to its imports of Russian oil). Brazil is also subject to a tariff rate of 50 percent, motivated notably by the legal proceedings against Jair Bolsonaro, albeit with exemptions for certain strategic imports (such as civil aircrafts, iron, paper pulp, crude oil, natural gas and fertilizers). Canada and Mexico are subject to tariff rate of 35 percent and 25 percent respectively regarding goods not covered by the US-Mexico-Canada agreement (USMCA).

¹ These measures were enacted on three main legal grounds: Section 232 of the Trade Expansion Act of 1962 (threats to national security), Section 301 of the Trade Act of 1974 (unfair trade practices), and the International Emergency Economic Powers Act (IEEPA, for national emergencies).

² This rate is a measure representing the weighted average of the tariffs actually paid on all imports of goods into the United States. Products or countries with higher import volumes have a greater impact on the overall average rate. Trade weights are based on 2024 goods import data and do not account for potential changes in trade dynamics in response to tariff increases, whether in volume or price. Source: “State of U.S. Tariffs,” The Budget Lab at Yale University, estimates updated as of November 17, 2025.

³ Reciprocity is understood in its broadest sense; the United States takes into account not only the rates applied by its trading partners but also overall trade conditions, such as imbalances in the trade balance and other barriers imposed on U.S. exports.

- *Across-the-board sectoral tariffs*: irrespective of geographic origin, several sectors deemed critical incur specific duties: 10 percent on wood, 25 percent on cars and spare parts, 50 percent on steel, aluminum and certain semi-finished or copper-intensive products (with raw copper exempted).

The implementation of these measures prompted several countries to conclude bilateral agreements with the United States, such as¹:

- *The European Union (July 2025)*: a bound tariff of 15 percent on imports from the EU, including cars and pharmaceutical products, in exchange for the withdrawal of retaliatory measures applied by the EU since April 2025, the purchase of USD 750 billion of US energy and a cumulative investment commitment of USD 600 billion in US territory by 2028 (around 7 percent of EU GDP).
- *Japan (July 2025)*: Application of a 15 percent tariff, including on automobile exports initially taxed at 27.5 percent. Japan committed to invest USD 550 billion by 2028 in semiconductors, automobiles, pharmaceutical products, critical minerals and artificial intelligence, as well as to ease its restrictions on imports from the US (agricultural products, aeronautics, and military equipment).
- *United Kingdom (May 2025)*: The reciprocal 10 percent tariff has been maintained on most British imports, with the United Kingdom excluded from the generalized increase in duties on steel, aluminum, and the automotive sector. In return, the United Kingdom granted improved market access for certain US products (ethanol and agricultural goods, notably beef).
- *China² (October 2025)*: Following several months of tensions marked by US surtaxes peaking at 130 percent in April, Chinese retaliatory measures, and several periods of truce, the two countries concluded an agreement on 31 October. On the US side, the agreement provides for a reduction in the “fentanyl” surtaxes from 20 percent to 10 percent, lowering the average effective tariff rate from 57 percent to 47 percent. China, for its part, committed to suspending for one year the new export control measures on rare earths, removing the tariff countermeasures imposed since March 2025, and purchasing US agricultural products (25 million tonnes of soybeans in 2026, 2027, and 2028).

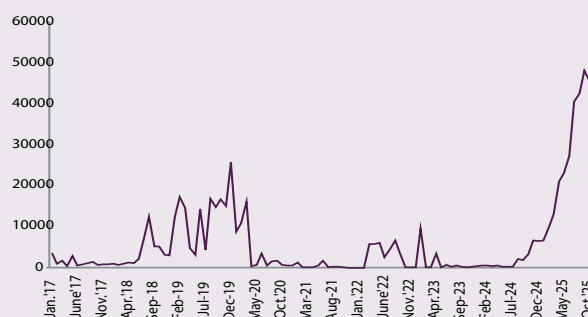
The United States also announced agreements with several Asian economies—South Korea (15 percent), Indonesia (19 percent), Vietnam (20 percent), and the Philippines (19 percent)—as well as with four Latin American countries (Argentina, Guatemala, Ecuador, and El Salvador). More recently, in response to rising domestic prices for certain agricultural commodities, the president signed on November 14 an executive order removing tariffs introduced in April, notably on coffee, tea, bananas, beef, and various tropical fruits. On the same date, the United States announced the conclusion of a framework agreement with Switzerland and Liechtenstein, reducing US tariffs on imports from 39 percent to 15 percent. In return, Swiss companies committed to invest USD 200 billion in the United States (primarily in the pharmaceutical sector) by the end of 2028, including at least USD 67 billion next year.

¹ “Special analysis: Tariffs update”, Global Projection Model Network, August 2025.

² Fact Sheet: President Donald J. Trump Strikes Deal on Economic and Trade Relations with China”, white house website, November 1, 2025.

These bilateral agreements exhibit several unusual features, including the non-application of the most-favored-nation clause (whereby a trade advantage granted to one partner must automatically be extended to all others), as well as specific commitments regarding investment and procurement. While their conclusion has helped to avert certain extreme macroeconomic scenarios and has contributed to a relative easing of short-term trade tensions. However, their sustainability remains uncertain, as the commitments required, particularly in terms of investment, entail substantial amounts that, in some cases (notably for the EU), appear difficult to achieve¹. As for the Sino-American agreement, it remains temporary, with many of its provisions not extending beyond a one-year horizon.

Chart B. 1.1.3: World trade uncertainty index



Source: World Uncertainty Index.

More generally, the tariff shock induced by the US trade policy shook the global trading system, with the IMF evoking a “reboot” of the system and resulted in a considerable upsurge in uncertainty (Chart B. 1.1.3) weighing on investments and consumption. Following the increase in imports over Q1 2025 linked to the expectations of US tariff increases, global trading is projected to decelerate from 2.8 percent in 2024 to 2.4 percent in 2025, then to 0.5 percent in 2026 according to the WTO². The latest IMF³ projections for October also point to a deceleration in global economic growth, from 3.3 percent in 2024 to 3.2 percent in 2025 and 3.1 percent in 2026.

Additionally, this tariff shock has contributed, alongside other factors (including geopolitical considerations, efforts for securing supply-chains, national industrial priorities), to accelerating or bringing back into the agenda negotiations of bilateral and regional free trade agreements aiming at strengthening integration and market access in order to preserve trade openness and ensure improved predictability. Agreements concluded during the year include those between China and ASEAN (October), Canada and Indonesia (September), the EU and Indonesia (September), the UE and the United Kingdom (May 2025), and the United Kingdom and India (May 2025). Several projects are ongoing, notably between the EU and Mercosur, the EU and India, as well as between ASEAN and the Gulf Cooperation Council. This momentum could translate into a significant reconfiguration of global value chains, with strengthened intra- and interregional trade, amid a tightening U.S.–China trade corridor.

¹ “Special analysis: Tariffs update”, Global Projection model network, August 2025.

² “Global Trade Outlook and Statistics Update”, World Trade Organization, October 2025.

³ “World Economic Outlook”, International Monetary Fund, October 2025

2. EXTERNAL ACCOUNTS

Foreign trade data at the end of October 2025 show continued momentum in trade in goods, stronger travel revenues, and consolidation of transfers from Moroccans living abroad, as well as a marked improvement in FDI revenues compared to the same period a year earlier. Imports rose by 9.4 percent to MAD 682.2 billion and exports by 2.6 percent to MAD 385.2 billion. As a result, the trade deficit in goods widened to MAD 297 billion and the coverage rate stood at 56.5 percent instead of 60.2 percent a year earlier.

At the same time, travel revenues rose by 16.7 percent to MAD 113.3 billion, and remittances from Moroccans living abroad increased by 1.5 percent to MAD 102.9 billion. In terms of major financial transactions, FDI revenues amounted to MAD 45.4 billion, compared to MAD 35.4 billion in the same period a year earlier, while Moroccan direct investment abroad fell by 26.9 percent to MAD 16.2 billion.

At the end of October 2025, Bank Al-Maghrib's official reserve assets stood at MAD 431.6 billion, representing the equivalent of 5 months and 23 days of imports of goods and services.

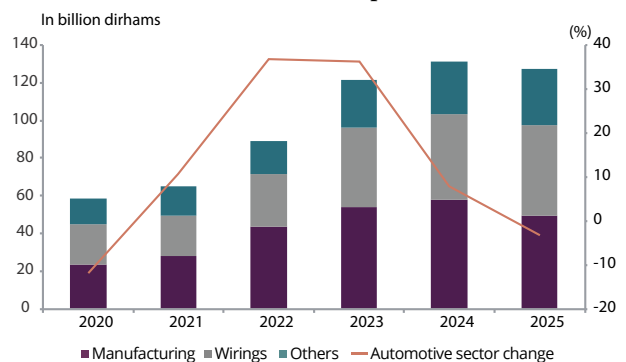
2.1 Trade balance

2.1.1 Exports

The improvement in exports is mainly due to a 16.7 percent increase in sales of phosphates and derivatives to 80.6 billion, driven by a 15.5 percent increase in "natural and chemical fertilizers" and a 33.9 percent increase in raw phosphate. Similarly, sales in the aeronautics sector continued their upward trend, recording an increase of 8.3 percent to 23.7 billion, with an 8.4 percent increase to 15.4 billion for the assembly segment. Exports in the "agricultural and agri-food" sector rose by 1.1 percent to 71.3 billion, reflecting a 7.3 percent improvement to 33.5 billion in sales of agricultural products and a 3.6 percent contraction to 35.4 billion in sales in the food industry.

On the other hand, exports in the automotive sector fell by 3.1 percent to 127.2 billion, linked to a 15 percent decrease to 49.3 billion in shipments in the "construction" segment, while those in the "cabling" segment increased by 5.5 percent to 47.9 billion.

Chart 2.1: Automotive sector exports at end-October



Similarly, sales of "textiles and leather" declined by 3.9 percent to 37.7 billion, with a particular decline of 3.1 percent to 24.9 billion for "ready-made clothing."

In the same vein, sales in the "electronics and electricity" sector fell by 8.6 percent to 13.9 billion, reflecting a 40.4 percent drop in exports to 3.9 billion for "electronic components," which was only partially offset by a 20.1 percent increase to 5.5 billion for "wires and cables."

**Table 2.1: Exports by sector
(in million dirhams)**

Sectors/Segments	Jan. - Oct.		Change	
	2025	2024	In value	In %
Exports	385.205	375.389	9.816	2.6
Phosphates and derivatives	80.601	69.083	11.518	16.7
Natural and chemical fertilizers	59.227	51.284	7.943	15.5
Phosphates	8.247	6.161	2.086	33.9
Phosphoric acid	13.127	11.637	1.490	12.8
Aeronautics	23.652	21.837	1.815	8.3
Assembly	15.430	14.235	1.195	8.4
Electrical Wiring Interconnection System	8.144	7.512	632	8.4
Agriculture and Agri-food	71.311	70.526	785	1.1
Agriculture, forestry, and hunting	33.516	31.237	2.279	7.3
Tobacco industry	1.088	1.132	-44	-3.9
Food industry	35.373	36.711	-1.338	-3.6
Other mining extractions	4.178	4.623	-445	-9.6
Other metallic ores and metallic waste	37	196	-159	-81.1
Zinc ore	244	389	-145	-37.3
marbles granite gypsum and other stones	283	352	-69	-19.6
Electronics and electricity	13.878	15.190	-1.312	-8.6
Electronic components	3.856	6.471	-2.615	-40.4
Devices for disconnecting or connecting electrical circuits and resistors	1.615	1.675	-60	-3.6
Wires and cables	5.540	4.614	926	20.1
Textile and leather	37.742	39.262	-1.520	-3.9
ready-made garments	24.875	25.684	-809	-3.1
Hosiery	7.136	7.664	-528	-6.9
Home Textile	324	401	-77	-19.2
Automotive	127.209	131.271	-4.062	-3.1
Construction	49.340	58.062	-8.722	-15.0
Vehicle and seat interiors	8.176	7.707	469	6.1
Wiring	47.900	45.402	2.498	5.5
Other industries	26.634	23.597	3.037	12.9
Metallurgy and metalworking	7.751	6.394	1.357	21.2
Plastics and rubber industry	1.885	1.274	611	48.0
Pharmaceutical industry	1.207	1.233	-26	-2.1

Source: Foreign Exchange Office.

2.1.2 Imports

The increase in imports affected all major products, with the exception of energy products, for which the bill fell by 4.4 percent to MAD 91 billion, mainly due to a 9.2 percent contraction to MAD 43.5 billion in supplies of "gas oils and fuel oils." Purchases of capital goods increased by 15.2 percent to MAD 162.2 billion, with notable increases in the value of purchases of "aircraft and other aerial vehicles," which rose from MAD 631 million to MAD 4.4 billion, and their parts, which increased by 27.8 percent to MAD 14.1 billion.

As for imports of consumer goods, they rose by 12.7 percent to 168.6 billion, reflecting in particular increases of 37.2 percent in purchases of "passenger cars" and 21 percent in those of "medicines and other pharmaceutical products."

Similarly, purchases of raw materials increased by 36.9 percent to 36.8 billion, mainly reflecting a 79.5 percent increase in purchases of "raw and unrefined sulfur," while imports of semi-finished products amounted to 143.5 billion, up 6.4 percent.

Food purchases increased by 3.8 percent to 78.4 billion, in line with a 42.1 percent increase in purchases of "live animals." Wheat supplies, on the other hand, decreased by 3.2 percent to 14.5 billion.

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

Main products	Jan. - Oct.		Change	
	2025	2024	In value	In %
Imports	682.157	623.580	58.577	9.4
Capital goods	162.164	140.781	21.383	15.2
Aircraft and other aerial or space vehicles	4.427	631	3.796	-
Parts of aircraft and other aerial vehicles	14.074	11.012	3.062	27.8
Utility cars	8.196	5.360	2.836	52.9
Finished consumer products	168.607	149.666	18.941	12.7
Passenger cars	32.120	23.403	8.717	37.2
Medicines and other pharmaceutical products	10.713	8.856	1.857	21.0
Seating, furniture, mattresses and lighting fixtures	5.531	4.675	856	18.3
Raw products	36.845	26.907	9.938	36.9
Raw and unrefined sulfur	12.859	7.164	5.695	79.5
Crude or refined soybean oil	5.700	4.504	1.196	26.6
Scrap metal, waste and other minerals	4.412	3.509	903	25.7
Semi-finished products	143.535	134.854	8.681	6.4
Chemical products	15.334	13.522	1.812	13.4
Plastics and various plastic products	19.023	17.850	1.173	6.6
Copper wires, bars and profiles	9.660	8.562	1.098	12.8
Food products	78.354	75.468	2.886	3.8
Live animals	5.802	4.084	1.718	42.1
Corn	6.303	5.601	702	12.5
Coffee	2.351	1.978	373	18.9
Wheat	14.495	14.973	-478	-3.2
Energy products	91.020	95.209	-4.189	-4.4
Gas oils and fuel oils	43.498	47.918	-4.420	-9.2
Petroleum gas and other hydrocarbons	16.573	17.259	-686	-4.0
Electrical energy	1.927	1.394	533	38.2

Source: Foreign Exchange Office.

2.2 Other components of the current account balance

Regarding the balance of services, its surplus improved by 10.2 percent to 129.2 billion, as a result of a 9.6 percent increase in exports and a 9 percent increase in imports.

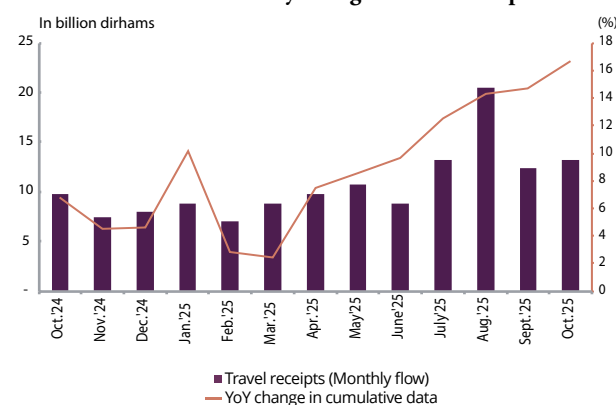
Table 2.3: Balance of services
(in million dirhams)

	January - October		Change	
	2025	2024	In value	In %
Imports	128.087	117.464	10.623	9.0
Exports	257.279	234.651	22.628	9.6
Balance	129.192	117.187	12.005	10.2

Source: Foreign Exchange Office.

In particular, travel revenues continued their strong performance, with a 35 percent increase in October compared to October 2024. Their cumulative total for the first ten months was 113.3 billion, an increase of 16.7 percent. Expenditures, for their part, increased by 11.5 percent to 27.5 billion.

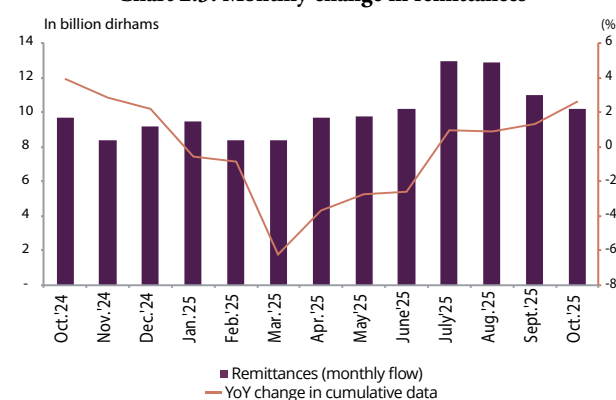
Chart 2.2: Monthly change in travel receipts



Source: Foreign Exchange Office.

Remittances from Moroccans living abroad increased by 1.5 percent to MAD102.9 billion.

Chart 2.3: Monthly change in remittances



Source: Foreign Exchange Office.

2.3 Financial account

In terms of financial transactions, net FDI flows rose by 39.4 percent to MAD 27.1 billion, driven by a 28.2 percent increase in revenues to MAD 45.4 billion. On the other hand, net Moroccan direct investment abroad fell by 39 percent to MAD 4.4 billion, as a result of a 26.9 percent contraction in investments to MAD 16.2 billion and a 21.2 percent contraction in disposals to MAD 11.9 billion.

For the first ten months of the year, official reserve assets reached MAD 431.6 billion, representing the equivalent of 5 months and 23 days of imports of goods and services.

Table 2.4: Direct investments (in million dirhams)

	January - October		Change	
	2025	2024	In value	In %
Foreign direct investments	27.067	19.415	7.652	39.4
Revenues	45.402	35.428	9.974	28.2
Expenditure	18.335	16.013	2.322	14.5
Moroccan direct investments abroad	4.358	7.142	-2.784	-39.0
Expenditure	16.208	22.186	-5.978	-26.9
Revenues	11.850	15.044	-3.194	-21.2

Source: Foreign Exchange Office.

3. MONEY, CREDIT AND ASSET MARKET

In the third quarter of 2025, monetary conditions were characterized by the near stability of the average overall lending rate at 4.85 and a 0.4 percent appreciation of the real effective exchange rate. As for bank credit to the non-financial sector, its annual growth rate increased from 3 percent in the third quarter to 3.6 percent in October, mainly reflecting the acceleration in the growth of liquidity facilities granted to public non-financial enterprises from 0.1 percent to 11.7 percent. Regarding other counterparts of the monetary base, official reserve assets increased by 19.6 percent in October compared to 14.1 percent in the third quarter, and net claims on the central government grew by 0.3 percent after 1.4 percent. Overall, the money supply rose by 7.4 percent year-on-year in October after 7.8 percent in the third quarter.

On the real estate market, transactions showed an increase of 14 percent in the third quarter of 2025, following a decline of 4.1 percent in the previous quarter, with increases of 15.7 percent for residential properties, 12 percent for properties for professional use, and 9.3 percent for land. At the same time, prices increased by 1.1 percent, after stagnation in the previous quarter, driven by increases of 1.5 percent for residential properties, 1.3 percent for land, and 0.3 percent for properties for professional use.

At the Casablanca Stock Exchange, the MASI index dropped by 2 percent in November, bringing its performance since December 2024 to 26.2 percent. In this context, market capitalization returned to 984.9 billion dirhams at the end of November, down by 1.9 percent compared to the end of September but still up by 30.9 percent since the beginning of the year.

3.1 Monetary conditions

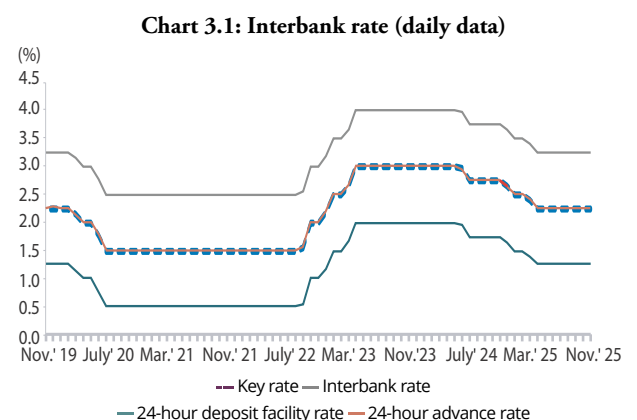
3.1.1 Bank liquidity and interest rates

The banking liquidity deficit widened from 119.7 billion dirhams in the third quarter to an average of 128.5 billion dirhams in October and November.

In this context, Bank Al-Maghrib increased the volume of its injections to 143.2 billion dirhams, after 132.7 billion dirhams in the third quarter. These injections were mainly allocated to 7-day advances at 67.5 billion dirhams, repo transactions for 42.6 billion dirhams, and guaranteed loans granted under programs supporting financing for SMEs, amounting to 33 billion dirhams.

These developments were accompanied by an increase in the average duration of Bank Al-

Maghrib's interventions, from 24.7 days to 39.4 days. As a result, the interbank rate remained aligned with the key policy rate.



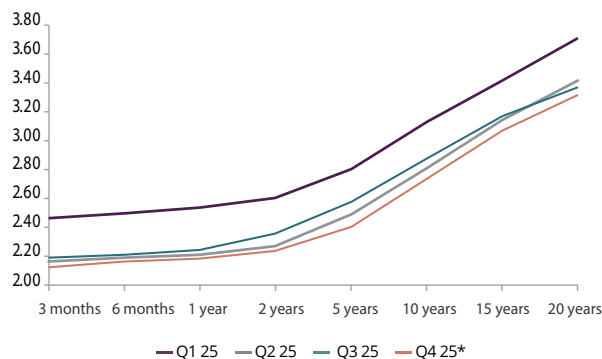
On the Treasury bill market, interest rates generally rose on average in October and November compared to the third quarter, both in the primary and secondary markets.

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

	2024		2025			
	Q3	Q4	Q1	Q2	Q3	Q4*
	26 weeks	2.70	2.58	2.45	2.09	1.94
52 weeks	2.74	2.59	2.54	2.02	2.02	2.20
2 years	2.85	2.71	2.60	2.20	2.24	2.39
5 years	3.11	2.94	2.84	2.46	2.39	2.58
10 years	3.48	3.25	3.17	2.80	2.72	2.74
15 years	3.74	3.54	3.45	3.12	3.07	3.13

*Average observed in October and November.

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



*Average observed in October and November.

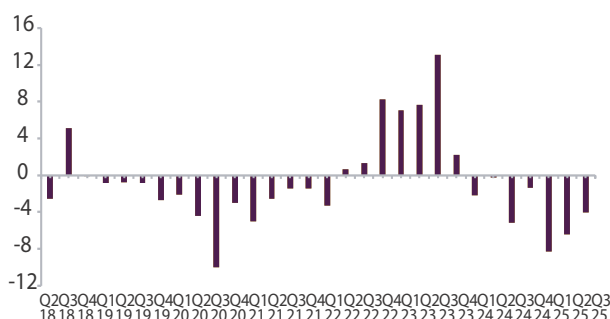
On the negotiable debt securities market, the rates for certificate of deposit issues slightly increased in the third quarter compared to the previous quarter. As for credit rates, they showed average quarterly decreases of 5 basis points (bps) to 2.40 percent for 6-month deposits and 29 bps to 2.51 percent for 1-year deposits. In this environment, the cost of bank financing decreased by 4 bps from one quarter to the next.

In October, compared to the third quarter, credit rates increased by 38 bps to 2.78 percent for 6-month deposits and 20 bps to 2.71 percent for 1-year deposits.

Table 3.2: Deposit rates (%)

	2024			2025			
	Q2	Q3	Q4	Q1	Q2	Q3	Oct.
6 months	2.56	2.77	2.45	2.53	2.45	2.40	2,78
12 months	3.06	2.60	2.88	2.78	2.80	2.51	2,71

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



Regarding lending rates, the results of Bank Al-Maghrib's survey of banks for the third quarter of 2025 indicated the near stability of the average overall lending rate at 4.85 percent. By institutional sector, rates on loans to individuals decreased by 6 bps to 5.71 percent, notably with a decline of 4 bps to 4.64 percent for home loans and stability at 6.89 percent for consumer loans. For loans to non-financial enterprises, rates increased by 2 bps to 4.74 percent, reflecting an 8 bps increase to 4.72 percent for liquidity facilities, and decreases of 34 bps to 4.48 percent for equipment loans and 10 bps to 5.37 percent for real estate development loans. By company size, rates decreased by 3 bps to 4.64 percent for large enterprises and 2 bps to 5.41 percent for SMEs.

Table 3.3: Lending rates (%)

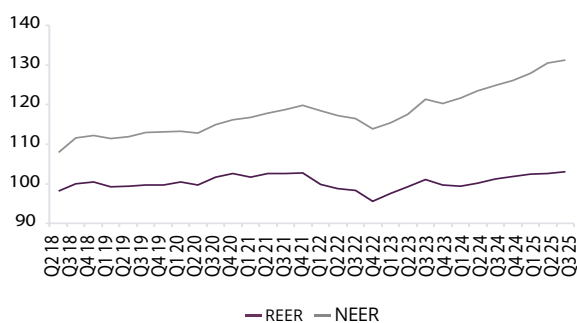
	2024			2025		
	Q2	Q3	Q4	Q1	Q2	Q3
Overall rate	5.43	5.21	5.08	4.98	4.84	4.85
Personal loans	5.89	5.91	5.79	5.96	5.77	5.71
Real estate loans	4.79	4.76	4.75	4.74	4.68	4.64
Consumer loans	7.03	7.06	6.99	7.13	6.88	6.89
Loans to businesses	5.37	5.12	5.00	4.84	4.72	4.74
Cash advances	5.38	5.06	4.99	4.73	4.64	4.72
Equipment loans	4.99	5.24	4.98	5.14	4.82	4.48
Real estate loans	5.69	5.68	5.18	5.48	5.47	5.37

3.1.2 Exchange rate

On the foreign exchange market, the euro appreciated by 3 percent against the U.S. dollar on average in the third quarter of 2025 compared to the previous quarter. As a result, the dirham depreciated by 0.6 percent against the euro and appreciated by 2.4 percent against the U.S. dollar.

Against the currencies of major emerging economies, the national currency recorded, between the second and third quarters of 2025, appreciations of 7.7 percent against the Turkish lira, 1.3 percent against the Chinese yuan, and 1.4 percent against the British pound. As a result, and considering the inflation differential between Morocco and its main trading partners and competitors, the effective exchange rate showed an appreciation of 0.5 percent in nominal terms and 0.4 percent in real terms.

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



Data for October and November show a 0.7 percent depreciation of the euro against the U.S. dollar on average compared to the third quarter. In these conditions, the dirham depreciated by 2.1 percent against the U.S. dollar and 1.4 percent against the euro.

Chart 3.5: Dirham exchange rate



*Average observed in October and November.

Regarding transaction volumes, the amount of foreign currency exchanges against dirhams on the interbank market was 30.1 billion dirhams in October, up by 46.5 percent compared to the third quarter of 2025. As for over-the-counter transactions between banks and their clients, purchases by clients increased by 12.8 percent to 42.8 billion, while sales increased by 3.6 percent to 36.5 billion. Forward transactions totaled 20.7 billion for purchases, up by 17.1 percent, and 5.8 billion for sales, up by 66.4 percent.

3.1.3 Monetary situation¹

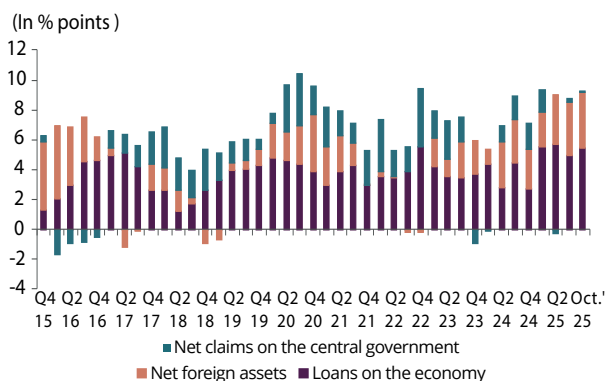
The M3 aggregate grew by 7.4 percent in October, after 7.8 percent in the third quarter of 2025. By main components, this slowdown primarily reflects the deceleration in the growth of money market UCITS from 24.1 percent to 9.1 percent. Conversely, currency in circulation increased by 11.7 percent, up from 9.8 percent in the third quarter.

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

Regarding term deposits, they recorded an increase of 1.4 percent after a decline of 1.1 percent, and foreign currency deposits showed a reduction in their decline from -4 percent to -1.4 percent in October 2025. As for the growth rates of sight deposits and savings accounts, they remained stable at 10.2 percent and 1.9 percent, respectively.

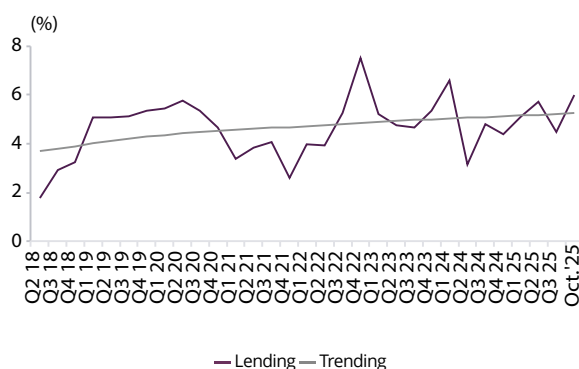
By main counterparts, the evolution of the money supply is the result of the slowdown in the growth rate of net claims on the central government from 1.4 percent to 0.3 percent, which more than offset the increases in bank credit and official reserve assets of 6 percent and 19.6 percent, respectively, compared to 4.5 percent and 14.1 percent in the third quarter.

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



In particular, bank credit to the non-financial sector increased by 3.6 percent in October after 3 percent in the third quarter, due to the acceleration of 6.4 percent to 11 percent in loans to public enterprises, 0.8 percent to 1.4 percent for private enterprises, and 2.9 percent to 3.1 percent for household loans.

Chart 3.7: Bank credit (change in YoY)

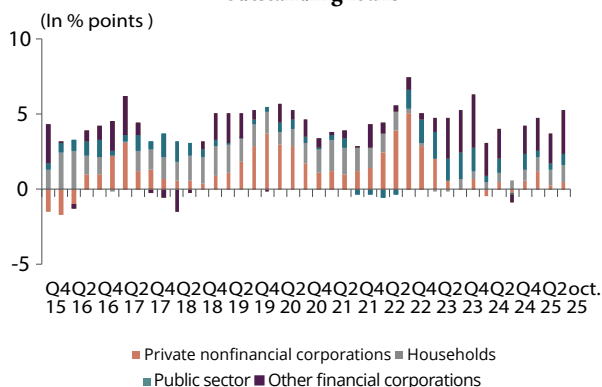


The evolution of loans to public non-financial companies reflects the acceleration of liquidity facilities from 0.1 percent to 11.7 percent in October, while equipment loans grew by 16.5 percent after 18 percent in the third quarter.

As for loans to private non-financial companies, their evolution reflects the acceleration from 15.9 percent to 17 percent in equipment loans, the moderation in the decline from 9.3 percent to 9 percent in liquidity facilities, and the slowdown in real estate development loans from 5.4 percent to 5.2 percent.

Regarding loans to individuals, their growth increased from 3.2 percent to 3.3 percent, with accelerations from 2.6 percent to 2.8 percent for housing loans and from 4.2 percent to 4.5 percent for consumer loans. Likewise, loans to individual entrepreneurs showed a reduction in their decline from 3.7 percent to 1.8 percent.

Chart 3.8: Contribution of institutional sectors to total outstanding loans



By economic sector, data for the third quarter of 2025 show annual increases in credits granted to businesses in the following sectors: 7.1 percent for “Electricity, gas, and water”, 4.8 percent for “Construction and public works”, and 4.9 percent for “Retail trade, car repairs, and household goods”. However, credit to businesses declined by 20.7 percent in “Transport and communications”, 23.2 percent in “Extractive industries”, and 10.9 percent in “Hotels and restaurants”.

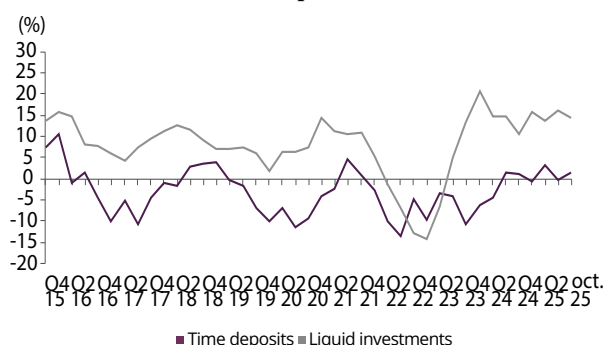
As for non-performing loans, they increased by 3.7 percent in October, and their ratio to total bank credit remained at 8.6 percent. They rose by 3.5 percent for private non-financial companies and 3.2 percent for households, with respective ratios of 13.2 percent and 10.6 percent.

Regarding loans granted by financial institutions other than banks to the non-financial sector, they increased by 12.6 percent in the third quarter of 2025. This growth reflects increases of 13.2 percent in credit granted by financing companies, 9.2 percent from microcredit associations, and 3.7 percent from offshore banking institutions.

Concerning liquid asset aggregates, their growth remained almost stable at 14.4 percent between the third quarter and October, covering a slowdown in the growth of bond UCITS a from 17 percent to

16.5 percent, as well as accelerations in the growth of equity and diversified UCITS from 50.6 percent to 52.8 percent and Treasury bills from 4.2 percent to 4.8 percent.

Chart 3.9: YoY change in liquid investments and time deposits



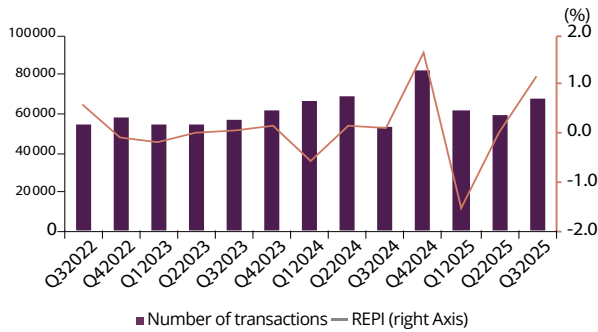
3.2 Asset prices

3.2.1 Real estate assets

In the third quarter of 2025, the Real Estate Asset Price Index recorded an increase of 1.1 percent compared to the previous quarter, reflecting increases of 1.5 percent for residential properties, 1.3 percent for land, and 0.3 percent for commercial properties. At the same time, the number of transactions increased by 14 percent, with increases of 15.7 percent for residential properties, 12 percent for commercial properties, and 9.3 percent for land.

In the main cities, apart from Oujda, where prices declined by 1.5 percent, and Kénitra, where they remained stable, the other major cities recorded price increases ranging from 0.3 percent in Fès to 3.2 percent in Rabat. Regarding sales, except for Agadir, which remained almost stable, and Marrakech, which recorded a decrease of 0.5 percent, other major cities showed growth rates varying from 6.5 percent in Fès to 29.8 percent in El Jadida.

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



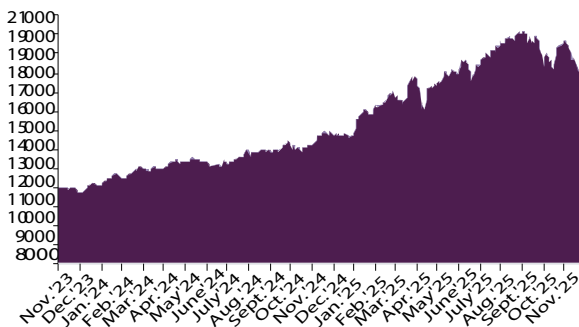
Source: BAM and ANCFCC.

3.2.2 Financial assets

3.2.2.1 Shares

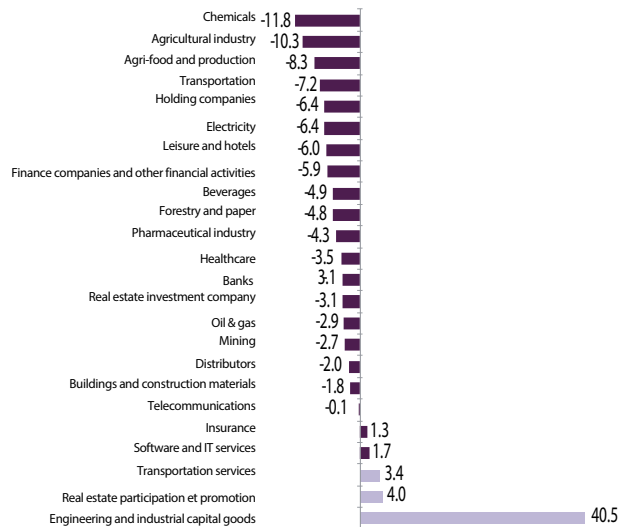
By the end of November, the MASI index had dropped by 2 percent compared to the end of September, bringing its performance to 26.2 percent since December 2024. This evolution mainly reflects declines of 3.1 percent in the “Banks” index, 8.3 percent in the “Agri-food and Production” sector, 1.8 percent in “Building and construction materials”, 6.4 percent in “Electricity”, and 3.5 percent in “Health”. However, the “Transport services” and “Real estate development and promotion” indices saw increases of 3.4 percent and 4 percent, respectively.

Chart 3.11: Change in MASI index



Sources: Casablanca Stock Exchange.

Graph 3.12: Evolution of Sectoral Indices in November Compared to the Third Quarter of 2025 (in percent)



Sources: Casablanca Stock Exchange.

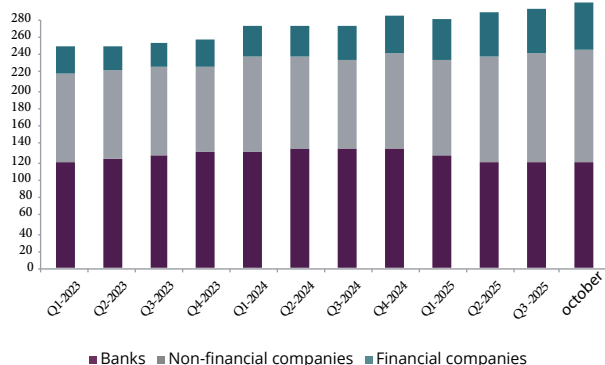
Regarding transaction volumes, it amounted to 14.8 billion dirhams in October and November, after 50.8 billion dirhams in the third quarter of 2025. In this context, market capitalization returned to 984.9 billion dirhams at the end of November, down by 1.9 percent compared to the end of September, but still up by 30.9 percent since December 2024.

3.2.2.2 Sovereign debt market

In October, Treasury bill issuances amounted to 19 billion dirhams, after 41.3 billion dirhams raised in the third quarter. These issuances were primarily focused on medium-term maturities (38 percent).

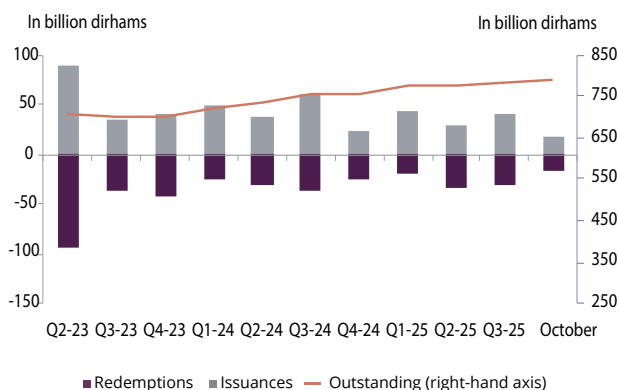
Due to repayments of 17 billion dirhams, the outstanding Treasury bill debt stood at 788.3 billion dirhams at the end of October, nearly stable compared to the third quarter and up by 4.6 percent compared to the beginning of the year.

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



Source: Maroclear and BAM calculations.

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



Source: BAM.

3.2.2.3 Private debt market

Private debt securities issuances amounted to 12.5 billion dirhams in October, after 27.5 billion dirhams in the third quarter. Financial institutions raised 10.3 billion dirhams, after 13.1 billion dirhams, and non-financial corporations issued 2.2 billion dirhams, after 14.4 billion dirhams.

By instrument, negotiable debt securities issuances totaled 8.3 billion dirhams, including 6.1 billion dirhams in certificates of deposit and 2.2 billion dirhams in financing company bonds. Issuances of bonds amounted to 4.2 billion dirhams, with 52 percent of these being issued by non-financial companies.

As a result of repayments, the outstanding private debt amounted to 295.2 billion dirhams at the end of October 2025.

3.2.2.4 UCITS

During the first eleven months¹ of the year, subscriptions to UCITS totaled 1334.7 billion dirhams, compared to 1084.1 billion dirhams during the same period a year earlier. Redemptions amounted to 1232.7 billion dirhams, compared to 1024.3 billion dirhams, resulting in a net collection of 102 billion dirhams.

In terms of performance indices, they all showed increases in November, with annual rates ranging from 2.6 percent for money market UCITS to 26.3 percent for equity funds.

The net assets of UCITS stood at 805 billion dirhams in November, up by 23.2 percent compared to December 2024. Except for contract-based UCITS, which recorded a decline of 29.4 percent in their net assets, other UCITS categories saw increases ranging from 11.6 percent for medium- and long-term bond funds to 59.2 percent for short-term funds.

¹ The latest available data is from November 14, 2025.

4. FISCAL POLICY TREND

Over the first ten months of 2025, budget execution resulted in a deficit of 60.3 billion dirhams, widening by 11.2 billion compared to the same period in 2024. Ordinary revenues improved by 16 percent to 371.6 billion, reflecting increases of 15.7 percent in tax revenues and 19.5 percent in non-tax revenues. At the same time, ordinary expenditures rose by 16.5 percent to 335.5 billion, driven by increases of 19.3 percent in goods and services expenditures and 23.6 percent in debt interest charges, while compensation expenditures declined by 25.4 percent. Under these conditions, the ordinary balance recorded a surplus of 36.1 billion, compared with 32.3 billion at end-October 2024. Investment expenditures increased by 8.3 percent to 86.2 billion, bringing total expenditures to 421.7 billion, up 14.7 percent. As for Special Treasury Accounts, they posted a negative balance of 10.2 billion, against - 1.8 billion at end-October 2024.

Taking into account the reduction of the stock of pending transactions by 12.7 billion dirhams, the cash deficit widened to 73 billion, compared with 54.1 billion a year earlier. This financing need was covered by net domestic resources amounting to 39.3 billion and by a positive net external flow of 33.7 billion. Consequently, direct public debt outstanding is estimated to have increased by 6.2 percent compared with its level at end-December 2024. Financing conditions for the Treasury improved compared with the same period in 2024.

4.1 Current revenues

Budget execution at end-October 2025 shows a 16 percent increase in ordinary revenues to 371.6 billion, with tax revenues rising by 15.7 percent to 318.8 billion, mainly driven by Corporate Income Tax (IS), Income Tax (IS) and VAT on imports, and non-tax revenues increasing by 19.5 percent to 49.4 billion.

Direct tax revenues rose by 23 percent to 134 billion dirhams, reflecting increases of 29.7 percent to 74.1 billion in Corporate Income Tax receipts and 15.8 percent to 55.9 billion in Income Tax receipts. The latter mainly incorporates 3.8 billion from the voluntary tax regularization, as well as improvements of 2 billion stemming from tax audits and 893 million from withholding PIT on capital gains from securities transactions. The increase in Corporate Income Tax is mainly explained by a

strengthening of the regularization surcharge by 6.9 billion, reaching a record level of 19.9 billion, as well as an improvement of 10.6 billion in the first three advance payments.

Indirect tax revenues amounted to 150.8 billion, up 13 percent, reflecting increases of 12.3 percent to 117.2 billion in VAT receipts and 15.4 percent to 33.6 billion in Excise Tax (TIC) revenues. The latter reflects, in particular, increases of 18.7 percent to 17.8 billion in TIC on energy products and 11.7 percent to 12.5 billion in TIC on tobacco products. VAT performance reflects a 15.5 percent rise to 40 billion in domestic VAT and a 10.8 percent increase to 77.2 billion in VAT on imports.

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

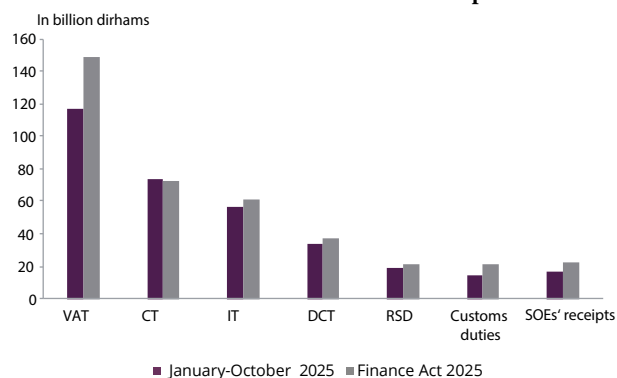
	Jan. - Oct. 2024	Jan. - Oct. 2025	Var. en %	FA 2025	Actual rates against FA (%)
Current revenues	320.4	371.6	16.0	436.7	85.1
Tax revenues	275.0	318.3	15.7	367.6	86.6
- Direct taxes	108.9	134.0	23.0	139.3	96.2
Includ. CT	57.1	74.1	29.7	73.0	101.5
I.T	48.3	55.9	15.8	60.9	91.9
- Indirect taxes	133.5	150.8	13.0	185.3	81.4
VAT*	104.3	117.2	12.3	148.4	79.0
ICT	29.15	33.65	15.4	36.9	91.2
- Customs duties	15.2	14.1	-7.3	21.3	66.0
- Registration and stamp duties	17.5	19.4	10.9	21.7	89.4
Nontax revenues	41.4	49.4	19.5	65.6	75.4
- Monopoles and shareholdings	13.6	16.1	18.4	22.6	71.3
- Other revenues	27.8	33.4	20.0	43.0	77.5
- Innovative financing mechanisms	17.4	18.8	8.2	35.0	53.8
TSA revenues	3.9	3.9	-0.6	3.6	108.4

* 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 revenues declined by 7.3 percent to 14.1 billion, while registration and stamp duties increased by 10.9 percent to 19.4 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 regards non-tax revenues, receipts under the “other revenues” heading reached 33.4 billion, compared with 27.8 billion, including 18.8 billion from innovative financing mechanisms, versus 17.4 billion at end-October 2024. Revenues from Public Establishments and Enterprises (PEEs) totaled 16.1 billion, compared with 13.6 billion a year earlier, mainly paid by OCP Group (6.2 billion), Bank Al-Maghrib (4.1 billion) and the National Agency for Land Conservation, Cadastre and Cartography (4 billion).

4.2 Expenses

Total expenditures increased by 14.7 percent to MAD 421.7 billion at end-October 2025, with ordinary expenditures rising by 16.5 percent to MAD 335.5 billion and investment expenditures by 8.3 percent to MAD 86.2 billion. Goods and services expenditures amounted to 244 billion, up 19.3 percent, reflecting increases of 11.2 percent to 150.4 billion in the wage bill and 35.2 percent to 93.7 billion in other goods and services expenditures. These include transfers of 45 billion to PEEs and 24.2 billion to Special Treasury Accounts, up by 11.7 billion and 13.4 billion, respectively. Regarding the wage bill, the portion managed by the Personnel Expenditure Directorate increased by 11.1 percent to 126.7 billion, reflecting a 14.4 percent rise in the structural component and a 29 percent decline in arrears to 6.2 billion.

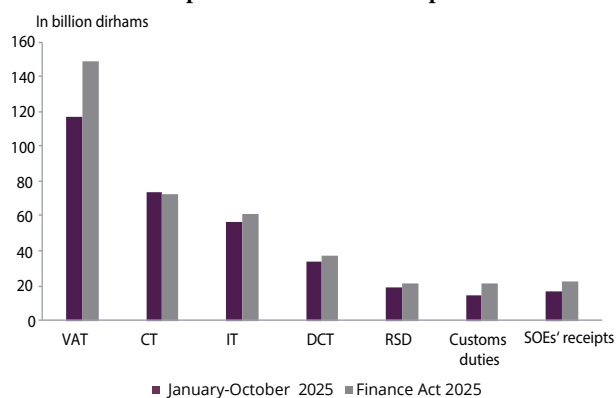
**Table 4.2: Public expenditure execution
(in billion dirhams)***

	Jan.- Oct. 2024	Jan.- Oct. 2025	Change in %	FA 2025	Actual rates against FA (%)
Overall expenditure	367.6	421.7	14.7	507.0	83.2
Current expenditure	288.0	335.2	16.5	401.4	83.6
Goods and services	204.5	244.0	19.3	294.2	83.0
Wage bill	135.2	150.4	11.2	180.3	83.4
Other goods and services	69.3	93.7	35.2	113.9	82.2
Debt interests	30.8	38.1	23.6	42.6	89.3
Subsidy cost	21.4	16.0	-25.4	17.1	93.1
Transfer to local governments	31.3	37.5	19.8	47.5	79.0
Investment	79.6	86.2	8.3	105.6	81.6

* 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.

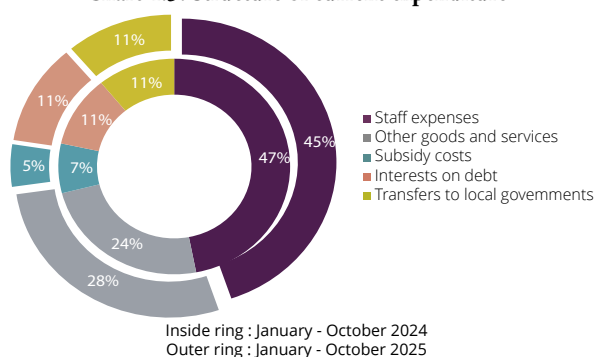
Chart 4.2: Expenditure execution compared to the FA



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

As for debt interest charges, they increased by 23.6 percent to 38.1 billion, reflecting a 36.9 percent surge to 30.2 billion in interest on domestic debt, and a 9.9 percent decline to 7.9 billion in interest on external debt.

Chart 4.3: Structure of current expenditure

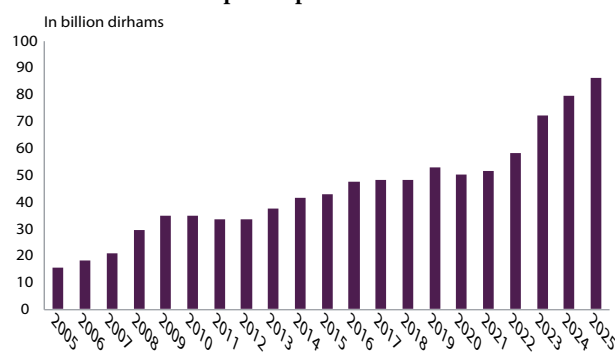


Sources: Ministry of Economy and Finance (DTFE) data, VAT restatement by BAM.

Subsidy expenditures declined by 25.4 percent to 16 billion, representing an execution rate of 93.1 percent relative to the Finance Law. This reflects reductions of 2.1 billion for butane gas, 1.2 billion for sugar, and 0.4 billion for national soft wheat flour. Moreover, no expenditure was recorded for support to road transport professionals, compared with 1.7 billion a year earlier.

Investment expenditures increased by 8.3 percent to 86.2 billion, corresponding to an execution rate of 81.6 percent relative to Finance Law projections, including a 8.8 percent rise to 49.2 billion in ministerial investment spending.

Chart 4.4: Capital expenditure at end-October

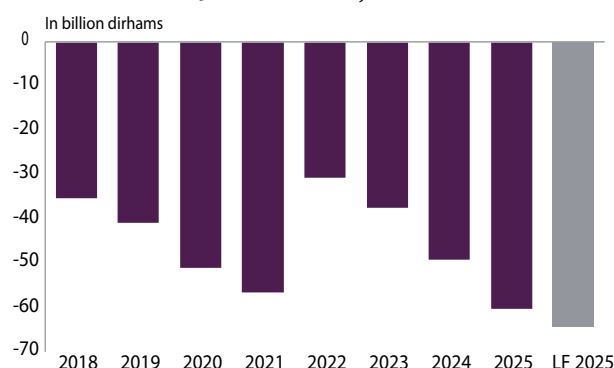


Sources: Ministry of Economy and Finance (DTFE).

4.3 Deficit and Treasury Financing

Taking into account developments in revenues, expenditures and the balance of Special Treasury Accounts, the Treasury's overall balance resulted in a widening of the budget deficit from 49.1 billion to 60.3 billion. Furthermore, the Treasury reduced its stock of pending transactions by MAD 12.7 billion, compared with 5 billion at end-October 2024, bringing the cash deficit to 73 billion, versus 54.1 billion.

Chart 4.5: Fiscal balance, at end-October



Source: MEF (DTFE).

The Treasury's financing need was covered by net domestic resources amounting to 39.3 billion and by a positive net external flow of 33.7 billion. The latter includes gross external drawdowns totaling 43.2 billion, compared with 24.9 billion a year earlier, of which 20.9 billion was raised on the international financial market and 11.2 billion from the World Bank.

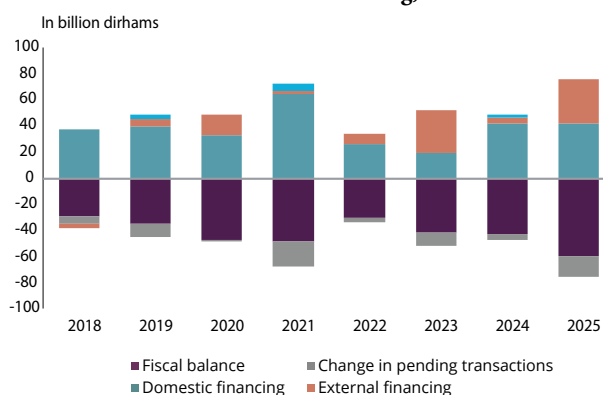
Table 4.3: Deficit financing (in billion dirhams)

	Jan. - Oct. 2024	Jan. - Oct. 2025	FA 2025
Current balance	32,3	36,1	35,4
Balance of TSA	-1,8	-10,2	6,0
Primary balance	-18,3	-22,2	-21,6
Fiscal balance	-49,1	-60,3	-64,2
Change in pending transactions	-5,0	-12,7	0,0
Financing requirements	-54,1	-73,0	-64,2
Domestic financing	46,8	39,3	58,2
External financing	5,6	33,7	51,5
Privatization	1,7	0,0	6,0

Sources: Ministry of Economy and Finance (DTFE).

Regarding domestic financing, recourse to the auction market made it possible to mobilize a net amount of 34.7 billion, compared with 57.9 billion a year earlier. Net subscriptions were mainly concentrated on 2-year maturities (7.5 billion), 10-year maturities (5.6 billion), 52-week securities (5.5 billion), and 5-year treasury bills (5.1 billion).

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



Sources: Ministry of Economy and Finance (DTEF).

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

Regarding Treasury financing conditions on the auction market, data at end-October indicate a decline in weighted average interest rates compared with the same period in 2024. For short- and medium-term maturities, declines reached 73 basis points (bp) to 2.35 percent for 2-year Treasury bills and to 1.99 percent for 13-week bills, 69 bp to 2.56 percent for 5-year bills, 65 bp to 2.19 percent for 52-week bills, and 53 bp to 2.22 percent for 26-week bills. For long-term maturities, rates fell by 93 bp to 3.84 percent for 30-year bonds, 72 bp to 3.18 percent for 15-year bonds and 3.47 percent for 20-year bonds, and 71 bp to 2.92 percent for 10-year bonds.

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

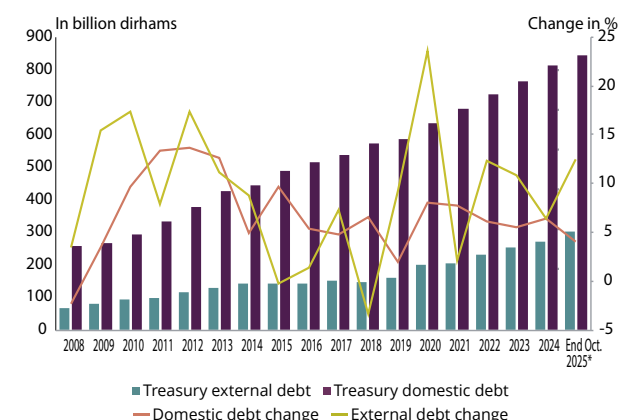
	2019	2020	2021	2022	2023	2024	End Oct. 2025*
Treasury external debt	161.6	199.7	203.8	228.9	253.6	269.8	303.5
Change in %	9.2	23.6	2.0	12.3	10.8	6.4	12.5
Treasury domestic debt	585.7	632.9	681.5	722.9	763.0	811.8	844.9
Change in %	1.9	8.1	7.7	6.1	5.6	6.4	4.1
Outstanding direct debt	747.3	832.6	885.3	951.8	1 016.7	1 081.6	1 148.3
Change in %	3.4	11.4	6.3	7.5	6.8	6.4	6.2

Sources: Ministry of Economy and Finance (DTEF).

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

Under these conditions, direct public debt is estimated to have increased by 6.2 percent at end-October 2025 compared with its level at end-December 2024, with increases of 4.1 percent in the domestic component and 12.5 percent in the external component.

Chart 4.7: Treasury indebtedness



* BAM estimates.

Sources: Ministry of Economy and Finance (DTEF).

5. DEMAND, SUPPLY AND LABOR MARKET

In the second quarter of 2025, economic growth accelerated to 5.5 percent, compared with 3 percent in the same period a year earlier. This change reflects a 4.7 percent increase in agricultural value added, following a 4.4 percent decline, and a 5.5 percent improvement in non-agricultural value added, compared with 3.8 percent. On the demand side, domestic demand contributed 9.9 percentage points to growth, while net exports in volume terms made a further negative contribution of 4.4 points.

In the second half of the year, GDP is expected to grow by an average of 4.9 percent, following 4.6 percent a year earlier. Non-agricultural value added is expected to grow by 4.6 percent, driven in particular by the momentum in tourism, construction and public works, trade, and non-market sectors, while that of the agricultural sector is expected to increase by 5.5 percent. Throughout the whole year, growth is expected to average 5 percent after 3.8 percent in 2024.

On the labor market, after weak job creation in the second quarter of 2025, the momentum observed since the third quarter of 2024 appears to be picking up again. Between the third quarter of 2024 and the same period in 2025, the national economy recorded an increase in employment of 167,000 jobs, after 213,000 a year earlier. Apart from agriculture, which lost 47,000 jobs, other sectors created jobs, amounting to 94,000 in services, 90,000 in construction and public works, and 29,000 in industry. Taking into account a net inflow of 112,000 job seekers, the labor force participation rate fell by 0.3 points to 43.3 percent nationally, and the unemployment rate fell from 13.6 percent to 13.1 percent overall, from 17 percent to 16.3 percent in cities, and from 7.4 percent to 6.9 percent in rural areas.

5.1 Domestic demand

5.1.1 Consumption

In the second quarter of 2025, household consumption improved by 5.1 percent, compared with 3.3 percent a year earlier, and its contribution to growth rose from 2 percentage points to 3 points.

The outlook for the second half of the year points to a sustained upward trend, with growth averaging around 4.5 percent. It is expected to be buoyed by moderate inflation, a recovery in agricultural activity, and consolidation of non-agricultural income.

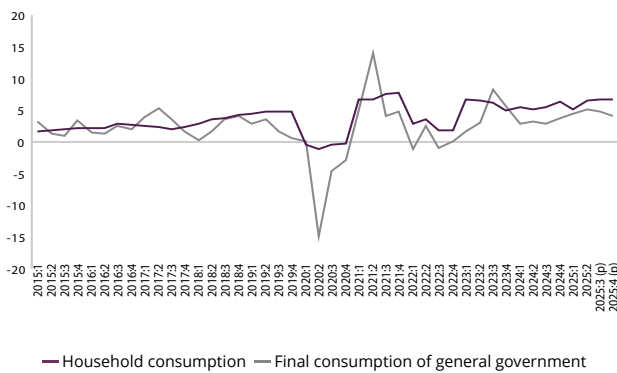
Over the entire year, household consumption is expected to grow by 4.6 percent after 3.2 percent in 2024.

The pace of public administration final consumption accelerated to 6.5 percent in the second quarter of 2025, up from 5.1 percent in the same quarter a

year earlier. Thus, its contribution to growth rose from 0.9 percentage points to 1.2 points.

In the second half of 2025, this pace is expected to accelerate to 6.8 percent after 5.9 percent in the same period a year earlier, reflecting the increase in operating expenses, which rose by 17.3 percent between July and October, compared with 12.3 percent a year earlier, as well as the increase in transfers to local authorities, which rose by 23.1 percent over the same period, compared with 13 percent the previous year.

Overall, final consumption by public administrations is expected to grow by an average of 6.3 percent in 2025, following 5.6 percent in 2024.

Chart 5.1: Consumer expenditure (Change in %)

Sources: HCP Data and BAM forecasts.

5.1.2 Investment

In the second quarter of 2025, investment rebounded by 18.9 percent year-on-year, following a 14.3 percent increase in the same quarter of the previous year, contributing 5.6 percentage points to growth instead of 4 points.

Available indicators suggest that investment pace will accelerate to an average of 18.4 percent in the second half of 2025, compared with 12.1 percent a year earlier. This trend is corroborated by several indicators, notably accelerations in the third quarter of 2025 from 23.9 percent to 32.8 percent in the volume of capital goods imports, from 11.7 percent to 22.4 percent in equipment loans, and from 29.5 percent to 61.3 percent in FDI receipts, as well as an improvement in the Capacity Utilization Rate from 77.5 percent to 79.5 percent.

Furthermore, the quarterly results of Bank Al-Maghrib's business survey for the third quarter of 2025 show that the business climate was described as "normal" by 77 percent of companies and "difficult" by 15 percent of them.

Over the whole year, the pace of investment is expected to accelerate, reaching 18.3 percent after 10.9 percent in 2024.

5.2 Foreign demand

In the second quarter of 2025, net exports of goods and services in volume terms contributed negatively to growth by 4.4 points, compared with 4.1 points a year earlier. The growth pace accelerated from 13.6 percent to 15.7 percent for imports and from 6.3 percent to 8.5 percent for exports.

In the second half of this year, export growth is expected to slow to 7 percent, affected by a relative slowdown in foreign demand, particularly for phosphates and derivatives, as well as automobile industry. At the same time, import growth is expected to reach 14.9 percent.

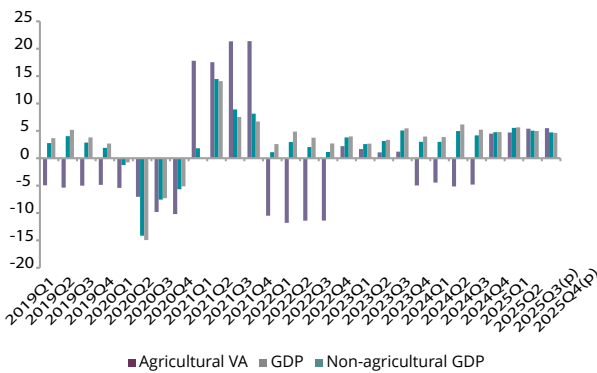
Over the whole of 2025, external trade, in volume terms, is likely to make a negative contribution to economic growth of 4.4 percentage points, compared with 2.5 points a year earlier. The growth rate of goods and services exports is projected to slow from 8.0 percent to 6.2 percent, while that of imports is expected to accelerate from 11.6 percent to 14.0 percent.

5.3 Overall supply

In the second quarter of 2025, GDP grew by 5.5 percent after 3 percent a year earlier. This acceleration reflects a 4.7 percent increase in agricultural value added, instead of a 4.4 percent decline, and a 5.5 percent improvement in non-agricultural activities, after 3.8 percent.

In the second half of the year, economic growth is expected to average 4.9 percent after 4.6 percent. Agricultural value added is expected to increase by 5.5 percent, compared with a decline of 5 percent, thanks in particular to an improvement in the harvest of the three main cereals from 38.9 percent to 43.1 million quintals (MQx), while non-agricultural value added is set to increase by 4.6 percent instead of 5.3 percent.

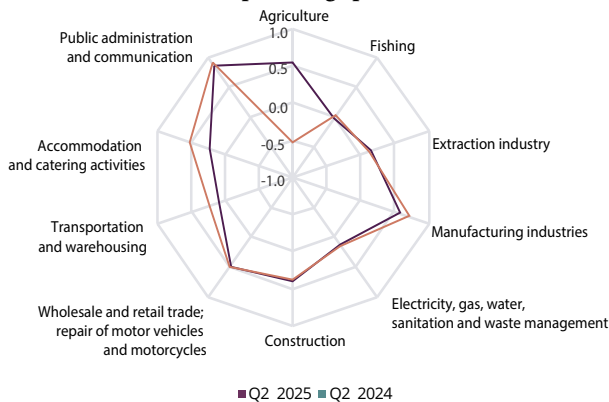
Chart 5.2: GDP per component (Chained prices, YoY change in percent, base year 2014)



Sources: HCP data and BAM forecasts.

For the secondary sector, value added is expected to grow by an average of 4.8 percent, following 5.3 percent a year earlier. This trend would reflect improvements of 3.8 percent in manufacturing and 7.3 percent in construction and public works.

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



Sources: HCP data and BAM forecasts.

In the tertiary sector, activity is expected to grow by 4.5 percent instead of 5.2 percent in the same period last year. In particular, value added is expected to increase by 5.5 percent for the “Accommodation and food service activities” sector and by 4.6 percent for trade. Similarly, it is projected to improve in the “public administration and defense, compulsory social security” and “education, human health, and social work” sectors in line with the wage increases decided upon in the context of social dialogue.

Overall, growth is expected to average 5 percent for the whole year, following 3.8 percent in 2024.

5.4 Labor market and output capacity

5.4.1 Activity and employment

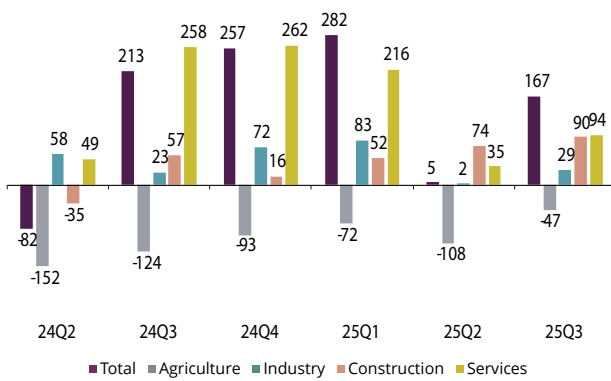
Between the third quarter of 2024 and the same period in 2025, the labor market situation was marked by a 0.9 percent increase in the number of people aged 15 and over in the workforce to 12.5 million, resulting from a 1.7 percent increase in cities and a 0.5 percent decline in rural areas.

Considering changes in the working-age population, the labor force participation rate fell again by 0.3 percentage points to 43.3 percent nationally, by 0.2 percentage points to 42.3 percent in urban areas, and by 0.5 percentage points to 45.2 percent in rural areas.

At the same time, after weak job creation in the second quarter of 2025, the momentum observed since the third quarter of 2024 appears to be picking up again. The national economy created 167,000 jobs, compared to 213,000 in the same period last year, and the employed labor force grew by 1.6 percent to 10.8 million people, mainly in urban areas, with an increase of 2.5 percent to 6.8 million.

Apart from agriculture, which posted a loss of 47,000 jobs, other sectors recorded job creation figures of 94,000 in services, 90,000 in construction and public works, and 29,000 in industry.

Chart 5.4: Job creation by sector (In thousands)



Sources: HCP.

5.4.2 Unemployment and underemployment

The number of unemployed fell by 3.2 percent to 1.6 million people. Considering changes in the labor force, the unemployment rate fell from 13.6 percent to 13.1 percent domestically, from 17 percent to 16.3 percent in urban areas, and from 7.4 percent to 6.9 percent in rural areas. For young people aged 15 to 24 in particular, this rate fell from 39.5 percent to 38.4 percent overall, from 50.3 percent to 48.2 percent in cities, and from 24.7 percent to 24.3 percent in rural areas.

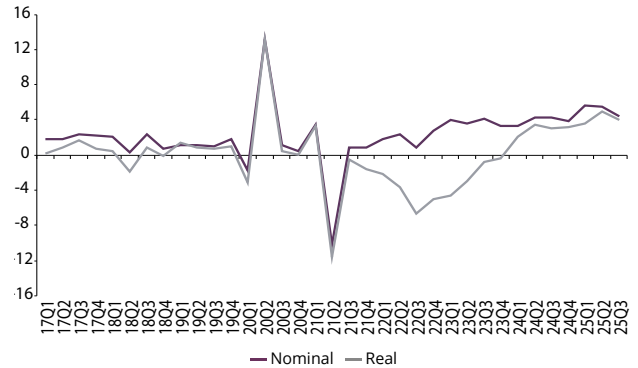
At the same time, the situation was marked by an increase in underemployment, with the rate rising from 10 percent to 11.1 percent nationally, from 8.8 percent to 9.5 percent in urban areas, and from 12 percent to 13.8 percent in rural areas.

5.4.3 Productivity and wages

In non-agricultural activities, apparent labor productivity, measured by the ratio of value added to employment, is estimated to have improved by 2.1 percent in the third quarter of 2025, after 1.3 percent a year earlier. This change reflects a 4.8 percent increase in value added, instead of 5.7 percent, and a 2.6 percent increase in the number of people employed, after 4.4 percent.

For its part, the average salary, calculated on the basis of CNSS data by comparing the total wage bill to the number of employees, showed an increase of 4.4 percent in the third quarter of 2025, compared to 4.3 percent a year earlier in nominal terms, and 4 percent after 3 percent in real terms.

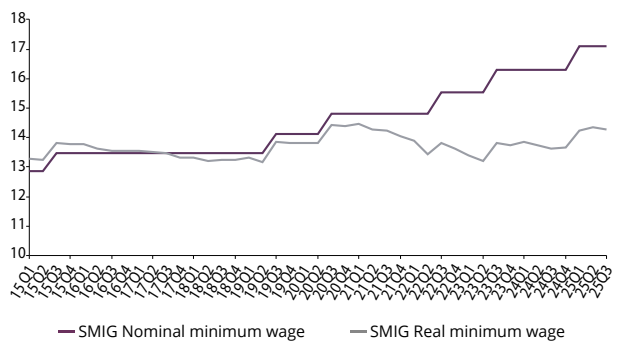
Chart 5.5: Private sector average wage index (YoY change in %)



Sources: CNSS data et BAM calculations.

The hourly minimum wage stood at MAD 17.1 in nominal terms in the third quarter of 2025, up 5 percent year-on-year. Taking into account a 0.4 percent increase in the consumer price index, it would have risen by 4.6 percent in real terms.

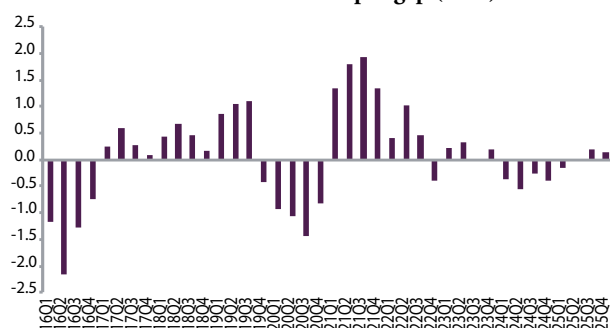
Chart 5.6: Hourly minimum wages in nominal and real terms (in dirhams)



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

Overall, the output gap is expected to be positive in the second half of 2025.

Chart 5.7: Overall output gap (in %)



Source: BAM estimates.

Table 5.1: Labor market main indicators

	Q3 2024	Q3 2025
Participation rate (%)	43.6	43.3
Urban	42.5	42.3
Rural	45.7	45.2
Unemployment rate (%)	13.6	13.1
Youth aged 15 to 25	39.5	38.4
Urban	17.0	16.3
Youth aged 15 to 25	50.3	48.2
Rural	7.4	6.9
Créations d'emplois (en milliers)	213	167
Urban	231	164
Rural	-17	3
Sectors		
- Agriculture, forest and fishing	-124	-47
- Industry	23	29
- Construction and public works	57	90
- Services	258	94
Non-agricultural apparent productivity (change in %)	1.3	2.1
Average wage index (change in %)		
Nominal	4.3	4.4
Real	3.0	4.0

Sources: HCP and CNSS data, BAM calculations

6. RECENT INFLATION TRENDS

In line with the forecasts published in last September's Monetary Policy Report, inflation fell from an average of 0.5 percent in the second quarter of 2025 to 0.4 percent in the third quarter. It then slowed significantly to 0.1 percent in October, bringing its average for the first ten months of the year to 0.8 percent. This deceleration mainly reflects the 0.3 percent decline in the core inflation indicator, following a 0.6 percent increase. On the other hand, the rate of increase in volatile food prices accelerated to 2.3 percent from 1.6 percent, and the drop in fuel and lubricant prices slowed from 9.5 percent to 5.8 percent.

In the fourth quarter of 2025, inflation is expected to slow to 0.1 percent, with an average of 0.8 percent for the whole year. The underlying inflation is expected to be -0.5 percent, ending the year at an average rate of 0.7 percent.

6.1 Inflation trends

After averaging 0.4 percent in the third quarter, inflation slowed to 0.1 percent in October, with an average of 0.8 percent for the first ten months of the year. This slowdown was mainly driven by a 0.3 percent decline in core inflation, following a 0.6 percent increase. On the other hand, the rise in prices of volatile food products accelerated from 1.6 percent to 2.3 percent, and the drop in fuel and lubricant prices slowed from 9.5 percent to 5.8 percent.

6.1.1. Prices of products excluded from core inflation

Year-on-year, prices for volatile food products rose by 2.3 percent in October, following a 1.6 percent increase in the third quarter. This acceleration was mainly driven by the slowdown in the decline in prices for "fresh fruit" from -8 percent to -0.3 percent, as well as by the increase in prices from 1.1 percent to 4 percent for "fresh fish" and from 13.8 percent to 21.6 percent for "citrus fruits."

As a result, this component contributed 0.3 percentage points to inflation instead of 0.2 points.

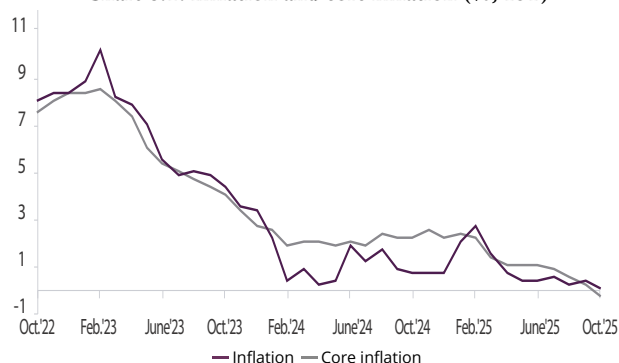
Table 6.1: Inflation and its components

(In %)	Monthly change			YoY change		
	Aug. 25	Sept. 25	Oct. 25	Aug. 25	Sept. 25	Oct. 25
Inflation	0.5	0.2	-0.6	0.3	0.4	0.1
- Food products with volatile prices	3.5	1.3	-2.8	0.3	2.5	2.3
- Price-regulated products	0.0	0.0	0.0	0.5	0.5	0.5
- Fuels and lubricants	0.4	-2.2	-0.6	-9.1	-8.1	-5.8
Core inflation	0.0	0.0	-0.2	0.6	0.2	-0.3
Food products	-0.2	-0.5	-0.6	-0.1	-0.9	-2.1
-Clothing and footwear	0.2	0.4	0.0	0.9	0.9	0.8
-Housing, water, gas, electricity, and other fuels	0.1	0.1	0.1	1.0	1.1	1.1
-Furniture, household goods and routine maintenance	-0.1	0.2	-0.1	0.6	0.8	0.6
-Healthcare ¹	-0.1	-0.1	0.3	-0.5	-0.1	-0.6
-Transport ²	0.3	-0.8	0.0	0.8	-0.1	-0.4
-Communication	0.0	-0.1	0.0	-0.2	-0.2	-0.2
-Leisure and culture ¹	0.0	0.0	0.1	-1.0	-0.8	-0.7
-Education	0.0	2.1	0.1	2.3	2.1	2.1
-Restaurants and hotels	0.7	-0.1	-0.2	2.9	2.9	2.4
-Miscellaneous goods and services ¹	0.1	0.1	0.2	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)

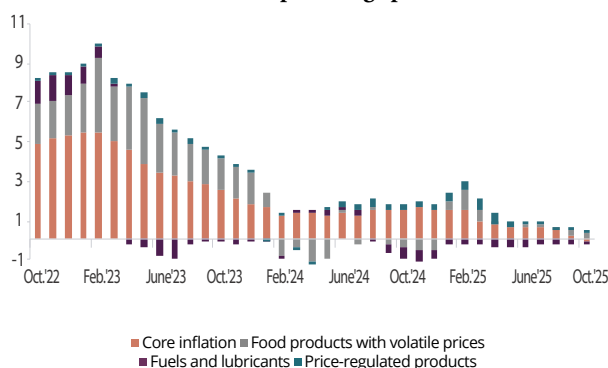


Sources: HCP and BAM calculations.

Regulated tariffs rose by 0.5 percent in October, virtually unchanged from the rate recorded in the third quarter.

Their contribution to inflation stabilized at 0.1 percentage points.

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



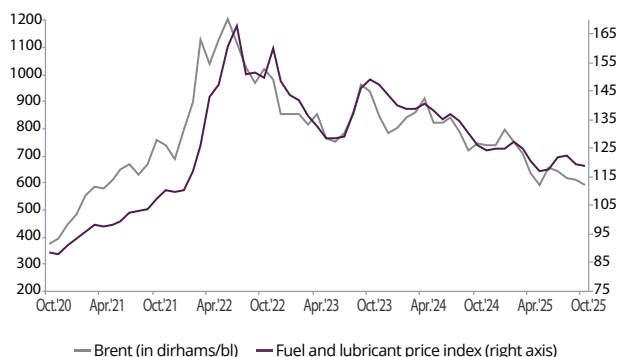
Sources: HCP data and BAM calculations.

For their part, fuel and lubricant prices recorded a monthly decline of 0.6 percent in October. This development comes against a backdrop of falling international oil prices, with Brent crude in particular down 4.9 percent, as well as a 1.6 percent depreciation of the dirham against the US dollar.

Year-on-year, the decline in fuel and lubricant prices slowed, falling from an average of 9.5 percent in the third quarter to 5.8 percent in October.

As a result, fuel and lubricant prices contributed negatively to inflation by 0.2 percentage points, compared with 0.3 points in the previous quarter.

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



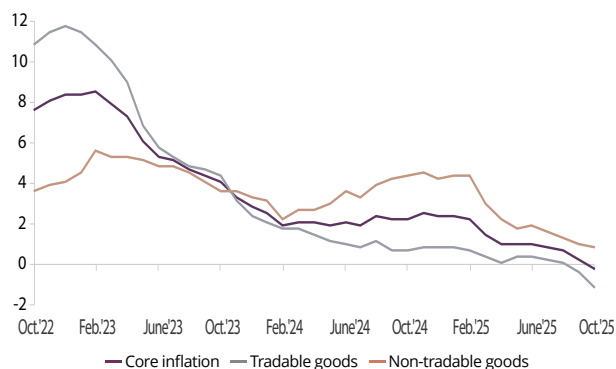
Sources: World Bank, HCP and BAM calculations.

6.1.2. Core inflation

Core inflation fell by 0.3 percent in October, following a 0.6 percent increase in the third quarter. This slowdown was mainly driven by a sharper fall in food prices, from -0.2 percent to -2.1 percent, with prices for “oils” falling 10.8 percent after a 3.3 percent decline and “fresh meat” falling 2.2 percent after a 0.3 percent increase.

Prices for non-food products and services included in the core inflation indicator rose by 1 percent in October, down from 1.1 percent in the previous quarter, driven mainly by a 0.4 percent decline in “transportation” prices, instead of a 0.7 percent increase.

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



Source: HCP data and BAM calculations.

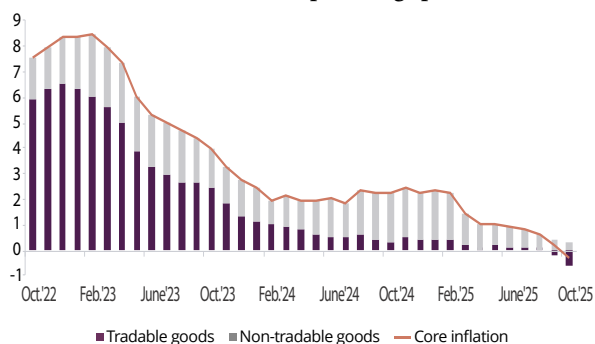
The breakdown of the core inflation indicator into tradable and non-tradable goods shows that the decline was mainly driven by changes in the prices of tradable goods and services. These fell by 1.1 percent in October, compared with 0.1 percent in the third quarter. Similarly, the rate of increase in the prices of non-tradable goods fell from 1.3 percent to 0.8 percent.

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

	Monthly variation			Year-on-year		
	Aug. 25	sept. 25	oct. 25	Aug. 25	sept. 25	oct. 25
Tradable goods	0.0	-0.3	-0.5	0.0	-0.4	-1.1
Non-tradable goods	0.0	0.3	0.1	1.3	0.9	0.8
Core inflation	0.0	0.0	-0.2	0.6	0.2	-0.3

Sources: HCP data and BAM calculations.

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



Sources: HCP and BAM calculation.

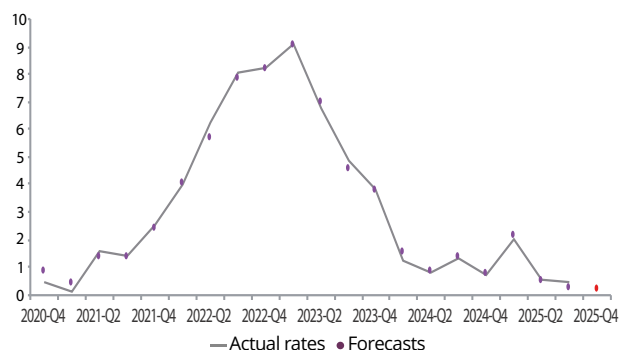
6.2 Short-term outlook for inflation

In the short term, inflation is expected to settle at 0.1 percent in the fourth quarter, compared with 0.4 percent in the third quarter of 2025. This change would be driven mainly by a 0.5 percent decrease in the core inflation indicator, instead of a 0.6 percent increase, considering the sharp decline in oil prices.

On the other hand, prices for volatile food products are expected to rise by 3.3 percent in the fourth quarter, compared with 1.6 percent in the third quarter.

Similarly, the decline in fuel and lubricant prices is expected to slow to 4.3 percent in the fourth quarter, compared with 9.5 percent in the third quarter, in line with the expected trend in international oil prices.

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

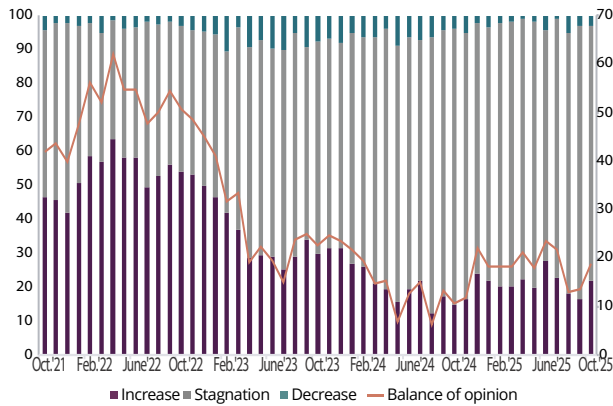


Source: HCP data and BAM forecasts.

6.3 Inflation expectations

The results of Bank Al-Maghrib's business survey of manufacturers for October 2025 show that 75 percent of respondents expect inflation to stabilize over the next three months, 22 percent anticipate an increase, while 3 percent expect a decrease. The balance of opinion thus stands at 19 percent.

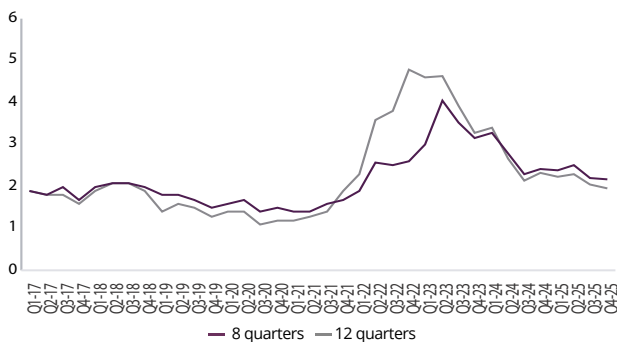
Chart 6.7 : Business owners' expectations of inflation over the next three months (%)



Source: BAM's monthly business survey.

Furthermore, the results of Bank Al-Maghrif's survey on inflation expectations, conducted among financial sector experts for the fourth quarter of 2025, show average inflation of 2 percent over the next eight quarters, down from 2.1 percent in the third quarter. Over the next 12 quarters, they expect a rate of 2.2 percent, the same as in the previous quarter.

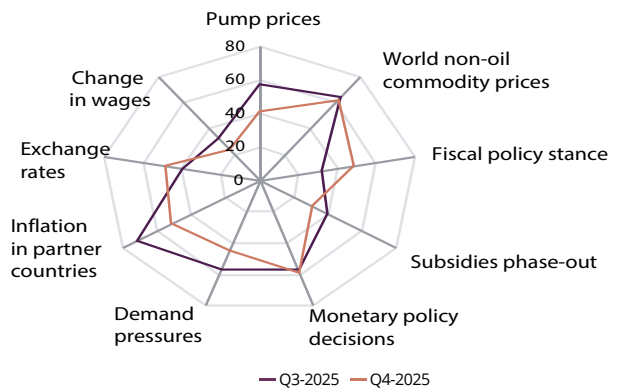
Chart 6.8: Inflation expectations of financial sector experts over the next eight quarters (%)



Source: BAM's quarterly survey on inflation expectations.

Respondents consider that inflation over the next eight quarters will depend mainly on global commodity prices (excluding oil), monetary policy decisions, fiscal policy stance, and pump prices.

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



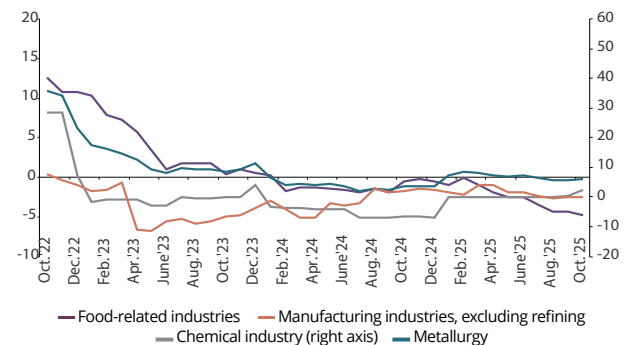
Source: BAM's quarterly survey on inflation expectations.

6.4 Producer prices

Producer prices in manufacturing industries excluding oil refining posted a monthly increase of 0.4 percent in October, driven exclusively by a 2.1 percent increase in prices in the "chemical industry".

Year-on-year, the decline in producer prices excluding refining slowed to -0.2 percent in October, compared with an average of -0.3 percent in the third quarter of 2025.

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



Source: HCP.

7. MEDIUM TERM OUTLOOK

Summary

Global economic growth is expected to slow in 2025 and 2026, as the temporary factors that supported its resilience in the first half of this year are set to fade.

Accordingly, the pace of global economic activity is projected to ease from 3.2 percent in 2024 to 3.1 percent in 2025, before slowing further to 2.7 percent in 2026. In the United States, growth would reach 1.9 percent, driven mainly by the resilience of household consumption and the buoyancy of investment in the field of artificial intelligence, before recording a slight slowdown to 1.8 percent in both 2026 and 2027. In the euro area, economic activity would continue to grow at a moderate pace, reaching 1.4 percent in 2025, 1.2 percent in 2026, and 1.5 percent in 2027, supported by robust private consumption and a recovery in investment, particularly in the defense and infrastructure sectors.

In the United Kingdom, economic activity would grow by 1.4 percent in 2025, driven mainly by public spending and exports in anticipation of tariff increases, before slowing to 1.1 percent in 2026, and then returning to 1.4 percent in 2027. In Japan, the pace of activity would accelerate to 1.4 percent in 2025, supported by higher consumption and investment, as well as the strong performance of exports observed in the first half of the year. Growth would then moderate to 0.9 percent in 2026 and 0.8 percent in 2027, as the impact of U.S. tariffs materializes.

In the major emerging economies, China's economy remains on track to grow by 4.9 percent in 2025, although the latest data point to signs of a loss of momentum in activity, notably a decline in retail sales and exports, while investment would continue to be hampered by persistent difficulties in the real estate sector. Subsequently, growth is expected to stand at 4.4 percent in 2026 and 4.6 percent in 2027. In India, economic activity would remain buoyant in 2025, with growth at 7.3 percent, before slowing to 6.1 percent in 2026 and rising again to 6.7 percent in 2027. In Brazil, growth would decelerate from 3 percent in 2024 to 2.4 percent in 2025, then to 1.1 percent in 2026, mainly reflecting the restrictive stance of monetary policy, before rebounding to 2.3 percent in 2027. In Russia, growth would record a sharp slowdown to 0.7 percent in 2025, weighed down in particular by sanctions targeting domestic oil companies and by the decline in oil exports to China and India. It would then slow to 0.5 percent in 2026, before recovering to 1 percent in 2027.

On commodity markets, oil prices would maintain their downward trend, owing to ample supply from OPEC+ countries and persistently weak consumption growth. In particular, the Brent price is expected to decline from an average of USD 79.8 per barrel in 2024 to USD 68.4 in 2025, and then to USD 63.1 in 2026. As regards Moroccan phosphate and derivatives, the price of Moroccan DAP is projected, according to the Commodities Research Unit, to rise from USD 586 per ton in 2024 to an average of USD 712 in 2025, before declining to USD 694 in 2026 and USD 641 in 2027. The price of TSP would decrease from USD 521 per ton in 2025 to USD 502 in 2026, and then to

USD 487 in 2027. As for crude phosphate, its price would decline to USD 211 per ton in 2025, USD 195 in 2026, and USD 182 in 2027. With regard to food commodities, following a 2 percent decline in 2024, the FAO index would increase by 4.8 percent in 2025, driven mainly by higher prices of vegetable oils and meat. Thereafter, it would record more moderate increases of 0.7 percent in 2026 and 2 percent in 2027.

Under these conditions, global inflation would continue to ease, declining from 3.7 percent in 2024 to 2.9 percent in 2025 and 2026, before rising to 3.1 percent in 2027. In the euro area, despite tariff increases and supply chain disruptions, inflation would remain around the ECB's target over the forecast horizon. In the United States, inflation would remain above the Federal Reserve's objective, declining from 3 percent in 2024 to 2.8 percent in 2025, rising to 3.1 percent in 2026, before decelerating to 2.7 percent in 2027.

Regarding the orientation of monetary policies, the Federal Reserve reduced, following its meetings of December 9 and 10, the target range for the federal funds rate to [3.50 percent–3.75 percent], in view of rising unemployment and heightened downside risks to employment prospects. By contrast, the ECB decided, at the conclusion of its October 30 meeting, to keep its three key policy interest rates unchanged, marking the third consecutive decision to maintain the status quo following a total of eight cuts since June 2024, indicating that inflation is currently around the 2 percent target. For its part, the Bank of England decided, at its November 5 meeting, to keep its policy rate unchanged at 4 percent for the second consecutive time, following a total of three cuts since the beginning of 2025. It indicated that inflation is considered to have reached its peak.

At the national level, 2025 would be marked by an acceleration in the growth of trade in goods and services, reflecting in particular increases of 4.5 percent in exports and 7.7 percent in imports, as well as a marked rise in travel receipts, which are expected to end the year with a notable increase of 23 percent compared with 2024. The current account deficit would thus widen to 1.8 percent of GDP, from 1.2 percent in 2024. Moreover, FDI receipts would peak at the equivalent of 3.4 percent of GDP, compared with 2.7 percent in 2024. Under these conditions, official reserve assets would stand at MAD 425.2 billion in 2025, equivalent to 5 months and 16 days of imports of goods and services.

Over the medium term, foreign trade is expected to continue strengthening. Supported by the projected momentum of the automotive manufacturing segment, exports would increase by 8.4 percent in 2026 and 7.9 percent in 2027. Imports, for their part, would grow by 6.1 percent in 2026 and 8 percent in 2027, reflecting in particular a strong increase in capital goods acquisitions, in line with investment dynamics. In parallel, travel receipts would continue to perform well, rising by 5.4 percent in 2026 and 6.1 percent in 2027, reaching MAD 154.7 billion. As regards transfers from Moroccans Residing Abroad (MREs), they are expected to increase by 4.6 percent in 2026 and 2.2 percent in 2027, reaching MAD 130.2 billion. These developments would result in a current account deficit of 1.5 percent of GDP in 2026 and 1.9 percent in 2027. FDI receipts would stand, for their part, at around 3.5 percent of GDP over the medium term.

Assuming the materialization of the projected external financing, official reserve assets are expected to strengthen to 437.9 billion at end-2026 and 448.2 billion at end-2027, representing coverage of 5 months and 10 days and 5 and a half months of imports of goods and services, respectively.

With regard to monetary conditions, after slowing to 2.6 percent in 2024, bank credit to the non-financial sector is expected to accelerate to 4.1 percent in 2025 and around 5 percent in 2026 and 2027. Meanwhile, the real effective exchange rate would continue to appreciate in 2025, before depreciating in 2026 and stabilizing in 2027.

In terms of public finances, the fiscal deficit would narrow to 3.6 percent of GDP in 2025, before stabilizing at 3.4 percent of GDP in 2026 and 2027. These projections take into account the data from the 2026 Finance Bill (PLF), the 2026–2028 Medium-Term Budget Framework (MTBF), and Bank Al-Maghrib's updated macroeconomic projections. They also incorporate the revised estimates for the closing of fiscal year 2025 published by the Ministry of Economy and Finance in the MTBF 2026–2028 document.

As regards economic activity, following growth of 3.8 percent in 2024, GDP growth would record a marked acceleration to 5 percent in 2025, reflecting, on the one hand, a 5 percent increase in agricultural value added, and, on the other hand, a 5 percent rise in non-agricultural value added. Over the medium term, growth would consolidate at 4.7 percent in 2026 and 4.3 percent in 2027, assuming a return to average cereal harvests. Non-agricultural activities would grow by 4.8 percent in 2026 and 4.5 percent in 2027. On the demand side, domestic demand would continue to drive growth, while the contribution of net exports would remain negative.

In this context, inflation is expected to stand at 0.8 percent in 2025, before gradually accelerating to 1.3 percent in 2026 and 1.9 percent in 2027. Core inflation would slow to 0.7 percent in 2025, remain at the same pace in 2026, and then rise to 1.9 percent in 2027.

7.1 Underlying assumptions

Deceleration of global economic activity over the forecast horizon

In the United States, growth would reach 1.9 percent in 2025, driven mainly by the resilience of household consumption and the dynamism of investment in artificial intelligence, before easing slightly to 1.8 percent in 2026 and 2027. This deceleration would be the result of the combination of several unfavorable factors, notably the risk of new budgetary impasses, high borrowing costs, and uncertainties surrounding tariff policy. In the euro area, economic activity would continue to grow at a moderate pace, reaching 1.4 percent in 2025, 1.2 percent in 2026, and 1.5 percent in 2027, supported by robust private consumption and a recovery in investment, particularly in the defense and infrastructure sectors (e.g., Germany). However, these prospects remain fragile, as the euro area economy would remain exposed to downside risks related to (i) weak external demand; (ii) higher tariffs; and (iii) persistent political uncertainty in France. The UK economy would record growth of 1.4 percent in 2025, driven mainly by public spending and exports in anticipation of tariff increases. Activity would then slow to 1.1 percent in 2026, as firms adopt a cautious stance marked by limited hiring intentions and reduced investment plans, in an environment characterized by uncertainty, particularly regarding the effects of announced fiscal measures. Growth would subsequently recover to 1.4 percent in 2027. In Japan, the pace of activity would accelerate to 1.4 percent in 2025, supported by higher consumption and investment, as well as the strong export performance observed in the first half of the year. Growth would moderate to 0.9 percent in 2026 and 0.8 percent in 2027, as the impact of U.S. tariffs becomes more pronounced.

As for the major emerging economies, in China, growth would remain at 4.9 percent in 2025, although recent data show signs of a slowdown in activity, notably declining retail sales and exports, despite the extension of the tariff truce until November 2026, while investment would continue to be weighed down by persistent difficulties in the real estate sector. Growth is expected to stand at 4.4 percent in 2026 and 4.6 percent in 2027. In India, economic activity would remain buoyant, with growth of 7.3 percent in 2025, 6.1 percent in 2026, and 6.7 percent in 2027. Higher U.S. tariffs have weighed on exports, which were only partially redirected from the United States to other markets, while domestic consumption benefited only partially from the new VAT reform, whose impact would materialize only toward the end of 2026. In Brazil, growth would decelerate to 2.4 percent in 2025 and then to 1.1 percent in 2026, mainly reflecting the restrictive stance of monetary policy. Thereafter, with the gradual normalization of monetary policy starting in early 2026, demand would strengthen progressively, allowing growth to rebound to 2.3 percent in 2027. In Russia, growth would slow sharply to 0.7 percent in 2025, weighed down by sanctions targeting domestic oil companies and declining oil exports to China and India. It would then slow further to 0.5 percent in 2026, due to restrictive monetary policy, persistent sanctions, and limited investment in non-military sectors, before recovering to 1 percent in 2027.

Chart 7.1: Growth in the euro area

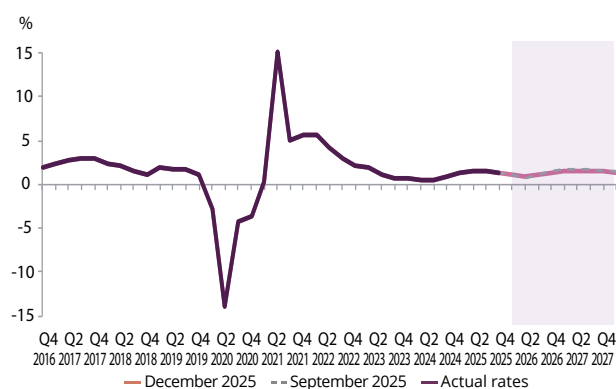
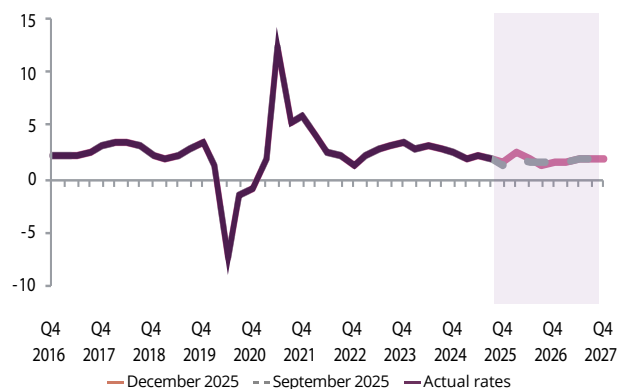


Chart 7.2: Growth in the USA



Source : GPMN, November 2025.

Downward trend in oil prices and continued disinflation in 2025, with marked differences across economies

On commodity markets, oil prices are expected to continue declining in the short term, with the Brent price averaging USD 68.4 per barrel in 2025 and USD 63.1 in 2026, owing to ample supply from OPEC+ countries and persistently weak global demand growth, before rising slightly to USD 65.8 in 2027. Coal prices would remain at low levels, around USD 100 per ton in 2025 and 2026, reflecting weaker global demand, stable supply, and the gradual transition toward renewable energy, before increasing slightly to USD 104.3 in 2027. Natural gas prices are expected, according to the World Bank's October 2025 projections, to rise slightly in 2025 to USD 12.1 per mmbtu, before declining to USD 10.8 in 2026 and USD 9.8 in 2027, due to moderate demand and greater availability of Liquefied natural gas (LNG) imports.

Regarding phosphate and derivatives, prices of phosphate derivatives are expected to rise in 2025, owing to reduced supply, particularly from China, with the continuation of restrictions on DAP exports. By contrast, the price of phosphate rock would continue its downward trend, reflecting mainly improved supply conditions. Accordingly, prices of Moroccan-origin derivatives would end the year higher, at USD 712 per ton for DAP and USD 521 for TSP. They would then decline to USD 694 in 2026 and USD 641 per ton in 2027 for DAP, and to USD 502 and USD 487 for TSP over the same period. As for crude phosphate, its price would decline to USD 211 per ton in 2025, USD 195 in 2026, and USD 182 in 2027.

As regards food prices, following a 2 percent decline in 2024, the FAO index would increase by 4.8 percent in 2025, driven mainly by higher prices of vegetable oils and meat. Thereafter, it would record more moderate increases of 0.7 percent in 2026 and 2 percent in 2027. In particular, the price of U.S. durum wheat is expected, according to the World Bank's October 2025 projections, to decline by 7.3 percent in 2025, reflecting a very good harvest, before increasing by 3.5 percent in both 2026 and 2027.

Under these conditions, global inflation would decline markedly to 2.9 percent in 2025 and remain at that level in 2026, before accelerating to 3.1 percent in 2027. In the United States, inflation would remain above the Federal Reserve's 2 percent objective, as the impact of tariffs is no longer absorbed by supply chains

and is passed on to consumers. It would thus stand at 2.8 percent in 2025, 3.1 percent in 2026, and 2.7 percent in 2027. In the euro area, despite tariff increases and supply chain disruptions, inflation would remain around the ECB’s target over the forecast horizon, standing at a stable 2.1 percent between 2025 and 2027. In China, inflation would remain in negative territory at -0.1 percent in 2025, mainly reflecting lower food prices and weak overall domestic demand, before rising gradually to 0.9 percent in 2026 and 1.7 percent in 2027.

Chart 7.3: Price of Brent



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

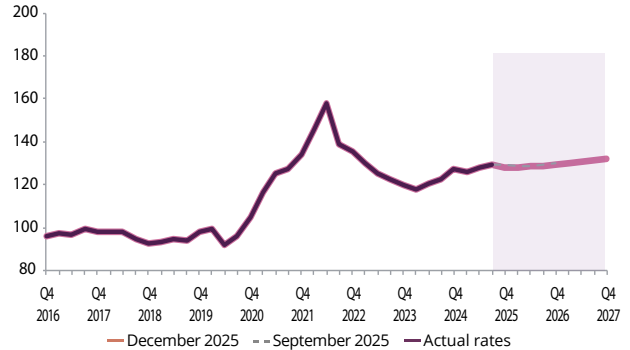
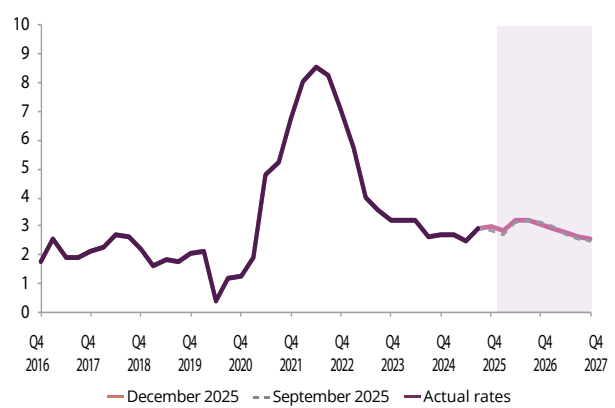


Chart 7.5: Inflation in the euro area



Chart 7.6: Inflation in the United States



Source : GPMN, November 2025.

Policy rate cuts by the Fed and a status quo for the ECB, the BoJ and the BoE

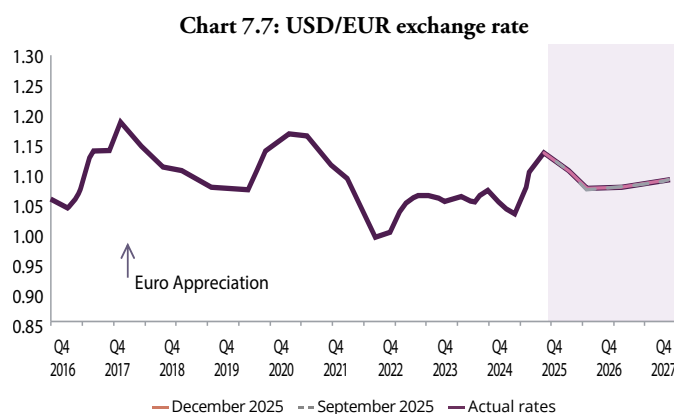
The ECB decided, at the conclusion of its October 30th meeting, to keep its policy rates unchanged, marking the third consecutive decision to maintain the status quo following a total of eight cuts since June 2024, indicating that inflation is currently around its medium-term target of 2 percent and that the outlook remains broadly unchanged. It also stressed that the portfolios of the Asset Purchase Program (APP) and the Pandemic Emergency Purchase Programme (PEPP) are shrinking at a measured and predictable pace, as the Euro system no longer reinvests principal repayments on maturing securities.

By contrast, the Federal Reserve decided, at its meetings of December 9 and 10, to lower the target range for the federal funds rate by 25 basis points for the third consecutive time to [3.50 percent–3.75 percent], in view of rising unemployment and heightened downside risks to employment prospects. It indicated

that economic activity has been expanding at a moderate pace. Job creation has slowed this year, and the unemployment rate rose slightly through September. As regards inflation, it has increased since the beginning of the year and remains somewhat elevated. Moreover, the Fed announced the resumption of purchases of short-term Treasury securities to ensure an adequate supply of reserves.

For its part, the Bank of England decided, at its November 5th meeting, to keep its policy rate unchanged at 4 percent for the second consecutive time, following a total of three cuts since the beginning of 2025. It indicated that inflation is considered to have peaked. Progress in underlying disinflation continues, supported by the still restrictive stance of monetary policy.

On the international foreign exchange market, the euro is expected to appreciate against the U.S. dollar in 2025, mainly reflecting the interest rate differential between the ECB and the Fed, including expectations of an additional 25 basis point cut in the federal funds rate target range in December. The European currency would subsequently depreciate in 2026, reflecting in particular the expected narrowing of this differential and the euro area's structural economic difficulties. Overall, the euro would appreciate by 4.1 percent against the dollar, averaging USD 1.12 in 2025, before depreciating by 1.5 percent to USD 1.11 in 2026, and stabilizing at that level in 2027.



Source : GPMN, November 2025.

Cereal production of 43.1 million quintals for the 2024/2025 agricultural season and the assumption of average harvests of 50 million quintals for 2025/2026 and 2026/2027

In 2025, production of the three main cereals amounted to 43.1 million quintals (MQx), up 38.9 percent from the previous season but down 15.7 percent compared with the average of the last five years. For other crop categories, production increased by 53.4 percent for sugar crops, 8.5 percent for market gardening, and 1.2 percent for arboriculture. By contrast, it declined by 38.5 percent for oilseed crops. Under these conditions, agricultural value added is expected to increase by 5 percent, unchanged from the September 2025 forecast round.

For the 2025/2026 season, assuming an average cereal harvest of 50 MQx¹, and taking into account the projected increases in production of 111 percent² for olives, 55 percent² for dates, and 24 percent² for citrus fruits, agricultural value added would rise by 4 percent, compared with 3.2 percent projected in the previous exercise.

For the 2026/2027 season, assuming an average cereal production of 50 MQx¹ and an average performance of other crops, agricultural value added would increase by 2 percent.

7.2 Macroeconomic projections

Continuation of the momentum in external trade in goods and maintenance of travel receipts at high levels over the medium term

Taking into account the new assumptions regarding the international environment, the updated macroeconomic projections, as well as the outcomes recorded as of end-October 2025, the current account deficit is expected to end the year at 1.8 percent of GDP, after 1.2 percent in 2024, before standing at 1.5 percent of GDP in 2026 and returning to 1.9 percent in 2027.

In 2025, exports would increase by 4.5 percent, driven mainly by phosphate and derivatives sales, which are expected to rise by 24.2 percent to 108.2 billion dirhams, reflecting both higher export prices and volumes shipped. Imports, for their part, would grow by 7.7 percent, particularly driven by a 14 percent increase in capital goods acquisitions. Conversely, due to the continued decline in international prices, the energy bill is expected to decrease by 10.9 percent to 101.4 billion dirhams. In parallel, taking into account the high level recorded as of end-October and the expected impact of hosting the Africa Cup of Nations in Morocco between December 2025 and January 2026, travel receipts are expected to record an exceptional performance of 23 percent to reach 138.4 billion dirhams. Likewise, remittances from Moroccans living abroad would increase by 2.4 percent to 121.8 billion dirhams in 2025. Regarding FDI receipts, they would stand at the equivalent of 3.4 percent of GDP, after 2.7 percent of GDP in 2024, i.e., an amount of 57.6 billion dirhams.

Under these conditions, official reserve assets would end 2025 at 425.2 billion dirhams, equivalent to 5 months and 16 days of imports of goods and services.

Over the medium term, export growth would accelerate to 8.4 percent in 2026 and 7.9 percent in 2027, with the expected recovery of the automotive manufacturing segment, whose export shipments in value terms would strengthen by 19.6 percent and 17.5 percent, respectively, to reach 83.4 billion dirhams by 2027. In addition, reflecting mainly the expected decline in DAP prices, phosphate and derivatives sales would increase by 3.9 percent in 2026, before almost stabilizing in 2027 at 112.1 billion dirhams. Imports are expected to increase by 6.1 percent in 2026 and 8 percent in 2027, with in particular annual increases of 11 percent in capital goods acquisitions. The energy bill would decrease by 8.4 percent in 2026, before increasing by 8.2 percent in 2027 to 100.5 billion dirhams. In parallel, the growth of travel receipts would consolidate over the next two years, with increases of 5.4 percent in 2026 and 6.1 percent in 2027, reaching

154.7 billion dirhams in 2027. MRE remittances would increase by 4.6 percent in 2026 and 2.2 percent in 2027, reaching 130.2 billion dirhams. Regarding FDI receipts, projections assume a flow equivalent to 3.5 percent of GDP over the medium term.

Under the assumption that the expected external financing materializes, official reserve assets would strengthen to 437.9 billion dirhams at end-2026 and 448.2 billion dirhams at end-2027, representing coverage of around 5 months and 10 days and 5 months and 14 days of imports of goods and services, respectively.

Table 7.1: Main components of the balance of payments

Change in %, unless otherwise indicated	Actual rates							Forecast			Gap (Dec./Sept)	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2025	2026
Exports of goods (FOB)	10.7	3.3	-7.5	25.2	30.1	0.4	6.1	4.5	8.4	7.9	-1.8	-0.9
Imports of goods (CIF)	9.9	2.0	-13.9	25.0	39.5	-2.9	6.4	7.7	6.1	8.0	0.3	-0.9
Travel receipts	1.2	7.8	-53.7	-5.1	171.5	14.6	4.6	23.0	5.4	6.1	11.7	0.6
Remittances	-1.5	0.1	4.8	40.1	16.0	4.0	3.3	2.4	4.6	2.2	1.7	-0.2
Current account balance (% GDP)	-4.9	-3.4	-1.2	-2.3	-3.5	-1.0	-1.2	-1.8	-1.5	-1.9	0.5	0.5
Official reserve assets in months of imports of goods and services	5.4	6.9	7.1	5.3	5.4	5.4	5.2	5.5	5.3	5.5	0.2	-0.2

Sources: Foreign Exchange Office data and BAM forecasts

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

The bank liquidity deficit is expected to widen to 132.1 billion dirhams at end-2025, 146.8 billion dirhams in 2026, and 158 billion dirhams in 2027, notably in connection with the increase in currency in circulation. After an increase of 7.6 percent in 2024, currency in circulation would rise by 14.6 percent in 2025, before returning to growth rates of 8.4 percent in 2026 and 7 percent in 2027. Regarding bank credit to the non-financial sector, taking into account observed developments, the expected evolution of economic activity, and banking system expectations, it would accelerate to 4.1 percent in 2025 and around 5 percent in 2026 and 2027. Under these conditions, and in line with the expected evolution of other counterparts of money supply, M3 aggregate would increase by 7.2 percent in 2025, 5.5 percent in 2026, and 3.8 percent in 2027.

For its part, the effective exchange rate would continue its real appreciation at 2.2 percent, resulting from nominal appreciation, offset by lower domestic inflation compared to trading partner and competitor countries. In 2026, this trend would reverse with a 2.8 percent depreciation, which would moderate to 0.5 percent in 2027.

Table 7.2: Money supply and bank lending

Change in %, unless otherwise indicated	Forecast					Forecast			Gap (Dec./Sept)	
	2020	2021	2022	2023	2024	2025	2026	2027	2025	2026
Bank credit to the non-financial sector	4.2	2.9	7.8	2.9	2.6	4.1	5.0	4.9	-1.8	-0.9
M3	8.4	5.1	8.0	3.9	8.0	7.2	5.5	3.8	-0.5	-0.7
Liquidity requirement, in million MAD	-67.0	-64.4	-86.6	-111.4	-128.0	-132.1	-146.8	-158.0	-16.8	-14.0

Fiscal deficit expected to stabilize over the medium term

After standing at 3.9 percent of GDP in 2024, the fiscal deficit would narrow to 3.6 percent in 2025, before easing to 3.4 percent of GDP in 2026 and 2027. These projections are based on the 2026 Finance Bill (PLF 2026) and the 2026–2028 Budget Programming Law (PBT), including the closing forecasts for fiscal year 2025 published by the Ministry of Economy and Finance (MEF), as well as updated macroeconomic projections from Bank Al-Maghrib.

In 2025, tax revenues would strengthen by 16.1 percent, reflecting increases of 18.7 percent in indirect taxes and 17.3 percent in direct taxes. Non-tax revenues would rebound by 14.7 percent, mainly impacted by increases of 15.2 percent in “other non-tax revenues” and 47 percent in revenues from public establishments and enterprises (PEE). Revenues from innovative financing mechanisms would stabilize at 35 billion. On the expenditure side, ordinary expenditures would increase by 15.6 percent, notably with a 16.2 percent increase in goods and services spending. Wage bill would rise by 9.5 percent, and other goods and services expenditures by 29 percent. Interest payments on public debt would increase by 25.7 percent. Conversely, subsidies expenditures are expected to decline by 25.7 percent, while investment expenditures would increase by 4.5 percent to 122.6 billion dirhams, or 7.3 percent of GDP.

In 2026, tax revenues would improve by 7 percent year-on-year, with increases of 3.6 percent in direct taxes and 9.7 percent in indirect taxes. Non-tax revenues would decline by 25.3 percent, notably due to a reduction in innovative financing mechanisms to 20 billion dirhams (from 35 billion in 2025) and a 44.2 percent decline in other non-tax revenues. In parallel, ordinary expenditures would increase by 7.7 percent, mainly driven by 11.4 percent growth in goods and services expenditures. The wage bill would rise by 8.4 percent, and other goods and services expenditures by 16.4 percent. Interest charges on public debt would decrease by 2.5 percent. subsidies expenditures would decline by 26.8 percent to 13.9 billion dirhams, and investment expenditures by 6.4 percent to 114.8 billion.

In 2027, tax revenues would strengthen by 5.5 percent, reflecting increases of 6.1 percent in direct taxes and 5.1 percent in indirect taxes. Non-tax revenues would decrease by 12.3 percent, with a 25 percent decline to 15 billion in innovative financing mechanisms revenues (revised by 10 billion dirhams compared to the amount programmed in the 2025–2027 PBT) and a 7.2 percent decline in revenues from PEE.

On the expenditure side, ordinary expenditures would increase by 3.1 percent, notably with a 3.6 percent increase in goods and services expenditures. The wage bill and other goods and services expenditures would each rise by 3.6 percent. Interest charges on public debt and subsidies expenditures would decline by 0.2 percent and 7.7 percent, respectively. Investment expenditures would increase by 2.9 percent to 118.1 billion, equivalent to 6.2 percent of GDP.

Sustained growth of non-agricultural activities over the medium term

After an increase of 3.8 percent in 2024, economic growth would accelerate significantly to 5 percent in 2025, instead of 4.6 percent projected in September. This revision reflects stronger-than-expected momentum in non-agricultural activities in the second quarter. Their growth would rise to 5 percent, driven mainly by

construction and tourism sectors. Regarding agricultural activities, their value added would increase by 5 percent, taking into account a cereal harvest of 43.1 million quintals (MQx) for the 2024–2025 agricultural season. On the demand side, the contribution of domestic demand would strengthen, mainly driven by the expected improvement in non-agricultural incomes and a marked increase in investment. Conversely, the contribution of net exports would remain negative.

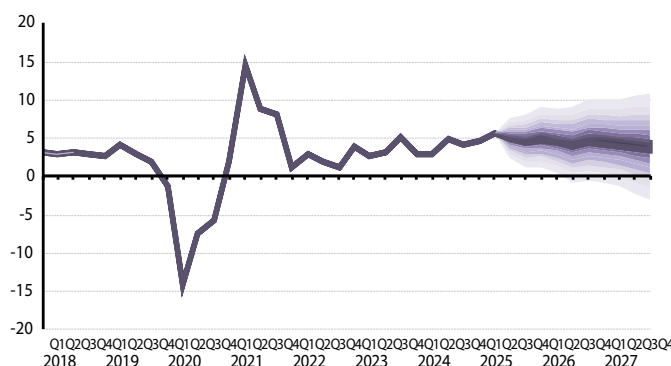
Over the medium term, growth would consolidate at 4.7 percent in 2026 and 4.3 percent in 2027, mainly driven by the continued dynamism of non-agricultural activities, whose growth would increase to 4.8 percent in 2026 and 4.5 percent in 2027. In parallel, agricultural value added would improve by 4 percent in 2026 and 2 percent in 2027, under the assumption of a return to average agricultural seasons. On the demand side, growth would continue to be driven by domestic demand, supported notably by strong infrastructure investment dynamics. Net exports would continue to show a negative contribution to growth, although this contribution would diminish year after year.

Table 7.3: Economic growth

Change in %	Actual rates						Forecast			Gap (Dec./Sept.)	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2025	2026
National growth	2.9	-7.2	8.2	1.8	3.7	3.8	5.0	4.7	4.3	0.4	0.3
Agricultural VA	-5.0	-8.1	19.5	-11.3	1.5	-4.8	5.0	4.0	2.0	0.0	0.8
PIB non agricole	3.8	-7.1	6.9	3.5	3.9	4.8	5.0	4.8	4.5	0.5	0.3

Sources: HCP data and BAM forecasts

Chart 7.8: Growth outlook over the forecast horizon (Q3 2025- Q4 2027), YoY*



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

Moderate inflation over the forecast horizon

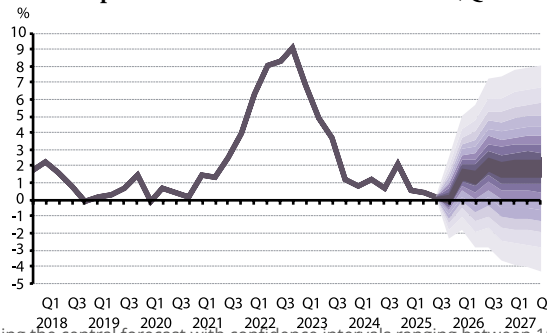
After a rate of 0.9 percent in 2024, inflation would have evolved at the same pace on average this year, standing at 0.8 percent. This projection is revised downward by 0.2 percentage point (pp) compared to September, reflecting a smaller-than-expected increase in core inflation and administered prices. Indeed, core inflation would have decelerated to 0.7 percent on average in 2025, compared to 2.2 percent in 2024,

revised downward by 0.4 pp compared to September. Likewise, administered prices would have increased by 1.3 percent in 2025, less than expected in September, taking into account the non-implementation of the planned increase in the butane gas price. Regarding fuel and lubricant prices, they would have declined by 9.5 percent on average in 2025, after a 3.4 percent decrease in 2024, in line with international oil price developments. As for volatile food prices, they would have increased by 2.6 percent on average in 2025, after a 2.9 percent decrease in 2024, thus being revised upward compared to September projections, mainly in connection with the latest outcomes.

Over the rest of the forecast horizon, inflation would gradually accelerate, rising to 1.3 percent in 2026 and 1.9 percent in 2027. Core inflation would remain unchanged compared to the pace recorded in 2025, i.e., 0.7 percent in 2026, before accelerating to 1.9 percent in 2027.

For other components, administered prices would increase by 0.9 percent in 2026 and 2.2 percent in 2027. Fuel and lubricant prices would stabilize in 2026 before increasing in 2027, in line with international petroleum product price prospects. Volatile food prices are expected to rise in 2026, before quasi-stabilizing in 2027.

Chart 7.9: Inflation expectations over the forecast horizon (Q4 2025 to Q4 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 (Dec./Sept.)	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	Forecast horizon Q4-2025 - Q3-2027	2025	2026
Inflation	0.2	0.7	1.4	6.6	6.1	0.9	0.8	1.3	1.9	1.4	-0.2	-0.6
Inflation sous-jacente	0.5	0.5	1.7	6.6	5.6	2.2	0.7	0.7	1.9	1.0	-0.4	-1.3

Sources: HCP data and BAM calculations and forecasts.

Chart 7.10: Change in core inflation and output gap

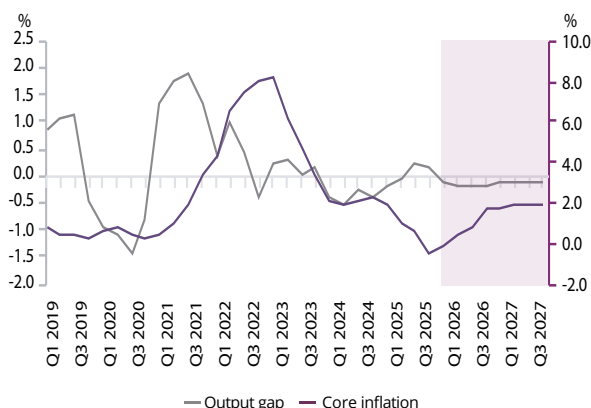
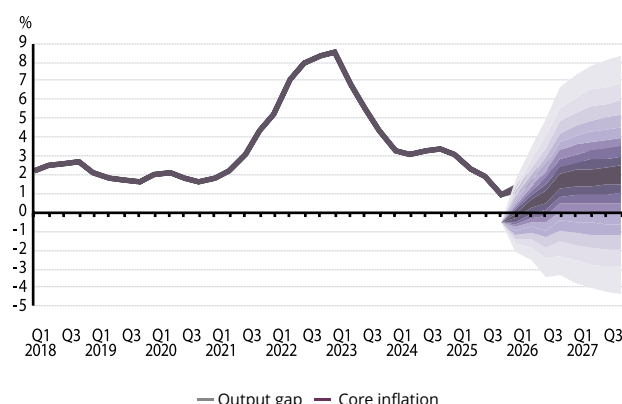


Chart 7.11: Core inflation projections over the forecast horizon (Q4 2025–Q4 2027)



* 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, uncertainties surrounding the outlook for the global economy remain high and may curb international trade, disrupt supply chains, and ultimately affect inflation and weigh on global growth. These factors are compounded by persistent difficulties in the Chinese real estate sector, rising global public debt, and persistent inflationary pressures in some major economies, notably the United States. Finally, the persistence of conflicts in the Middle East and the war in Ukraine could further weaken global economic activity and exacerbate tensions on supply chains, particularly energy-related ones.

At the national level, the main risks weighing on economic activity remain linked to the recurrence of droughts and the worsening of water stress. Conversely, projects launched or planned as part of hosting international sporting events could generate stronger spillover effects and lead to faster growth. Regarding inflation, although it has declined in recent months, risks remain tilted to the upside. In addition to external factors, unfavorable climatic 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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