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BANK AL-MAGHRIB

MONETARY POLICY REPORT

No. 78 / 2026

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THE BANK BOARD
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BANK AL-MAGHRIB
Head office
277, Avenue Mohammed V - B.P. 445 - Rabat
Phone : (212) 5 37 57 41 04 / 05
Fax : (212) 5 37 57 41 11
E-mail : dee@bkam.ma
www.bkam.ma

@BankAlMaghrib

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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.


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PRESS RELEASE

BANK AL-MAGHRIB BOARD MEETING

Rabat, March 17, 2026

1. The Board of Bank Al-Maghrib held its first quarterly meeting of 2026 on Tuesday, March 17.

2. During this meeting, the Board analyzed national and international economic developments, as well as Bank Al-Maghrib medium-term macroeconomic projections. Particular attention was given to recent developments related to the war in the Middle East, which are increasing the already high level of uncertainty, particularly in connection with the conflict in Ukraine and U.S. trade policy and thus severely testing the resilience displayed by the global economy during the recent years. The consequences of this war, already noticeable in financial markets and commodity prices, notably energy, will depend to a large extent on its length, scope, and intensity.

3. At the national level, this war would inevitably have implications, particularly through external accounts and, more specifically, energy prices. According to Bank Al-Maghrib preliminary assessments, the impact would remain relatively contained under the scenario of a short-lived conflict but could be more pronounced otherwise. Nevertheless, the strong momentum in non-agricultural sectors, driven by investment in economic and social infrastructure, is expected to continue, while agricultural production would experience a notable rebound thanks to exceptional weather conditions prevailing in the recent months.

4. Inflation continued to evolve at low levels, supported by improved supply of some food products and lower fuel prices. Over the medium term, while these effects are fading and oil prices are set to increase under the baseline scenario, inflation is expected to gradually accelerate while remaining at moderate levels. Consequently, it should remain virtually unchanged at 0.8 percent year-on-year in 2026, before reaching 1.4 percent in 2027.

5. As for inflation expectations, they have been trending downward. Financial sector experts surveyed by Bank Al-Maghrib in its quarterly survey prior to the outbreak of the war in Iran, projected in the first quarter of 2026 an average inflation of 1.5 percent over the next eight quarters and 1.8 percent over the next twelve quarters.

6. Regarding the transmission of the Board previous decisions, the cumulative decline in bank lending rates to the non-financial sector between the start of monetary easing in June 2024 and the fourth quarter of 2025 amounted to 61 basis points (bp), compared with 75 bp for the key rate.

7. Considering (i) the continued strong momentum in economic activity; (ii) the projected moderate levels of inflation; and (iii) the significant uncertainty surrounding the global outlook, as well as the results of the stress tests conducted by Bank Al-Maghrib for the national economy, the Board considered appropriate to keep the key interest rate unchanged at 2.25 percent. The Board will continue to closely monitor domestic and external conditions, particularly developments in the Middle East and their repercussions on economic activity, and will base its decisions, meeting by meeting, on the most up-to-date data.

8. In the global commodity markets, the price development prospects remain highly uncertain and subject to upward pressures. According to Bank Al-Maghrib baseline scenario, Brent price is expected to rise from an average of USD 68.1 per barrel in 2025 to USD 78.9 in 2026, before declining to USD 64.5 in 2027. For phosphate and its derivatives, prices for Moroccan DAP are projected, according to the Commodities Research Unit (CRU) estimates, to reach USD 816 per ton in 2026, supported not only by continued restrictions on Chinese exports but also by disruptions in global trade of fertilizers and essential inputs for their production, before falling back to USD 703 in 2027. In contrast, prices for raw phosphate are expected to edge down slightly over the forecast horizon. Regarding food prices, after a 4.3 percent increase in 2025, the FAO index should to decline by 2.3 percent this year before rebounding by 3.4 percent in 2027.

9. Global economic growth is estimated to have reached 3.3 percent in 2025 and is expected to slow to 2.9 percent this year, before rising to 3.1 percent in 2027. In the major advanced economies, growth is projected to remain robust in the United States, standing at 2.3 percent in 2026, virtually unchanged from 2025, before slowing to 1.9 percent in 2027, weighed down in particular by geopolitical and fiscal risks, as well as uncertainty surrounding the midterm elections. In the euro area, growth is expected to decelerate from 1.5 percent in 2025 to 1.1 percent in 2026, then increase to 1.5 percent in 2027, notably due to the anticipated fiscal easing in Germany. Among the major emerging economies, after reaching the 5 percent target in 2025, growth in China, hampered by structural challenges, is expected to moderate to 4.5 percent over the medium term. In India, the pace of economic activity is projected to slow from 7.7 percent in 2025 to 6.4 percent in 2026 as a result of the expected weakening of external demand, before rebounding to 6.7 percent in 2027.

10. In this context, global inflation is projected to temporarily rise to 3.3 percent in 2026, before declining to 2.9 percent in 2027. In major advanced economies, inflation in the euro area would remain slightly above the 2 percent target in 2026, then move closer to it in 2027. In the United States, it is expected to stay above the Fed's target, reaching 3.2 percent in 2026 and 2.3 percent in 2027.

11. Regarding the stance of monetary policy in major advanced economies, the ECB decided at its meeting on February 4–5 to keep its key rates unchanged for the fifth consecutive time. Similarly, following its meeting on January 27–28, the Fed maintained the target range for the federal funds rate at [3.50 percent - 3.75 percent], after three rate cuts in 2025.

12. At the domestic level, highly favorable weather conditions prevailing this year are expected to result in a significant increase of agricultural production. Based on Bank Al-Maghrib estimates, which rely on a sown area of 3.9 million hectares, the harvest of the three main cereals is projected to reach 82 million quintals. In this context, after an estimated growth of 5 percent in 2025, Bank Al-Maghrib anticipates a rebound in agricultural value added of 14.4 percent in 2026, followed by a decrease of 5.3 percent in 2027, assuming a return to an average cereal season. At the same time, supported mainly by strong investment momentum in economic and social infrastructure, growth in non-agricultural activities is expected to remain robust, hovering around 4.5 percent. Overall, national economic growth would have improved markedly to 4.8 percent in 2025 and is expected to reach 5.6 percent in 2026, before slowing to 3.5 percent in 2027.

13. Regarding external accounts, the anticipated increase in commodity prices is expected to lead to a widening of the current account deficit from 2.3 percent of GDP in 2025 to 3.1 percent in 2026, before easing to 2.5 percent in 2027. After decreasing to MAD 107.6 billion in 2025, the energy bill

is projected to rise by 15.6 percent in 2026, then decrease by 11.1 percent to MAD 110.5 billion in 2027. Similarly, imports of capital goods are expected to grow at an annual rate of nearly 10 percent through 2027, driven by strong investment momentum. Conversely, after a 2 percent contraction in 2025, automotive sector exports are expected to increase by 13.7 percent this year and 19.3 percent in 2027, reaching MAD 209.6 billion. Likewise, phosphate and derivative exports are projected to continue their upward trend in 2026, rising by 19.4 percent, before declining by 8.7 percent in 2027 to MAD 108.8 billion. At the same time, following exceptional results in 2025, travel receipts are expected to continue improving, reaching MAD 158.2 billion in 2027, while remittances are projected to stabilize around MAD 129 billion the same year. As for foreign direct investment inflows, projections point to an annual flow equivalent to 3.5 percent of GDP. Overall, considering the Treasury planned external financing, official reserve assets are expected to continue strengthening, reaching MAD 482.1 billion in 2027, covering the equivalent of 5 months and 23 days of imports of goods and services.

14. Regarding monetary conditions, banks' liquidity needs stood at MAD 131.7 billion in 2025 and are expected to gradually widen to MAD 169.4 billion in 2027, mainly reflecting the increase of the currency in circulation. With respect to bank credit to the non-financial sector and taking into account the expected evolution of economic activity and banking system forecasts, its growth is projected to accelerate from 4.7 percent in 2025 to 6 percent in 2026, before moderating to 5.1 percent in 2027. As for the value of the dirham, quarterly assessments conducted by Bank Al-Maghrib indicate that it remains broadly aligned with economic fundamentals. The effective exchange rate is expected to record a nominal depreciation of 1.4 percent this year, followed by a slight appreciation of 0.3 percent in 2027. Given a lower domestic inflation rate compared to major trading partners and competitors, it is projected to depreciate in real terms by 3.7 percent and 1.1 percent, respectively.

15. In terms of public finance, 2025 recorder a 15.3 percent increase in ordinary revenues, driven by a significant rise in tax receipts. At the same time, overall expenditure rose by 11.8 percent, reflecting higher spending on goods and services. Taking into account these results, the data from the 2026 Finance Act, and the 2026–2028 three-year fiscal plan, the fiscal deficit, excluding proceeds from the sale of state holdings, is projected to continue its downward trend, according to Bank Al-Maghrib forecasts, declining from 3.6 percent of GDP in 2025 to 3.5 percent this year and to 3.4 percent in 2027.

OVERVIEW

Despite intensifying trade and geopolitical tensions, the global economy proved more resilient than anticipated in 2025, sustained by surging investment in technology and artificial intelligence across the United States and Asia, supportive financial conditions, and private sector agility. However, the global outlook remains tilted to the downside and surrounded by strong uncertainties linked to the outcome of US trade policy following the recent Supreme Court ruling, alongside the outbreak of war in Iran on February 28 and its broader regional escalation. The latter has already disrupted supply chains, triggered a sharp increase in oil prices, and fueled intense financial market volatility. Its ultimate global spillovers will depend on the duration and intensity of the conflict.

In the final quarter of 2025, available data indicate a slowdown in activity, with US inflation stabilizing above the Fed's target, and slight declines in unemployment rates across both the Euro area and the US. Within financial markets, the euro's appreciation against the US dollar persisted early in the year but reversed following the onset of the conflict in Iran, with the dollar benefiting from its safe-haven status. The conflict has also led to a decline in major stock markets and an increase in sovereign yields. Finally, commodity markets were characterized by a notable rise in energy prices, driven first by harsh winter conditions and then by the outbreak of the conflict in Iran, as well as by an increase in precious metal prices, supported by their status as safe havens and their use in technology.

By economy, the latest national accounts data for the fourth quarter of 2025 show that **growth** in the Euro area slowed to 1.2 percent year-on-year, down from 1.4 percent in the previous quarter, with significant disparities among member states. Growth decelerated from 2.7 percent to 2.6 percent in Spain, while accelerating from 1.0 percent to 1.2 percent in France, 0.3 percent to 0.4 percent in Germany, and 0.7 percent to 0.8 percent in Italy. In the United States, growth eased slightly from 2.3 percent to 2.0 percent. Elsewhere, the pace of economic activity slowed from 0.7 percent to 0.5 percent in Japan and from 1.2 percent to 1.0 percent in the United Kingdom.

Among major emerging market economies, growth in China moderated from 4.8 percent in the third quarter to 4.5 percent in the fourth quarter, primarily reflecting weaker private consumption and investment. Similarly, economic growth decelerated from 8.4 percent to 7.8 percent in India and from 3.8 percent to 3.4 percent in Turkey, whereas it stabilized at 1.8 percent in Brazil. In Russia, where data remains limited to the third quarter, growth showed a slowdown from 1.1 percent to 0.6 percent.

On the labor markets of advanced economies, data for the month of February show a slight increase in the unemployment rate in the United States to 4.4 percent, up from 4.3 percent the previous month, with a loss of 92 thousand jobs following the creation of 126 thousand jobs the month before. In the euro area, the unemployment rate edged down to 6.2 percent in January from 6.3 percent a month earlier, though trends diverged across member countries. The rate fell from 7.8 percent to 7.7 percent in France, from 5.5 percent to 5.1 percent in Italy, and from 10.0 percent to 9.8 percent in Spain, while remaining unchanged at 4.0 percent in Germany.

Regarding **stock markets** of major advanced economies, following a generally positive performance in 2025, the upward momentum in equity prices continued through the first two months of 2026.

The Dow Jones Industrial Average rose by 2.4 percent, the Eurostoxx by 4.2 percent, the FTSE 100 by 5 percent, and the Nikkei 225 by 7.8 percent. However, the conflict in Iran triggered a widespread decline across these indices. Consequently, between February 27 and March 13, the Eurostoxx dropped by 6.9 percent, the FTSE 100 by 6 percent, the Dow Jones by 4.9 percent, and the Nikkei 225 by 8.5 percent. These developments were accompanied by a sharp increase in market volatility across both Europe and the US, with the VSTOXX climbing from 14.7 to 19.7 and the VIX rising from 15 to 21.1 between December and February. Meanwhile, emerging markets saw the MSCI EM index advance by 9.2 percent over the first two months of 2026, supported by gains of 2.1 percent in the Chinese sub-index and 8.7 percent in Brazil's.

Sovereign yields in advanced economies showed mixed trends. In January and February, the 10-year yield edged up by 4 basis points (bps) to 4.1 percent in the United States, while stabilizing at 3 percent in Germany and 3.2 percent in Spain. Conversely, it decreased by 10 bps to 3.4 percent in France and by 9 bps to 3.4 percent in Italy. Across major emerging market economies, this yield held flat at 1.8 percent in China, declined to 13.5 percent in Brazil and 27.9 percent in Turkey, but rose to 6.7 percent in India. Since the onset of the conflict in Iran, sovereign yields have generally tightened globally, with the US long-term rate notably spiking by 32 bps to 4.3 percent between February 27 and March 13.

In **foreign exchange markets**, the euro appreciated by 0.5 percent against the US dollar during the first two months of the year, primarily reflecting concerns over US trade policy and market expectations of a cut in the target range for the federal funds rate. However, this trend reversed as the euro depreciated by 3.1 percent against the dollar between February 27 and March 13, with the outbreak of the conflict in Iran and surging oil prices boosting demand for the US currency. Relative to other currencies, the euro rose by 0.6 percent at the end of February against the Japanese yen, while it depreciated by 0.6 percent against the British pound. Regarding the currencies of the main emerging economies, they experienced mixed trends against the dollar, with depreciations of the Chinese renminbi and the Brazilian real, and appreciations of the Indian rupee and the Turkish lira.

In **commodity markets**, Brent crude prices increased by 9.9 percent to average $68.9 per barrel in January and February, though remaining down 10.7 percent on a year-on-year basis, reflecting an abundant supply that outpaced global oil demand. Similarly, the European natural gas price rose by 21.2 percent to $11.5/mmBTU, while remaining 23.4 percent lower year-on-year. More recently, the outbreak of the conflict in Iran on February 28—which led to the suspension of transit through the Strait of Hormuz and spread to several countries in the region—triggered a sharp surge in oil and natural gas prices. Consequently, Brent crude reached $101.3 per barrel on March 13, representing a 42.2 percent spike compared to February 27, while natural gas prices jumped by 32.7 percent over the same period.

Excluding energy, prices rose by 2.3 percent in January and February, reflecting notably an 8.4 percent increase in metal and mineral prices and a 1.3 percent decrease in those of agricultural products. On a year-on-year comparison basis, they showed a 1.6 percent increase, driven in particular by a 26.9 percent surge in metal and mineral prices and a 9.7 percent decline in agricultural product prices. For gold specifically, prices continued their upward trend, increasing by 13.4 percent during the first two months of the year and by 74.4 percent year-on-year, averaging 4,886.4 dollars per ounce. Regarding phosphate and its derivatives, prices decreased in January and February by 0.7 percent to 622.9 dollars per ton for DAP and by 1.1 percent to 532.7 dollars for TSP, while raw phosphate prices remained stable at 152.5 dollars. On an annual comparison basis, prices rose by 5 percent for DAP and by 11.1 percent for TSP, whereas raw phosphate prices remained unchanged.

In this context, **inflation** stabilized at 2.4 percent in February in the United States, while it accelerated to 1.9 percent in the euro area, up from 1.7 percent a month earlier. This trend reflected notably increases

from 0.4 percent to 1.1 percent in France, from 2.4 percent to 2.5 percent in Spain, and from 1 percent to 1.6 percent in Italy, whereas a slight deceleration from 2.1 percent to 1.9 percent was recorded in Germany. In the other main advanced economies, inflation slowed significantly from 2.1 percent in December to 1.5 percent in January in Japan, and from 3.4 percent to 3 percent in the United Kingdom.

Regarding **monetary policy decisions**, at the end of its meeting on February 4 and 5, the **ECB** decided to keep its three policy rates unchanged for the fifth consecutive time, following 8 cuts implemented since June 2024. Similarly, at the conclusion of its January 27 and 28 meeting, the **Fed** maintained the target range for the federal funds rate unchanged at [3.50 percent-3.75 percent], noting that available data suggest economic activity has expanded at a solid pace. The **Bank of England** also decided, on February 5, to keep its policy rate unchanged at 3.75 percent, emphasizing that inflation is expected to move closer to the 2 percent target.

At the **domestic level**, national accounts data for the third quarter indicate a slowdown in economic growth to 4 percent, down from 5 percent in the same quarter a year earlier. This trend reflects a deceleration from 5.7 percent to 3.8 percent in non-agricultural value added and a 4.4 percent increase, following a 5.1 percent decline, in agricultural value added. On the demand side, its domestic component contributed positively to growth by 8.3 percentage points, whereas the contribution of net exports remained negative at 4.3 points.

In the **labor market**, the national economy created 193 thousand jobs in 2025, compared to 82 thousand a year earlier. Apart from agriculture, which recorded a loss of 41 thousand jobs, other sectors posted job gains, reaching 123 thousand in services, 64 thousand in construction, and 46 thousand in industry. Considering a net entry of 177 thousand job seekers, the labor force participation rate stabilized at 43.5 percent, and the unemployment rate decreased from 13.3 percent to 13 percent.

Regarding **external accounts,** the year 2025 was marked by a continued momentum in trade of goods, a significant increase in travel receipts, a consolidation of remittances from Moroccans living abroad, and a clear improvement in foreign direct investment in Morocco. Thus, imports increased by 8 percent to 822.2 billion dirhams, and exports rose by 2.8 percent to 469.1 billion. Consequently, the trade deficit widened by 15.8 percent to 353.1 billion, and the coverage ratio fell back to 57 percent, down from 59.9 percent in 2024.

Imports were primarily driven by increases of 13.3 percent in capital goods, 11.8 percent in finished consumer goods, and 31.5 percent in raw products, while the energy bill declined by 5.5 percent to 107.6 billion dirhams. On the export side, growth mainly reflected a 14.6 percent rise in sales of phosphate and derivatives to 99.8 billion dirhams, whereas automotive sector shipments contracted by 2 percent to 154.5 billion dirhams. Travel receipts rose to 138.1 billion, up 20.6 percent compared to 2024, and remittances from Moroccans expatiates increased by 2.6 percent to 122 billion dirhams. Regarding major financial transactions, FDI inflows marked a sharp increase of 28 percent to 56.1 billion dirhams, while Moroccan direct investments abroad fell by 17.1 percent to 22.4 billion dirhams.

At year-end 2025, official reserve assets stood at 443.3 billion dirhams, equivalent to 5 months and 16 days of imports of goods and services.

During the first month of the year 2026, the trade deficit widened slightly compared to January 2025, reaching 25.5 billion dirhams, as a result of a 2.7 percent decrease in exports and near-stability in imports.

In parallel, travel receipts marked a 19.3 percent increase to 11.7 billion dirhams, and remittances from MREs stood at 9.4 billion, virtually stagnating compared to the same month of the previous year. Regarding direct investments, FDI receipts decreased to 4.9 billion, and Moroccan investments abroad fell to 2 billion. Overall, Bank Al-Maghrib's official reserve assets reached 452.6 billion dirhams, representing the equivalent of 5 months and 19 days of imports of goods and services.

Regarding **monetary conditions**, the banks' liquidity deficit widened to an average of 132.8 billion dirhams in January and February 2026, up from 130.7 billion in the fourth quarter of 2025. Under these conditions, Bank Al-Maghrib increased the volume of its injections from 146.6 billion to 149 billion. Concerning the real effective exchange rate, it depreciated by 2.9 percent in the fourth quarter of 2025 compared to the previous quarter, while the average lending rate remained virtually stable, down 61 basis points since the beginning of the monetary easing in June 2024. As for bank credit to the non-financial sector, its annual growth rate accelerated from 4.7 percent in the fourth quarter of 2025 to 5.3 percent in January.

On the **public finance front**, the budget execution for the fiscal year 2025 resulted in an overall deficit, excluding proceeds from the divestment of state-owned enterprises, of 60.5 billion dirhams, representing a narrowing of 2.7 billion. Ordinary revenues improved by 15.3 percent to 470.1 billion, mainly reflecting a 15.3 percent increase in tax revenues and a 16.5 percent rise in non-tax revenues. Conversely, ordinary expenditures grew by 13.5 percent to 394.6 billion, essentially driven by increases of 15.7 percent in goods and services spending and 22.3 percent in debt interest payments, while subsidy costs fell by 30 percent.

In January 2026, the budget deficit widened to 9.6 billion dirhams, up from 6.9 billion a year earlier, reflecting an 8.4 percent decrease in ordinary revenues and a 13.2 percent reduction in overall expenditures. As for the balance of the Treasury's special accounts, it showed a surplus of 8.3 billion dirhams, compared to 15.8 billion a year earlier.

At the **Casablanca Stock Exchange**, after closing 2025 with a 27.6 percent gain, the MASI edged down by 1.7 percent over the first two months of 2026. This downturn primarily reflected decreases of 6.4 percent for the "Buildings and Construction Materials" index, 6.8 percent for "Transport Services", 9.7 percent for "Real Estate Participation and Promotion", 5.6 percent for "Telecommunications", and 9.9 percent for "Distributors". Conversely, the "Mining" index recorded a sharp increase of 35.3 percent. Against this backdrop, market capitalization receded to 1,030.5 billion dirhams in February, down 1.0 percent compared to end-December 2025.

In the **real estate market**, the real estate asset price index remained virtually unchanged in the fourth quarter of 2025, following a 1.5 percent increase in the previous quarter. In parallel, transactions recorded a quarter-on-quarter increase of 18.4 percent, with growth of 15.0 percent for residential properties, 25.4 percent for urban plots, and 29.6 percent for commercial-use properties.

In this context, **inflation** fell back from an average of 0.4 percent in the third quarter to -0.2 percent in the fourth quarter, bringing its average for the year to 0.8 percent. This decline extended into January 2026, with inflation standing at -0.8 percent. This trend mainly reflects the steeper drop in core inflation to -1.5 percent in January, compared to an average of -1 percent in the previous quarter, and that of fuel prices to -10.7 percent from -5 percent, as well as the deceleration in volatile food product prices to 2.6 percent instead of 3.5 percent. Meanwhile, the growth rate of regulated prices ticked up from 0.4 percent to 0.5 percent. Regarding inflation expectations, financial sector experts forecast an average rate of 1.5 percent over an eight-quarter horizon and 1.8 percent over the next 12 quarters.

In terms of the global outlook, **world growth** is projected to slow from 3.3 percent in 2025 to 2.9 percent in 2026, before stabilizing at 3.1 percent in 2027, with economic trajectories diverging across countries. In the United States, deregulation, fiscal incentives, and AI-driven productivity gains are expected to continue boosting activity with growth projected at 2.3 percent in 2026, up from 2.2 percent in 2025, before slowing to 1.9 percent in 2027. In the euro area, after reaching 1.5 percent in 2025, growth is projected to moderate to 1.1 percent in 2026 before accelerating to 1.5 percent in 2027, driven notably by the expected fiscal easing in Germany, particularly through increased spending in the defense and infrastructure sectors.

In the United Kingdom, the pace of economic activity is projected to slow from 1.3 percent in 2025 to 0.8 percent in 2026, held back by persistent weakness in consumer and investor confidence, moderate wage growth, and fiscal consolidation, before rebounding to 1.7 percent in 2027. In Japan, growth is set to moderate from 1.1 percent in 2025 to 0.7 percent this year, and 1 percent in 2027, as the new government's policy shifts—particularly those targeting investment—face long transmission lags before supporting activity.

In the main emerging economies, after achieving its 5 percent growth target in 2025, the pace of activity in China is expected to moderate to 4.5 percent in 2026 and 4.6 percent in 2027, with the Government's policy direction aimed at supporting consumption, as well as investments in AI and semiconductors, projected to sustain growth. Nevertheless, growth would be slower due to structural challenges related to population aging, persistent difficulties in the real estate sector, and sluggish domestic demand. In India, the pace of activity is projected to slow to 6.4 percent in 2026, down from 7.7 percent in 2025, primarily driven by weaker external demand, before recovering to 6.7 percent in 2027. As for Brazil, growth is expected to decelerate from 2.7 percent in 2025 to 1.6 percent in 2026, mainly linked to the restrictive stance of monetary policy, and should rebound to 2.1 percent in 2027. In Russia, growth would remain modest, hovering around an average of 1 percent over the forecast horizon, under the combined effect of sluggish consumption, restrictive monetary policy, limited investment in non-military sectors, and the impact of sanctions.

In **commodity markets**, despite OPEC+'s decision at its March 1 meeting to increase production by 206,000 barrels per day (more than expected) starting in April, and the March 11 decision by IEA member countries to release 400 million barrels of oil from their strategic reserves, Brent prices have risen sharply since the outbreak of the conflict in Iran. That being said, the Bank's forecasts are based on a scenario averaging 79 dollars per barrel in 2026 and 64.5 dollars in 2027, similar to the one adopted by the EIA. Regarding Moroccan phosphate and its derivatives, prices are expected, according to projections by the Commodities Research Unit, to increase to 816 dollars per ton for DAP and 208 dollars for raw phosphate in 2026, before falling back to 703 dollars and 200 dollars respectively in 2027. As for food products, after a 4.3 percent increase in 2025, the FAO index is projected to decline by 2.3 percent in 2026, mainly reflecting lower prices for dairy products, sugar, and meat, before recording another increase of 3.4 percent in 2027.

Under these conditions, **global inflation** is projected to accelerate from 2.9 percent in 2025 to 3.3 percent this year, before falling back to 2.9 percent in 2027. In the euro area, despite the persistence of high service prices, lower energy costs are expected to help maintain inflation around the ECB's target over the forecast horizon, whereas in the United States, it would remain above the Fed's target, hovering around an average of 2.7 percent over the forecast horizon.

At the **national level**, the year 2025 was marked by a continued momentum in external trade of goods, with increases of 2.8 percent in exports and 8 percent in imports, a significant rise in travel receipts to 138.1 billion dirhams, as well as a consolidation of remittances from Moroccans living abroad to 122 billion. The current account deficit is thus expected to have ended the year at nearly 2.3 percent of GDP, up from 1.2 percent in 2024. Furthermore, FDI receipts marked a sharp improvement to 56.1 billion, representing nearly 3.3 percent of GDP. Under these conditions, official reserve assets strengthened to 443.3 billion dirhams, equivalent to 5 months and 16 days of imports of goods and services.

Over the forecast horizon, export growth is expected to accelerate to 10.7 percent in 2026 and 6.9 percent in 2027, driven by the anticipated recovery of the automotive sector, whose shipments are projected to reach 209.6 billion dirhams by 2027. Concurrently, import growth is set to accelerate to 8.5 percent in 2026 before slowing to 4.9 percent in 2027, notably due to a moderation in capital goods acquisitions. Meanwhile, travel receipts are expected to increase by 8.2 percent in 2026 and 5.9 percent in 2027 to reach 158.2 billion dirhams, while remittances are projected to improve by 3.7 percent in 2026 and 2.0 percent in 2027, settling at 129 billion dirhams. As a result, the current account deficit is forecast to hover around 3.1 percent in 2026 and 2.5 percent in 2027. Regarding FDI, projections point to an inflow equivalent to 3.5 percent of GDP over the medium term.

Under the assumption that the planned external financing materializes, official reserve assets would strengthen to 473.4 billion dirhams at the end of 2026, and then to 482.1 billion at the end of 2027, representing the equivalent of 5 months and 20 days and 5 months and 23 days of imports of goods and services, respectively.

Regarding monetary conditions, the banking liquidity deficit is expected to widen to 148.3 billion dirhams in 2026 and to 169.4 billion dirhams in 2027, driven notably by the growth of currency in circulation. As for bank credit to the non-financial sector, its growth rate is projected to accelerate from 4.7 percent in 2025 to 6 percent in 2026, before slowing down to 5.1 percent in 2027. Meanwhile, the real effective exchange rate is expected to depreciate over the medium term, following its appreciation in 2025.

On the **public finance** front, after reaching 3.6 percent of GDP in 2025, the fiscal deficit is projected to narrow to 3.5 percent in 2026 and to 3.4 percent in 2027. These projections incorporate the provisions of the 2026 Finance Act, the 2026–2028 three-year budgetary framework, and Bank Al-Maghrib's updated macroeconomic forecasts.

In terms of **economic activity**, following a 3.8 percent expansion in 2024, growth is estimated to have accelerated sharply to 4.8 percent in 2025, reflecting a 5 percent increase in agricultural value added on one hand, and a 4.7 percent improvement in non-agricultural value added on the other. Over the medium term, non-agricultural activities are projected to sustain their momentum, with increases of 4.6 percent this year and 4.5 percent in 2027. Meanwhile, agricultural value added is projected to surge by 14.4 percent in 2026, considering a cereal harvest estimated by BAM at 82 million quintals (MQx), followed by a 5.3 percent decline in 2027, under the assumption of a return to an average crop year. Overall, growth is expected to accelerate sharply to 5.6 percent this year before slowing back to 3.5 percent in 2027. On the demand side, its domestic component would continue to drive growth, while the contribution of net exports would remain negative.

Against this backdrop, **inflation** is projected to hold steady at 0.8 percent in 2026 before accelerating to 1.4 percent in 2027. Its core component is forecast to stand at 0.2 percent this year, before rising to 1.6 percent in 2027.

The macroeconomic outlook remains clouded by high uncertainty which, if materialized, could alter baseline scenario projections. In this context, the balance of risks is tilted to the downside for growth and to the upside for inflation.

For the domestic economy, downside growth risks stem mainly from cereal production remaining dependent on weather conditions, as well as the impact of recent floods in certain regions on agricultural output. Furthermore, a more pronounced slowdown in global growth, amid an international environment marked by deep uncertainties—notably tied to escalating geopolitical tensions—could drag down domestic growth.

Regarding inflation, the outlook remains uncertain with risks generally oriented to the upside. A sharper rebound in oil prices, should the conflict in the Middle East persist, alongside potential global supply chain disruptions, could create additional inflationary pressures. However, a continued decline in certain food prices could partially counterbalance this impact.

1. INTERNATIONAL DEVELOPMENTS

Despite trade and geopolitical tensions, the global economy proved more resilient than anticipated in 2025. This performance was driven by surging investments in Artificial Intelligence (AI) technologies in the United States and Asia, supportive financial conditions, and private sector agility. Labor markets in advanced economies remained generally robust, though they exhibited signs of normalization, particularly in the United States. Concurrently, global inflation moderated, albeit at varying paces across regions, benefiting primarily from the decline in energy prices.

The global economy enters 2026 amid heightened uncertainty, fueled by recent developments in US trade policy[1] and the outbreak of war in Iran on February 28. This conflict has severely disrupted global supply chains—especially for energy products—and triggered increased volatility in financial markets. The overall global economic fallout will ultimately depend on the duration and scale of the conflict.

Latest available data indicate an economic slowdown in major economies during the final quarter of 2025, with inflation stabilizing above the Federal Reserve's target in the US, and a slight decline of unemployment rate in the euro area. In financial markets, the Euro's appreciation against the US Dollar continued early in the year; however, this trend reversed following the onset of the conflict in Iran, as the Dollar benefited from safe-haven inflows. The conflict also led to a downturn in major equity indices and a rise in sovereign yields. Finally, commodity markets were marked by a sharp increase in energy prices—initially driven by severe winter conditions and subsequently exacerbated by the conflict in Iran—alongside rising precious metals prices, which were buoyed by safe-haven demand and technological applications.

1.1 Economic activity and employment

1.1.1 Economic activity

In 2025, the global economy demonstrated notable resilience in an environment marked by a high level of policy uncertainty. This performance was particularly supported by front-loading and preemptive stockpiling ahead of anticipated tariff hikes, an improvement in global financial conditions, and increased fiscal support across several major economies. However, economic developments remained uneven across countries.

Recent national accounts data for the fourth quarter of 2025 show a growth slowdown in the United States, to 2 percent from 2.3 percent a quarter earlier. In the euro area, the pace of activity also decelerated, from 1.4 percent to 1.2 percent, with, however, disparate developments among member countries. It thus fell slightly from 2.7 percent to 2.6 percent in Spain, while it accelerated from 1 percent to 1.2 percent in France, from 0.7 percent to 0.8 percent in Italy, and from 0.3

1 On February 20, the U.S. Supreme Court invalidated the tariffs imposed by Donald Trump under the International Emergency Economic Powers Act (IEEPA). These included the 'reciprocal' tariffs levied on numerous countries based on their trade balance with the United States, as well as the fentanyl-related tariffs imposed on Canada, Mexico, and China. That same day, the U.S. President responded by invoking the Trade Act of 1974, which allows him to implement an additional temporary global tariff of 10% for a maximum of 150 days, pending congressional approval for permanent status. This tariff took effect on February 24, and the executive branch is considering raising it to its maximum level of 15%.

percent to 0.4 percent in Germany. In the other major advanced economies, growth slowed to 1 percent in the fourth quarter in the United Kingdom, compared with 1.2 percent a quarter earlier, and to 0.5 percent instead of 0.7 percent in Japan.

In emerging economies, the pace of activity decelerated in China in the fourth quarter to 4.5 percent from 4.8 percent a quarter earlier, mainly reflecting a weakening of private consumption and investment. Similarly, it slowed from 8.4 percent to 7.8 percent in India and from 3.8 percent to 3.4 percent in Turkey, while it stabilized at 1.8 percent in Brazil. In Russia, data for the third quarter indicate a growth slowdown to 0.6 percent from 1.1 percent in the previous quarter.

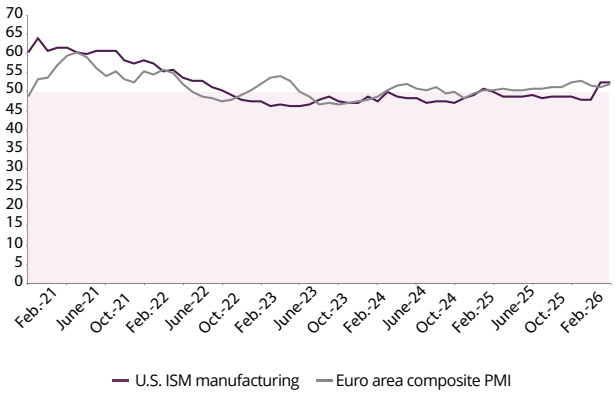
Table 1.1: Quarterly growth profile, in year-on-year (in percent)

	2023	2024				2025			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Advanced economies									
United States	3.4	2.9	3.1	2.8	2.4	2.0	2.1	2.3	2.0
Euro area	0.2	0.5	0.6	1.0	1.3	1.6	1.6	1.4	1.2
France	1.6	1.7	1.0	1.1	0.7	0.7	0.8	1.0	1.2
Germany	-0.8	-0.5	-0.6	-0.6	-0.2	0.3	0.4	0.3	0.4
Italy	1.0	0.5	0.7	0.7	0.4	0.7	0.5	0.7	0.8
Spain	2.2	2.9	3.7	3.6	3.7	3.0	2.8	2.7	2.6
United Kingdom	-0.5	0.3	0.8	1.3	1.9	1.8	1.4	1.2	1.0
Japan	0.1	-1.2	-1.3	0.8	0.8	1.6	2.0	0.7	0.5
Emerging economies									
China	5.3	5.3	4.7	4.6	5.4	5.4	5.2	4.8	4.5
India	7.1	7.5	7.5	6.6	7.4	7.0	6.7	8.4	7.8
Brazil	2.4	2.5	3.5	4.1	3.6	3.1	2.4	1.8	1.8
Türkiye	4.9	5.3	2.3	2.8	3.2	2.5	4.7	3.8	3.4
Russia	5.3	5.4	4.3	3.3	4.5	1.4	1.1	0.6	N.D

Source: Thomson Reuters Eikon and Eurostat.

Regarding leading indicators of economic activity, the euro area composite PMI recovered to 51.9 in February from 51.3 in January, while the U.S. manufacturing ISM edged down slightly from 52.6 to 52.4 over the same period.

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



Source: Thomson Reuters Eikon.

1.1.2 Labor market

Signs of easing in the United States strengthened with a loss of 92 thousand jobs in February after a creation of 126 thousand jobs the previous month, and the unemployment rate increased slightly, from 4.3 percent to 4.4 percent. In the euro area, the unemployment rate came in lower at 6.2 percent in January after 6.3 percent the previous month, with disparate developments among member countries. It remained unchanged at 4 percent in Germany, while it fell to 7.7 percent in France, to 9.8 percent in Spain, and to 5.1 percent in Italy. Conversely, in the United Kingdom, December data indicate a rise in the unemployment rate to 5.2 percent, the highest level in nearly 5 years.

Table 1.2: Change in unemployment rates (in percent)

(In %)	2023	2024	2025	2026	
			Dec.	Jan.	Feb.
United States	3.6	4.0	4.4	4.3	4.4
Euro area	6.6	6.4	6.3	6.2	N.D
France	7.3	7.4	7.8	7.7	N.D
Germany	3.1	3.4	4.0	4.0	N.D
Italy	7.7	6.5	5.5	5.1	N.D
Spain	12.2	11.4	10.0	9.8	N.D
United Kingdom	4.1	4.3	5.2	N.D	N.D

Source: Eurostat and BLS.

1.2 Monetary and financial conditions

1.2.1 Monetary policy decisions

At its meeting on January 27 and 28, the Fed maintained the target range for the federal funds rate unchanged at [3.50 percent -3.75 percent], following a total of three cuts in 2025. It indicated that, according to available data, economic activity has continued to expand at a solid pace, job gains have remained weak, the unemployment rate has shown some signs of stabilizing, and inflation remains somewhat elevated. It also stressed that uncertainty regarding the economic outlook remains high and that it remains attentive to the risks to both sides of its dual mandate.

Similarly, following its meeting on February 4 and 5, the ECB maintained its three key interest rates unchanged, marking the fifth consecutive status quo decision after a total of eight cuts since June 2024. It stressed that its updated assessment confirms once again that inflation is expected to stabilize at the 2 percent medium-term target. It also indicated that the asset purchase program (APP) and the pandemic emergency purchase program (PEPP) portfolios are declining at a measured and predictable pace, as the Eurosystem no longer reinvests the principal payments from maturing securities.

The Bank of England also decided, on February 5, to maintain its policy rate unchanged at 3.75 percent. It indicated that inflation, currently above the 2 percent target, is expected to move closer to it starting in April, due to the decrease in energy prices, including that anticipated by the 2025 budget. Likewise, the Bank of Japan decided on January 23 to keep its policy rate unchanged at 0.75 percent.

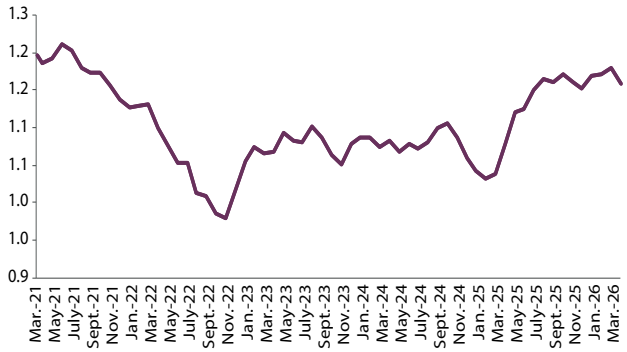
In the main emerging economies, the central banks of China, India, Brazil, and Turkey maintained their policy rates unchanged at their latest meetings[1]. Conversely, that of Russia lowered its policy rate in February by 50 basis points (bps) to 15.5 percent.

1.2.2 Financial markets

During the first two months of 2026, the euro continued its appreciation against the US dollar with a gain of 0.5 percent to 1.18 dollars, amid expectations of further cuts to the Fed's target range and heightened uncertainties related to US trade policy. This trend, however, reversed, with the euro depreciating by 3.1 percent against the dollar between February 27 and March 13, as the outbreak of the conflict in Iran and the surge in oil prices stimulated demand for the American currency. Compared to other currencies, at the end of February, the euro appreciated by 0.6 percent against the Japanese yen, while it depreciated by 0.6 percent relative to the British pound. As for the currencies of the main emerging economies, they displayed divergent developments against the dollar during the first two months of 2026, with a depreciation of the Chinese renminbi (-1.4 percent) and the Brazilian real (-3.5 percent), while appreciations were recorded for the Indian rupee (+0.9 percent) and the Turkish lira (+1.8 percent).

1 January 2026 for Brazil, February for China and India, and March for Turkey.

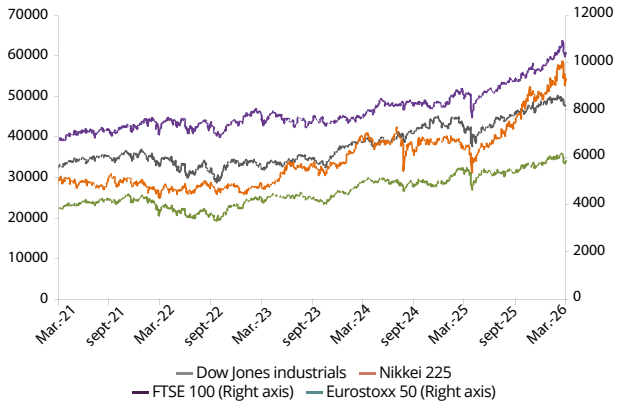
Chart 1.2: Change in Euro/dollar exchange rates



Source: Thomson Reuters Eikon.

Equity markets in the major advanced economies continued to post positive performances during the first two months of 2026, despite a sharp resurgence of volatility. The Eurostoxx increased by an average of 4.2 percent compared to December 2025, the FTSE 100 by 5 percent, the Dow Jones Industrials by 2.4 percent, and the Nikkei 225 by 7.8 percent. However, the conflict in Iran led to a widespread decline in these indices. Thus, decreases of 6.9 percent for the Eurostoxx, 6 percent for the FTSE 100, 4.9 percent for the Dow Jones Industrials, and 8.5 percent for the Nikkei 225 were recorded over the period from February 27 to March 13.

Chart 1.3: Change in major equity indices of advanced economies

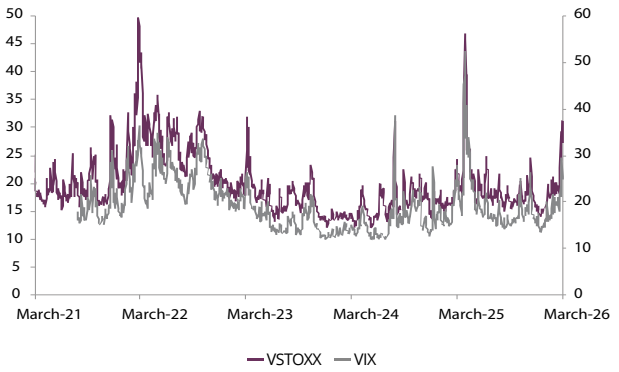


Source: Thomson Reuters Eikon.

These developments were accompanied by a notable increase in volatility in the US and European markets, with the VIX index reaching 21.1 at the end of February compared to 15 at the end of December, and the VSTOXX at 19.7 instead of 14.7. These indices increased further following the conflict in Iran, reaching 27.2 and 30.3, respectively, on March 13.

For the main emerging economies, the MSCI EM index rose by 9.2 percent during the first two months of 2026, supported notably by the Chinese (+2.1 percent) and Brazilian (+8.7 percent) sub-indices. However, the outbreak of the conflict in Iran led to an 8.8 percent decline in this index between February 27 and March 13, as the resulting energy crisis particularly threatens Asian economies, which are heavily dependent on hydrocarbon imports transiting through the Strait of Hormuz.

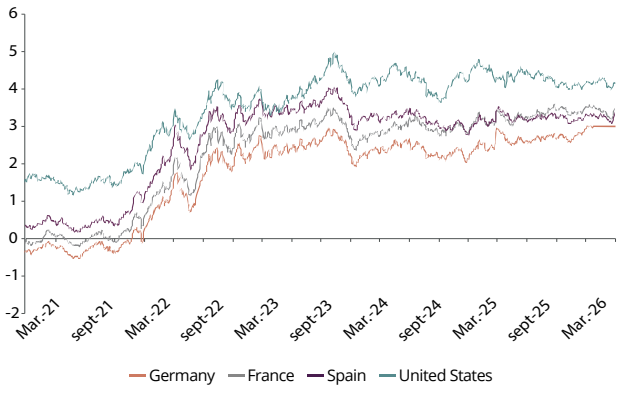
Chart 1.4: Change in the VIX and the VSTOXX



Source: Thomson Reuters Eikon.

Regarding sovereign bond markets, during the first two months of 2026, the 10-year yield increased slightly by 4 bps for the United States (4.2 percent), while it decreased by 10 bps in France (3.4 percent) and by 9 bps in Italy (3.4 percent), and stabilized in Germany (3 percent) and Spain (3.2 percent). For the main emerging economies, this rate remained unchanged in China (1.8 percent), fell by 22 bps in Brazil (13.5 percent) and by 62 bps in Turkey (27.9 percent), while it rose by 9 bps in India (6.7 percent). Since the start of the conflict in Iran, sovereign yields have generally tightened, with notably a 32-bps increase in the US long-term rate to 4.3 percent between February 27 and March 13.

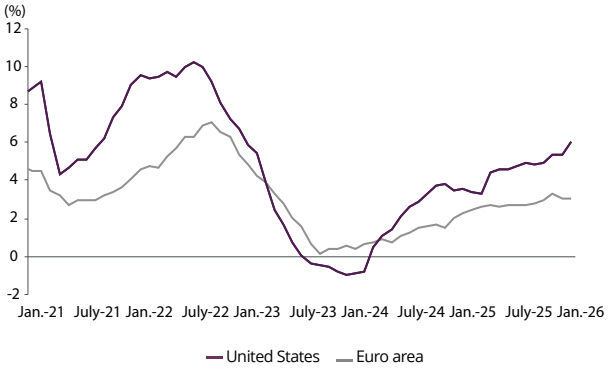
Chart 1.5: Change in 10-year government bond yields



Source: Thomson Reuters Eikon.

On money markets, the 3-month EURIBOR stabilized at 2 percent over the first two months of the current year, while the SOFR of the same maturity recorded a decline of 31 bps to 3.8 percent. Regarding bank credit, its growth was maintained at 3.1 percent in January within the euro area, while it accelerated from 5.4 percent in December to 6.1 percent in January in the United States.

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

In 2025, the World Bank's energy price index declined by 11.3 percent, while the non-energy price index rose slightly by 2.4 percent.

In the oil market, the Brent price increased by 9.9 percent during the months of January and February, reaching an average of 68.9 dollars per barrel. Year-on-year, it remained down by 10.7 percent, reflecting an abundant supply that outstripped global oil demand.

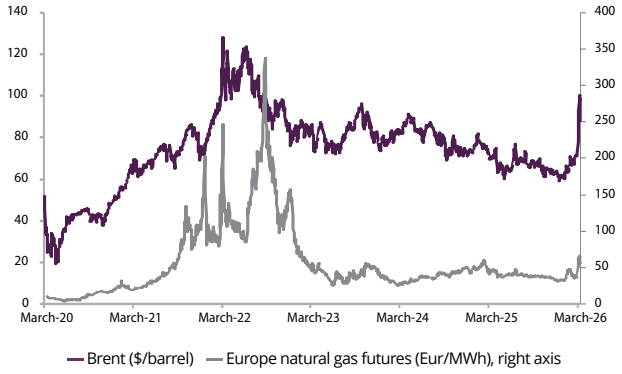
European natural gas also rose by 21.2 percent in January and February, to settle at an average of 11.5 $/mmBTU, due to the cold wave, while it remains down by 23.4 percent compared to its level of the previous year.

The outbreak of the conflict in Iran on February 28, leading to the suspension of trade via the Strait of Hormuz[1], and its expansion to a few countries in the region, caused a marked increase in the price of oil and natural gas. To ease market pressures, OPEC+ decided on March 1 to increase its production by a higher-than-expected 206,000 barrels per day effective April. Concurrently, IEA member countries agreed on March 11 to release 400 million barrels of oil from their strategic reserves[2], while the US government granted a temporary 30-day waiver on March 12 allowing countries to purchase Russian oil stranded at sea. Despite these announcements, Brent prices continued the upward trend sparked by the outbreak of the conflict. It reached 103.1 dollars per barrel on March 13, representing a 42.2 percent increase compared to its February 27 level, alongside a 32.7 percent rise in natural gas prices over the same period.

1 The Strait of Hormuz is the primary export route for oil and natural gas produced by Saudi Arabia, the United Arab Emirates (UAE), Kuwait, Qatar, Iraq, Bahrain, and Iran. According to the International Energy Agency, approximately 25 percent of global seaborne oil trade and 19 percent of LNG trade transited through this strait in 2025.

2 This marks the sixth stock release since the IEA›s inception in 1974 (previous releases occurred in 1991, 2005, 2011, and twice in 2022), making it the largest in terms of scale.

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

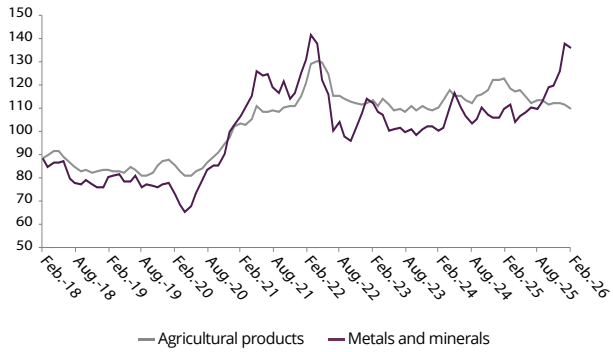


Source: World Bank.

1.3.2 Non-energy commodity prices

The non-energy price index posted an average increase of 2.3 percent in January and February 2026, reflecting a 8.4 percent rise in metal and mineral prices and a 1.3 percent decline in agricultural product prices. Year-on-year, it was up by an average of 1.6 percent overall, driven by a 26.9 percent surge in metal and mineral prices and a 9.7 percent drop in agricultural commodity prices. Notably, gold prices, continuing to benefit from its safe-haven status, maintained their upward trend with a 13.4 percent increase over the first two months of 2026 and a 74.4 percent surge year-on-year, averaging 4,886.4 dollars per ounce.

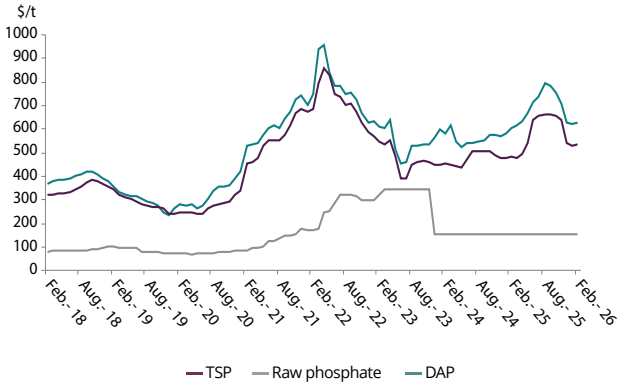
Chart 1.8: Changes in non-energy commodity price indices (2010 = 100)



Source: World Bank.

Regarding phosphate and its derivatives, prices posted an average decline over the first two months of the year, down 0.7 percent to 622.9 $/t for DAP and 1.1 percent to 532.7 $/t for TSP. On a year-on-year basis, they rose by 5 percent for DAP and 11.1 percent for TSP. As for crude phosphate, its price remained unchanged at 152.5 $/t on both a month-on-month and a year-on-year basis.

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



Source: World Bank.

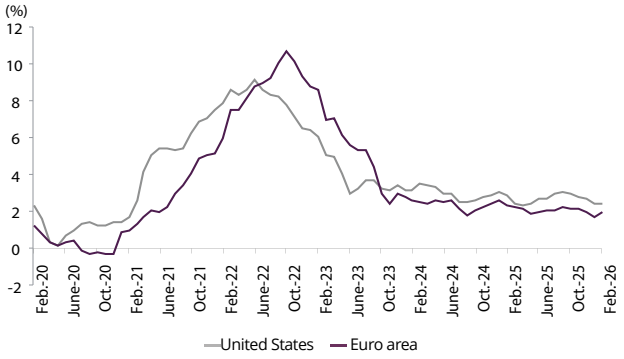
1.3.3 Inflation

In the United States, while remaining above the Fed's target, year-on-year inflation stabilized at 2.4 percent in February compared to the previous month. In the euro area, it accelerated to 1.9 percent in February after 1.7 percent in January, reflecting notably increases from 0.4 percent to 1.1 percent in France, from 2.4 percent to 2.5 percent in Spain, and from 1 percent to 1.6 percent in Italy, while a deceleration from 2.1 percent to 1.9 percent was recorded in Germany. In the other main advanced economies, inflation decreased from 3.4 percent in December to 3 percent in January in the United Kingdom and from 2.1 percent to 1.5 percent in Japan.

In the main emerging economies, developments remained mixed, with a sharp acceleration from 0.2

percent to 1.3 percent in China between January and February, linked notably to higher spending related to the Chinese New Year, and from 2.7 percent to 3.2 percent in India over the same period, against decelerations from 4.4 percent to 3.8 percent in Brazil and from 6 percent to 5.9 percent in Russia.

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	2026	
			Dec.	Jan.	Feb.
United States	4.1	3.0	2.7	2.4	2.4
Euro area	5.4	2.4	2.0	1.7	1.9
Germany	6.0	2.5	2.0	2.1	1.9
France	5.7	2.3	0.7	0.4	1.1
Spain	3.4	2.9	3.0	2.4	2.5
Italy	5.9	1.1	1.2	1.0	1.6
United Kingdom	7.3	2.5	3.4	3.0	N.D
Japan	3.3	2.7	2.1	1.5	N.D

Sources: Thomson Reuters, Eurostat & FMI.

2. EXTERNAL ACCOUNTS

The year 2025 was marked by a continued momentum in foreign trade in goods, a significant increase in travel receipts, a consolidation of remittances from Moroccans living abroad, as well as a sharp improvement in foreign direct investment in Morocco.

Exports of goods grew by 2.8 percent to 469.1 billion dirhams, while imports rose by 8 percent to 822.2 billion. Consequently, the trade deficit widened by 15.8 percent to stand at 353.1 billion dirhams, and the coverage ratio fell back to 57 percent from 59.9 percent in 2024. Concurrently, travel receipts recorded a 20.6 percent increase to 138.1 billion, and remittances from Moroccans living abroad rose by 2.6 percent to 122 billion. Regarding major financial transactions, FDI inflows amounted to 56.1 billion dirhams, up from 43.8 billion in 2024, whereas Moroccan direct investments abroad declined by 17.1 percent to 22.4 billion. Overall, Bank Al-Maghrib's official reserve assets strengthened to 443.3 billion dirhams at the end of 2025, representing the equivalent of 5 months and 16 days of imports of goods and services.

During the first month of 2026, the trade deficit widened slightly compared to January 2025, reaching 25.5 billion dirhams, reflecting a 2.7 percent decline in exports and a near-stabilization of imports. Concurrently, travel receipts registered a 19.3 percent growth to 11.7 billion dirhams, while remittances of Moroccans living abroad stood at 9.4 billion, remaining nearly unchanged compared to the same month of the previous year. As for direct investments, FDI inflows decreased to 4.9 billion dirhams, and Moroccan investments abroad dropped to 2 billion. Overall, Bank Al-Maghrib's official reserve assets reached 452,6 billion dirhams, representing the equivalent of 5 months and 19 days of imports of goods and services.

2.1 Trade balance

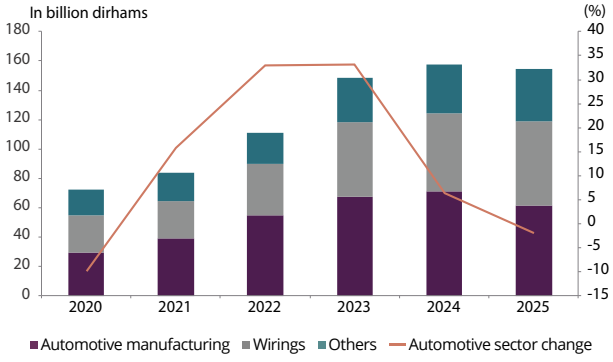
2.1.1 Exports

The improvement in exports reflects differentiated developments by sector. Sales of phosphates and derivatives posted an increase of 14.6 percent to 99.8 billion, reflecting increases of 14.1 percent for natural fertilizers, 15.3 percent for phosphoric acid, and 17.3 percent for crude phosphate. Similarly, sales in the aeronautics sector pursued their upward trend, with an expansion of 10 percent to 29.1 billion, essentially reflecting an 11 percent increase to 19.1 billion in the "assembly" segment. As for exports from the "agricultural and agri-food" sector, they posted a quasi-stagnation at 86.8 billion, covering a contraction of 3.4 percent to 41.8 billion in food industry exports and a 3.6 percent rise to 42.2 billion in agricultural product exports.

Conversely, shipments from the automotive sector ended the year with a 2 percent decline to 154.5 billion, dragged down by a 13.6 percent decrease to 61.3 billion for the "construction" segment. This decline resulted from a 15.2 percent decrease the volume of cars exported, alongside a 2.4 percent increase in their export prices. Conversely, exports of the 'wiring' segment rose by 7.7 percent

to 57.8 billion. Similarly, 'textile and leather' sales fell by 4.5 percent to 43.8 billion, owing to a 3.9 percent contraction in the 'ready-made garments' segment.

Chart 2.1: Automotive sector exports at end 2025



Source: Foreign Exchange Office.

In the same vein, sales in the "electronics and electricity" sector declined by 8.8 percent to 16.7 billion, reflecting a 3 billion drop in exports of "electronic components" to 4.7 billion, which was only partially offset by the one-billion increase in sales of "wires and cables" to 6.7 billion.

Table 2.1: Exports by sector (in million dirhams)

Sectors/Segments	Year		Change	
	2025	2024	In value	In %
Exports	469 075	456 342	12 733	2,8
Phosphates and derivatives	**99,804**	**87,083**	**12,721**	**14.6**
Natural and chemical fertilizers	73,140	64,101	9,039	14.1
Phosphoric acid	16,622	14,420	2,202	15.3
Phosphates	10,042	8,562	1,480	17.3
Aeronautics	**29,087**	**26,446**	**2,641**	**10.0**
Assembly	19,129	17,233	1,896	11.0
Electrical Wiring Interconnection System	9,858	9,100	758	8.3
Other mining extractions	**5,643**	**5,570**	**73**	**1.3**
Zinc ore	1,942	1,659	283	17.1
Barium sulfate	1,217	1,046	171	16.3
Other metallic ores and metallic waste	42	254	-212	-83.5
Agriculture and Agri-food	**86,828**	**86,958**	**-130**	**-0.1**
Food industry	41,781	43,248	-1,467	-3.4
Fishing and aquaculture	1,529	1,678	-149	-8.9
Agriculture, forestry, and hunting	42,183	40,700	1,483	3.6
Electronics and electricity	**16,723**	**18,329**	**-1,606**	**-8.8**
Electronic components	4,701	7,721	-3,020	-39.1
Electrical apparatus for line telephony or line telegraphy	1,882	1,967	-85	-4.3
Wires and cables	6,662	5,614	1,048	18.7
Textile and leather	**43,804**	**45,877**	**-2,073**	**-4.5**
ready-made garments	28,467	29,615	-1,148	-3.9
Hosiery	8,452	9,124	-672	-7.4
Leather Goods	799	861	-62	-7.2
Automotive	**154,494**	**157,594**	**-3,100**	**-2.0**
Construction	61,299	70,955	-9,656	-13.6
Vehicle and seat interiors	9,659	9,050	609	6.7
Wiring	57,777	53,643	4,134	7.7
Other industries	**32,692**	**28,484**	**4,208**	**14.8**
Metallurgy and metalworking	9,667	7,674	1,993	26.0
Plastics and rubber industry	2,408	1,542	866	56.2
Pharmaceutical industry	1,541	1,524	17	1.1

Source: Foreign Exchange Office.

2.1.2 Imports

The increase in imports concerned all major products, except for energy products, whose bill eased by 5.5 percent to 107.6 billion, due notably to a 9.7 percent decline in imports of "gas oils and fuel oils". Indeed, acquisitions of capital goods rose by 13.3 percent to 199.1 billion, with increases of 66.3 percent to 10.8 billion in purchases of "commercial vehicles" and of 27.6 percent to 23.3 billion in airplanes and other aerial vehicles and their parts.

As for imports of consumer goods, they increased by 11.8 percent to 203.5 billion, linked particularly to increases of 37.7 percent in purchases of "passenger cars" to 39.4 billion and of 16.5 percent in those of "medicines and other pharmaceutical products".

Similarly, imports of crude products rose by 31.5 percent to 43.7 billion, driven essentially by a price increase in "crude and unrefined sulfur". Acquisitions of semi-finished goods, for their part, recorded an expansion of 4.8 percent to 171.8 billion, reflecting in particular a 9.6 percent increase in "chemical products" imports and a 5.2 percent growth in "Plastics and various plastic products".

Regarding purchases of food products, they amounted to 94.6 billion, up by 3.3 percent, linked to a 25.1 percent increase in imports of live animals, while wheat supplies, conversely, decreased by 5.8 percent to 16.8 billion.

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

Main products	Year		Change	
	2025	2024	In value	In %
Imports	822 223	761 272	60 951	8,0
Capital goods	**199,133**	**175,714**	**23,419**	**13.3**
Utility cars	10,819	6,504	4,315	66.3
Parts of aircraft and other aerial vehicles	17,257	14,502	2,755	19.0
Aircraft and other aerial or space vehicles	6,056	3,765	2,291	60.8
Finished consumer products	**203,465**	**182,020**	**21,445**	**11.8**
Passenger cars	39,436	28,630	10,806	37.7
Medicines and other pharmaceutical products	12,631	10,842	1,789	16.5
Radio and television reception apparatus	4,299	3,379	920	27.2
Raw products	**43,741**	**33,266**	**10,475**	**31.5**
Raw and unrefined sulfur	15,084	9,108	5,976	65.6
Crude or refined soybean oil	6,748	5,460	1,288	23.6
Scrap metal, waste and other minerals	5,664	4,428	1,236	27.9
Semi-finished products	**171,835**	**163,914**	**7,921**	**4.8**
Chemical products	17,861	16,303	1,558	9.6
Copper wires, bars and profiles	11,671	10,267	1,404	13.7
Plastics and various plastic products	22,562	21,449	1,113	5.2
Food products	**94,608**	**91,592**	**3,016**	**3.3**
Live animals	6,976	5,577	1,399	25.1
Corn	7,759	6,548	1,211	18.5
Raw or refined sugar	8,186	9,980	-1,794	-18.0
Wheat	16,803	17,831	-1,028	-5.8
Energy products	**107,567**	**113,827**	**-6,260**	**-5.5**
Gas oils and fuel oils	51,464	57,012	-5,548	-9.7
Petroleum gas and other hydrocarbons	19,394	21,255	-1,861	-8.8
Electrical energy	2,466	1,720	746	43.4

Source: Foreign Exchange Office.

2.2 Other components of the current account balance

Regarding the services balance, its surplus improved by 14.2 percent to 159.7 billion, as a result of a 33.5 billion or 11.9 percent increase in exports, which outpaced the 13.7 billion or 9.7 percent growth in imports.

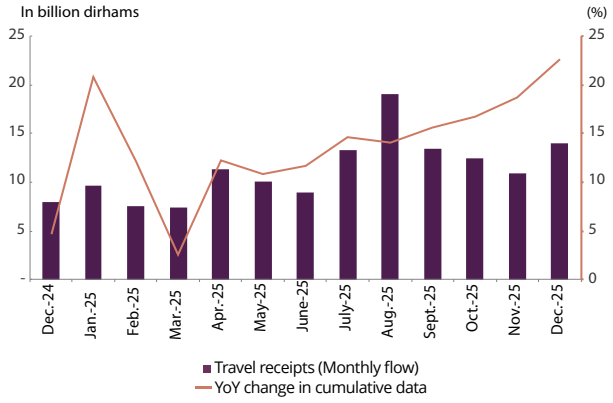
Table 2.3: Balance of services (in million dirhams)

	Year		Change	
	2025	2024	In value	In %
Imports	155,375	141,639	13,736	9.7
Exports	315,037	281,493	33,544	11.9
Balance	159,662	139,854	19,808	14.2

Source: Foreign Exchange Office.

In particular, the flow of travel receipts strengthened by nearly 75 percent in December, compared to the same month of 2024, linked notably to the hosting of the Africa Cup of Nations football tournament in Morocco between December 2025 and January 2026. For the whole of the year 2025, these receipts totaled 138.1 billion, up by 20.6 percent compared to 2024. Similarly, expenditures under the same heading rose by 12.3 percent to 33 billion.

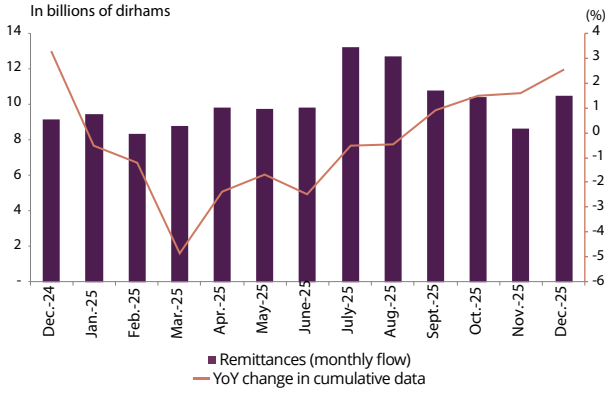
Chart 2.2: Monthly change in travel receipts



Source: Foreign Exchange Office.

Remittances from MLAs mounted to 122 billion, up 2.6 percent year-on-year.

Chart 2.3: Monthly change in remittances of MLAs



Source: Foreign Exchange Office.

2.3 Financial account

Regarding financial operations, FDI receipts accelerated by 28 percent to reach 56.1 billion DH. With divestments remaining virtually stable at 27.7 billion, the net inflow jumped from 16.3 billion to 28.4 billion year-on-year.

As for Moroccan direct investments abroad, their net flow strengthened by 16.6 percent to 8 billion DH, driven by a 17.1 percent contraction in these investments, which fell by 4.6 billion, and a 28.6 percent decline in related cessions, which dropped by 5.8 billion.

By the end of 2025, official reserve assets stood at 443.3 billion DH, covering 5 months and 19 days of goods and services imports.

Table 2.4: Direct investments (in million dirhams)

	Year		Change	
	2025	2024	In value	In %
Foreign direct investments	28,392	16,292	12,100	74.3
Revenues	56,052	43,802	12,250	28.0
Expenditure	27,660	27,510	150	0.5
Moroccan direct investments abroad	8,040	6,896	1,144	16.6
Expenditure	22,423	27,049	-4,626	-17.1
Revenues	14,383	20,153	-5,770	-28.6

Source: Foreign Exchange Office.

Data for January 2026 show a widening of the trade deficit to 25.5 billion, up from 24.3 billion a year earlier. This trend resulted from a 2.7 percent decline in exports to 34.5 billion, combined with virtually stable imports at 60 billion. Consequently, the coverage ratio dropped from 59.4 percent at the end of January 2025 to 57.5 percent.

The downturn in exports primarily reflects a 43.4 percent slump in shipments of phosphates and derivatives to 3.2 billion. This drop was largely driven by a 51.8 percent contraction in fertilizer sales, linked to a 49.2 percent decrease in their export prices. Similarly, "agriculture and agribusiness" exports fell by 9.5 percent to 8.6 billion, due to an 11.4 percent decline in agricultural product sales and a 6 percent decline in food industry sales. Exports from the "textile and leather" sector also decreased by 5.9 percent to 3.3 billion. Conversely, automotive sector sales climbed by 19.1 percent to 12.2 billion, reflecting a sharp improvement in exports of the "manufacturing" sector to 4.4 billion. Meanwhile, aeronautics sector shipments maintained their momentum, growing by 8.7 percent to 2.4 billion.

The near stability of imports conceals divergent trends across product categories. Purchases of capital goods rose by 12.9 percent to 15.4 billion, while consumer goods increased by 17.1 percent to 15.5 billion. In contrast, the energy bill fell by 19.5 percent, driven notably by an 11.2 percent reduction in "gasoil and fuel-oil" supplies. In the same vein, acquisitions of semi-finished goods dropped by 16.1 percent to 10.9 billion, and food product imports returned to 7 billion, down by 15.4 percent compared to January 2025.

Travel receipts posted a significant increase of 19.3 percent to reach 11.7 billion DH, driven notably by Morocco hosting the Africa Cup of Nations football tournament between December 2025 and January 2026. Similarly, travel expenditures rose by 2.3 percent to 2.7 billion. As for remittances from MLAs, they remained virtually unchanged from their January 2025 level, standing at 9.4 billion.

Concerning major financial operations, FDI receipts contracted to 4.9 billion, while Moroccan direct investments abroad dropped to 2 billion.

At the end of January 2026, the stock of official reserve assets reached 452.6 billion DH, providing an import cover equivalent to 5 months and 16 days of goods and services.

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

Main products	January		Change	
	2026	2025	In value	In %
Exportations de biens	34,504	35,473	-969	-2.7
Automobile	12,246	10,286	1,960	19.1
Agriculture and Agri-food	8,571	9,475	-904	-9.5
Textiles and Leather	3,344	3,553	-209	-5.9
Phosphates and derivatives	3,151	5,569	-2,418	-43.4
Aeronautics	2,433	2,239	194	8.7
Imports of good	60,023	59,758	265	0.4
Finished consumer products	15,511	13,245	2,266	17.1
Capital goods	15,392	13,631	1,761	12.9
Food products	6,984	8,251	-1,267	-15.4
Energy products	6,853	8,518	-1,665	-19.5
Travel receipts	11,659	9,772	1,887	19.3
Remittances	9,380	9,454	-74	-0.8
Foreign direct investments receipts	4,904	5,322	-418	-7.9
Investment expenses of Moroccan expatriates	2,022	2,934	-912	-31.1

Source: Foreign Exchange Office.

3. MONEY, CREDIT AND ASSET MARKET

During the fourth quarter of 2025, monetary conditions were characterized by a near-stabilization of the average overall lending rate at 4.82 percent and a 2.9 percent depreciation of the real effective exchange rate. As for bank credit to the non-financial sector, its annual growth rate continued to accelerate, rising from 4.7 percent in the fourth quarter of 2025 to 5.3 percent in January 2026. Regarding the other counterparts of money supply, official reserve assets improved by 22.9 percent following an 18 percent increase in the previous quarter, while net claims on the central government dropped by 0.8 percent compared to a 6.3 percent increase. Overall, money supply posted an annual growth of 10.3 percent in January, up from 9.4 percent in the fourth quarter.

In the real estate market, the real estate asset price index remained nearly stagnant in the final quarter, after a 1.5 percent increase in the previous quarter. Concurrently, the volume of transactions registered a quarterly increase of 18.4 percent, driven by gains of 15 percent for residential properties, 25.4 percent for land, and 29.6 percent for commercial properties.

At the Casablanca Stock Exchange, after ending the year with a 27.6 percent increase, the MASI edged down by 1.7 percent over the first two months of 2026. Under these conditions, market capitalization declined by 1 percent to 1,030.5 billion dirhams.

3.1 Monetary conditions

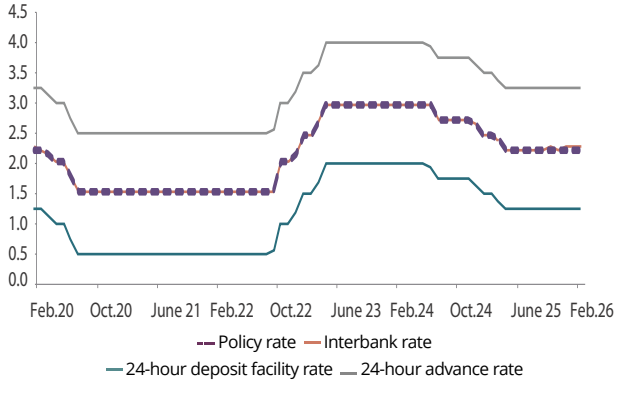
3.1.1 Bank liquidity and interest rates

The bank liquidity deficit widened to an average of 132.8 billion dirhams in January and February, up from 130.7 billion in the fourth quarter of 2025.

Consequently, Bank Al-Maghrib increased its liquidity injections from 146.6 billion to 149 billion in the fourth quarter. This volume was mainly distributed among 7-day advances amounting to 56.4 billion, repurchase agreements totaling 53.1 billion, and guaranteed loans, granted notably under financing support programs for MSMEs, for an amount of 39.3 billion.

These developments were accompanied by a decrease in the average maturity of the Bank's interventions to 45.1 days, down from 46.6 days in the previous quarter. Under these conditions, the interbank rate remained aligned with the key policy rate.

Chart 3.1: Interbank rate (daily data)

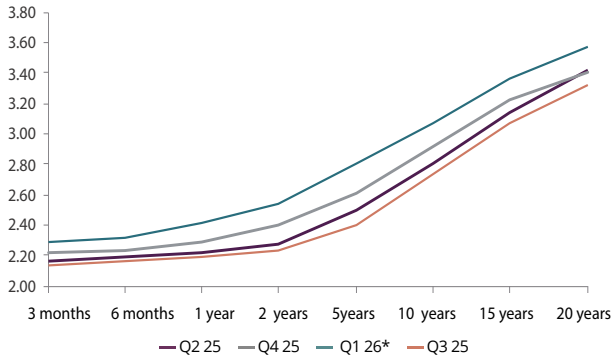


In the Treasury bills market, yields generally trended upward in January and February compared to the fourth quarter of 2025, across both the primary and secondary segments.

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

	2024	2025				2026	
	Q4	Q1	Q2	Q3	Q4	jan.	feb.
26 weeks	2.58	2.45	2.09	1.94	2.10	2.19	-
52 weeks	2.59	2.54	2.02	2.02	2.20	-	2.36
2 years	2.71	2.60	2.20	2.24	2.44	2.62	2.63
5 years	2.94	2.84	2.46	2.39	2.58	2.77	2.90
10 years	3.25	3.17	2.80	2.72	2.74	-	-
15 years	3.54	3.45	3.12	3.07	3.13	-	-

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



*Average obsereved in January and February 2026.

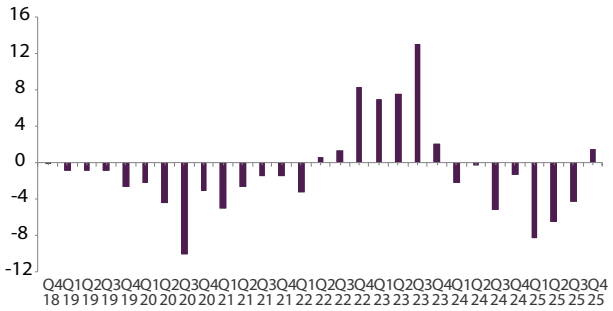
In the negotiable debt securities market, yields on certificate of deposit issuances increased in January 2026 compared to the fourth quarter of 2025. Regarding deposit rates, they dropped by 35 bps to 2.19 percent for six-month deposits, while they rose by 11 bps to 2.76 percent for one-year deposits. Furthermore, the interest rate on passbook savings accounts was set at 1.61 percent for the first half of 2026, down from 1.91 percent in the second half of 2025. Under these conditions, banks' funding costs[1] registered a 3 bps decline between the fourth quarter of 2025 and January 2026.

1 Banks› funding costs are calculated as a weighted average of the costs of their various resources.

Table 3.2: Deposit rates (%)

	2024			2025				2026
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	jan.
6 months	2.56	2.77	2.45	2.53	2.45	2.40	2.54	2.19
12 months	3.06	2.60	2.88	2.78	2.80	2.51	2.65	2.76

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



Regarding lending rates, the results of Bank Al-Maghrib's survey among banks for the fourth quarter of 2025 indicate a quarter-on-quarter near-stabilization of the average overall rate at 4.82 percent. By institutional sector, rates on loans to individuals remained nearly stable at 5.69 percent, reflecting a 30 bps drop to 7.19 percent for overdrafts and cash loans, a 3 bps increase to 4.67 percent for housing loans, and stagnation at 6.89 percent for consumer loans. As for interest rates on loans to sole proprietorships, they contracted by 15 bps to 5.64 percent. Meanwhile, rates applied to non-financial companies showed no significant variation, holding at 4.72 percent, as the 15 bps decline to 4.57 percent for cash facilities offset the increases of 47 bps to 4.95 percent for equipment loans and 7 bps to 5.44 percent for real estate development loans. By company size, rates decreased by 19 bps to 5.22 percent for VSMEs and rose by 10 bps to 4.74 percent for large enterprises.

Table 3.3: Lending rates (%)

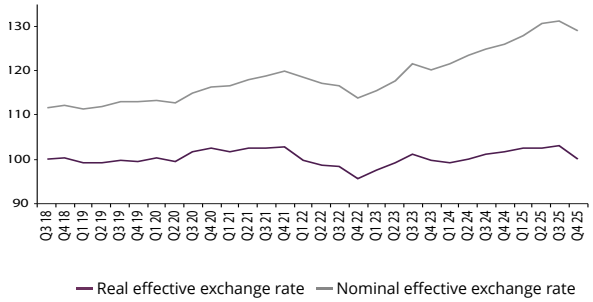
	2024		2025			
	Q3	Q4	Q1	Q2	Q3	Q4
Overall rate	5.21	5.08	4.98	4.84	4.85	4.82
Individuals	5.91	5.79	5.96	5.77	5.71	5.69
Real estate loans	4.76	4.75	4.74	4.68	4.64	4.67
Consumer loans	6.99	4.74	7.13	6.88	6.89	6.89
Nonfinancial companies	5.12	5.00	4.84	4.72	4.74	4.72
Cash advances	5.06	4.99	4.73	4.64	4.72	4.57
Equipment loans	5.24	4.98	5.14	4.82	4.48	4.95
Real estate loans	5.68	5.18	5.48	5.47	5.37	5.44

3.1.2 Exchange rate

In the fourth quarter of 2025, the euro depreciated by an average of 0.4 percent against the US dollar compared to the previous quarter. Consequently, the value of the dirham depreciated by 1.5 percent against the euro and by 1.9 percent against the US dollar.

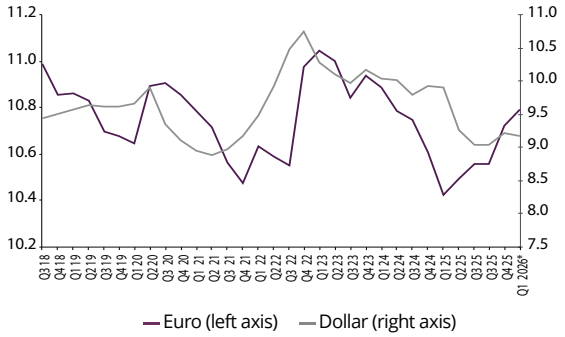
Between the third and fourth quarters of 2025, the national currency depreciated by 2.8 percent against the Chinese yuan, by 0.5 percent against the British pound, and by 2.9 percent against the Brazilian real, while appreciating by 1.6 percent against the Turkish lira. As a result, the exchange rate came out to a depreciation of 1.6 percent in nominal terms and 2.9 percent in real terms, taking into account the inflation differential between Morocco and its main trading partners and competitors.

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



Data for January and February 2026 show that the euro appreciated by an average of 1.2 percent compared to the U.S. dollar, relative to the fourth quarter of 2025. Under these conditions, the dirham appreciated by 0.5 percent against the U.S. dollar and depreciated by 0.7 percent against the euro.

Chart 3.5: Dirham exchange rate



*Average obsereved in January and February 2026.

Regarding transaction volumes, foreign currency trade against the dirham on the interbank market amounted to 25.9 billion dirhams in January, down 12.6 percent compared to the fourth quarter of 2025. As for banks' spot transactions with customers, they decreased by 6.2 percent to 34.2 billion for bank purchases and by 8.9 percent to 37.8 billion for sales. Regarding forward transactions, they totaled 7 billion for purchases, up 52.4 percent, and 17 billion for sales, down 0.5 percent.

3.1.3 Monetary situation[1]

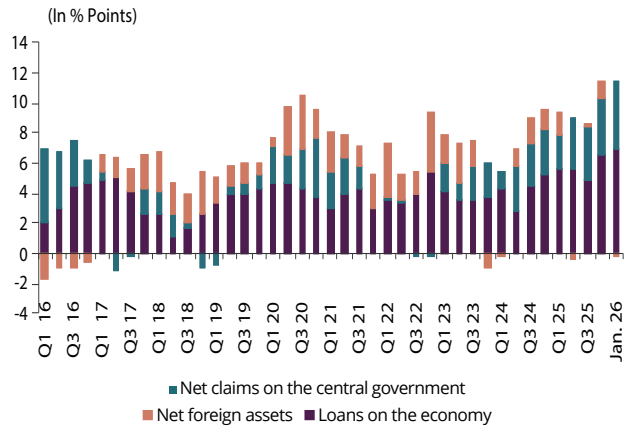
The M3 aggregate posted a 10.3 percent increase in January 2026, up from 9.4 percent in the fourth quarter of 2025. By major component, this acceleration primarily reflects a faster growth rate in sight deposits from 10.2 percent to 11.3 percent and in savings accounts from 2.7 percent to 3.6 percent. Similarly, foreign currency deposits recorded a 17.6 percent increase, compared to 9.5 percent in the fourth quarter, while the decline

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

in time deposits eased from 4.7 percent to 2.7 percent. As for currency in circulation, its growth rate stabilized at 18.5 percent, whereas money market mutual funds expanded by 9.6 percent after 8.7 percent.

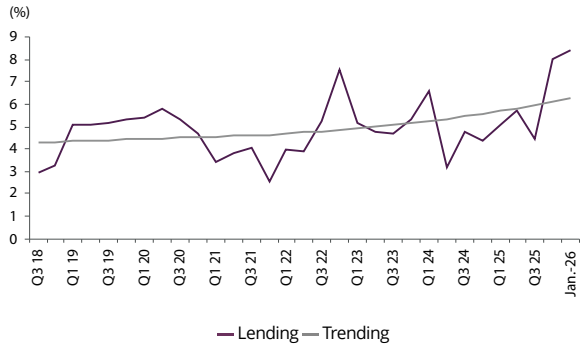
By major counterpart, the money supply growth resulted from the accelerated expansion of official reserve assets from 18 percent to 22.9 percent in January and that of bank credit from 8 percent to 8.4 percent, while net claims on the central government dropped by 0.8 percent, following a 6.3 percent increase in the fourth quarter of 2025.

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



More specifically, bank credit to the non-financial sector increased by 5.3 percent in January, up from 4.7 percent in the fourth quarter of 2025, reflecting a 1.6 percent rise in loans to public enterprises, following a 3.7 percent contraction, an accelerated growth rate from 2.9 percent to 3.7 percent in loans to private companies, and a deceleration from 3.6 percent to 3.3 percent for those destined for households.

Chart 3.7: Bank credit (YoY change)

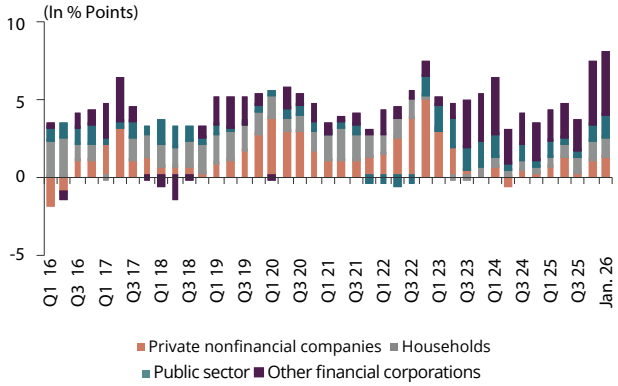


The growth rate of loans to public non-financial companies reflects an easing in the decline of their cash facilities from 13 percent to 6.5 percent in January, as well as an accelerated expansion of equipment loans from 11.6 percent to 17.4 percent.

Credit to private non-financial companies was driven by faster growth rates in equipment loans from 13.9 percent to 14.5 percent as well as in real estate development loans from 6.6 percent to 7.2 percent, alongside a near-stabilization in the decline of cash facilities at 4.3 percent.

As for loans to individuals, their growth rate decelerated from 3.7 percent to 3.4 percent, reflecting a slowdown from 4.9 percent to 3.7 percent for consumer loans and from 2.8 percent to 2.5 percent for housing loans. Conversely, the decline in loans to sole proprietorships eased from 0.9 percent to 0.6 percent.

Chart 3.8: Contribution of institutional sectors to year-on-year credit growth

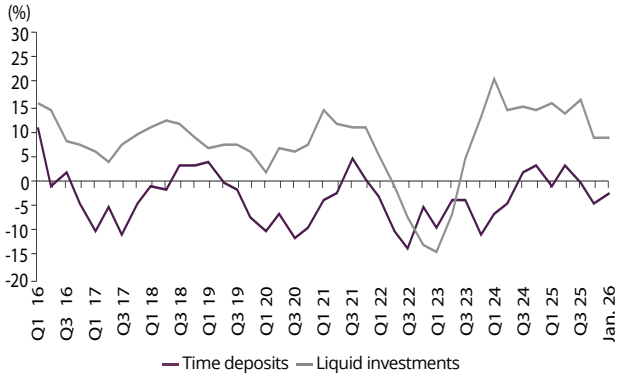


By branch of economic activity, data for the fourth quarter of 2025 indicate increases of 8.3 percent for companies in "Building and public works" and 33.6 percent for those in "Chemical and parachemical industries", alongside contractions of 23.6 percent for the "Mining industry" sector, 12.7 percent for "Transport and communications", and 5.3 percent for the "Metallurgical, mechanical, electrical, and electronic industries" sector.

Regarding non-performing loans, they grew by 4.6 percent in January 2026, with their ratio to total bank credit rising from 8 percent in the fourth quarter to 8.3 percent. They increased by 4.1 percent for private non-financial corporations and 4.9 percent for households, with respective ratios reaching 12.9 percent and 10.7 percent.

As for loans granted to the non-financial sector by financial companies other than banks, they jumped by 18.4 percent in the fourth quarter of 2025, reflecting increases of 16 percent in loans extended by finance companies, 40 percent in credit distributed by offshore banks, and 11.5 percent in those granted by microcredit associations.

Chart 3.9: YoY change in liquid investments and time deposits



Concurrently, liquid investment aggregates saw their growth rate accelerate from 8.6 percent in the fourth quarter of 2025 to 9 percent in January 2026. This trend reflected a 3.7 percent increase in Treasury bills following a 4.2 percent decline, alongside decelerated growth rates from 38.6 percent to 26.9 percent for equity and diversified mutual funds and from 19 percent to 10.5 percent for bond mutual funds.

3.2 Asset prices

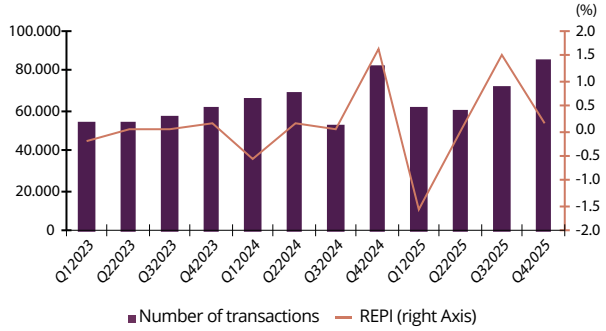
3.2.1 Real estate assets

The real estate asset price index remained nearly stagnant in the fourth quarter of 2025 compared to the previous quarter, reflecting stable prices across all property categories. Meanwhile, transaction volumes rose by 18.4 percent, following a 20.1 percent increase in the preceding quarter, driven by gains of 15 percent for residential properties, 25.4 percent for land, and 29.6 percent for commercial-use properties.

Across major cities, prices fell by 0.9 percent in Rabat and 0.6 percent in El Jadida, while remaining virtually unchanged in Meknes, Kenitra, and Casablanca. Conversely, other major cities recorded increases, ranging from 0.4 percent in Oujda to 0.9 percent in Tangier. Sales registered widespread growth across all major cities, with growth rates fluctuating between 6.7 percent in Meknes and 28.8 percent in Marrakech.

Over the full year 2025, real estate asset prices edged up by 0.6 percent, following a 0.2 percent increase in 2024. Transaction volumes expanded by 3.1 percent, down from a sharp 19.5 percent rebound a year earlier, supported by increases of 1.3 percent for residential properties, 7.5 percent for land, and 7.4 percent for commercial properties.

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



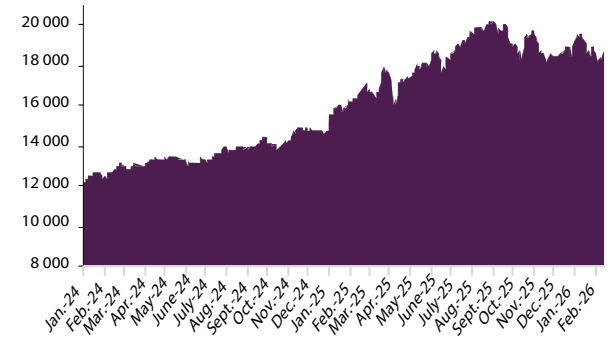
Source: BAM and ANCFCC.

3.2.2 Financial assets

3.2.2.1 Shares

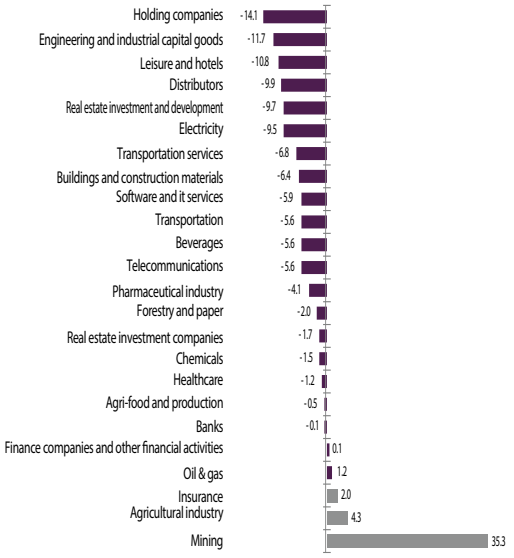
The MASI[1] edged down by 1.7 percent over the first two months of 2026, after closing 2025 with a 27.6 percent gain. This change primarily reflected decreases of 6.4 percent for the "Building and construction materials" index, 6.8 percent for "Transport services", 9.7 percent for "Real estate participation and development", 5.6 percent for "Telecommunications", and 9.9 percent for "Distributors". Conversely, the "Mining" index posted a sharp 35.3 percent increase.

Chart 3.11: Change in MASI index



Sources: Casablanca Stock Exchange.

Graph 3.12: Evolution of Sectoral Indices in February compared to end-2025 (in percent)



Sources: Casablanca Stock Exchange.

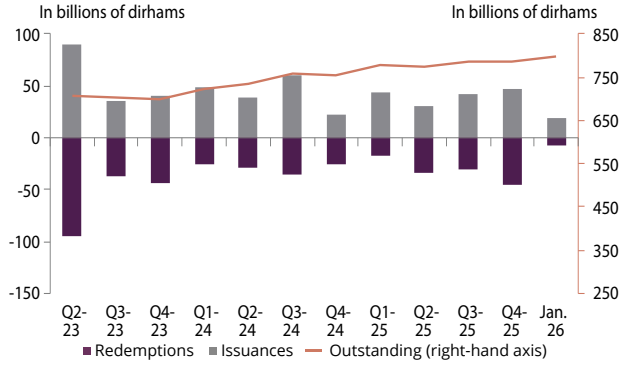
Trading volume reached 16.1 billion dirhams during the first two months of the year, down from 44.9 billion in the fourth quarter of 2025. In this context, market capitalization stood at 1,030.5 billion dirhams in February, representing a 1 percent decline compared to the end of December 2025.

3.2.2.2 Sovereign debt market

Treasury bill issuances amounted to 18.7 billion dirhams in January, compared to 46.7 billion raised in the final quarter of the previous year. Medium-term maturities accounted for 95 percent of these issuances, while short-term maturities made up the remaining 5 percent. Considering repayments totaling 7.6 billion, the outstanding stock of Treasury bills stood at 798.5 billion at the end of January, representing a 1.4 percent increase compared to end-December 2025.

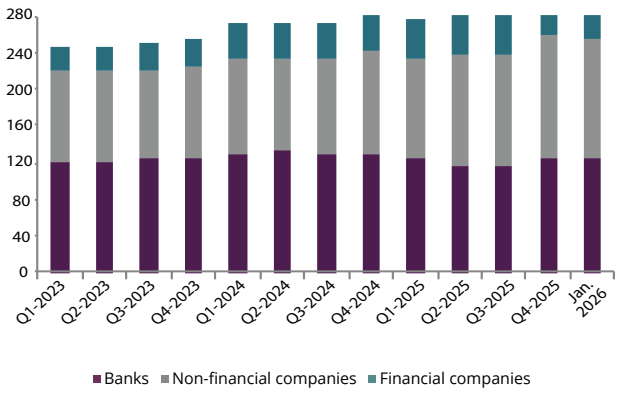
1 Data as of February 25.

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



Source: BAM.

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



Source: Maroclear and BAM calculations.

3.2.2.3 Private debt market

Private debt securities issuances amounted to 8.7 billion dirhams in January, compared to a monthly average volume of 12.7 billion in the final quarter of 2025. Financial corporations raised 4.9 billion dirhams, down from 25.5 billion, while non-financial corporations raised 3.9 billion, down from 12.6 billion.

By instrument, negotiable debt securities issuances totaled 6.7 billion dirhams, including 3.9 billion in commercial paper and 1.8 billion in finance company bonds. Meanwhile, bond issuances amounted to 2 billion dirhams, carried out exclusively by other public financial corporations.

Taking into account redemptions, the outstanding stock of private debt stood at 311.9 billion dirhams at the end of January 2026.

3.2.2.4 UCITS

Mutual fund subscriptions amounted to 199.7 billion dirhams in January, up from 188.8 billion a year earlier. Concurrently, redemptions totaled 193.8 billion dirhams compared to 160.1 billion, resulting in net inflows of 5.9 billion dirhams.

Fund performance showed returns generally ranging from 2.5 percent for money market funds to 15.6 percent for equity funds.

Total net assets of mutual funds remained nearly stable at 787.6 billion dirhams at the end of January 2026 compared to December 2025. Except for money market funds and medium- and long-term bond funds, which posted contractions in their outstanding amounts of 1.9 percent and 3.6 percent respectively, all other mutual fund categories recorded increases, spanning from 1.9 percent for equity funds to 10.9 percent for short-term bond funds.

4. FISCAL POLICY TREND

Budget execution for the year 2025 was characterized by continued fiscal consolidation. The fiscal deficit, excluding proceeds from the disposal of state holdings, stood at 60.5 billion dirhams, down from 63.2 billion a year earlier. Ordinary revenues grew by 15.3 percent, reflecting a 15.3 percent increase in tax receipts and a 16.5 percent rise in non-tax revenues. The latter notably included 40.1 billion dirhams collected through innovative financing mechanisms. Conversely, total expenditures increased by 11.8 percent, driven by a 15.7 percent rise in spending on goods and services and a 6.7 percent increase in investment expenditures, while subsidy costs fell by 30 percent.

At the end of January 2026, budget execution resulted in an overall deficit of 9.6 billion dirhams, widening by 2.8 billion compared to the same period in 2025. Ordinary revenues declined by 8.4 percent to 33.9 billion, reflecting a 9.4 percent drop in tax receipts and a 19 percent increase in non-tax revenues. Concurrently, ordinary expenditures fell by 21.1 percent to 36.8 billion, driven mainly by a 23.6 percent reduction in spending on goods and services and a 28.8 percent drop in subsidy costs, while debt interest payments rose by 42.5 percent. Under these conditions, the ordinary balance posted a deficit of 2.9 billion dirhams, compared to a negative balance of 9.7 billion at the end of January 2025. Investment expenditures grew by 15.1 percent to 15 billion, bringing total expenditures to 51.8 billion, down 13.2 percent. The Treasury special accounts balance posted a surplus of 8.3 billion dirhams, compared to 15.8 billion a year earlier.

Adjusted for a 5.9-billion-dirham reduction in pending transactions, the cash deficit narrowed to 15.5 billion, down from 26.2 billion a year earlier. This funding requirement was covered by net domestic resources amounting to 14.1 billion and external resources reaching 1.4 billion. Consequently, the outstanding direct debt stock expanded by 1.1 percent at the end of January 2026 compared to its end-December 2025 level. Treasury financing conditions improved compared to the same period in 2025.

4.1 Current revenues

Budget execution at the end of January 2026 showed an 8.4 percent decline in ordinary revenues to 33.9 billion dirhams, driven by a 9.4 percent drop in tax receipts to 32 billion.

Direct tax revenues decreased by 17.2 percent to 10.6 billion dirhams, reflecting a 17.4 percent increase in corporate tax receipts to 2.6 billion and a 24.4 percent decline in income tax revenues to 7.6 billion. This drop in income tax was primarily due to the collection, in January 2025, of an exceptional 3.8-billion-dirham receipt from the voluntary tax regularization scheme. Excluding this exceptional revenue, income tax would have recorded a 14 percent increase.

Indirect taxes generated 15.3 billion dirhams, down 8.8 percent, driven by a 9.1 percent decline in VAT receipts to 12.9 billion and a 6.7 percent drop in domestic consumption tax (DCT) revenues

to 2.4 billion. This domestic consumption tax trend reflected a 20.3 percent drop to 735 million dirhams in tobacco taxes alongside a 4.5 percent increase to 1.5 billion in energy product taxes.

This decline in VAT reflected an 11.6 percent drop in domestic VAT revenues to 6.6 billion dirhams, alongside a 6.5 percent decrease in import VAT to 6.3 billion.

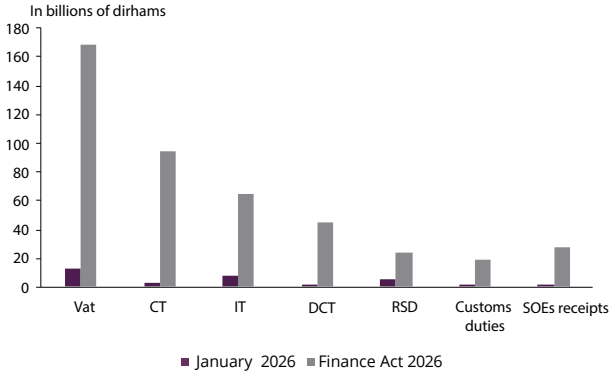
Table 4.1: Current revenues (in billion dirhams)*

	Jan. 2025	Jan. 2026	Change in %	FA 2026	Actual rates vs FA (percent)
Current revenues	37.0	33.9	-8.4	480.6	7.1
Tax revenues	35.4	32.0	-9.4	420.3	7.6
- Direct taxes	12.8	10.6	-17.2	164.2	6.4
Includ. CT	2.2	2.6	17.4	94.5	2.7
I.T	10.1	7.6	-24.4	64.5	11.8
- Indirect taxes	16.8	15.3	-8.8	213.6	7.2
VAT*	14.2	12.9	-9.1	168.2	12.9
DCT	2.6	2.4	-6.7	45.4	5.3
- Customs duties	1.4	1.0	-26.3	18.5	5.6
- Registration and stamp duties	4.4	5.1	16.5	24.0	21.2
Nontax revenues	1.1	1.3	19.0	56.7	2.2
- Revenues from SOE (State-Owned Enterprises)	0.1	0.2	194.4	27.5	0.8
- Other revenues	1.0	1.0	6.2	29.2	3.6
- Innovative financing mechanisms	0.0	0.0	0.0	20.0	0.0
TSA revenues	0.6	0.6	1.3	3.6	17.2

* Taking into account 32 percent of the VAT transferred to local governments (LG) .
Sources: Ministry of Economy and Finance (DTFE) data, VAT restatement by BAM.

Customs duties receipts fell by 26.3 percent to 1 billion dirhams, whereas registration and stamp duty revenues grew by 16.5 percent to 5.1 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
- IT: Income tax
- RSD: Registration and stamp duties
- SOEs: State-owned enterprises
- CT: Corporate tax
- ICT: Internal Consumption Tax
- CD: Customs duties

Non-tax revenues under the "other revenues" item remained unchanged at 1 billion dirhams year-on-year. Revenues from state-owned enterprises (SOEs) totaled 212 million dirhams at the end of January 2026, up from 72 million a year earlier.

4.2 Expenses

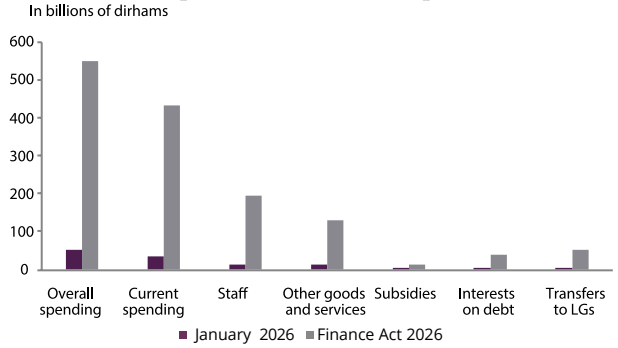
Total expenditures decreased by 13.2 percent to 51.8 billion dirhams at the end of January 2026, driven by a 21.1 percent decline in ordinary expenditures to 36.8 billion, which offset a 15.1 percent increase in investment spending to 15 billion. Expenditures on goods and services dropped by 23.6 percent to 29.9 billion dirhams, reflecting a 6.2 percent increase in the payroll to 14.1 billion and a 39 percent contraction in spending on other goods and services to 15.8 billion. This contraction resulted from a 12-billion-dirham payment made in January 2025 to the social protection and social cohesion support fund.

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

	Jan.-2025	Jan.-2026	Change in %	FA 2026	Actual rates vs FA (percent)
Overall expenditure	59.7	51.8	-13.2	548.1	9.5
Current expenditure	46.7	36.8	-21.1	433.2	8.5
Goods and services	39.1	29.9	-23.6	324.0	9.2
Wage bill	13.3	14.1	6.2	195.3	7.2
Other goods and services	25.8	15.8	-39.0	128.7	12.3
Debt interests	1.0	1.4	42.5	41.6	3.3
Subsidy cost	2.1	1.5	-28.8	13.9	10.6
Transfer to local governments	4.6	15.0	15.1	114.8	13.0
Investment	13.0	15.0	15.1	114.8	13.0

* Taking into account 32 percent of the VAT transferred to local governments (LG) .
Sources: Ministry of Economy and Finance (DTFE) data, VAT restatement by BAM.

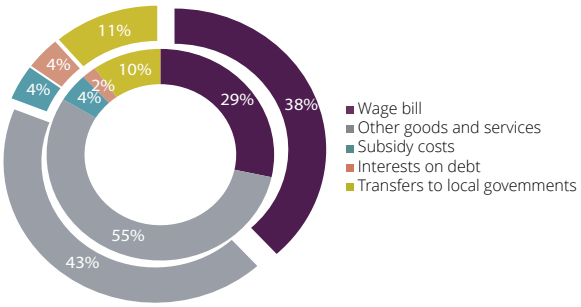
Chart 4.2: Expenditure execution compared to the FA



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

Interest payments on public debt rose by 42.5 percent to 1.4 billion dirhams. This increase reflects a 181.7 percent surge in domestic debt interest to 845 million dirhams, offsetting a 20.2 percent decline in external debt interest to 531 million dirhams.

Chart 4.3: Structure of current expenditure

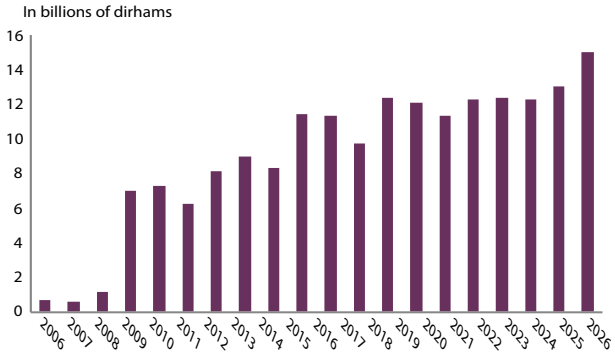


Inside ring : January 2025
Outer ring : January 2026

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

TraSubsidy expenditure declined by 28.8 percent to 1.5 billion, while capital expenditure increased by 15.1 percent to 15 billion.

Chart 4.4: Capital expenditure at end-January

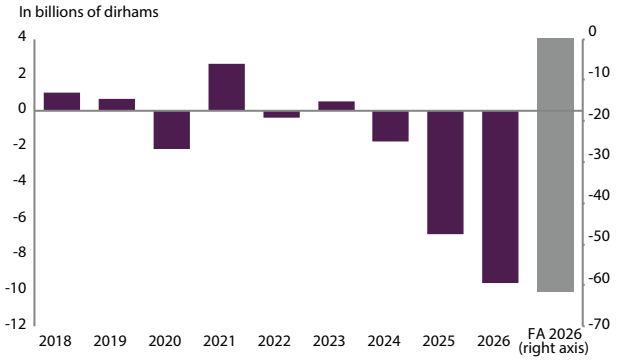


Sources: Ministry of Economy and Finance (DTFE).

4.3 Deficit and Treasury Financing

Reflecting trends in revenues, expenditures, and the balance of the Treasury's special accounts, the Treasury's state of revenues and expenditures resulted in a widening of the budget deficit, which rose from 6.9 billion to 9.6 billion. In addition, the Treasury reduced its outstanding operations by 5.9 billion, compared to 19.3 billion at the end of January 2025, thereby bringing the cash deficit to 15.5 billion, down from 26.2 billion.

Chart 4.5: Fiscal balance, at end-January



Source: MEF (DTFE).

The Treasury's financing requirement was covered by net domestic resources amounting to 14.1 billion and a positive net external inflow of 1.4 billion dirhams. The latter reflects gross drawings of 2.3 billion, up from 767 million a year earlier, and repayments totaling 877 million.

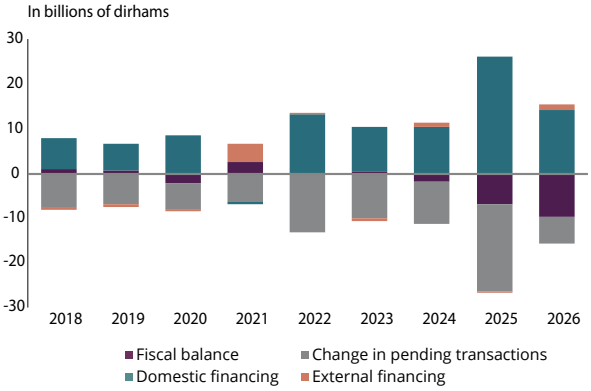
Table 4.3: Deficit financing (in billion dirhams)

	Jan. 2025	Jan. 2026	FA 2026
Current balance	-9.7	-2.9	47.4
TSA Balance	15.8	8.3	6.0
Primary balance	-5.9	-8.2	-19.9
Fiscal balance	-6.9	-9.6	-61.4
Change in pending transactions	-19.3	-5.9	-
Financing requirements	-26.2	-15.5	-61.4
Domestic financing	26.2	14.1	38.1
External financing	0.0	1.4	17.4
Privatization	0.0	0.0	6.0

Sources: Ministry of Economy and Finance (DTFE).

Regarding domestic financing, the Treasury raised a net amount of 11.2 billion through the auction market, down from 16.1 billion a year earlier. Net subscriptions focused primarily on 2-year maturities for 11.8 billion, 5-year maturities for 6 billion, and 26-week maturities for 900 million. In parallel, net repayments were made on 52-week Treasury bills for 4.1 billion and on 20-year bonds for 3.5 billion.

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



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 the Treasury's financing conditions on the auction market, data as at end-January indicate a decrease in weighted average rates compared to the same period in 2025. The declines reached 35 basis points (bps) to 2.19 percent for 26-week bills and 5 bps to 2.77 percent for 5-year bonds, while 2-year bonds recorded a slight increase of 2 bps to 2.62 percent.

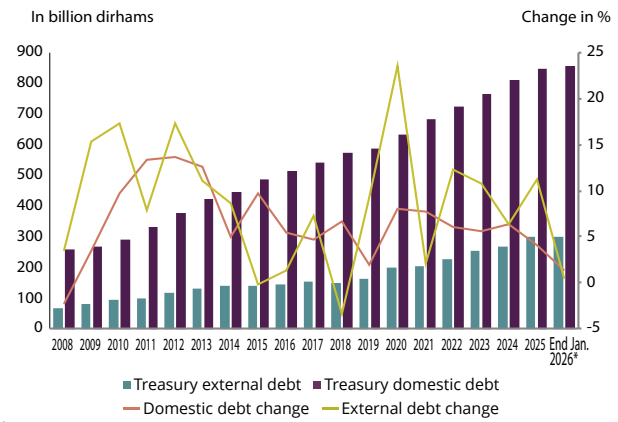
Table 4.4: Treasury debt (in billion dirhams)

	2019	2020	2021	2022	2023	2024	2025*	End Jan. 2026*
Treasury external debt	161.6	199.7	203.8	228.9	253.6	269.8	300.1	301.4
Change in %	9.2	23.6	2.0	12.3	10.8	6.4	11.2	0.5
Treasury domestic debt	585.7	632.9	681.5	722.9	763.0	811.8	845.3	857.0
Change in %	1.9	8.1	7.7	6.1	5.6	6.4	4.1	1.4
Outstanding direct debt	747.3	832.6	885.3	951.8	1 016.7	1 081.6	1 145.4	1 158.5
Change in %	3.4	11.4	6.3	7.5	6.8	6.4	5.9	1.1

Source: Ministry of Economy and Finance (DTEF).
* Debt figures at end-December 2025 and end-January 2026 are estimated on the basis of debt-generating financing flows.

Under these conditions, direct public debt is estimated to have increased by 5.9 percent at end-December 2025 and by 1.1 percent at end-January 2026, compared to their respective levels at end-December 2024 and end-December 2025, with increases of 4.1 percent and 1.4 percent in their domestic component and 11.2 percent and 0.5 percent in the external one.

Chart 4.7: Treasury indebtedness



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

Box 4.1: Budget execution for the year 2025

Budget execution for the year 2025 shows a deficit, excluding proceeds from the disposal of State holdings, of 60.5 billion, compared to 63.2 billion a year earlier. As a share of GDP*, this deficit is estimated to have narrowed to 3.6 percent, down from 4 percent in 2024. Ordinary revenues improved by 15.3 percent to 470.1 billion, reflecting a 15.3 percent increase in tax revenues and a 16.5 percent rise in non-tax revenues, which included 40.1 billion from innovative financing mechanisms. In parallel, ordinary expenditure increased by 13.5 percent to 394.6 billion, driven by a 15.7 percent rise in spending on goods and services and a 22.3 percent increase in debt interest payments, while subsidy expenditure fell by 30 percent. Consequently, the ordinary balance recorded a surplus of 75.5 billion, compared to 60.1 billion a year earlier. For their part, capital expenditures progressed by 6.7 percent to 125.3 billion, bringing overall expenditure to 520 billion, an increase of 11.8 percent. As for the balance of Special Treasury Accounts, it stood at a negative 10.7 billion, following a negative balance of 5.8 billion at end-2024.

Regarding tax revenues, direct tax receipts grew by 19.3 percent to 161.9 billion, mainly in connection with a 28.6 percent increase to 91.4 billion in corporate tax proceeds and a 9.4 percent rise to 65.4 billion in income tax proceeds. The latter takes into account a 936 million increase in withholding tax on capital gains from transferable securities and a 619 million rise in revenue from tax administration actions, as well as 3.8 billion in receipts from voluntary tax regularization. Achieving a realization rate of 99.9 percent, indirect tax revenues generated 185.1 billion, up 12.8 percent, driven by a 12.5 percent increase in VAT receipts to 143.6 billion and a 13.8 percent rise in domestic consumption tax receipts to 41.5 billion. The evolution of the latter notably reflects increases of 15.7 percent to 20.9 billion in DCT on energy products and 11.7 percent to 16.5 billion in DCT on tobacco. The VAT expansion comprised a 14.8 percent rebound in domestic VAT revenues to 50.1 billion and an 11.4 percent increase in import VAT revenues to 93.5 billion. Finally, customs duties and registration and stamp fees increased by 12.9 percent to 17.2 billion and 10.1 percent to 23.8 billion, respectively.

* Based on BAM's March 2026 nominal GDP forecast.

Table B.4.1.1: Budget execution for 2024 and 2025, in billions of dirhams

	2024	2025	Gaps		Execution /FA 2025
			%	In Value	
Ordinary revenues	407.9	470.1	15.3	60.2	107.6
Tax revenues*	336.6	388.0	15.3	51.4	105.6
- Direct taxes	135.7	161.9	19.3	26.2	116.2
Includ. CT	71.1	91.4	28.6	20.3	125.1
IT	59.7	65.4	9.4	5.6	107.4
- Indirect taxes	164.1	185.1	12.8	21.0	99.9
VAT	127.6	143.6	12.5	16.0	96.8
DCT	36.5	41.5	13.8	5.0	112.5
- Customs duties	15.2	17.2	12.9	2.0	80.6
Registration and stamp duties	21.7	23.8	10.1	2.2	109.7
Non-tax revenues	66.6	77.6	16.5	11.0	118.3
- SOE revenues	16.6	20.6	24.0	4.0	91.4
- Other receipts	50.0	57.0	14.0	7.0	132.5
Incl. Revenues from innovative mechanisms	35.3	40.1	13.7	4.8	114.6
Revenues from certain STAs	4.7	4.5	-3.9	-0.2	124.6
Overall expenditure	465.3	520.0	11.8	54.7	102.6
Ordinary expenditure	347.8	394.6	13.5	46.8	98.3
Goods and services	250.3	289.5	15.7	39.2	98.4
Staff	164.6	179.7	9.2	15.1	99.7
Other goods and Services	85.6	109.8	28.2	24.2	96.4
Public debt	33.9	41.5	22.3	7.6	97.3
Subsidies	25.3	17.7	-30.0	-7.6	103.5
Transfers to GAs	38.3	46.0	20.0	7.7	96.8
Ordinary balance	60.1	75.5	25.6	15.4	
Investment	117.5	125.3	6.7	7.8	118.7
STAs balance	-5.8	-10.7	84.5	-4.9	
Budget balance	-63.2	-60.5	-4.2	2.7	
In points of GDP	4.0	3.6			
Primary balance	-21.9	-19.0			
Change in outstanding operations	8.6	-13.5			
Financing balance	-54.5	-74.0	35.8	-19.5	
Domestic financing	33.9	37.1			
External financing	19.0	37.0			
Proceeds from disposal of State holdings	1.7	0			

* Taking into account the 30 percent of VAT transferred to local authorities in 2024 and 32 percent in 2025.
Sources: Ministry of Economy and Finance (DTFE), VAT restatement by BAM.

As for non-tax revenues, their evolution was primarily driven by inflows of 40.1 billion from innovative financing mechanisms, compared to the 35 billion programmed in the Finance Act, and 20.6 billion from state-owned enterprises, against 16.6 billion a year earlier and 22.6 billion projected in the FA. These receipts originated mainly from the National Land Registry Agency (ANCFCC) for 6.5 billion, the OCP Group for 6.2 billion, and Bank Al-Maghrib for 4.3 billion.

In contrast, spending on goods and services reached 289.5 billion, up by 15.7 percent, reflecting a 9.2 percent rise in the wage bill to 179.7 billion and a 28.2 percent expansion in other goods and services expenditure to 109.8 billion. Concurrently, debt interest payments rose by 22.3 percent to 41.5 billion, covering a 36.7 percent rebound in domestic debt interest to 32 billion and a 9.8 percent decline in external debt interest to 9.5 billion. For their part, subsidy expenditures decreased by 30 percent to 17.7 billion, mainly as a result of lower spending allocated to butane gas.

Accounting for a 13.5 billion reduction in outstanding operations, the cash deficit widened by 19.5 billion year-on-year to stand at 74 billion. This financing requirement was met through 37.1 billion in net domestic resources and 37 billion in net external financing.

5. DEMAND, SUPPLY AND LABOR MARKET

In the third quarter of 2025, economic growth stood at 4 percent, compared to 5 percent in the same quarter a year earlier. This evolution reflects a 4.4 percent increase, instead of a 5.1 percent decline, in agricultural value added, and a 3.8 percent rise, down from 5.7 percent, in non-agricultural activities. On the demand side, the domestic component contributed 8.3 percentage points to growth, while net exports in volume terms recorded another negative contribution of 4.3 points.

For the full year, real GDP growth is estimated at 4.8 percent, up from 3.8 percent in 2024. This performance was driven by a 5 percent expansion in agricultural value added, rebounding from a 4.8 percent contraction, while non-agricultural activities advanced by 4.5 percent, maintaining their pace from the previous year. Based on available sub-annual indicators and Bank Al-Maghrib's estimated cereal harvest of 82 million quintals, first-quarter 2026 economic growth is projected at 4.9 percent, supported by a 13.6 percent surge in agricultural value added and a 3.7 percent expansion in non-agricultural sectors.

On the labor market, the national economy created 193 thousand jobs in 2025, up from 82 thousand a year earlier. Accounting for a net entry of 177 thousand active individuals, the participation rate stabilized at 43,5 percent, while unemployment rate fell from 13.3 percent to 13 percent. Consequently, the total unemployment rate decreased to 13 percent from 13.3 percent, dropping to 16.4 percent in urban areas and 6.6 percent in rural sectors.

5.1 Domestic demand

5.1.1 Consumption

In the third quarter of 2025, household final consumption growth accelerated to 3.9 percent from 3 percent in the same quarter a year earlier, contributing 2.3 percentage points to economic growth.

This momentum is estimated to have carried into the fourth quarter of 2025, driven by strengthening agricultural incomes and MLA's remittances, alongside a relative improvement in consumer confidence and easing inflation. Consequently, for the full year 2025, household final consumption is projected to have expanded by 4.3 percent, up from 3.2 percent in 2024.

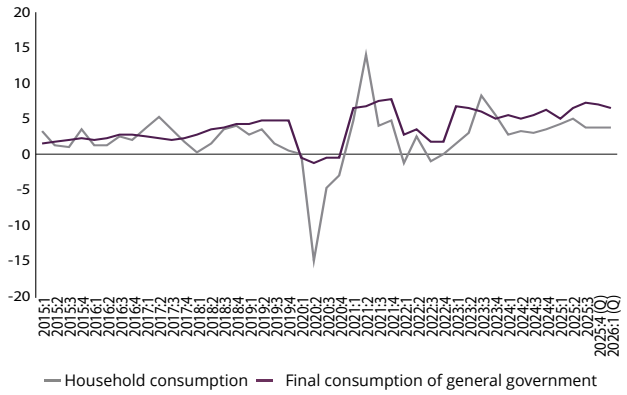
In the first quarter of 2026, despite the expected recovery in agricultural incomes, it is forecast to decelerate to 3.7 percent from 4.4 percent in the same quarter of the previous year, owing to slower growth in non-agricultural income.

With regard to general government final consumption, its growth rate accelerated to 7.4 percent in the third quarter of 2025 from 5.5 percent in the same quarter a year earlier, with its contribution to growth rising from 1 percentage point to 1.3 points.

In the final quarter of 2025, it is expected to accelerate to 7 percent, up from 6.3 percent, driven by higher operating expenditure, thereby bringing its growth for the full year to 6.5 percent.

In the first quarter of 2026, it is estimated to have strengthened by 6.5 percent, compared to 5.2 percent in the same period of the previous year.

Chart 5.1: Consumer expenditure (Change in %)



Sources: HCP Data and BAM forecasts.

5.1.2 Investment

In the third quarter of 2025, investment pursued its momentum, registering an increase of 15 percent, after 11.8 percent in the same quarter of the previous year. Its contribution to growth thus emerged at 4.6 percentage points instead of 3.5 points.

Available indicators suggest a slight slowing down of its pace to 9.4 percent in the fourth quarter of 2025. This forecast is corroborated by the deceleration from 18.2 percent to 12 percent in imports of capital goods and from 16.5 percent to 2.1 percent in cement sales.

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

For the year 2025 as a whole, the pace of investment is estimated to have accelerated to 15.2 percent, after 10.9 percent in 2024, and in the first quarter of 2026, it is expected to progress by 8.6 percent.

5.2 Foreign demand

In the third quarter of 2025, the pace of exports of goods and services in volume terms decelerated from 10.1 percent to 8.2 percent, while that of imports accelerated from 11.1 percent to 15.3 percent. Thus, net exports of goods and services contributed negatively to economic growth by 4.3 percentage points.

In the fourth quarter of 2025, the pace of exports is estimated to have slowed down in annual comparison from 9.8 percent to 7.9 percent, given the decline in automotive sector exports and volume shipments of phosphates and derivatives. Likewise, that of imports is estimated to have decelerated, returning from 14 percent to 9.9 percent, essentially reflecting a reduction in purchases of energy products and a decline in semi-finished products.

For the year 2025 as a whole, foreign trade, in volume terms, is estimated to have again contributed negatively to economic growth by 3.6 points after 2.5 points in 2024. The pace of exports of goods and services is estimated to have slowed from 8.0 percent to 6.7 percent and that of imports is estimated to have accelerated from 11.6 percent to 12.7 percent.

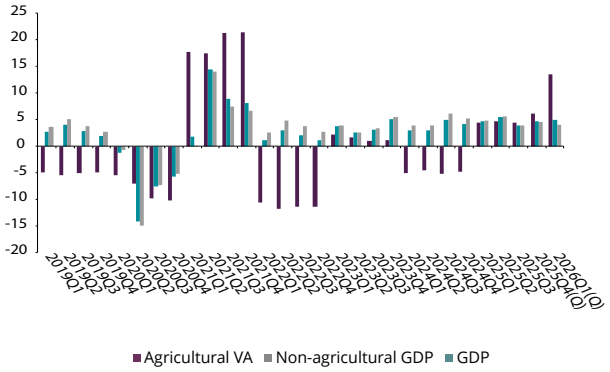
In the first quarter of 2026, exports in volume terms are expected to progress by 7.7 percent after 2.2 percent a year earlier and imports by 8.7 percent instead of 9.8 percent.

5.3 Overall supply

In the third quarter of 2025, GDP growth slowed to 4 percent, down from 5 percent in the same period a year earlier, reflecting a 3.8 percent increase, following 5.7 percent, in the value added of non-agricultural activities, and a 4.4 percent expansion, instead of a 5.1 percent decline, in agricultural value added.

During the fourth quarter of 2025, economic growth is estimated to have recorded an improvement of 4.7 percent, after 4.2 percent a year earlier. Agricultural value added is estimated to have increased by 6.2 percent, compared to a decrease of 4.8 percent, and that of non-agricultural activities is estimated to have improved by 4.1 percent, after 4.8 percent.

Chart 5.2: GDP by component (at previous year's prices, percent change, year-on-year, 2014 base year)



Sources: HCP data and BAM forecasts.

The value added of the secondary sector is estimated to have experienced a deceleration in its growth rate from 3.7 percent to 2.2 percent, notably reflecting increases of 2 percent, instead of 2.4 percent, in manufacturing industries and 3.5 percent, after 6,9 percent in construction.

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



Sources: HCP data and BAM forecasts.

Activity in the tertiary sector is estimated to have recorded an increase of 5.1 percent instead of 5.4 percent in the same period of the previous year. In particular, value added is expected to increase by 12 percent for the "Accommodation and food service activities" branch and by 4 percent in trade. It is also expected to show an improvement in the "Public administration and defense, compulsory social security" and "Education, human health and social work activities" sectors, in connection with the salary increases introduced in the civil service.

For the year 2025 as a whole, GDP growth is estimated to have stood at 4.8 percent after 3.8 percent in 2024, resulting from a 5 percent increase, after a 4.8 percent decline, in agricultural value added and a 4.5 percent improvement in that of non-agricultural activities, representing an unchanged pace compared to the previous year.

In the first quarter of 2026, economic growth is projected to reach 4.9 percent instead of 4.8 percent a year earlier. This evolution would notably reflect a 13.6 percent expansion in agricultural value added, instead of 4.5 percent, taking into account a cereal harvest estimated by BAM at 82 million quintals. For their part, activities in non-agricultural sectors are estimated to have experienced a deceleration in their growth rate to 3.7 percent, down from 4.6 percent a year earlier.

5.4 Labor market and output capacity

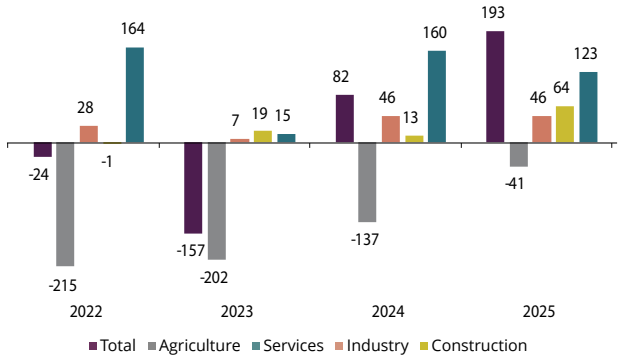
5.4.1 Activity and employment

In 2025, the labor force increased by 1.4 percent to 12.5 million people, with a 2.4 percent rise in urban areas and a 0.4 percent decline in rural areas. Factoring in the evolution of the working-age population, the participation rate stabilized at 43.5 percent at the national level, reflecting a 0.4 percentage point drop to 46.1 percent in rural areas and a 0.2 percent increase to 42.2 percent in urban environments.

In parallel, the national economy created 193 thousand jobs, following 82 thousand a year earlier, and the employed labor force thus firmed up by 1.8 percent to 10.9 million people.

Except for agriculture, which suffered a loss of 41 thousand jobs, after that of 137 thousand in 2024, the other sectors experienced increases in their employment volume up to 46 thousand in industry, 64 thousand in construction, and 123 thousand in services. The latter essentially reflect a creation of 53 thousand in "financial, insurance, real estate, scientific, technical, administrative and support service activities" and 46 thousand in "social and community services.

Chart 5.4: Job creation by sector (In thousands)



Sources: HCP.

5.4.2 Unemployment and underemployment

Job creation exceeded net entries into the labor market, thereby inducing a 1 percent decline in the unemployed population to 1.62 million people and a drop in the unemployment rate from 13.3 percent to 13 percent overall, from 16.9 percent to 16.4 percent in urban areas and from 6.8 percent to 6.6 percent in rural areas. For young people aged 15 to 24 in particular, this rate continued its progression, with a 0.5 percentage point increase to 37.2 percent overall, featuring a 1.4 point rise to 22.7 percent in rural areas and a 0.4 point decline to 48 percent in cities.

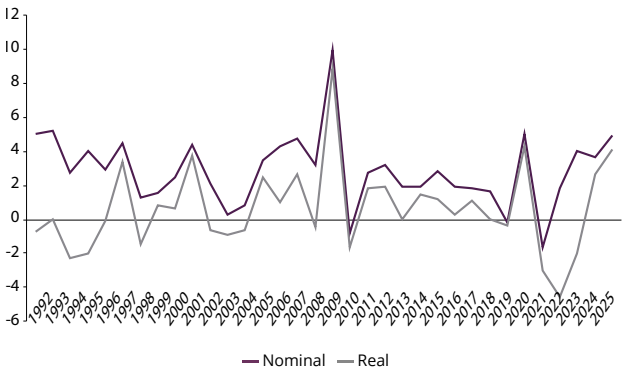
In parallel, the underemployment rate[1] rose from 10.1 percent to 10.9 percent at the national level, from 12.2 percent to 13.2 percent in rural areas and from 8.9 percent to 9.6 percent in urban areas.

5.4.3 Productivity and wages

The apparent labor productivity in non-agricultural sectors, captured by the ratio of value added to employment, is estimated to have improved by 1.5 percent in 2025, compared to 1.6 percent a year earlier. This evolution would reflect a stagnation at 4.5 percent in value-added growth and a 3 percent expansion, after 2.9 percent, in the employed workforce.

For its part, the average wage, calculated on the basis of CNSS data by relating the wage bill to the employed workforce, posted increases in 2025 of 4.9 percent, instead of 3.6 percent a year earlier, in nominal terms, and of 4.1 percent after 2.7 percent in real terms.

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

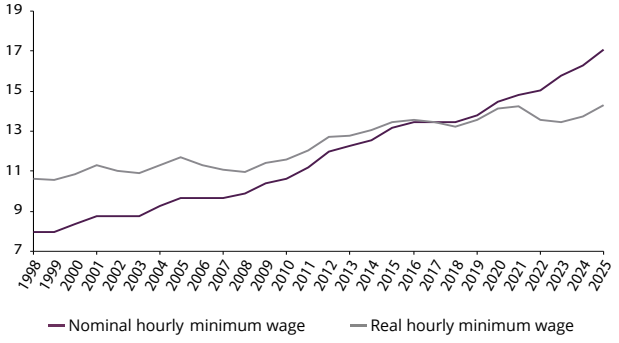


Sources: CNSS data et BAM calculations.

The nominal hourly minimum wage stood at 17.1 dirhams in 2025, up 5 percent year-on-year. Factoring in a 0.8 percent increase in the consumer price index, it will have marked a 4.2 percent rise in real terms.

1 Underemployed population consists of persons who worked: i) during the reference week, less than 48 hours but are willing to work additional hours and available to do so, or ii) more than the fixed threshold and who are looking for another job or willing to change jobs due to a mismatch with their education or qualification or the insufficiency of the income provided.

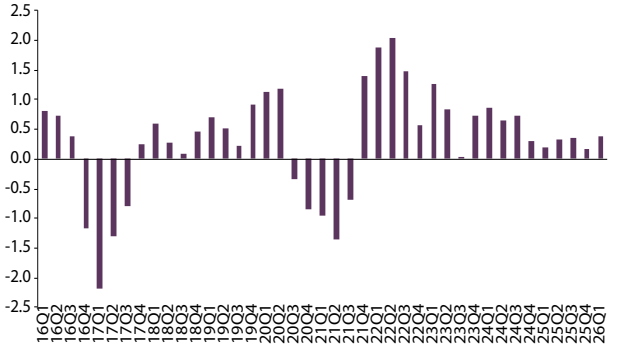
Chart 5.6: Hourly minimum wages in nominal and real terms (in dirhams)



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

Overall, the output gap is expected to remain positive during the final quarter of 2025 and the first quarter of 2026.

Chart 5.7: Overall output gap (in %)



Source: BAM estimates.

Table 5.1: Labor market main indicators

		2024	2025
Participation rate (%)		43.5	43.5
Urban		42.0	42.2
Rural		46.5	46.1
Unemployment rate (%)		13.3	13.0
Youth aged 15 to 25		36.7	37.2
Urban		16.9	16.4
Youth aged 15 to 25		48.4	48.0
Rural		6.8	6.6
Job creation (in thousands)		82	193
Urban		162	203
Rural		-80	-10
Sectors			
- Agriculture, forestry and fishing		-137	-41
- Industry		46	46
- Construction and public works		13	64
- Services		160	123
Non-agricultural apparent productivity (change in %)		1.6	1.5
Average wage index (change in %)	Nominal	3.6	4.9
	Real	2.7	4.1

Sources: HCP and CNSS data, BAM calculations

6. RECENT INFLATION TRENDS

In the fourth quarter of 2025, inflation fell from 0.4 percent in the previous quarter to -0.2 percent, bringing the full-year average to 0.8 percent. This downward trend extended into January 2026, with inflation dropping further to -0.8 percent. This evolution was primarily driven by a deeper decline in core inflation, which reached -1.5 percent in January compared with an average of -1 percent in the previous quarter. It also reflects a sharper plunge in fuel prices (to -10.7 percent from -5.0 percent) and easing in the rise of volatile food price, which slowed to 2.6 percent from 3.5 percent. Conversely, regulated price growth accelerated slightly, rising from 0.4 percent to 0.5 percent.

In the first quarter of 2026, headline inflation is projected at -0.3 percent, while its core component is expected to stand at -1 percent.

6.1 Inflation trends

In January 2026, inflation stood at -0.8 percent, continuing the trend initiated in the fourth quarter of 2025, when it dropped to -0.2percent from 0.4 percent a quarter earlier. This evolution mainly reflects the accentuation of the decline in the core inflation indicator from -1 percent to -1.5 percent and fuel prices from -5 percent to -10.7 percent. It also reflects the slowdown in the growth rate of volatile food product prices from 3.5 percent to 2.6 percent. Conversely, regulated prices increased by 0.5 percent instead of 0.4 percent.

6.1.1. Prices of products excluded from core inflation

In January, volatile food product prices posted a monthly increase of 2.6 percent, driven mainly by increases of 10.9 percent for “fresh fish”, 3.3 percent for “fresh vegetables” and 2.7 percent for “fresh fruits”.

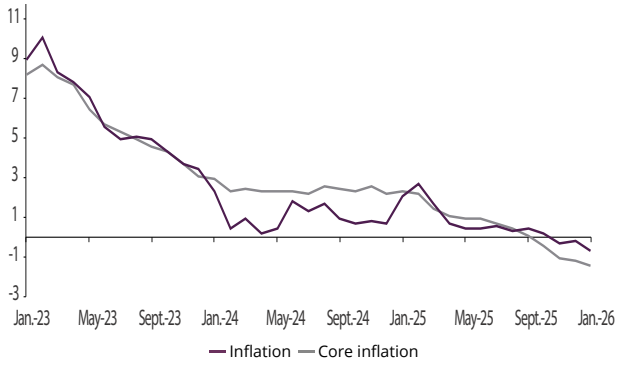
Year-on-year, the price increase for these products stood at 2.6 percent, after an average of 3.5 percent in the fourth quarter of 2025. In terms of contribution, they participated to the extent of 0.4 percentage points to inflation, instead of a contribution of 0.5 point the previous quarter.

Table 6.1: Inflation and its components

(In %)	Monthly change			YoY change		
	Nov. 25	Dec. 25	Jan. 26	Nov. 25	Dec. 25	Jan. 26
Inflation	-0.6	-0.1	0.3	-0.3	-0.3	-0.8
- Volatile food products	-1.4	0.5	2.6	3.0	4.5	2.6
- Price-regulated products	0.0	0.0	0.4	0.4	0.4	0.5
- Fuels	0.2	-0.6	-5.9	-4.2	-5.1	-10.7
Core inflation	-0.4	-0.2	0.0	-1.2	-1.2	-1.5
Food products	-1.2	-0.7	-0.3	-4.5	-5.0	-5.8
-Clothing and footwear	-0.2	0.1	0.0	0.7	0.9	0.9
-Housing, water, gas, electricity, and other fuels	0.2	0.0	0.1	1.2	1.1	1.1
-Furniture, household goods and routine maintenance	0.1	0.1	0.0	0.7	0.7	0.8
-Healthcare[1]	0.0	-0.1	0.3	-0.1	-0.1	0.4
-Transport[2]	-0.2	0.1	0.1	-0.5	-0.2	0.3
-Communication	0.0	0.0	-0.1	-0.3	-0.4	-0.4
-Leisure and culture[1]	-0.1	0.0	-0.1	-0.8	-0.8	-0.8
-Education	0.0	0.0	0.0	2.1	2.1	2.1
-Restaurants and hotels	0.0	0.5	-0.2	2.5	2.8	2.3
-Miscellaneous goods and services[1]	0.3	0.1	1.1	1.7	1.8	2.8

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.

Box 6.1: Overhaul of the analytical components of the Consumer Price Index (CPI)

Measuring inflation is the bedrock on which the conduct of monetary policy rests. While the headline consumer price index provides a synthetic snapshot of inflationary pressures, it has the disadvantage of not discerning components subject to temporary supply shocks or government interventions, which can obscure underlying price trends. To isolate these fluctuations and identify underlying structural dynamics, central banks develop complementary analytical indicators that allow to distinguish structural price movements from transitory ones.

Based on data relating to the 116 sections of the CPI, Bank Al-Maghrib developed an analytical classification that distinguishes four major categories, namely "the core inflation indicator", "volatile food products", "goods and services with regulated prices" and "fuels and lubricants".

The Bank is currently reforming this classification, driven by the availability of granular data across all 546 products that make up the CPI.

To achieve this, the new analytical indicators are calculated using the exclusion method, which identifies and removes components sensitive to one-off shocks or administrative decisions from the headline index, isolating core inflation to reveal the fundamental price trend. The first step of this exercise consists of defining regulated-price products and services. The new classification results in a reassessment of their weight in the consumer basket from 22 percent to 23.9 percent. This increase stems primarily from including items previously categorized under core inflation that are actually subject to administrative pricing decisions. Conversely, severaservices were removed from this category because they are not genuinely regulated—their prices are driven by market conditions rather than ministerial decrees—and have now been reallocated to core inflation.

The second step sets apart volatile food products using a volatility threshold set at a 2 percent standard deviation. This was calculated over the 2017–2018 period to exclude the impact of recent shocks, such as the Covid-19 pandemic, the 2022–2023 inflationary episode, and the consecutive years of drought. This category underwent fine-tuning, shifting from eight broad sections to 74 specific products, with its total weight rising slightly from the previous estimate of 12.3 percent to 12.8 percent.

Excluding the products and services identified in the first two steps reveals the composition of the core inflation indicator. Its total weight declined from 62.9 percent to 60.6 percent, driven by a drop in its food component from 24.3 percent to 21.1 percent, compared to an adjustment in its non-food component from 38.6 percent to 39.4 percent. The distinction between tradable and non-tradable products within the IPCX was also refined to reflect recent trade flows. This reclassification led to a notable shift in weights: the share of tradables fell from 35.5 percent to 31.2 percent, while non-tradables rose from 27.4 percent to 29.4 percent.

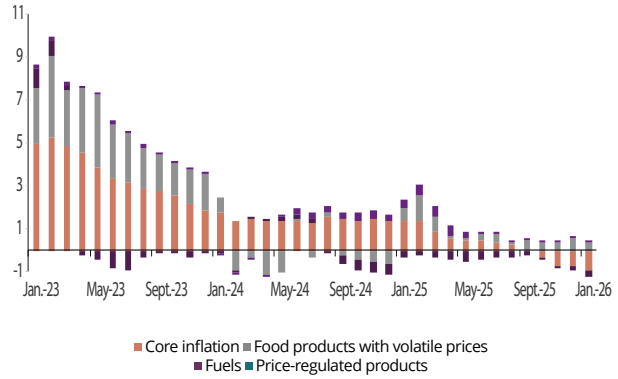
Weight of the fuel component remained virtually unchanged at 2.8 percent after minor adjustments. Notably, lubricants were excluded from this section to improve its correlation with its primary drivers, specifically international oil prices, refining costs, and exchange rates.

Comparing the old and new statistical series shows that the differences are minimal, even during periods of severe inflationary pressure like 2022–2023. The new core inflation indicator is slightly less volatile, with its standard deviation dropping from 0.269 to 0.263. This lower volatility makes it an even more reliable gauge of sustained inflationary pressures. Ultimately, this methodological overhaul gives Bank Al-Maghrib a more nuanced look at how prices are formed—an insight that is vital for assessing inflation expectations and fine-tuning monetary policy.

Regulated prices rose by 0.4 percent month-on-month in January, driven primarily by a 3.1 percent increase in tobacco prices.

Year-on-year, regulated prices grew by 0.5 percent in January, compared with an average of 0.4 percent in the final quarter of 2025. Consequently, their contribution to headline inflation held steady at 0.1 percentage points.

Chart 6.2: Contributions to inflation (in percentage points)

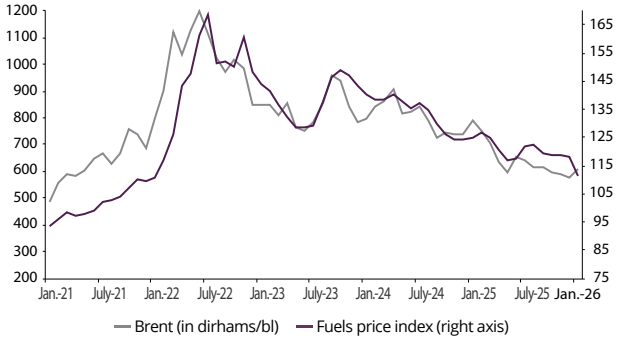


Sources: HCP data and BAM calculations.

Meanwhile, fuel prices posted a month-on-month decline of 5.9 percent in January. This drop occurred in a context marked by a 0.2 percent appreciation of the dirham against the US dollar and a rise in international oil product prices, with Brent crude in particular gaining 6.5 percent.

Year-on-year, the decline in fuel prices deepened, moving from an average of -5 percent in the fourth quarter of 2025 to -10.7 percent in January. As a result, their negative contribution to headline inflation widened to -0.3 percentage points, compared to -0.1 points the previous quarter.

Chart 6.3: Brent prices and fuels price index (base 100 in 2017)



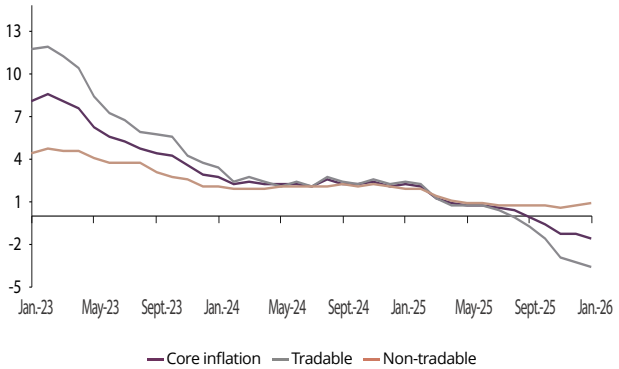
Sources: World Bank, HCP and BAM calculations.

6.1.2. Core inflation

The core inflation indicator fell by -1.5 percent in January, following a -1 percent decline in the fourth quarter of 2025. This drop was driven by a steeper decrease in its food component, which fell by -5.8 percent compared to -4.1 percent previously, heavily influenced by a -25.4 percent plunge in "oil" prices after a prior decline of -17.1 percent.

Meanwhile, prices for non-food goods and services within the core inflation indicator rose by 1.2 percent in January, up from 1 percent the previous quarter. This uptick was primarily fueled by a 2.8 percent increase, up from 1.6 percent, in "miscellaneous goods and services" and a 0.3 percent rise, up from -0.3 percent, in "transport" prices.

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



Source: HCP data and BAM calculations.

A breakdown of the core inflation basket into tradable and non-tradable items shows that its steeper decline was driven by tradable goods and services, which fell by -3.5 percent in January compared to a -2.5 percent drop in the fourth quarter of 2025. Conversely, price growth for non-tradable items picked up slightly, rising from 0.8 percent to 0.9 percent.

Table 6.2: Price indexes of tradables and non-tradables

	Monthly variation			Year-on-year		
	Nov. 25	Dec. 25	Jan. 26	Nov. 25	Dec. 25	Jan. 26
Tradable goods	-0.8	-0.4	-0.2	-2.8	-3.1	-3.5
Non-tradable goods	0.0	0.1	0.2	0.7	0.9	0.9
Core inflation	-0.4	-0.2	0.0	-1.2	-1.2	-1.5

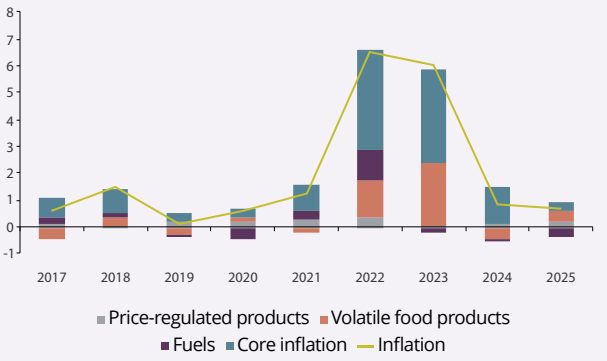
Sources: HCP data and BAM calculations.

Box 6.2: Inflation Developments in 2025

In 2025, inflation, as measured by the change in the Consumer Price Index (CPI), continued its downward trend, coming in at 0.8 percent down from 0.9 percent in 2024. This evolution is attributable to a combination of several factors. In addition to easing external pressures—notably the decline in energy product prices—It reflects, at the domestic level, the effects of the measures taken by the government to improve the supply of certain agricultural products and the fruitful olive harvest.

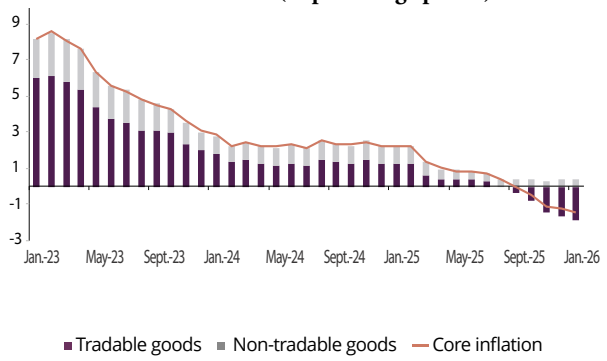
By component, the deceleration in inflation primarily reflects a slowdown in the core inflation indicator to 0.6 percent, down from 2.3 percent in 2024, driven mainly by falling prices for its included food items. Similarly, the decline in fuel prices deepened to 9.8 percent compared to 3.5 percent previously. Conversely, volatile food products rose by 3.1 percent after a 2.6 percent drop a year earlier, suffering from unfavorable weather conditions. Along the same lines, regulated prices grew by 1.1 percent, up from 0.7 percent.

Chart B.6.2.1: Contributions to Inflation (in percentage points)



Sources: HCP data and BAM calculations.

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



Sources: HCP data and BAM calculations.

6.2 Short-term outlook for inflation

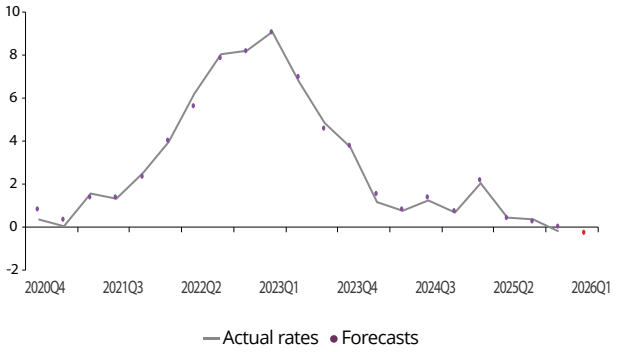
In the short term, inflation is projected to settle at -0.3 percent in the first quarter of 2026, down from -0.2 percent in the fourth quarter of 2025. This movement is expected to be driven primarily by a slowdown in volatile food price growth, easing from 3.5 percent to 2.8 percent.

Similarly, the decline in fuel prices is anticipated to deepen slightly to 6.6 percent during the first quarter of 2026, compared to 5 percent a quarter earlier, in line with movements in international oil product prices.

On the other hand, regulated prices are expected to rise by 0.6 percent instead of 0.4 percent, following an upward revision in tobacco prices.

Meanwhile, the core inflation indicator is projected to decrease by 1 percent, matching the rate recorded in the previous quarter.

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

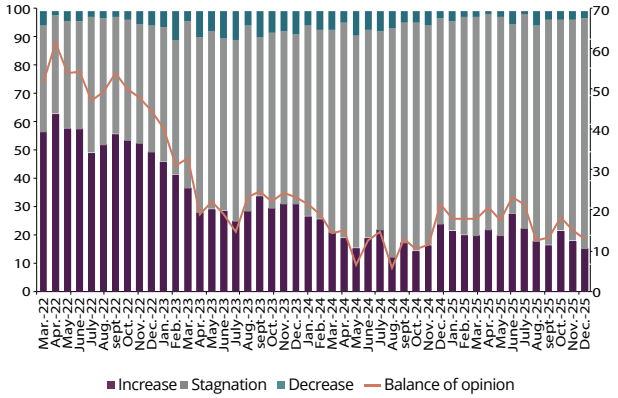


Source: HCP data and BAM forecasts.

6.3 Inflation expectations

The results of Bank Al-Maghrib's December 2025 business survey among manufacturers show that 82 percent of respondents anticipate inflation to stabilize over the next three months, 15 percent expect an increase, while 2 percent forecast a decline. Consequently, the balance of opinion stands at 13 percent.

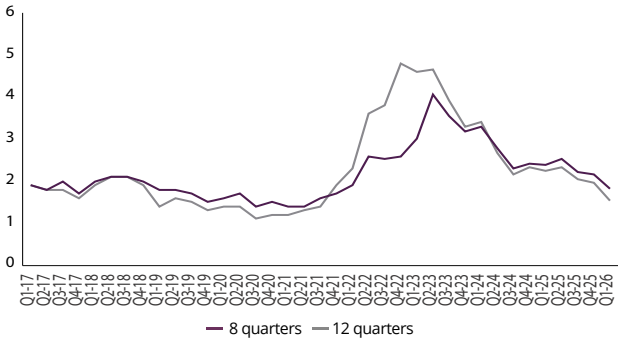
Chart 6.7: Business owners' expectations of inflation over the next three months (%)



Source: BAM's monthly business survey.

Furthermore, financial sector experts surveyed for Bank Al-Maghrib's inflation expectations survey for the first quarter of 2026 forecast average inflation to stand at 1.5 percent over the next eight quarters, down from 2 percent in the fourth quarter of 2025. Over a 12-quarter horizon, they project inflation at 1.8 percent, compared to 2.2 percent a quarter earlier.

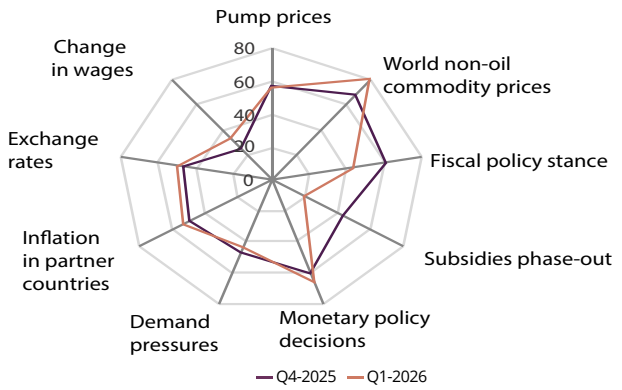
Chart 6.8: Inflation expectations of financial sector experts over the next eight quarters (%)



Source: BAM's quarterly survey on inflation expectations.

Respondents believe that inflation trends over the next eight quarters will depend primarily on global non-oil commodity prices, monetary policy decisions, fuel prices at the pump, and inflation levels in partner countries.

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



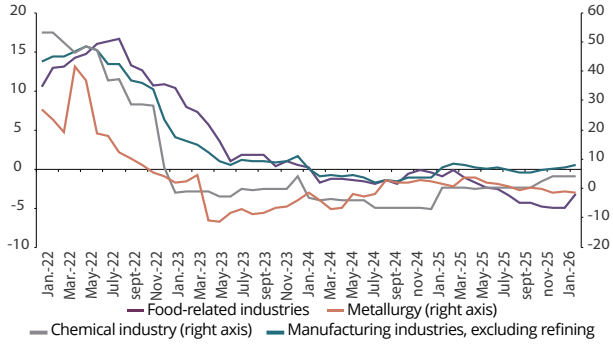
Source: BAM's quarterly survey on inflation expectations.

6.4 Producer prices

Producer prices in manufacturing industries, excluding petroleum refining, recorded a month-on-month increase of 0.3 percent in January 2026. This movement reflects gains of 1.3 percent in both the "food industries" and the "manufacture of machinery and equipment" sectors, alongside a 0.5 percent rise in both the "manufacture of metal products" and the "manufacture of other non-metallic mineral products". Conversely, prices declined by 0.2 percent in the "metallurgy" branch.

Year-on-year, producer prices excluding refining rose by 0.4 percent in January, up from 0.2 percent a month earlier.

Chart 6.10: The main industrial producer price indices, (percent, YoY)



Source: HCP.

7. MEDIUM TERM OUTLOOK

Summary

Despite intensifying commercial and geopolitical tensions, the global economy proved more resilient than expected in 2025. However, its outlook remains tilted to the downside and surrounded by deep uncertainty, linked to the outbreak of war in Iran and its expansion across the region, as well as the outcome of US trade policy following the recent Supreme Court decision[1]. The Middle East conflict is causing major disruptions to supply chains, particularly for energy products; that said, the overall global economic repercussions will depend on its duration and scope.

Global growth is projected to slow from 3.3 percent in 2025 to 2.9 percent this year, with trajectories varying from one economy to another, before recovering to 3.1 percent in 2027. In the United States, deregulation, tax incentives, and AI-driven productivity gains are expected to continue boosting activity, with growth accelerating from 2.2 percent in 2024 to 2.3 percent this year, before slowing to 1.9 percent in 2027. In the euro area, after reaching 1.5 percent in 2025, growth is anticipated to moderate to 1.1 percent in 2026, and then rise back to 1.5 percent in 2027, driven notably by expected fiscal easing in Germany.

In the United Kingdom, the pace of activity is expected to slow from 1.3 percent in 2025 to 0.8 percent in 2026—suffering from persistent weakness in consumer and investor confidence, moderating wage growth, and fiscal consolidation—before rebounding to 1.7 percent in 2027. In Japan, growth is projected to moderate from 1.1 percent in 2025 to 0.7 percent this year, and then hit 1 percent in 2027.

Among the major emerging market economies, after meeting the 5 percent growth target in 2025, economic activity is expected to moderate to paces of 4.5 percent in 2026 and 4.6 percent in 2027, despite the government's stance to support consumption and investment in AI and semiconductors. Growth will continue to suffer from structural challenges. In India, the pace of activity is projected to slow to 6.4 percent in 2026 after 7.7 percent in 2025, primarily due to weakening external demand, before recovering to 6.7 percent in 2027. As for Brazil, growth is set to decelerate from 2.7 percent in 2025 to 1.6 percent in 2026, linked in particular to a sustained restrictive monetary policy stance, and should rebound to 2.1 percent in 2027. In Russia, growth is expected to remain modest at 1.3 percent in 2026 and 0.7 percent in 2027, under the combined effects of sluggish consumption, restrictive monetary policy, limited investment in non-military sectors, the impact of sanctions, and unfavorable demographic trends.

In commodity markets, the oil sector faces severe supply disruptions due to the outbreak of war in Iran and the broader region. Despite the OPEC+ decision, taken on March 1st, to increase

1 On February 20, the United States Supreme Court struck down the tariffs imposed by Donald Trump under the International Emergency Economic Powers Act (IEEPA). These included the "reciprocal" tariffs levied on numerous countries based on their trade balances with the United States, as well as fentanyl-related tariffs imposed on Canada, Mexico, and China. The US President reacted the same day by introducing an additional 10% blanket tariff, which took effect on February 24 for a 150-day period pending congressional approval for its permanent extension, and is considering raising it to 15%.

production by 206,000 barrels per day (more than expected) starting in April, the March 11th decision by IEA member countries to release 400 million barrels from their strategic reserves, and the March 12th temporary 30-day authorization by the US government allowing countries to buy Russian oil blocked at sea, Brent crude prices continued the upward trend initiated at the onset of the conflict. That said, the Bank's projections are based on an average scenario of $78.9 per barrel in 2026 and $64.5 in 2027, aligning with the EIA outlook. Regarding Moroccan phosphate and derivatives, projections from the Commodities Research Unit suggest prices will rise to $816 per ton for DAP and $208 for crude phosphate in 2026, before easing to $703 and $200 respectively in 2027. For food commodities, following a 4.3 percent increase in 2025, the FAO index is projected to drop by 2.3 percent in 2026—mainly reflecting lower prices for dairy, sugar, and meat—before rising again by 3.4 percent in 2027.

Under these conditions, global inflation is expected to accelerate from 2.9 percent in 2025 to 3.3 percent this year, heavily driven by soaring energy prices, before returning to 2.9 percent in 2027. In the euro area, inflation is projected to pick up slightly to 2.2 percent in 2026 before settling at 1.9 percent in 2027. In the United States, it is expected to remain above the Fed's target at 3.2 percent in 2026, before dropping back to 2.3 percent in 2027.

Regarding monetary policy decisions, the ECB decided at its February 4–5 meeting to hold its three key interest rates unchanged for the fifth consecutive time. Similarly, at its January 27–28 meeting, the Fed maintained its target range for the federal funds rate at [3.50 percent–3.75 percent]. The Bank of England also decided on February 5 to keep its policy rate steady at 3.75 percent.

On the domestic front, 2025 was marked by sustained momentum in external trade, with exports rising by 2.8 percent and imports by 8 percent. Travel receipts saw a significant boost to 138.1 billion dirhams, while remittances from Moroccans Living Abroad (MLA) consolidated at 122 billion. Consequently, the current account deficit is estimated to have ended the year near 2.3 percent of GDP, up from 1.2 percent in 2024. Furthermore, FDI inflows improved sharply to 56.1 billion dirhams, representing nearly 3.3 percent of GDP. In this context, official reserve assets strengthened to 443.3 billion dirhams, equivalent to 5 months and 16 days of imports of goods and services.

Over the forecast horizon, export growth is projected to accelerate to 10.7 percent in 2026 and 6.9 percent in 2027, driven by the expected recovery of the automotive sector, whose shipments are forecast to reach 209.6 billion dirhams by 2027. Concurrently, import growth is anticipated to quicken to 8.5 percent in 2026 before slowing to 4.9 percent in 2027, reflecting a deceleration in capital goods procurement. Meanwhile, travel receipts are expected to increase by 8.2 percent in 2026 and 5.9 percent in 2027 to reach 158.2 billion dirhams, while remittances from MLA are projected to grow by 3.7 percent in 2026 and 2 percent in 2027, settling at 129 billion dirhams. Consequently, the current account deficit is expected to hover around 3.1 percent of GDP in 2026 and 2.5 percent in 2027. Regarding FDI, projections forecast a net inflow equivalent to 3.5 percent of GDP over the medium term.

Assuming the planned external financing materializes, official reserve assets are anticipated to strengthen to 473.4 billion dirhams by the end of 2026 and to 482.1 billion dirhams by the end of 2027. This would represent the equivalent of 5 months and 20 days, and 5 months and 23 days of imports of goods and services, respectively.

Regarding monetary conditions, after accelerating to 4.7 percent in 2025, bank credit growth to the non-financial sector is projected to stand at 6 percent in 2026 and 5.1 percent in 2027. Meanwhile, the real effective exchange rate is expected to depreciate over the medium term, following its appreciation in 2025.

On the public finance front, after standing at 3.6 percent of GDP in 2025, the fiscal deficit is anticipated to narrow to 3.5 percent in 2026 and 3.4 percent in 2027. These projections notably incorporate the 2026 Finance Act, the 2026–2028 three-year budgetary framework, and Bank Al-Maghrib's latest macroeconomic forecasts.

Turning to real economic activity, following a 3.8 percent expansion in 2024, economic growth is estimated to have accelerated sharply to 4.8 percent in 2025. This pickup reflects a 5 percent increase in agricultural value added alongside a 4.7 percent improvement in non-agricultural sectors. Over the medium term, non-agricultural activities are expected to sustain their momentum, posting gains of 4.6 percent this year and 4.5 percent in 2027. For its part, agricultural value added is projected to surge by 14.4 percent in 2026—factoring in a cereal harvest estimated by BAM at 82 million quintals (MQx)—before declining by 5.3 percent in 2027 under the assumption of a return to an average crop year. Overall, headline GDP growth is set to accelerate to 5.6 percent this year before easing to 3.5 percent in 2027. On the demand side, domestic demand will continue to drive growth, while the contribution of net exports is expected to remain negative.

Within this framework, inflation is projected to hold steady at 0.8 percent in 2026, before picking up to 1.4 percent in 2027. Its core component is forecast to come in at 0.2 percent this year, before rising back to 1.6 percent in 2027.

7.1 Underlying assumptions

Deceleration of global economic activity in 2026

Global growth is projected to slow from 3.3 percent in 2025 to 2.9 percent this year, with trajectories varying from one economy to another, before recovering to 3.1 percent in 2027.

In the United States, deregulation, tax incentives, and productivity gains associated with the adoption of AI are expected to continue supporting activity, with growth projected to accelerate from 2.2 percent in 2024 to 2.3 percent this year, before slowing to 1.9 percent in 2027. In the euro area, after reaching 1.5 percent in 2025, growth is anticipated to moderate to 1.1 percent in 2026, and then rise back to 1.5 percent in 2027, driven notably by expected fiscal easing in Germany, particularly in the areas of defense and infrastructure. Meanwhile, UK economic growth is set to drop from 1.3 percent in 2025 to 0.8 percent in 2026—suffering from persistent weakness in consumer and investor confidence, moderating wage growth, and fiscal consolidation—before rebounding to 1.7 percent in 2027. In Japan, the pace of activity is projected to moderate from 1.1 percent in 2025 to 0.7 percent this year, and then hit 1 percent in 2027, as the new government's public policies—particularly those focused on investment—require significant lag times to take effect and support the economic activity.

Turning to the major emerging market economies, economic activity in China is expected to moderate to 4.5 percent in 2026 and 4.6 percent in 2027, after meeting its 5 percent growth target in 2025. This deceleration comes despite the government's stance to support consumption and investment in AI and semiconductors, as growth continues to suffer from structural challenges related to an aging population, persistent difficulties in the real estate sector, and sluggish domestic demand. In India, the pace of activity is projected to slow to 6.4 percent in 2026 after 7.7 percent in 2025, primarily due to weakening external demand, before recovering to 6.7 percent in 2027, buoyed by dynamic domestic demand, favorable demographics, and R&D investments. In Brazil, growth is set to moderate from 2.7 percent in 2025 to 1.6 percent in 2026, linked in particular to a sustained restrictive monetary policy stance; its expected easing, combined with new tax cuts, should support a rebound in demand, contributing to a recovery in the pace of activity to 2.1 percent in 2027. In Russia, growth is expected to remain modest at 1.3 percent in 2026 and 0.7 percent in 2027, under the combined effects of sluggish consumption, restrictive monetary policy, limited investment in non-military sectors, the impact of sanctions, and unfavorable demographic trends.

Chart 7.1: Growth in the euro area

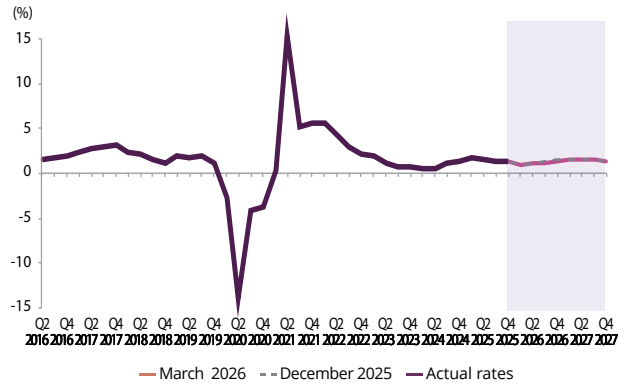
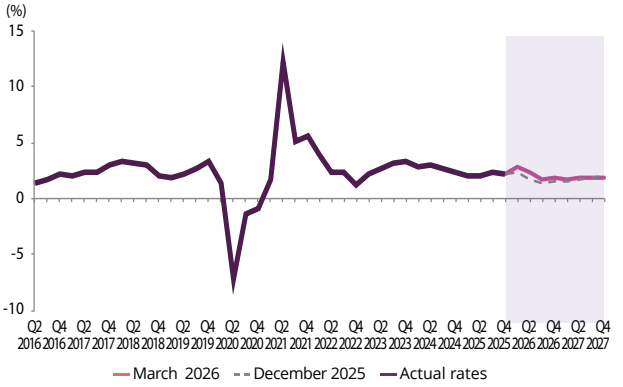


Chart 7.2: Growth in the USA



Source: GPMN (Iran conflict scenario, established as of March 10, 2026).

Uncertain outlook for oil prices and divergent inflation trends across economies in 2026

In commodity markets, the oil sector faces severe supply disruptions due to the outbreak of war in Iran and the broader region. To ease market pressures, OPEC+ decided on March 1 to increase production by 206,000 barrels per day (more than expected) starting in April; IEA member countries agreed on March 11 to release 400 million barrels from their strategic reserves; and the US government granted a temporary 30-day authorization on March 12 allowing countries to purchase Russian oil blocked at sea. Despite these announcements, Brent crude prices continued the upward trend initiated at the onset of the conflict. Consequently, its price is projected to rise to an average of $78.9 per barrel this year, before easing to $64.5 in 2027. For coal, prices are expected to hold steady around $102 per ton in both 2026 and 2027, supported by supply stability and the gradual transition toward renewable energy.

Regarding phosphate and derivatives, the outlook remains subject to upward pressure linked to shipping bottlenecks caused by the war in Iran. Indeed, roughly one-third of the global fertilizer trade passes through the Strait of Hormuz, and the Gulf region is a major exporter of urea, ammonia, and sulfur—the latter being essential for phosphate production. The price of Moroccan DAP is expected to rise in 2026 due to lower supply, particularly from China as export restrictions persist. Conversely, rock phosphate prices are on a downward trend over the forecast horizon, primarily reflecting supply improvements. Accordingly, the price of DAP is projected to increase from $713 per ton in 2025 to $816 in 2026, before returning to $703 in 2027. Crude phosphate prices are set to decrease from $212 per ton in 2025 to $208 in 2026, and further to $200 in 2027.

As for food commodities, following a 4.3 percent increase in 2025, the FAO index is projected to drop by 2.3 percent in 2026—mainly reflecting lower prices for dairy, sugar, and meat—before rising again by 3.4 percent in 2027. Looking specifically at US durum wheat, World Bank projections from October 2025 forecast a 3.5 percent price increase in both 2026 and 2027, as global production is expected to grow at a slower pace than consumption.

Under these conditions, global inflation is projected to accelerate from 2.9 percent in 2025 to 3.3 percent this year, driven primarily by soaring energy prices, before returning to 2.9 percent in 2027. This global trend, however, masks significant divergences from one country to another, largely due to each economy's level of exposure to the Middle East conflict. In the United States, inflation is expected to remain above the Fed's target, settling at 3.2 percent in 2026—fueled mainly by the repercussions of tariffs and service prices—before dropping back to 2.3 percent in 2027. In the euro area, inflation is anticipated to pick up slightly to 2.2 percent in 2026 before settling at 1.9 percent in 2027, though notable disparities will persist among member states. In China, after hovering near zero in 2025, inflation is projected to accelerate to 1.4 percent in 2026 and remain at that level in 2027, supported by the normalization of food prices.

Chart 7.3: Price of Brent

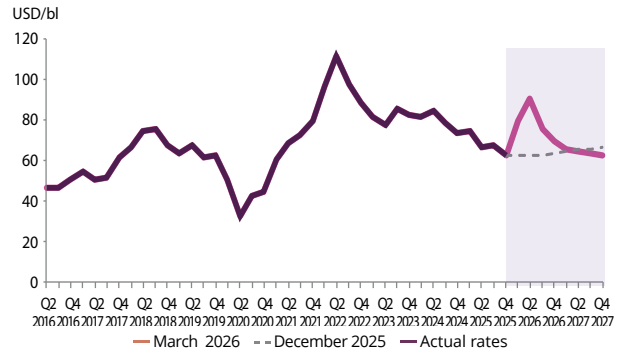


Chart 7.4: FAO Food Price Index (2014-2016=100)

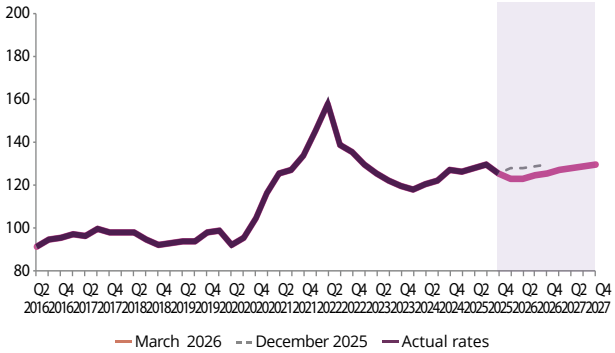


Chart 7.5: Inflation in the euro area

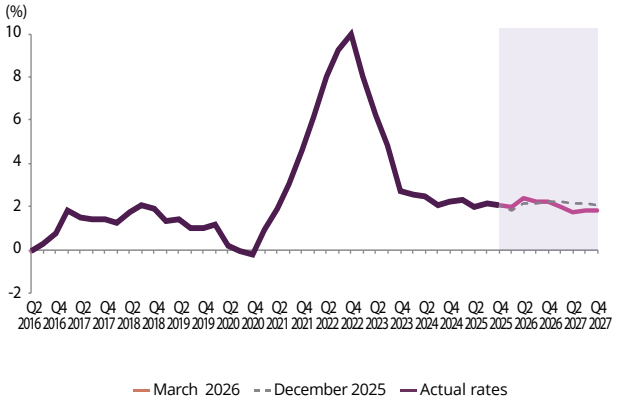
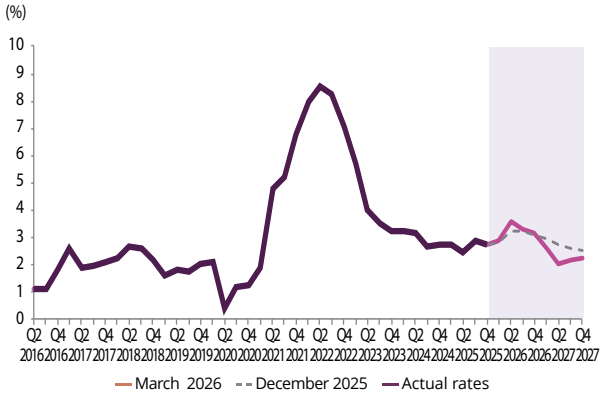


Chart 7.6: Inflation in the United States



Source: GPMN (Iran conflict scenario, established as of March 10, 2026).

Key policy rates held unchanged by the Fed, ECB, and BoE

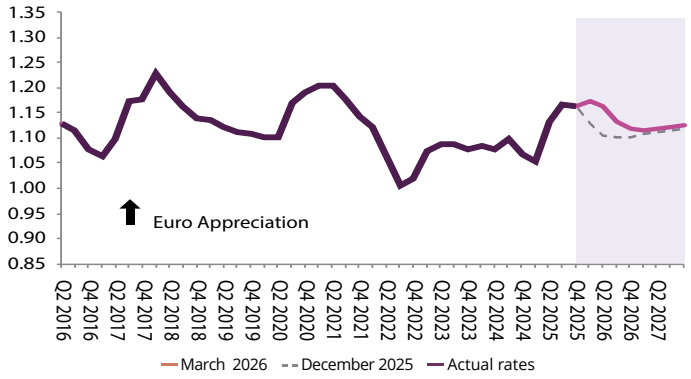
At its February 4–5 meeting, the ECB held its three key interest rates unchanged, marking its fifth consecutive status quo following a total of eight rate cuts since June 2024. The bank emphasized that its updated assessment confirms once again that inflation is expected to stabilize at its 2 percent medium-term target. It also noted that the portfolios of the asset purchase program (APP) and the pandemic emergency purchase program (PEPP) are contracting at a measured and predictable pace, as the Eurosystem no longer reinvests principal payments from maturing securities.

Similarly, at its January 27–28 meeting, the Fed decided to keep the target range for the federal funds rate unchanged at [3.50 percent–3.75 percent], following a total of three rate cuts in 2025. It noted that, based on available data, economic activity continued to expand at a solid pace, job gains remained weak, the unemployment rate showed signs of stabilizing, and inflation stayed somewhat elevated. The Fed also emphasized that uncertainty surrounding the economic outlook remains high and that it remains highly attentive to risks impacting both sides of its dual mandate.

The Bank of England also decided on February 5 to maintain its policy rate at 3.75 percent. It indicated that inflation, which currently sits above the 2 percent target, is expected to move closer to it starting in April. Along the same lines, the Bank of Japan decided on January 23 to leave its policy rate unchanged at 0.75 percent.

In international foreign exchange markets, the US dollar has experienced some appreciation against the euro since the outbreak of the war, buoyed by its safe-haven status. Over the course of the full year, however, it is projected to depreciate, driven largely by expectations of further cuts to the federal funds target range. In 2027, the euro is expected to depreciate, reflecting structural economic headwinds in the euro area (such as weak productivity growth, rapid population aging, and an investment lag in AI compared to the United States). Overall, the euro is projected to post a slight appreciation of 1.6 percent against the dollar, averaging 1.15 dollars this year, before depreciating by 2.4 percent to 1.12 dollars in 2027.

Chart 7.7: USD/EUR exchange rate



Source: GPMN (Iran conflict scenario, established as of March 10, 2026).

Cereal Production Estimated at 82 Million Quintals (MQx) for the 2025/2026 Crop Year with an Assumption of an Average Harvest for 2026/2027

The 2025/2026 agricultural season is progressing under highly favorable conditions. From mid-November 2025 to mid-February 2026, abundant, regular, and nearly widespread rainfall was recorded, bringing cumulative precipitation to 422.7 mm as of March 10, 2026. This represents a 138.8 percent increase compared to the previous season and a 129.4 percent rise compared to the average of the last five years. In this positive context, dam filling rates followed a clear upward trend, reaching 71.4 percent as of March 15, compared to 33.7 percent at the start of the season and 33.8 percent a year earlier.

Similarly, an analysis of vegetation conditions—measured via the vegetation index—shows that the state of the plant cover as of March 10 is 54.1 percent better than the previous season and 39.1 percent above the five-year average. Under these conditions, and based on a total cultivated area for main cereals of 3.9 million hectares according to Ministry of Agriculture data, Bank Al-Maghrib estimates that the cereal harvest should stand at 82 million quintals (MQx). Factoring in an expected improvement for non-cereal crops as well, agricultural value added is projected by BAM to surge by 14.4 percent. In 2027, under the assumption of an average cereal crop of 50 MQx, agricultural value added is forecast to decline by 5.3 percent, compared to the 2 percent increase projected in the previous exercise.

7.2 Macroeconomic projections

Medium-term recovery in automotive exports and sustained high levels of travel receipts

Factoring in foreign trade data for goods and services at the end of 2025, the current account deficit is estimated to have closed the year at 2.3 percent of GDP, up from 1.2 percent in 2024. It is projected to reach 3.1 percent of GDP in 2026 before narrowing to 2.5 percent in 2027.

Over the forecast horizon, export growth is expected to accelerate to 10.7 percent in 2026 and 6.9 percent in 2027, driven primarily by the anticipated recovery in the automotive sector, whose shipments are projected to hit 209.6 billion dirhams by 2027. Additionally, sales of phosphate and derivatives are set to sustain their strong performance in 2026 with a 19.4 percent surge, followed by an 8.7 percent contraction to 108.8 billion dirhams in 2027 under the assumption of lower DAP prices. Meanwhile, import growth is forecast to quicken to 8.5 percent in 2026 before slowing to 4.9 percent in 2027; this includes a deceleration in capital goods procurement to 9.5 percent in 2027, linked to a projected relative slowdown in investment. The energy bill is expected to rise by 15.6 percent in 2026 due to the anticipated increase in international prices following the outbreak of war in Iran, before easing by 11.1 percent in 2027. In parallel, the strong momentum in travel receipts is set to continue, posting increases of 8.2 percent in 2026 and 5.9 percent in 2027 to reach 158.2 billion dirhams. Remittances from MLA are projected to grow by 3.7 percent in 2026 and 2 percent in 2027, settling at 129 billion dirhams. Regarding FDI inflows, projections forecast a net revenue stream equivalent to 3.5 percent of GDP over the next two years.

Assuming the planned external financing materializes, official reserve assets are anticipated to strengthen to 473.4 billion dirhams in 2026 and to 482.1 billion dirhams in 2027. This would represent an import cover of around 5 months and 20 days, and 5 months and 23 days of goods and services, respectively.

Table 7.1: Main components of the balance of payments

Change in %, unless otherwise indicated	Actual rates								Forecast		Gap (Mar./Dec.)		
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2025	2026	2027
Exports of goods (FOB)	10.7	3.3	-7.5	25.2	30.1	0.4	6.1	2.8	10.7	6.9	-1.7	2.3	-1.0
Imports of goods (CIF)	9.9	2.0	-13.9	25.0	39.5	-2.9	6.4	8.0	8.5	4.9	0.4	2.4	-3.2
Travel receipts	1.2	7.8	-53.7	-5.1	171.5	14.6	6.4	20.6	8.2	5.9	-2.3	2.9	-0.3
Remittances	-1.5	0.1	4.8	40.1	16.0	4.0	3.3	2.6	3.7	2.0	0.2	-0.9	-0.2
Current account balance (% GDP)	-4.9	-3.4	-1.2	-2.3	-3.5	-1.0	-1.2	-2.3*	-3.1	-2.5	-0.5	-1.6	-0.7
Official reserve assets in months of imports of goods and services	5.4	6.9	7.1	5.3	5.4	5.4	5.1	5.5	5.7	5.8	0.0	0.3	0.3

* Projections
Sources: Foreign Exchange Office data and BAM forecasts

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

Banking liquidity requirements are projected to widen, reaching 148.3 billion dirhams by the end of 2026 and 169.4 billion dirhams in 2027, driven primarily by the expansion of currency in circulation. Following a 15.5 percent surge in 2025, this expansion is expected to cool to 10.5 percent in 2026 and 7.7 percent in 2027. Regarding bank credit to the non-financial sector—factoring in recent performance, projected economic activity, and banking system expectations—growth is forecast to accelerate to 6 percent in 2026 and stand at 5.1 percent in 2027. Under these conditions, and in line with the anticipated trends of other money supply counterparts, the M3 aggregate is projected to expand by 6.5 percent in 2026 and 5.1 percent in 2027.

Meanwhile, following a 2 percent appreciation in 2025, the real effective exchange rate (REER) is expected to depreciate by 3.7 percent in 2026. This shift reflects both a decline in its nominal value and domestic inflation levels that remain lower than those of Morocco's primary trading partners and commercial competitors. This downward trend is anticipated to continue into 2027, albeit at a more moderate pace.

Table 7.2: Money supply and bank lending

Change in %, unless otherwise indicated	Actual rates						Forecast		Gap (Mar./Dec.)	
	2020	2021	2022	2023	2024	2025	2026	2027	2026	2027
Bank credit to the non-financial sector	4.2	2.9	7.8	2.9	2.6	4.7	6.0	5.1	1.0	0.3
M3	8.4	5.1	8.0	3.9	8.0	9.4	6.5	5.1	0.9	1.3
Liquidity requirement, in million MAD	-67.0	-64.4	-86.6	-111.4	-128.0	-131.7	-148.3	-169.4	-1.4	-11.4

Narrowing of the fiscal deficit over the forecast horizon

After standing at 3.6 percent of GDP in 2025, the fiscal deficit is projected to decrease to 3.5 percent of GDP in 2026 and further to 3.4 percent in 2027. These projections are based on the 2026 Finance Act and the 2026–2028 three-year budgetary framework, while factoring in the final outcomes of the 2025 fiscal year alongside Bank Al-Maghrib's latest macroeconomic forecasts.

In 2026, tax revenues are projected to improve by 8.6 percent, reflecting increases of 15.7 percent in indirect taxes and 1.7 percent in direct taxes. Conversely, non-tax revenues are set to drop by 27 percent, heavily impacted by a 50.1 percent decline, to 20 billion dirhams, in inflows from innovative financing mechanisms and a 45.8 percent reduction in "other revenues." On the expenditure side, ordinary spending is expected to rise by 10.6 percent, driven primarily by an 11.9 percent increase in expenditures on goods and services. Within this category, personnel costs are projected to grow by 8.7 percent and spending on other goods and services by 17.2 percent. Similarly, debt interest payments are expected to edge up by 0.2 percent. On the other hand, subsidy expenditures are forecast to drop by 5 percent, while investment spending is set to decline by 8.4 percent to 114.8 billion dirhams, or 6.3 percent of GDP.

In 2027, tax revenue is anticipated to grow by 5.3 percent, with direct tax receipts rising by 5.9 percent and indirect taxes by 4.8 percent. Non-tax revenues are projected to decline further by 12.3 percent, notably due to a 25 percent drop in receipts from innovative financing mechanisms to 15 billion dirhams, alongside a 7.2 percent reduction in inflows from State-Owned Enterprises (SOEs). In parallel, ordinary expenditure is expected to increase by 2.4 percent, driven mainly by a 3.6 percent growth in spending on goods and services, while debt interest payments are forecast to edge down by 0.2 percent. The wage bill and expenditure on other goods and services are both projected to increase by 3.6 percent. Finally, subsidy costs are expected to ease significantly by 23.8 percent, while investment spending is set to rise by 2.9 percent, settling at the equivalent of 6.2 percent of GDP.

Sustained growth in non-agricultural activities in 2025 and notable improvement in agricultural value added in 2026

Following a 3.8 percent expansion in 2024, national economic growth is estimated to have accelerated to 4.8 percent in 2025. This forecast has been slightly revised downward compared to the December figure, incorporating national accounts data for the third quarter of 2025. This momentum reflects a 5 percent increase in agricultural value added and sustained improvement in non-agricultural activities, which grew by 4.7 percent. On the demand side, the contribution of net exports to growth is estimated to have deteriorated, primarily due to faster import growth for goods and services driven by a steady rise in capital goods procurement. Conversely, domestic demand showed notable strength, fueled primarily by a rebound in investment, particularly in major infrastructure projects.

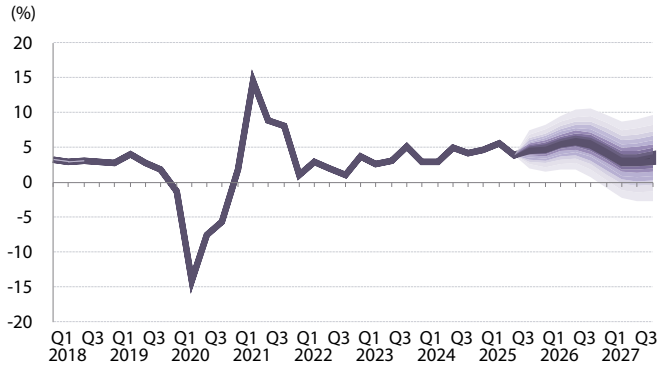
Over the medium term, the start of the 2025/2026 agricultural season is progressing under highly favorable conditions. Consequently, agricultural value added is projected to surge by 14.4 percent in 2026, driven by a cereal harvest estimated by BAM at 82 million quintals (MQx), before declining by 5.3 percent in 2027. Non-agricultural activities are expected to sustain their positive momentum, with growth rates of 4.6 percent this year and 4.5 percent in 2027. Overall, headline GDP growth is set to improve sharply to 5.6 percent in 2026—a upward revision of 0.9 percentage points compared to December—before returning to 3.5 percent in 2027. On the demand side, growth will be propelled by the strengthening of its domestic component, while net exports are expected to maintain a negative contribution over the forecast horizon.

Table 7.3: Economic growth

Change in %	Actual rates							Forecast		Gap (Mar./Dec.)	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2026	2027
National growth	2.9	-7.2	8.2	1.8	3.7	3.8	4.8	5.6	3.5	0.9	-0.8
Agricultural VA	-5.0	-8.1	19.5	-11.3	1.5	-4.8	5.0	14.4	-5.3	10.4	-7.3
PIB non agricole	3.8	-7.1	6.9	3.5	3.9	4.8	4.7	4.6	4.5	-0.2	0.0

Sources: HCP data and BAM forecasts

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



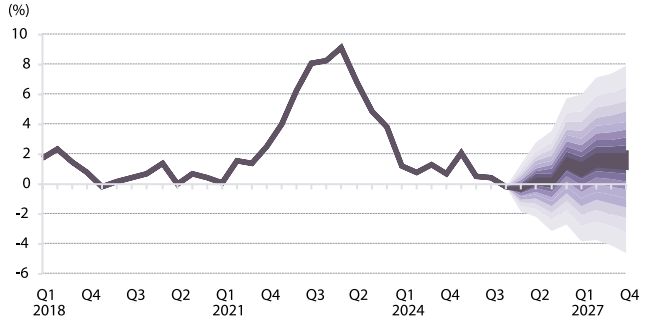
*Uncertainty surrounding the central forecast with confidence intervals ranging between 10 percent and 90 percent

Inflation maintained at moderate levels

In 2025, inflation moved at a similar pace to 2024, averaging 0.8 percent. This outcome resulted from both a sharp deceleration in its core component and a significant drop in fuel prices.

Over the medium term, the inflation trajectory is expected to reflect the impact of supply shocks on food products on one side, and rising energy product prices driven by the intensifying Middle East conflict on the other. In this context, headline inflation is projected to hold steady at 0.8 percent in 2026 before accelerating to 1.4 percent in 2027. Its core component is forecast to sit at 0.2 percent in 2026, primarily reflecting a contraction in its food price component, before recovering to 1.6 percent in 2027. Regarding the other components, fuel prices are anticipated to rise in 2026 before falling in 2027, moving in line with international Brent crude outlooks, while regulated prices are set to change moderately over the next two years. Finally, a moderate increase is expected for volatile food product prices in 2026, followed by near-stability in 2027.

Chart 7.9: Inflation expectations over the forecast horizon (Q1 2026 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 (Mar./Dec.)	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	Forecast horizon Q1-2026 –Q4-2027	2025	2026
Inflation	0.2	0.7	1.4	6.6	6.1	0.9	0.8	0.8	1.4	1.1	-0.5	-0.5
Core inflation	0.6	0.6	1.7	6.0	5.8	2.3	0.6	0.2	1.6	0.9	-0.5	-0.3

Sources: HCP data and BAM calculations and forecasts.

Chart 7.10: Change in core inflation and output gap

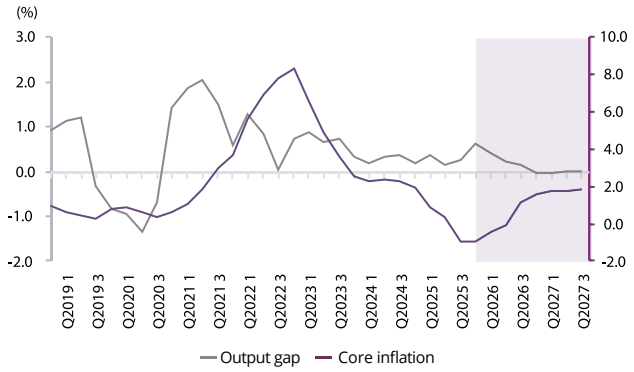
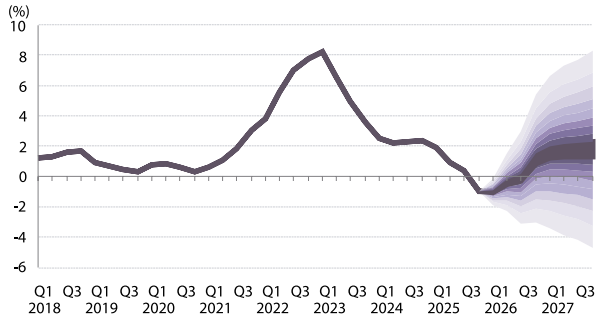


Chart 7.11: Core inflation projections over the forecast horizon (Q1 2026–Q4 2027)*



* 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

The macroeconomic outlook remains surrounded by high uncertainty, which, if materialized, could alter the baseline scenario projections. In this context, the balance of risks is tilted to the downside for growth and to the upside for inflation.

Regarding national economic growth, downside risks are primarily tied to cereal production—which remains heavily dependent on weather conditions—as well as the repercussions of recent regional floods on agricultural output. Furthermore, a sharper deceleration in global growth, within an international environment marked by deep uncertainties—notably due to escalating geopolitical tensions—could drag domestic growth downward.

As for inflation, the outlook remains uncertain, with risks generally skewed to the upside. A more pronounced surge in oil prices, should the Middle East conflict prolong, alongside global supply chain disruptions, could generate additional inflationary pressures. However, the sustained decline in the prices of certain food products could partially offset this impact.

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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