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BANK AL-MAGHRIB

# MONETARY POLICY REPORT

No. 79 / 2026

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THE BANK BOARD
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# FOREWORD

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

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

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

Mr. Mounssif ADERKAOUI

Mrs. Raja CHAKIR

Mr. Jilali KENZI

Mr. Mohamed Fouzi MOURJI

Mrs. Bouchra RAHMOUNI

Mr. Abdelhak SENHADJI SEMLALI

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, June 23, 2026**

1. The Board of Bank Al-Maghrib held its second quarterly meeting of 2026 on Tuesday, June 23.

2. During this session, the Board first examined and approved the Annual Report on the country's economic, monetary, and financial situation, as well as on the Bank's activities for the 2025 financial year.

3. The Board then assessed developments in the international environment, marked by the implications of the conflict in the Middle East, which has significantly disrupted supply chains, intensified inflationary pressures and heightened uncertainties surrounding the global economic outlook. The recent conclusion of a memorandum of understanding between the United States and Iran suggests a gradual normalization of maritime transport. However, economic activity is expected to continue to be adversely affected by the conflict fallout in the short term.

4. Domestically, the repercussions of this conflict are notably reflected in the energy bill and fuel prices which recorded a year-on-year increase of 27.6 percent in May. This increase, together with the overall rise in imported inflation, is expected to lead to a clear acceleration of domestic inflation, which, however, would remain moderate over the medium term. Thus, after averaging around 0.8 percent over the previous two years, inflation is projected to reach 1.5 percent on average this year and 2.1 percent in 2027, according to Bank Al-Maghrib's updated forecasts. For its part, core inflation is expected to be limited to 0.2 percent in 2026, mainly reflecting a decline in the prices of its food component, particularly olive oil. In 2027, as this effect dissipates and imported inflation rises, it is projected to accelerate to 2.9 percent.

5. Similarly, inflation expectations have recorded a limited increase. Financial sector experts surveyed by Bank Al-Maghrib in the second quarter of 2026, as part of its quarterly survey, expect average inflation to reach 2.2 percent over both the 8- and 12-quarter horizons.

6. Regarding economic activity, annual national accounts data for 2025 indicate a growth improvement, driven by a marked increase in agricultural production and by a consolidation in the pace of non-agricultural activities. This momentum is expected to continue this year, supported by very favorable weather conditions and by the continued strengthening of nonagricultural activities, albeit at a slower pace than previously anticipated.

7. In view of (i) the projected path of inflation toward levels consistent with the price stability objective over the medium term; (ii) the consolidation of the pace of economic activity; and (iii) the high level of uncertainty surrounding the global economic outlook, the Board considered it appropriate to keep the key rate unchanged at 2.25 percent. It will continue to closely monitor domestic and international developments and to base its decisions, on a meeting-by-meeting basis, on the most updated data.

8. In the international commodity markets, oil prices are expected to remain high, reflecting the damage suffered by the energy infrastructure and rapid depletion of inventories. Bank Al Maghrib scenario

assumes an increase in the Brent price from USD 68.1 per barrel in 2025 to an average of USD 92.3 this year, before decreasing to USD 71.6 in 2027. Regarding phosphate and its derivatives, prices of Moroccan products are expected, according to the latest estimates by the Commodities Research Unit, to increase from USD 713 per ton in 2025 to USD 912 in 2026—driven by the surge in input costs, particularly sulfur and ammonia, the persistence of restrictions on Chinese exports, and strong demand—before falling back to USD 766 in 2027 for DAP, and from USD 529 per tonne to USD 648 and then to USD 567 for TSP. In contrast, prices of phosphate rock are projected to decrease slightly over the forecast horizon. As for food products, the FAO Food Price Index is expected to rise by 3.9 percent this year and by 0.7 percent in 2027.

9. Global economic growth is projected to slow from 3.3 percent in 2025 to an average of 3 percent in 2026 and 2027. Among major advanced economies, growth in the United States is expected to remain stable at 2.1 percent, particularly supported by investment in artificial intelligence and fiscal support. By contrast, significantly affected by the implications of the conflicts in the Middle East and Ukraine, the Eurozone economic growth is projected to decelerate from 1.5 percent in 2025 to 1.1 percent in 2026, before reaching 1.3 percent in 2027. In major emerging market economies, after reaching the target of 5 percent in 2025, growth in China is expected to slow gradually to 4.4 percent in 2027, held back by difficulties in the real estate sector, fiscal pressures and highly unfavorable demographic trends. Similarly, growth in India is projected to decline from 7.5 percent in 2025 to 6.6 percent in 2027, with higher fuel prices and uncertainty expected to weigh on private consumption and investment.

10. Against this backdrop, global inflation would accelerate from 2.9 percent in 2025 to 3.6 percent in 2026, before moderating to 3.1 percent the following year. In the major advanced economies, Eurozone inflation would reach 3.1 percent in 2026, mainly driven by the surge of energy prices, before easing to 2.2 percent in 2027. In the United States, it would remain above the Federal Reserve's objective, at 3.7 percent this year and 2.8 percent in 2027.

11. As for monetary policy stances in major advanced economies, the European Central Bank raised its key interest rates by 25 basis points during its 10–11 June meeting, the first increase since September 2023. The Federal Reserve, for its part, maintained the target range for the federal funds rate at [3.50–3.75 percent] at its 16–17 June meeting, for the fourth consecutive time. Likewise, the Bank of England kept its key rate unchanged at 3.75 percent during its 17 June meeting, for the fourth consecutive time.

12. Domestically, agricultural value added would increase by 16 percent in 2026, following a rise of 8.2 percent in 2025, reflecting a cereal harvest estimated by the Department of Agriculture at 90 million quintals. It would then contract by 7.6 percent in 2027, assuming a return to average cereal output. Non-agricultural growth would hover around 4.2 percent on average in 2026 2027, after 4.5 percent in 2025. Overall, according to Bank Al-Maghrib's projections, national growth would accelerate from 4.9 percent in 2025 to 5.2 percent in 2026, before slowing to 3.1 percent in 2027, reflecting the base effect.

13. As for the labor market, results from HCP's new labor force survey indicate that in the first quarter of 2026 the unemployment rate reached 10.8 percent overall, 13.5 percent in urban areas and 6.1 percent in rural areas.

14. Regarding external accounts, the surge in oil and other input prices, together with the ongoing investment effort, are expected to weigh on the trade balance. On the import side, the energy bill would increase by 26 percent to MAD 135 billion in 2026 before easing to MAD 114.4 billion in 2027, while imports of capital goods would expand by 12.3 percent in 2026 and 9.3 percent in 2027, reaching close to MAD 245 billion. On the export side, following a 1.8 percent contraction in 2025, automotive exports are projected to increase gradually, reaching MAD 190.8 billion in 2027, while phosphate and derivative exports would rise by 8.5 percent and 2.4 percent respectively, reaching MAD 110.9 billion in 2027. In parallel, travel receipts are expected to remain on a solid upward trajectory, rising from MAD 138.6 billion in 2025 to MAD 161.1 billion in 2027, while remittances would continue to strengthen, increasing from MAD 122 2 billion to nearly MAD 130 billion over the same period. Under these conditions, the current account deficit would widen, from 2.4 percent of GDP in 2025 to 4 percent in 2026 before narrowing to 3.8 percent in 2027. Regarding foreign direct investment inflows, prospects remain surrounded by significant uncertainty, with projections assuming annual inflows equivalent to 3.5 percent of GDP. Overall, and considering the Treasury's planned external financing, official reserve assets would continue to strengthen, reaching MAD 542 billion in 2027, equivalent to 6 months and 9 days of imports of goods and services.

15. Concerning monetary conditions, the banking system's liquidity need is expected to widen further, increasing from MAD 131.7 billion in 2025 to MAD 143 billion in 2027, mainly reflecting the projected rise in currency in circulation. The growth of bank credit to the non financial sector is expected to accelerate markedly, in line with projected economic activity and banking sector expectations, from 4.8 percent in 2025 to 6.8 percent this year, before moderating to 6.1 percent in 2027. With respect to the dirham, Bank Al-Maghrib quarterly assessments indicate that its valuation remains broadly in line with economic fundamentals. In the same vein, the real effective exchange rate is projected to depreciate by 3.6 percent this year and by 0.8 percent in 2027, after appreciating by 2 percent in 2025.

16. Regarding public finances, budget execution over the first five months of the year shows an 8 percent increase in ordinary revenues and a 12.2 percent rise in overall expenditure, mainly reflecting higher spending on goods and services and increased debt interest payments. Taking into account these developments, the provisions of the 2026 Finance Act, the three-year fiscal plan for 2026–2028, and the Government's opening of additional appropriations amounting to MAD 20 billion, Bank Al-Maghrib projects the fiscal deficit, excluding proceeds from the sale of state holdings, to narrow to 3.4 percent of GDP this year and to 3.3 percent in 2027.

# OVERVIEW

**The outbreak of the war in Iran at the end of February brought about major disruptions to global supply chains, particularly in energy products, and heightened uncertainty surrounding the economic outlook.**

**The recent signature of a memorandum of understanding between the United States and Iran points to a gradual normalization of maritime transport. Nevertheless, economic activity would continue, over the short term, to suffer from the repercussions of this war.**

**The latest available data for the first quarter of 2026 indicate that economic activity remained robust in the United States and China, while slowing in the Eurozone. At the same time, labor market conditions remained stable, with unemployment rates virtually unchanged during the first four months of the year in both the United States and the Eurozone. Inflation, however, continued to accelerate, albeit at diverging rates across economies.**

**On financial markets, following the correction observed in the wake of the outbreak of the conflict, major international stock markets rebounded in April and May. This recovery was supported by the resilience of economic activity, particularly in the United States, as well as by the strong first-quarter results reported by large corporations. Similarly, sovereign bond yields continued their upward trend, notably reflecting expectations of interest rate increases.**

Turning to economic activity, the latest national accounts data for the first quarter of 2026 show an acceleration in year-on-year **growth** to 2.6 percent in the United States, up from 2 percent in the previous quarter. In the Eurozone, economic growth slowed from 1.2 percent to 0.3 percent, with diverging trends from one member country to another. It shrunk from 1.1 percent to 0.9 percent in France, from 0.4 percent to 0.3 percent in Germany, and from 0.9 percent to 0.8 percent in Italy, while it edged up from 2.6 percent to 2.7 percent in Spain. Elsewhere, growth remained broadly unchanged at 1.1 percent in the United Kingdom and 0.4 percent in Japan.

In the major emerging economies, growth trends were similarly diverse. Driven mainly by the strong performance of exports, China saw its growth accelerate from 4.5 percent to 5 percent. Conversely, economic activity contracted by 0.2 percent in Russia, following a 1 percent growth in the previous quarter, while it remained stable at 1.8 percent in Brazil and slowed from 8 percent to 7.8 percent in India.

In advanced economies' **labor markets**, April data point to a month-on-month stabilization in the unemployment rate in the United States at 4.3 percent, with the creation of 172 thousand jobs, compared to 179 thousand jobs in the previous month. Similarly, in the Eurozone, the unemployment rate remained unchanged at 6.3 percent, reflecting a slight decline to 5.1 percent in Italy and stable rates of 10.3 percent in Spain, 8.2 percent in France and 3.8 percent in Germany.

With regard to **stock markets** in the major advanced economies, the upward trend observed in 2025 continued during the first months of 2026. Following an across-the-board correction in March, these indices posted a strong rebound in April and May, buoyed by the resilience of economic activity, particularly

in the United States, as well as by solid first-quarter financial results, notably in the technology sector. Over the first five months of the year, the Dow Jones Industrials rose by 1.2 percent, the Euro Stoxx by 2.9 percent, the FTSE 100 by 5.8 percent and the Nikkei 225 by 12.4 percent.

These developments were accompanied by an increase in volatility in both European and U.S. markets, with the VSTOXX rising from 14 in December to 19.3 in May, and the VIX increasing from 15 to 16 over the same period. In emerging economies, the MSCI EM index posted a 12.4 percent increase over the same period, with gains of 19.5 percent for the Turkish sub-index and 10.6 percent for its Brazilian counterpart.

With regard to **sovereign bond markets**, 10-year yields trended upwards in the major advanced economies during the first five months of the year, reflecting, in particular, expectations of higher inflation and interest rates. The 10-year yield thus rose by 34.5 basis points (bps) to 4.5 percent in the United States, by 12 bps to 3.6 percent in France, by 8 bps to 2.9 percent in Germany, by 30 bps to 3.8 percent in Italy and by 21.3 bps to 3.5 percent in Spain. In the major emerging economies, this yield dropped to 1.8 percent in China, while it increased to 7 percent in India, 14.1 percent in Brazil and 32.3 percent in Türkiye.

On the **foreign exchange markets**, the euro-dollar exchange rate averaged around 1.17 dollars since the beginning of the year, reflecting relative stability compared with end-2025 levels. This stability was, however, interrupted in March by a marked depreciation of the euro during the peak of the first weeks of the conflict in the Middle East, which increased the appeal of the U.S. dollar as a safe-haven currency. Against other currencies, the euro appreciated by 0.9 percent against the Japanese yen at end-May, while depreciating by 0.8 percent against the pound sterling. As regards the currencies of the major emerging economies, they had diverging trends against the U.S. dollar, with depreciations of the Chinese renminbi and the Brazilian real, and appreciations of the Indian rupee and the Turkish lira.

On **commodity markets**, disruptions to oil and gas supply chains caused by the war in Iran led to a sharp increase in prices. The price of Brent crude oil thus averaged USD 93.9 per barrel in May, up 30.8 percent year on year. Similarly, the price of natural gas on the European market rose by 52.9 percent to USD 14.5 per mmBTU, representing a 9 percent year-on-year increase. However, these upward pressures eased somewhat following the conclusion, on June 17, of a memorandum of understanding between the United States and Iran. Brent price subsequently fell by 16.2 percent compared to the beginning of June to USD 79.7 per barrel, while the price of natural gas in the European market dropped by 17.5 percent over the same period.

Excluding energy, commodity prices rose by 5.4 percent over the first five months of the year, reflecting, in particular, increases of 11.4 percent in metal and mineral prices and 0.3 percent in agricultural commodity prices. Year-on-year, prices rose by 6.4 percent, driven notably by a 30.7 percent surge in metal and mineral prices, while agricultural commodity prices declined by 6 percent. In particular, gold prices continued their upward trend, increasing by 11.1 percent over the first five months of the year to an average of 4,787.4 dollars per ounce. As regards phosphate and derivatives, DAP and TSP prices increased month on month by 8.3 percent to 679.7 dollars per ton and by 11.2 percent to 599 dollars, respectively, while the price of rock phosphate remained unchanged at 152.5 dollars. Year-on-year, prices increased by 9.4 percent for DAP and 21 percent for TSP, while the price of rock phosphate remained unchanged.

Against this backdrop, **inflation** accelerated in the United States to 4.2 percent in May, from 3.8 percent a month earlier. Similarly, in the Eurozone, inflation rose from 3.1 percent to 3.2 percent, reflecting, in particular, increases from 2.5 percent to 2.8 percent in France, from 3.5 percent to 3.6 percent in Spain, and from 2.8 percent to 3.2 percent in Italy, while a slight drop from 2.9 percent to 2.7 percent was recorded in Germany. In the other major advanced economies, inflation sped up from 1.3 percent to 1.5 percent in Japan and remained unchanged at 2.8 percent in the United Kingdom.

As regards **monetary policy decisions in the major advanced economies**, following its meeting held on June 10 and 11, the ECB raised its three key interest rates by 25 basis points, after seven consecutive decisions to leave them unchanged. It also indicated that the portfolios under the Asset Purchase Programme (APP) and the Pandemic Emergency Purchase Programme (PEPP) are declining at a measured and predictable pace, as the Eurosystem no longer reinvests principal payments from maturing securities. For its part, at its June 16–17 meeting, the **Federal Reserve (Fed)** kept the target range for the federal funds rate unchanged at [3.50 percent–3.75 percent], for the fourth consecutive time. It also reaffirmed its policy of maintaining ample reserves in the banking system. Likewise, at its June 17 meeting, the **Bank of England** decided to keep its policy rate unchanged at 3.75 percent, for the fourth consecutive time.

At the domestic level, **economic growth** stood at 4.9 percent in 2025, up from 4.4 percent a year earlier, reflecting an 8.2 percent rise in agricultural value added, following a drop of 5.7 percent, and a deceleration of non-agricultural output from 5.1 percent to 3.9 percent. On the demand side, its domestic component made a positive contribution of 6.6 percentage points to growth, while the contribution of external trade remained negative at 1.7 percentage points.

On **the labor market**, the results of the HCP's new Labor Force Survey (LFS 2026) show that, over the first quarter of 2026, the unemployment rate (in its strict meaning) stood at 10.8 percent, reaching 13.5 percent in urban areas and 6.1 percent in rural areas.

Regarding the **external accounts**, data for the first four months of 2026 suggest a continued momentum in trade in goods, travel receipts and remittances from Moroccans Living Abroad (MLAs). In fact, goods exports increased by 8.7 percent year on year to 168.9 billion dirhams, while imports rose by 12.7 percent to 295.9 billion. Consequently, the trade deficit widened by 18.4 percent to 127 billion dirhams, while the coverage ratio declined to 57.1 percent, compared with 59.1 percent at end-April.

The increase in imports was driven mainly by rises of 21.8 percent in purchases of capital goods, 15.2 percent in consumer finished goods and 48.8 percent in raw products., and particularly as a result of the surge in prices, the energy bill increased by 12 percent to 41.8 billion dirhams. As for exports, their growth was driven mainly by increases of 18.6 percent in automotive industry sales and 15.9 percent in aeronautical industry sales, while exports of phosphates and derivatives dropped by 1.5 percent.

Travel receipts stood at 44.4 billion dirhams at end-April 2026, up 21.2 percent compared with the same period a year earlier, while travel expenditure increased by 5.4 percent to 9.8 billion dirhams. Remittances from MLA, for their part, increased by 9.8 percent to 40 billion dirhams. Regarding the main financial transactions, foreign direct investment (FDI) inflows declined by 19.6 percent, while Moroccan direct investment abroad increased by 22 percent.

Regarding **monetary conditions**, banks' liquidity needs widened to an average of 143.6 billion dirhams in April and May 2026, prompting Bank Al-Maghrib to increase the volume of its liquidity injections to 161.5 billion dirhams. As for the real effective exchange rate, it depreciated by 0.9 percent in the first quarter of 2026 compared with the previous quarter, and the overall average lending rate dropped by 16 basis points from one quarter to the next to 4.66 percent, down 77 basis points since the beginning of the monetary easing cycle in June 2024. As regards bank loans to the non-financial sector, its growth continued to accelerate, rising from 6.3 percent in the first quarter of 2026 to 8.1 percent in April, mainly reflecting increased lending to local government entities and private non-financial corporations.

Against this backdrop, **inflation** accelerated to an average of 1.4 percent in April and May, compared with -0.1 percent on average in the first quarter. This change mainly reflects a 28.1 percent rise in fuel prices, a 6.4 percent increase in prices of volatile food products, as well as a moderate drop of core inflation to -0.5 percent. As to inflation expectations, financial sector experts project a 2.2 percent rise in inflation in the second quarter of 2026, both over the 8-quarter and 12-quarter horizons.

Concerning **public finances**, budget execution during the first four months of 2026 led to a fiscal deficit of 19.1 billion dirhams, widening by 1.6 billion compared with the same period in 2025. Ordinary revenues increased by 7.2 percent to 159.4 billion dirhams, mainly reflecting an 8.4 percent rise in tax revenue and a 10.5 percent drop in non-tax revenue. On the other hand, current expenditure increased by 10.4 percent to 161.3 billion dirhams, mainly reflecting increases of 11.7 percent in expenditure on goods and services and 15.8 percent in interest payments on public debt, while subsidy costs eased by 6.2 percent. As a result, the current balance posted a deficit of 2 billion dirhams, compared with a surplus of 2.5 billion at end-April 2025. In turn, investment expenditure increased by 24.9 percent to 43.6 billion dirhams, bringing total expenditure to 204.9 billion, up 13.2 percent. The balance of the Treasury's special accounts posted a surplus of 26.5 billion, compared with 14.9 billion a year earlier. Taking into account the 1.8 billion dirham reduction in the stock of pending transactions, the cash deficit narrowed from 33.3 billion to 20.9 billion dirhams. This financing requirement, together with the negative net external financing flow of 2.5 billion dirhams, was covered by net domestic resources up to 23.4 billion dirhams. Accordingly, the outstanding stock of direct public debt is expected to have increased by 1.5 percent at end-April 2026 compared with its end-December 2025 level.

Under these conditions, official reserve assets strengthened to 469.8 billion dirhams at end-April 2026, representing the equivalent of 5 months and 18 days of imports of goods and services.

On the Casablanca Stock Exchange, the MASI index rose by 10 percent in May, thus returning to a level close to that posted at the beginning of the year. This increase was driven mainly by the "Mining" sector, whose index soared by 92.8 percent. To a lesser extent, it was also driven by increases of 3.9 percent in the "Building and Construction Materials" sector index, 7.5 percent in the "Transport Services" sector index and 1.6 percent in the "Banks" index. Against this backdrop, market capitalization stood at 1,100.6 billion dirhams, up 14.3 percent compared with end-March and 5.8 percent since the beginning of the year.

On the **real estate market**, prices fell by 2.4 percent in the first quarter of 2026, following near-stagnation in the previous quarter. At the same time, the volume of transactions contracted by

42.3 percent, after increasing by 28.7 percent, reflecting declines of 47.3 percent in urban land transactions, 42.6 percent in transactions involving professional properties, and 40.6 percent in residential property transactions.

**Looking ahead, global economic growth** is set to slow from 3.3 percent in 2025 to 2.9 percent in 2026, before standing at 3 percent in 2027, with diverging trends across economies. **In the United States**, despite the conflict in the Middle East and higher tariffs, economic activity is expected to maintain a growth rate of 2.1 percent in both 2026 and 2027, supported by robust investment related to artificial intelligence (AI) and tax incentives. In the **Eurozone**, after reaching 1.5 percent in 2025, growth is expected to moderate to 1.1 percent in 2026, weighed down by consumer confidence, before accelerating to 1.3 percent in 2027.

In the **United Kingdom**, the pace of economic activity is projected to slow from 1.4 percent in 2025 to 1.1 percent in 2026, due, in particular, to persistently weak investor and household confidence, before improving to 1.4 percent in 2027. In **Japan**, growth is also expected to moderate, dropping from 1.1 percent in 2025 to 0.6 percent this year, before recovering slightly to 0.9 percent in 2027, buoyed by strong foreign demand for AI-related goods.

In the major emerging economies, after posting a growth of 5 percent in 2025, economic activity in **China** is expected to remain broadly unchanged at 4.9 percent this year, driven mainly by strong export momentum, notably as a result of lower U.S. tariffs, the country's substantial strategic oil reserves, and the cap on energy product prices. GDP Growth is nevertheless expected to slow to 4.4 percent in 2027, owing to persistent difficulties in the real estate sector and fiscal constraints. In **India**, growth is expected to slow from 7.5 percent in 2025 to 6.8 percent in 2026, mainly as a result of higher industrial input costs. It is expected to moderate further to 6.6 percent in 2027, amid weakening domestic consumption. In **Brazil**, economic growth is projected to slow from 2.6 percent in 2025 to 1.7 percent in 2026, mainly due to weak agricultural output and external demand, as well as persistently high interest rates, before accelerating to 1.9 percent in 2027. In **Russia**, economic activity is expected to remain constrained by the combined effects of international sanctions, damage to energy infrastructure, persistently weak investment outside the military sector, and adverse demographic trends, despite higher commodity prices, particularly energy prices. Against this backdrop, growth is expected to slow markedly, declining from 1.1 percent in 2025 to 0.5 percent this year, before rebounding to 1.2 percent in 2027.

On **energy commodity markets,** disruptions to maritime transport through the Strait of Hormuz and damage to energy infrastructure are expected to continue exerting strong upward pressure on prices. **Brent crude** price is therefore projected to average 92.3 dollars per barrel in 2026, before declining to 71.6 dollars in 2027. As regards **Moroccan phosphate and its derivatives,** according to projections by the Commodities Research Unit, the price of DAP is expected to increase from an average of 713 dollars per ton in 2025 to 912 dollars this year, before declining to 766 dollars in 2027. The price of TSP is projected to rise from 529 dollars per ton in 2025 to 648 dollars in 2026, before falling to 567 dollars in 2027. As for rock phosphate, its price is expected to decline from 212 dollars per ton in 2025 to 209 dollars in 2026 and then to 200 dollars in 2027. Regarding food commodities, the FAO Food Price Index is projected to increase by 3.9 percent this year, notably driven by higher fertilizer prices, and by 0.7 percent in 2027.

Against this backdrop, **global inflation** is projected to accelerate to 3.6 percent in 2026, before slowing to 2.9 percent in 2027. In the Eurozone, it is expected to increase to 3.1 percent in 2026 before declining to 2.2 percent in 2027, while in the United States it is projected to remain well above the Fed's target for the seventh consecutive year, standing at 3.7 percent in 2026 and 2.8 percent in 2027.

At the **domestic level**, the surge in oil prices and the increase in input costs for certain industries, due to supply disruptions caused by the conflict in the Middle East, are expected to have a negative impact on the current account deficit. Accordingly, after standing at 2.4 percent of GDP in 2025, this deficit is projected to widen to 4 percent of GDP in 2026, before narrowing slightly to 3.8 percent in 2027.

Imports are projected to increase by 11 percent in 2026, driven mainly by a 25.9 percent rise in the energy bill to 135.3 billion dirhams, the sharp rise in imports of raw materials, particularly in connection with the surge in sulfur prices, as well as the continued momentum in capital goods purchases. In 2027, import growth is expected to slow to 4.1 percent, reflecting, in particular, a decline in energy imports to 114.4 billion dirhams and a slowdown in capital goods purchases. Exports, in turn, are expected to rise by 8.5 percent in 2026 and by 6.7 percent in 2027, driven mainly by higher automotive industry sales, which are projected to reach 190.8 billion dirhams in 2027, in line with the expected recovery in the construction segment. As regards phosphates and derivatives, sales are projected to increase by 8.5 percent and 2.4 percent, respectively, reaching 110.9 billion dirhams in 2027.

At the same time, travel receipts are expected to keep their upward trend, reaching 161.1 billion dirhams in 2027, while remittances from MLAs would consolidate at 129.8 billion dirhams in 2027. As regards FDIs, projections point to inflows of around 3.5 percent of GDP over the forecast horizon.

Assuming that the projected external financing materializes, official reserve assets are expected to strengthen to 505.5 billion dirhams at end-2026 and 542 billion at end-2027, representing the equivalent of 5 months and 26 days and 6 months and 9 days of imports of goods and services, respectively.

As concerns monetary conditions, the banking liquidity deficit is expected to widen to 137.7 billion dirhams at end-2026 and 143 billion in 2027, mainly reflecting the increase in currency in circulation. As for bank credit to the non-financial sector, its growth is expected to accelerate from 4.8 percent in 2025 to 6.8 percent in 2026, before moderating to 6.1 percent in 2027. The real effective exchange rate, for its part, is expected to depreciate over the medium term, following its appreciation in 2025.

concerning **public finances**, the fiscal deficit, excluding proceeds from the sale of government holdings, is set to stand at 3.4 percent of GDP in 2026 and 3.3 percent in 2027, compared with 3.5 percent in 2025. In addition to the 2026 Finance Act, the 2026–2028 three-year budget programming and Bank Al-Maghrib's latest macroeconomic projections, this projection takes into account the additional appropriations of 20 billion dirhams opened under the general budget, mainly allocated to covering subsidy costs and supporting investment by state-owned institutions and enterprises (SIE). It also includes upward revisions to projected tax receipts, reflecting stronger-than-expected revenue performance through end-April 2026.

As regards **economic growth**, it is expected to accelerate from 4.9 percent in 2025 to 5.2 percent this year, before standing at 3.1 percent in 2027. This change would reflect a 16 percent improvement in

agricultural value added in 2026, taking into account, in particular, a cereal harvest estimated by the Department of Agriculture at 90 million quintals (MQx), followed by a 7.6 percent drop in 2027, assuming a return to an average cereal production. For non-agricultural activities, their growth is expected to average 4.2 percent in both 2026 and 2027. On the demand side, growth is expected to be driven by domestic demand, while the contribution of net exports in volume terms would remain negative.

Against this backdrop, and after staying almost unchanged at 0.8 percent in 2025, **inflation** is expected to accelerate to 1.5 percent in 2026 and 2.1 percent in 2027. Core inflation, in turn, is expected to slow from 0.6 percent in 2025 to 0.2 percent in 2026, before rising to 2.9 percent in 2027, mainly reflecting an acceleration in imported inflation and higher food prices.

The macroeconomic outlook remains surrounded by high uncertainty which, should the associated risks materialize, could affect the projections underlying the central scenario. Accordingly, the balance of risks is tilted to the downside for growth and to the upside for inflation.

Regarding the expected growth for the domestic economy, downside risks remain mainly related to weather conditions and their impact on agricultural output. In addition, a more pronounced slowdown in global economic activity, amid heightened international uncertainty, particularly in connection with persistent geopolitical tensions, could weigh on the outlook for foreign demand.

As to inflation, a prolongation of geopolitical tensions in the Middle East and their repercussions on commodity markets could lead to higher-than-expected increases in international energy prices. The materialization of such shocks would exert additional inflationary pressures and strengthen their pass-through to CPI components. In addition, an adverse change in food prices, which are exposed to weather-related risks in several countries as well as to fluctuations in international markets, would generate additional upward pressures.

# 1. INTERNATIONAL DEVELOPMENTS

The outbreak of the conflict in the Middle East at the end of February caused major disruptions to global supply chains, leading, in particular, to significant increases in energy, fertilizer and other essential input prices, thereby reigniting inflationary pressures. It also increased and clouded the global outlook, with downside risks to growth and upside risks to inflation.

The latest available data for the first quarter of 2026 continue to point to robust economic activity in the United States and China, but to a slowdown in the Eurozone. At the same time, labor market conditions remained stable in both the United States and the Eurozone, where unemployment rates remained virtually unchanged over the first four months of the year. Inflation, in turn, continued to accelerate, reaching 4.2 percent in the United States and 3.2 percent in the Eurozone in May. Against this backdrop, and after seven consecutive decisions to leave policy rates unchanged, the ECB decided, at its June 10–11 meeting, to raise its three main interest rates by 25 basis points, marking its first rate hike since September 2023.

On financial markets, following the correction observed in the aftermath of the conflict, major international stock markets rebounded in April and May, sustained mainly by the resilience of economic activity, particularly in the United States, and strong first-quarter results reported by large companies. Conversely, sovereign bond yields continued their upward trend, reflecting, in particular, expectations of higher interest rat

## 1.1 Economic activity and employment

### 1.1.1 Economic activity

The latest available data for the first quarter of 2026 point to a strengthening of economic activity in the United States, with growth accelerating to 2.6 percent, from 2 percent a quarter earlier, supported primarily by investment in artificial intelligence (AI) and the resilience of household consumption. Conversely, in the Eurozone, the pace of economic activity decelerated from 1.2 percent to 0.3 percent over the same period, although developments remained heterogeneous across member countries. Growth accelerated slightly in Spain, from 2.6 percent to 2.7 percent, while it decelerated from 1.1 percent to 0.9 percent in France, from 0.9 percent to 0.8 percent in Italy, and from 0.4 percent to 0.3 percent in Germany. In the other major advanced economies, economic growth remained broadly unchanged at 1.1 percent in the United Kingdom and 0.4 percent in Japan.

Concerning emerging economies, GDP in China expanded by 5 percent in the first quarter, following growth of 4.5 percent a quarter earlier, driven mainly by the continued momentum of exports. Conversely, economic activity in Russia contracted by 0.2 percent, after expanding by 1 percent in the preceding quarter. Growth also decelerated in Türkiye, from 3.4 percent to 2.5 percent, and in India, from 8 percent to 7.8 percent, while it remained unchanged at 1.8 percent in Brazil.

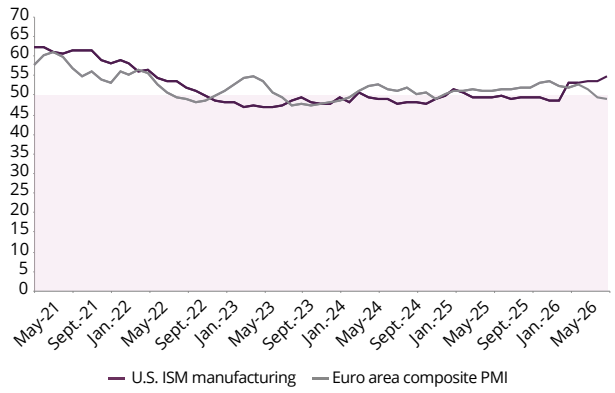
**Table 1.1: Quarterly growth profile, in year-on-year (in percent)**

| | 2024 | | | | 2025 | | | | 2026 |
|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| Advanced economies | | | | | | | | | |
| United States | 2.9 | 3.1 | 2.8 | 2.4 | 2.0 | 2.1 | 2.3 | 2.0 | 2.6 |
| Euro area | 0.6 | 0.7 | 1.1 | 1.4 | 1.7 | 1.6 | 1.4 | 1.2 | 0.3 |
| France | 2.0 | 1.4 | 1.4 | 0.8 | 0.8 | 0.8 | 0.8 | 1.1 | 0.9 |
| Germany | -0.5 | -0.6 | -0.6 | -0.2 | 0.3 | 0.4 | 0.3 | 0.4 | 0.3 |
| Italy | 0.6 | 0.7 | 0.6 | 0.4 | 0.7 | 0.5 | 0.7 | 0.9 | 0.8 |
| Spain | 2.9 | 3.7 | 3.6 | 3.7 | 3.1 | 2.9 | 2.7 | 2.6 | 2.7 |
| United Kingdom | 0.2 | 0.8 | 1.2 | 2.0 | 1.8 | 1.4 | 1.3 | 1.0 | 1.1 |
| Japan | -1.1 | -1.2 | 0.9 | 0.7 | 1.5 | 1.8 | 0.5 | 0.4 | 0.3 |
| Emerging economies | | | | | | | | | |
| China | 5.3 | 4.7 | 4.6 | 5.4 | 5.4 | 5.2 | 4.8 | 4.5 | 5.0 |
| India | 7.5 | 7.5 | 6.6 | 7.4 | 7.0 | 6.8 | 8.3 | 8.0 | 7.8 |
| Brazil | 2.5 | 3.5 | 4.1 | 3.6 | 3.1 | 2.4 | 1.8 | 1.8 | 1.8 |
| Türkiye | 5.3 | 2.3 | 2.8 | 3.2 | 2.5 | 4.7 | 3.8 | 3.4 | 2.5 |
| Russia | 5.9 | 4.9 | 3.8 | 5.2 | 1.3 | 1.0 | 0.8 | 1.0 | -0.2 |

Source: Thomson Reuters Eikon and Eurostat.

As for leading economic indicators, the eurozone composite PMI index edged down slightly from 48.8 in April to 48.5 in May, while the U.S. ISM Manufacturing Index rose from 52.7 to 54 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

In the labor markets, May-data point to a stabilization of the unemployment rate in the United States at 4.3 percent, with 172 thousand jobs created, compared with 179 thousand in the previous month.

Similarly, in the Eurozone, the unemployment rate remained unchanged at 6.3 percent in April, reflecting stable rates of 10.3 percent in Spain, 8.2 percent in France and 3.8 percent in Germany, and a slight decline to 5.1 percent in Italy. In the United Kingdom, April-data point to a slight decrease in the unemployment rate to 4.9 percent.

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

| (In %) | 2024 | 2025 | 2026 | | |
|---|---|---|---|---|---|
| | | | March | April | May |
| United States | 4.0 | 4.3 | 4.3 | 4.3 | 4.3 |
| Euro area | 6.4 | 6.4 | 6.3 | 6.3 | N.D |
| France | 7.4 | 7.7 | 8.2 | 8.2 | N.D |
| Germany | 3.5 | 3.8 | 3.8 | 3.8 | N.D |
| Italy | 6.5 | 6.1 | 5.2 | 5.1 | N.D |
| Spain | 11.4 | 10.5 | 10.3 | 10.3 | N.D |
| United Kingdom | 4.3 | 4.8 | 5.0 | 4.9 | N.D |

Source: Eurostat and BLS.

# 1.2 Monetary and financial conditions

## 1.2.1 Monetary policy decisions

Following its meeting on June 10–11, the ECB decided to raise its three main interest rates by 25 basis points, after seven consecutive decisions to leave them unchanged. This marks the first rate increase since September 2023. The ECB noted that the war in the Middle East is generating inflationary pressures and that its decision to raise policy rates is robust across a range of scenarios assessing the potential evolution of the shock and its implications for the medium-term outlook for the Eurozone. It added that the full implications of the war for medium-term inflation and growth would depend on the intensity and duration

of the shock to energy prices, as well as on the scale of its indirect and second-round effects. The ECB further indicated that the portfolios under the Asset Purchase Programme (APP) and the Pandemic Emergency Purchase Programme (PEPP) are declining at a measured and predictable pace, as the Eurosystem no longer reinvests principal payments from maturing securities.

In turn, at its June 16–17 meeting, the Federal Reserve (Fed) kept the target range for the federal funds rate unchanged at [3.50 percent–3.75 percent], for the fourth consecutive time since the beginning of the year, following a total of three rate cuts in 2025. It also reaffirmed its policy of maintaining ample reserves in the banking system. The Fed indicated that economic activity has continued to expand at a solid pace despite high uncertainty, partly stemming from the conflict in the Middle East. Output growth and capital investment remain robust. Job gains have kept pace with the expansion of the labor force, while the unemployment rate has remained stable. Inflation remains elevated relative to the Committee's 2 percent target, reflecting in part supply shocks that have led to price increases in certain sectors, particularly energy.

Similarly, on June 17, the Bank of England decided to keep its policy rate unchanged at 3.75 percent. It noted that the impact of the energy shock on the UK economy remains uncertain and that monetary policy cannot influence energy prices, but is calibrated to ensure that the economy's adjustment to this shock remains consistent with the sustainable achievement of the 2 percent inflation target.

As regards the Bank of Japan, it decided on June 16 to raise its policy rate by 25 basis points to 1 percent, its highest level since 1995.

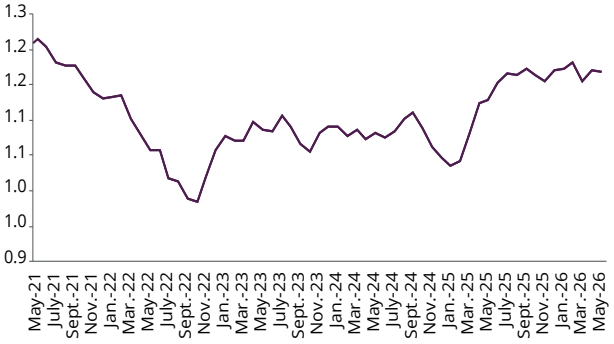
In the major emerging economies, the central banks of China, India and Türkiye kept their policy rates unchanged in June. Conversely, the central banks of Russia and Brazil reduced their respective policy rates by 25 basis points in June, to 14.25 percent.

## 1.2.2 Financial markets

Over the first five months of 2026, the euro-dollar exchange rate averaged around 1.17 dollars, with no significant change compared to end-2025. This relative stability was, however, interrupted by a marked depreciation of the euro in March, at the peak of the first weeks of the conflict in the Middle East, which increased the attractiveness of the dollar as a safe-haven currency. Against other currencies, the euro appreciated by 0.9 percent against the Japanese yen over the first five months of the year, while depreciating by 0.8 percent against the pound sterling.

As regards the currencies of the major emerging economies, they posted divergent trends against the U.S dollar over the first five months of 2026, with the Chinese renminbi and the Brazilian real depreciating by 2.3 percent and 5.6 percent, respectively, while slight appreciations were posted for the Indian rupee and the Turkish lira, by 3 percent and 3.7 percent, respectively.

**Chart 1.2: Change in Euro/dollar exchange rates**

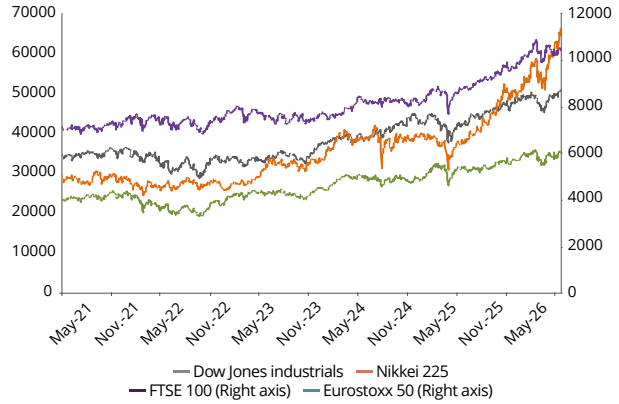



Source: Thomson Reuters Eikon.

Equity markets in the major advanced economies overall posted positive performances over the first five months of 2026. The Euro Stoxx rose by an average of 2.9 percent compared to December 2025, the FTSE 100 by 5.8 percent, the Dow Jones Industrials by 1.2 percent and the Nikkei 225 by 12.4 percent. Following an across-the-board drop

in March, these indices subsequently rebounded, supported by strong first-quarter corporate earnings, particularly in the technology sectors, and by the resilience of economic activity in the United States.

**Chart 1.3: Change in major equity indices of advanced economies**

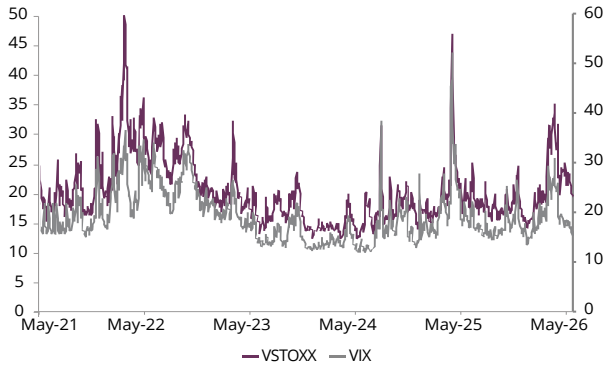



Source: Thomson Reuters Eikon.

These developments were accompanied by an increase in volatility in the U.S. and European markets. The VIX index averaged 16 at end-May, compared with 15 at end-December, while the VSTOXX stood at 19.3, as against 14, with peaks of 30 and 31, respectively, on the day following the outbreak of the war in the Middle East.

In the main emerging economies, the MSCI EM index rose by 12.4 percent during the first five months of 2026 compared with December 2025, driven in particular by the performance of the Brazilian (+10.6 percent) and Turkish (+19.5 percent) sub-indices, while those of China and India posted drops of 3 percent and 7.1 percent, respectively.

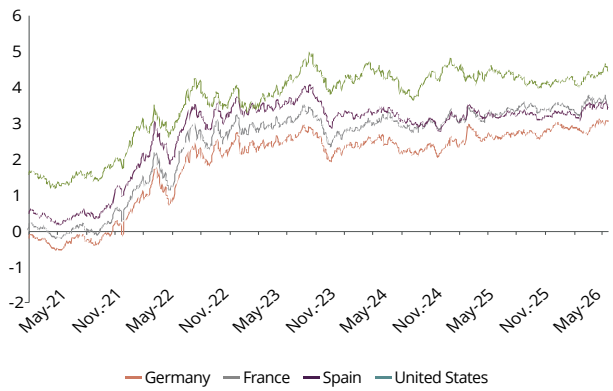
**Chart 1.4: Change in the VIX and the VSTOXX**




Source: Thomson Reuters Eikon.

With regard to sovereign bond markets, over the first five months of 2026, 10-year yield rose in the major advanced economies, reflecting, in particular, expectations of higher inflation and interest rates. Thus, it increased by 34.5 basis points (bps) in the United States (to 4.5 percent), by 8 basis points in Germany (2.9 percent), by 12 basis points in France (3.6 percent), by 30 basis points in Italy (3.8 percent), and by 21.3 basis points in Spain (3.5 percent). In the main emerging economies, this yield decreased by 7.8 basis points in China (to 1.8 percent), while it increased by 45 basis points in India (7 percent), by 27 basis points in Brazil (14.1 percent), and by 396 basis points in Türkiye (32.3 percent).

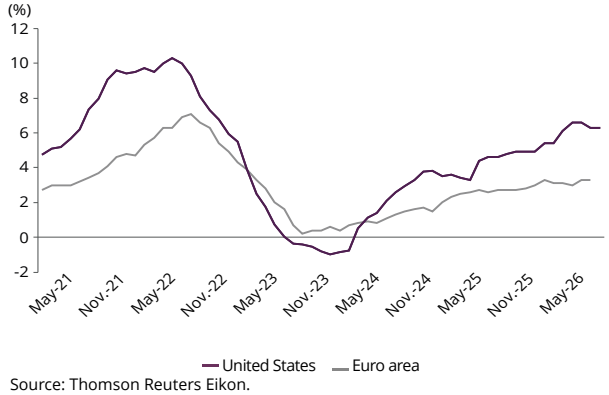
**Chart 1.5: Change in 10-year government bond yields**




Source: Thomson Reuters Eikon.

On the money markets, the 3-month EURIBOR rose by 6.3 basis points to 2.2 percent over the first five months of the year under study, while the 3-month SOFR fell by 35 basis points to 3.7 percent. As regards bank lending, its growth rate remained unchanged at 3.5 percent in April in the Eurozone and at 6.3 percent in the United States in May.

**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

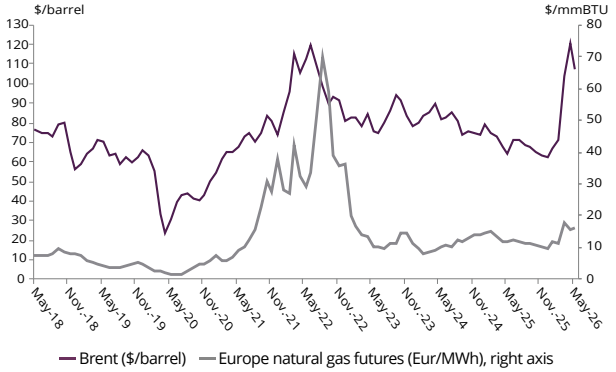
### 1.3.1 Energy commodity prices

The war in the Middle East caused major disruptions to oil and gas supply chains. On the oil market, this unprecedented supply shock led to a record drop in global inventories1. Under these conditions, the price of Brent crude increased by 49.7 percent over the first five months of 2026, to stand on average at 93.9 dollars per barrel, posting a 30.8 percent rise year-on-year.

Along the same lines, the price of natural gas in the European market rose by 52.9 percent over the same period, to stand on average at USD14.5/MMBtu, and to edge up by 9 percent compared with its level in the preceding year.

However, upward pressures on energy prices eased somewhat following the signing of a Memorandum of understanding between the United States and Iran. Accordingly, the price of Brent crude fell by 16.2 percent from the beginning of June, to USD 79.7 per barrel, while the price of natural gas in the European market dropped by 17.5 percent over the same period.

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



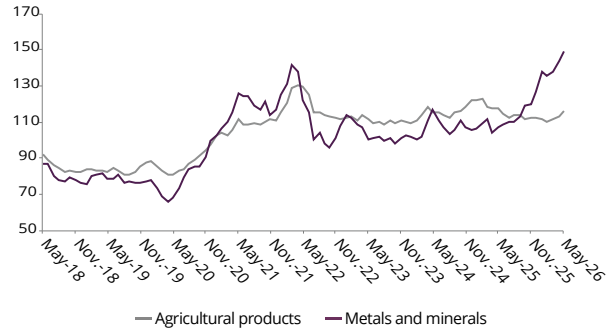

Source: World Bank.

### 1.3.2 Non-energy commodity prices

The non-energy price index rose by an average of 5.4 percent over the first five months of the year compared with December 2025, reflecting, in particular, increases of 11.4 percent in metal and mineral prices and 0.3 percent in agricultural commodity prices. Year-on-year, it posted an overall increase of 6.4 percent, mainly driven by a 30.7 percent rise in metal and mineral prices, while agricultural commodity prices fell by 6 percent. As for the price of gold, it continued its upward trend from the beginning of 2026, posting average increases of 11.1 percent and 58.4 percent year on year, to stand at USD 4,787.4 per ounce.

1 International Energy Agency Report on the Oil Market, May 2026

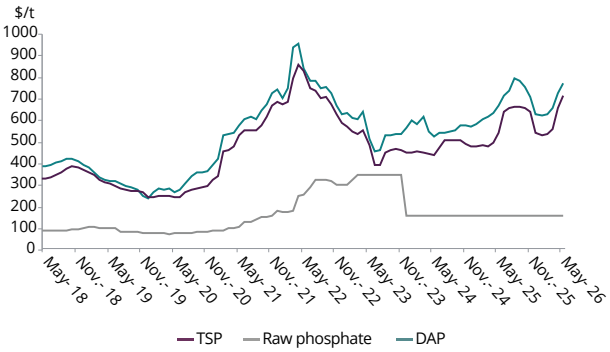
**Chart 1.8: Changes in non-energy commodity price indices (2010 = 100)**




Source: World Bank.

As for phosphate and its derivatives, prices rose by 8.3 percent to USD679.7/t for DAP and by 11.2 percent to USD599/t for TSP during the first five months of the year. On an annual basis, prices are up 9.4 percent for DAP and 21 percent for TSP. This surge is attributable to supply disruptions and rising input costs (sulfur, ammonia, and natural gas) caused by the conflict in the Middle East, as well as ongoing trade restrictions imposed notably by China. As for rock phosphate, its price remains unchanged—both month-on-month and year-on-year—at USD 152.5/t.

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



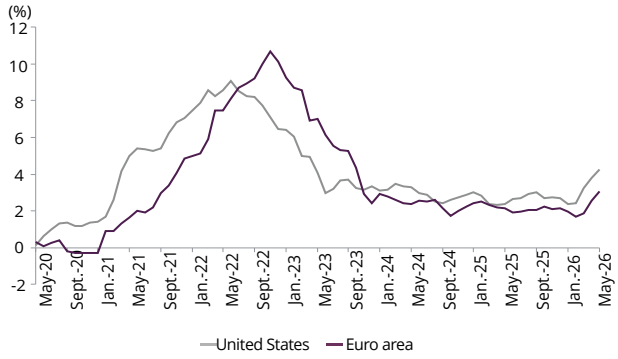

Source: World Bank.

## 1.3.3 Inflation

The surge in commodity prices, particularly energy prices, continued to exacerbate inflationary pressures worldwide. Thus, year-on-year inflation once again picked up in the U.S, from 3.8 percent in April to 4.2 percent in May. Similarly, in the Euro Area, it rose from 3.1 percent in April to 3.2 percent in May, with increases from 2.5 percent to 2.8 percent in France, from 3.5 percent to 3.6 percent in Spain, and from 2.8 percent to 3.2 percent in Italy, while a decline from 2.9 percent to 2.7 percent was recorded in Germany. In the other advanced economies, inflation remained stable at 2.8 percent in May in the United Kingdom and rose from 1.3 percent to 1.5 percent in Japan over the same period.

In the main emerging economies, inflation trends were diverging, with inflation stabilizing between April and May at 1.2 percent in China, increasing from 3.5 percent to 3.9 percent in India and from 4.4 percent to 4.7 percent in Brazil, while in Russia, it dropped from 5.6 percent to 5.3 percent over the same period.

**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)**

| | 2024 | 2025 | 2026 | | |
|---|---|---|---|---|---|
| | | | March | April | May |
| United States | 3.0 | 2.7 | 3.3 | 3.8 | 4.2 |
| Euro area | 2.4 | 2.1 | 2.6 | 3.1 | 3.2 |
| Germany | 2.5 | 2.3 | 2.8 | 2.9 | 2.7 |
| France | 2.3 | 0.9 | 2.0 | 2.5 | 2.8 |
| Spain | 2.9 | 2.7 | 3.4 | 3.5 | 3.6 |
| Italy | 1.1 | 1.6 | 1.6 | 2.8 | 3.2 |
| United Kingdom | 2.5 | 3.4 | 3.3 | 2.8 | 2.8 |
| Japan | 2.7 | 3.2 | 1.4 | 1.3 | 1.5 |

Sources: Thomson Reuters, Eurostat & FMI.

# 2. EXTERNAL ACCOUNTS

The first four months of 2026 were marked by the continued momentum in foreign trade in goods, travel receipts and transfers from Moroccans Living Abroad (MLA). Conversely, FDI receipts declined compared with the same period of the previous year. Accordingly, at end-April 2026, goods exports increased by 8.7 percent to 168.9 billion dirhams, while imports rose by 12.7 percent to 295.9 billion. Consequently, the trade deficit widened by 18.4 percent to 127 billion dirhams, and the coverage ratio dropped to 57.1 percent, as against 59.1 percent.

At the same time, travel receipts increased by 21.2 percent to 44.4 billion dirhams, while transfers from MLA rose by 9.8 percent to 40 billion dirhams. As regards the main financial transactions, FDI receipts amounted to 16.1 billion dirhams, compared with 20 billion a year earlier, while Moroccan direct investment abroad increased by 22 percent to 8.7 billion dirhams. At end-April 2026, official reserve assets increased by 20.3 percent to 469.8 billion dirhams, representing the equivalent of 5 months and 18 days of imports of goods and services.

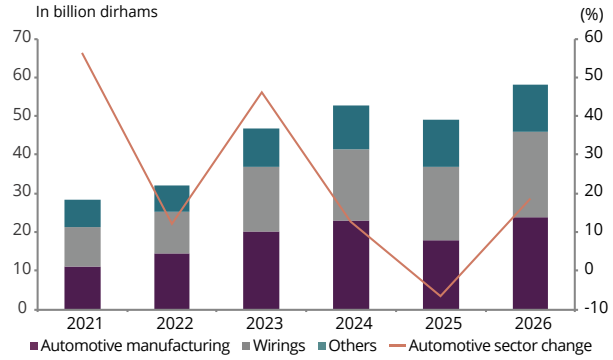
## 2.1 Trade balance

### 2.1.1 Exports

Automotive sector exports increased by 18.6 percent at end-April 2026 to 58.3 billion dirhams, driven by a 33.5 percent rise to 23.9 billion in sales of the “construction” segment and a 16.1 percent increase to 22.1 billion in “wiring”. Similarly, sales in the aeronautical sector continued their upward trend, expanding by 15.9 percent to 11 billion dirhams, mainly reflecting a 20.7 percent increase to 7.5 billion in the “assembly” segment. As for shipments of the “agriculture and agri-food” sector, they remained virtually unchanged at 36.8 billion dirhams, reflecting a 9.3 percent increase to 15 billion in agri-food industry exports and a 4.8 percent drop to 21 billion in agricultural product exports.

Conversely, sales of phosphates and derivatives fell by 1.5 percent to 27.1 billion dirhams. This change mainly reflects a 3.9 percent contraction to 19.3 billion in exports of “natural and chemical fertilizers”, as the 9.4 percent increase in their prices was more than offset by a 12.2 percent drop in quantities shipped. Similarly, sales of rock phosphate fell 3.2 percent, as a result of an 8.6 percent decrease in prices and a 6 percent increase in quantities. Conversely, phosphoric acid exports rose by 9.8 percent to 5.2 billion dirhams, due to a nearly 70 percent increase in its price compared with end-April 2025.

**Chart 2.1: Automotive sector exports at end 2025**




Source: Foreign Exchange Office.

At the same time, sales in the "textile and leather" sector decreased by 6.7 percent to 13.9 billion dirhams, reflecting drops of 6.1 percent to 9.2 billion in "ready-made garments" and 9.9 percent to 2.6 billion in "hosiery items".

As for exports of the "electronics and electrical" sector, they dropped by 3.5 percent to 5.5 billion dirhams, reflecting a 15.8 percent decline to 1.4 billion in "electronic components" exports, which was only partially offset by a 7.1 percent increase to 2.5 billion in sales of "wires and cables".

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

| Sectors/Segments | Jan.-Apr. | | Change | |
|---|---|---|---|---|
| | 2026 | 2025 | In value | In % |
| Exports | 168,856 | 155,314 | 13,542 | 8.7 |
| **Automotive** | **58,282** | **49,153** | **9,129** | **18.6** |
| Construction | 23,883 | 17,885 | 5,998 | 33.5 |
| Wiring | 22,091 | 19,034 | 3,057 | 16.1 |
| Powertrain | 3,734 | 4,334 | -600 | -13.8 |
| **Aeronautics** | **11,039** | **9,526** | **1,513** | **15.9** |
| Assembly | 7,484 | 6,201 | 1,283 | 20.7 |
| Electrical Wiring Interconnection System | 3,515 | 3,288 | 227 | 6.9 |
| **Other mining extractions** | **3,029** | **1,720** | **1,309** | **76.1** |
| Copper ore | 1,711 | 491 | 1,220 | - |
| Lead ore | 377 | 305 | 72 | 23.6 |
| Other metallic ores and metallic waste | 9 | 27 | -18 | -66.7 |
| **Agriculture and Agri-food** | **36,842** | **36,557** | **285** | **0.8** |
| Food industry | 15,022 | 13,750 | 1,272 | 9.3 |
| Tobacco industry | 471 | 397 | 74 | 18.6 |
| Agriculture, forestry, and hunting | 21,032 | 22,099 | -1,067 | -4.8 |
| **Electronics and electricity** | **5,498** | **5,697** | **-199** | **-3.5** |
| Electronic components | 1,383 | 1,643 | -260 | -15.8 |
| Electrical apparatus for line telephony or line telegraphy | 493 | 669 | -176 | -26.3 |
| Wires and cables | 2,466 | 2,303 | 163 | 7.1 |
| **Phosphates and derivatives** | **27,149** | **27,564** | **-415** | **-1.5** |
| Engrais naturels et chimiques | 19,326 | 20,114 | -788 | -3.9 |
| Phosphates | 2,672 | 2,759 | -87 | -3.2 |
| Acide phosphorique | 5,151 | 4,691 | 460 | 9.8 |
| **Textile and leather** | **13,868** | **14,863** | **-995** | **-6.7** |
| ready-made garments | 9,159 | 9,756 | -597 | -6.1 |
| Hosiery | 2,583 | 2,866 | -283 | -9.9 |
| Shoes | 949 | 954 | -5 | -0.5 |
| **Other industries** | **13,149** | **10,234** | **2,915** | **28.5** |
| Metallurgy and metalworking | 4,124 | 2,822 | 1,302 | 46.1 |
| Plastics and rubber industry | 1,246 | 605 | 641 | - |
| Pharmaceutical industry | 429 | 434 | -5 | -1.2 |

Source: Foreign Exchange Office.

## 2.1.2 Imports

Imports of capital goods strengthened by 21.8 percent to 72.6 billion dirhams, driven in particular by higher purchases of "aircraft and other aerial vehicles", which reached 3.4 billion dirhams, and of "Utility vehicles", amounting to 4.1 billion dirhams. Imports of consumer goods, for their part, rose by 15.2 percent to 73 billion dirhams, mainly reflecting increases of 25.6 percent to 13.2 billion in "passenger cars" and of 32.2 percent to 14.2 billion in their parts and components. At the same time, imports of raw products went up 48.8 percent to 19.2 billion dirhams, mainly as a result of the rise from 3.8 billion to 10.4 billion in purchases of "crude and unrefined sulfur", owing to the steep rise in its price on international markets. Imports of semi-finished products, meanwhile, amounted to 56.9 billion dirhams, up 2.7 percent.

The energy bill increased by 12 percent to 41.8 billion dirhams. By product, imports of "gas-oils and fuel-oils" rose by 23.5 percent to 21.8 billion dirhams, reflecting both a 15.2 percent increase in their prices and a 7.1 percent rise in imported quantities. Purchases of "petroleum oils and lubricants" also increased by 37.4 percent to 5.3 billion dirhams. Conversely, imports of "coal, coke and similar solid fuels" dropped by 14.5 percent, reflecting decreases in both imported quantities and prices. As regards food products, imports declined by 5.9 percent to 31.5 billion dirhams, mainly due to a 51.7 percent decrease to 1.4 billion in purchases of "raw or refined sugar".

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

| Main products | Jan.-Apr. | | Change | |
|---|---|---|---|---|
| | 2026 | 2025 | In value | In % |
| Imports | 295,901 | 262 594 | 33 307 | 12,7 |
| **Capital goods** | **72 607** | **59 593** | **13 014** | **21,8** |
| Aircraft and other aerial or space vehicles | 3 370 | 260 | 3 110 | - |
| Utility cars | 4 076 | 2 309 | 1 767 | 76,5 |
| Parts of aircraft and other aerial vehicles | 7 596 | 6 038 | 1 558 | 25,8 |
| **Finished consumer products** | **72 975** | **63 373** | **9 602** | **15,2** |
| Parts and components for passenger cars | 14 220 | 10 757 | 3 463 | 32,2 |
| Passenger cars | 13 177 | 10 492 | 2 685 | 25,6 |
| Medicines and other pharmaceutical products | 4 666 | 4 001 | 665 | 16,6 |
| **Raw products** | **19 232** | **12 924** | **6 308** | **48,8** |
| Crude and unrefined sulfur | 10 447 | 3 766 | 6 681 | - |
| Scrap metal, waste, and other ores | 1 913 | 1 515 | 398 | 26,3 |
| Olive oil, crude or refined | 41 | 437 | -396 | -90,6 |
| **Energy and lubricants** | **41 781** | **37 300** | **4 481** | **12,0** |
| Gas oils and fuel oils | 21 783 | 17 643 | 4 140 | 23,5 |
| Petroleum oils and lubricants | 5 274 | 3 839 | 1 435 | 37,4 |
| Coal, coke, and similar solid fuels | 4 141 | 4 844 | -703 | -14,5 |
| **Semi-finished products** | **56 923** | **55 406** | **1 517** | **2,7** |
| Copper wire, bars, and profiles | 5 122 | 3 738 | 1 384 | 37,0 |
| Piping accessories and metal construction components | 2 288 | 1 568 | 720 | 45,9 |
| Semi-finished products of iron or non-alloy steel | 929 | 1 892 | -963 | -50,9 |
| **Food products** | **31 518** | **33 486** | **-1 968** | **-5,9** |
| Raw or refined sugar | 1 394 | 2 888 | -1 494 | -51,7 |
| Live animals | 1 398 | 2 246 | -848 | -37,8 |
| Oatcakes | 2 906 | 2 404 | 502 | 20,9 |
| Wheat | 6 240 | 6 090 | 150 | 2,5 |

Source: Foreign Exchange Office.

## 2.2 Other components of the current account balance

Regarding the balance of services, its surplus went up 16.4 percent to 54.9 billion dirhams, reflecting increases of 13.9 percent in exports to 106.1 billion dirhams and 11.4 percent in imports to 51.2 billion dirhams.

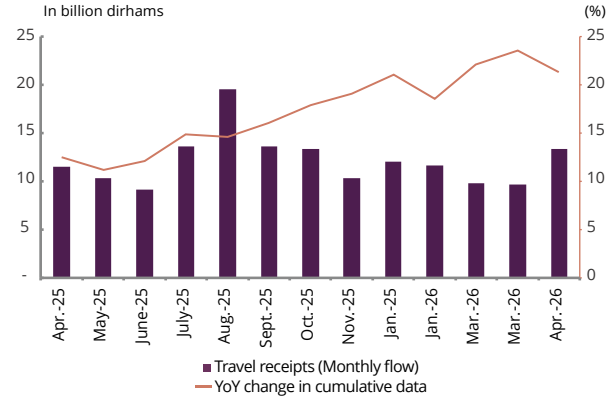
**Table 2.3: Balance of services (in million dirhams)**

| | Jan.-Apr. | | Change | |
|---|---|---|---|---|
| | 2026 | 2025 | In value | In % |
| Imports | 51,186 | 45,958 | 5,228 | 11.4 |
| Exports | 106,099 | 93,154 | 12,945 | 13.9 |
| Balance | 54,913 | 47,196 | 7,717 | 16.4 |

Source: Foreign Exchange Office.

In particular, travel receipts continued to grow, reaching 44.4 billion dirhams at end-April 2026, 21.2 percent higher than the level registered during the same period a year earlier. Similarly, travel expenditure increased by 5.4 percent to 9.8 billion dirhams.

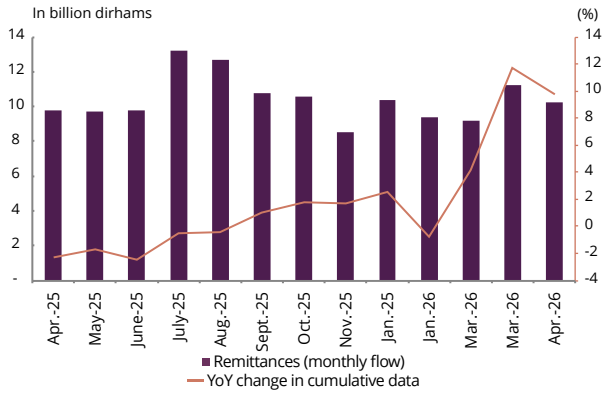
**Chart 2.2: Monthly change in travel receipts**




Source: Foreign Exchange Office.

As for remittances from MLA, they increased by 9.8 percent to 40 billion dirhams.

**Chart 2.3: Monthly change in remittances of MLAs**




Source: Foreign Exchange Office.

## 2.3 Financial account

Concerning the main financial transactions, net FDI inflows declined by 10.1 percent to 11.7 billion dirhams, reflecting a 19.6 percent drop in receipts to 16.1 billion dirhams and a 37.2 percent decline in expenditures to 4.4 billion dirhams. As for Moroccan direct investment abroad, its net flow increased by 41.9 percent to 3.5 billion dirhams, mainly reflecting a 22 percent increase in expenditures to 8.7 billion dirhams.

At end-April 2026, official reserve assets rose by 20.3 percent to 469.8 billion dirhams, representing the equivalent of 5 months and 18 days of imports of goods and services.

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

| | Jan.-Apr. | | Change | |
|---|---|---|---|---|
| | 2026 | 2025 | In value | In % |
| Foreign direct investments | 11 657 | 12 967 | -1 310 | -10,1 |
| Revenues | 16 089 | 20 019 | -3 930 | -19,6 |
| Expenditure | 4 432 | 7 052 | -2 620 | -37,2 |
| Moroccan direct investments abroad | 3 468 | 2 444 | 1 024 | 41,9 |
| Expenditure | 8 741 | 7 167 | 1 574 | 22,0 |
| Revenues | 5 273 | 4 723 | 550 | 11,6 |

Source: Foreign Exchange Office.

# 3. MONEY, CREDIT AND ASSET MARKET

During the first quarter of 2026, monetary conditions were marked by a 16 bps drop in the overall average lending rate to 4.66 percent and a 0.9 percent depreciation of the real effective exchange rate. As regards bank loans to the non-financial sector, its annual growth rate continued to accelerate, rising from 6.3 percent in the first quarter of 2026 to 8.1 percent in April. As for the other counterparts of the money supply, net claims on the central government rose by 10.1 percent in April, following an increase of 2.8 percent in the first quarter of 2026, while official reserve assets increased by 20.3 percent as against 23.4 percent. Overall, the money supply increased by 11.8 percent, as against 10 percent.

On the real estate market, prices fell by 2.4 percent in the first quarter of 2026, following near-stagnation in the previous quarter. This change reflected decreases of 3.1 percent in residential and urban land prices, and of 0.8 percent in prices of properties for professional use. At the same time, the volume of transactions contracted by 42.3 percent, after increasing by 28.7 percent a quarter earlier, with declines at 47.3 percent in urban land transactions, 42.6 percent in transactions involving properties for professional use, and 40.6 percent in residential property transactions.

On the Casablanca Stock Exchange, the MASI index rose by 10 percent in May, following a drop of 8.9 percent in the first quarter of 2026, thus returning to a level close to that registered at the beginning of the year. Against this backdrop, market capitalization stood at 1,100.6 billion dirhams, up 14.3 percent compared with end-March and 5.8 percent since the beginning of the year.

## 3.1 Monetary conditions

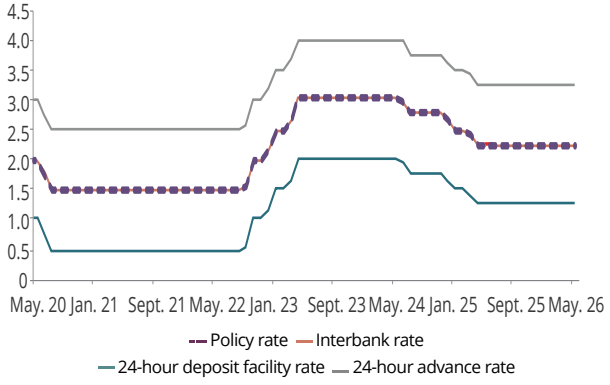
### 3.1.1 Bank liquidity and interest rates

The banking liquidity deficit widened to an average of 143.6 billion dirhams in April and May, compared with 136.4 billion in the first quarter of 2026.

Accordingly, Bank Al-Maghrib increased the volume of its liquidity injections from 151.7 billion dirhams in the first quarter of 2026 to 161.5 billion, broken down mainly between 7-day advances up to 62.5 billion dirhams, repo agreement up to 52.2 billion dirhams, and guaranteed loans, granted notably under the financing support programs for VSEs and SMEs, up to 46.8 billion dirhams.

Under these conditions, the interbank rate remained aligned with the key rate.

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

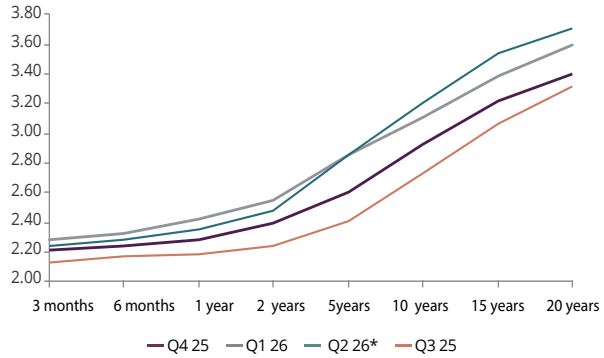



In the Treasury bond market, yields slightly edged up for longer maturities, on average in April and May 2026, while remaining virtually unchanged for short- and medium-term maturities, in both the primary and secondary markets.

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

| | 2025 | | | | 2026 | | |
|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Apr. | May |
| 26 weeks | 2.45 | 2.09 | 1.94 | 2.10 | 2.19 | - | 2.21 |
| 52 weeks | 2.54 | 2.02 | 2.02 | 2.20 | 2.39 | 2.29 | 2.28 |
| 2 years | 2.60 | 2.20 | 2.24 | 2.44 | 2.58 | 2.39 | 2.39 |
| 5 years | 2.83 | 2.46 | 2.39 | 2.58 | 2.81 | 2.86 | 2.85 |
| 10 years | 3.17 | 2.80 | 2.72 | 2.74 | 2.96 | - | - |
| 15 years | 3.45 | 3.12 | 3.07 | 3.13 | - | - | - |

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



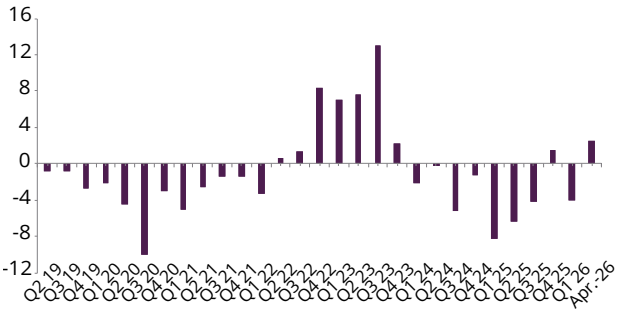

*Average obsereved in April and May 2026.

In the negotiable debt securities market, issuance rates on certificates of deposit increased by 21 basis points in April compared with the first quarter of 2026. As regards deposit rates, they increased by 62 basis points to 2.81 percent for 6-month deposits and remained unchanged at 2.78 percent for 1-year deposits. In addition, the remuneration rate for savings accounts was set at 1.61 percent for the first half of 2026, compared with 1.91 percent in the second half of 2025. Under these conditions, banks' funding cost[1] remained broadly unchanged between the first quarter of 2026 and April.

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

| | 2024 | | 2025 | | | | 2026 | |
|---|---|---|---|---|---|---|---|---|
| | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Apr. |
| 6 months | 2.77 | 2.45 | 2.53 | 2.45 | 2.40 | 2.54 | 2.19 | 2.81 |
| 12 months | 2.60 | 2.88 | 2.78 | 2.80 | 2.51 | 2.65 | 2.78 | 2.78 |

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




As regards lending rates, the results of Bank Al-Maghrib's survey with banks for the first quarter of 2026 show a quarter-on-quarter decline of 16 bps in the overall average rate to 4.66 percent. By institutional sector, lending rates to non-financial corporations declined by 18 basis points to 4.54 percent, reflecting decreases of 59 basis points to 4.36 percent for equipment loans, 11 basis points to 4.46 percent for cash facilities, and 7 basis points to 5.37 percent for real estate development loans. By business size, lending rates decreased by 19 basis points to 4.55 percent for large enterprises and by 2 basis points to 5.20 percent for VSMEs. Rates on loans to individuals increased by 5 basis points to 5.74 percent, reflecting 2 basis points rise to 7.21 percent for account receivables and cash loans, near-stability at 4.66 percent for housing loans, and a drop of 3 basis points to 6.86 percent for consumer loans.

1 Banks' funding cost is calculated as a weighted average of the costs of their various funding sources.

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

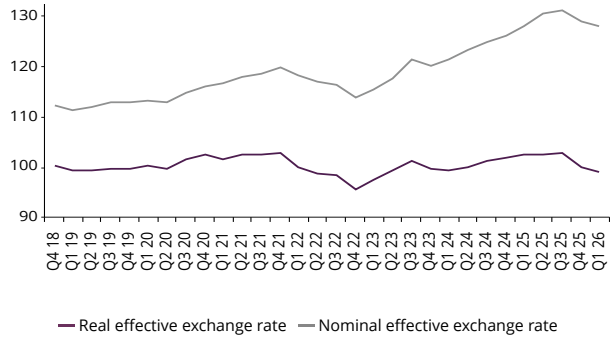
| | 2025 | | | | 2026 |
|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 |
| Overall rate | 4.98 | 4.84 | 4.85 | 4.82 | 4.66 |
| Individuals | 5.96 | 5.77 | 5.71 | 5.69 | 5.74 |
| Real estate loans | 4.74 | 4.68 | 4.64 | 4.67 | 4.66 |
| Consumer loans | 7.13 | 6.88 | 6.89 | 6.89 | 6.86 |
| Non-financial corporations | 4.84 | 4.72 | 4.74 | 4.72 | 4.54 |
| Cash flow loans | 4.73 | 4.64 | 4.72 | 4.57 | 4.46 |
| Equipment loans | 5.14 | 4.82 | 4.48 | 4.95 | 4.36 |
| Real estate loans | 5.48 | 5.47 | 5.37 | 5.44 | 5.37 |

## 3.1.2 Exchange rate

Between the fourth quarter of 2025 and the first quarter of 2026, the euro appreciated by 0.6 percent against the U.S. dollar. Accordingly, the dirham depreciated by 0.7 percent against the euro and by 0.1 percent vis-à-vis the U.S. dollar.

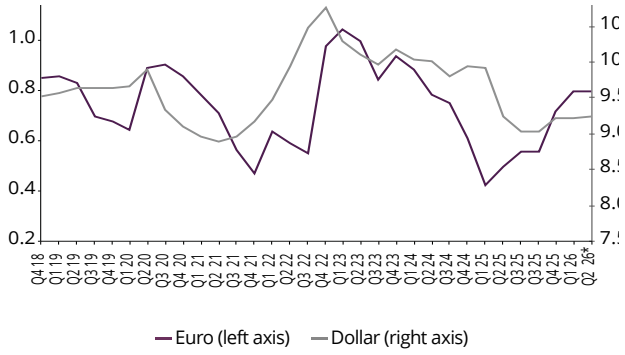
Compared with the currencies of other partner countries, the Moroccan currency depreciated by 2.5 percent against the Chinese yuan, by 1.5 percent against the pound sterling, and by 2.6 percent against the Brazilian real, while appreciating by 3.3 percent against the Turkish lira. Consequently, the effective exchange rate fell by 0.7 percent in nominal terms and by 0.9 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)**




Conversely, data for April and May 2026 indicate that the euro depreciated by an average of 0.2 percent against the U.S. dollar compared with the first quarter of 2026. Under these conditions, the dirham depreciated by 0.2 percent vis-à-vis the U.S. dollar and by 0.1 percent against the euro.

**Chart 3.5: Dirham exchange rate**




*Average obsereved in April and May 2026.

Regarding transaction volumes, the amount of foreign exchange transactions against dirhams on the interbank market stood at nearly 30 billion dirhams in April, down 4.8 percent compared with the first quarter of 2026. As for banks' spot transactions with their customers, purchases rose by 20.9 percent to 43.7 billion dirhams, while sales rose by 22.4 percent to 44 billion dirhams. As regards forward transactions, purchases totaled 3.9 billion dirhams, up 5.8 percent, while sales stood at 19.5 billion dirhams, up 38.9 percent.

## 3.1.3 Monetary situation[1]

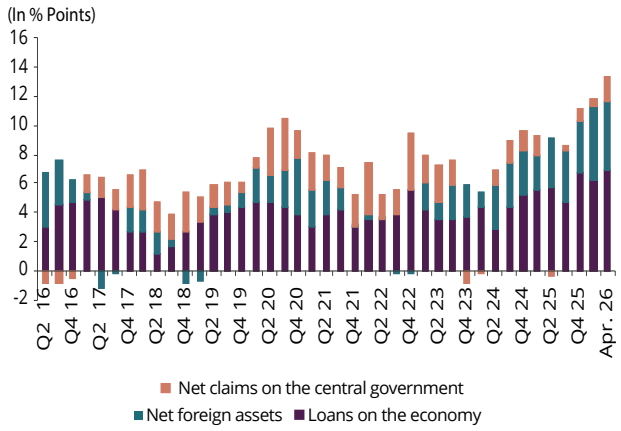
M3 aggregate rose by 11.8 percent in April 2026, as against 10 percent in the first quarter. By main components, this acceleration mainly reflected increases from 10.5 percent to 12.2 percent in sight deposits, from 14.7 percent to 24.1 percent in money market mutual funds, and from 17 percent to 18.4 percent in currency in circulation. Conversely, foreign currency deposits slowed from

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

22 percent to 14 percent, while time deposits further dropped from 0.2 percent to 2.7 percent.

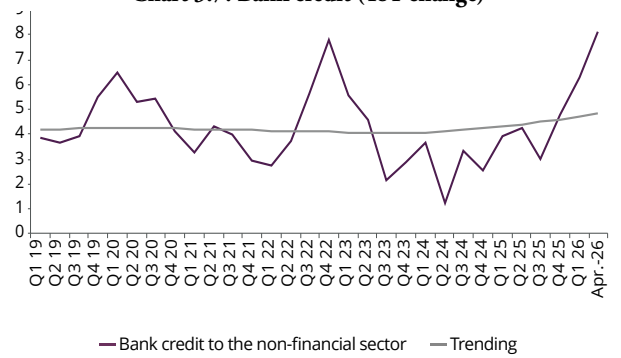
By main counterparts, the change in money supply was the result of an acceleration in net claims on the central government from 2.8 percent to 10.1 percent in April and in bank credit from 7.5 percent to 7.8 percent, as well as a slowdown in the growth of official reserve assets from 23.4 percent to 20.3 percent.

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




More specifically, bank loans to the non-financial sector increased by 8.1 percent in April, following 6.3 percent in the first quarter of 2026.

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



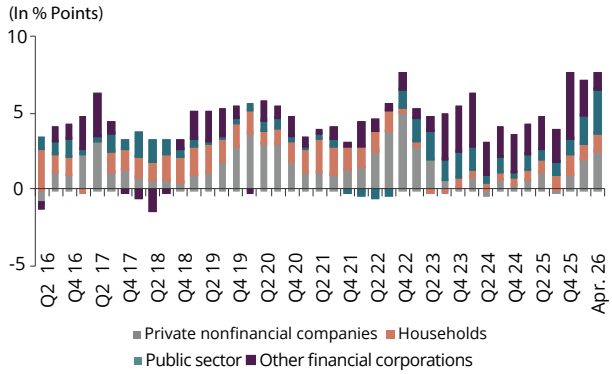

This development mainly reflects a significant increase in lending to local government entities, in connection with loans granted in April under the seawater desalination projects and the extension of the high-speed rail line.

Similarly, the growth rate of loans to private businesses accelerated from 5 percent to 6.4 percent, reflecting increases from 1.1 percent to 3.4 percent in cash facilities and from 12.9 percent to 14.5 percent in equipment loans, while real-estate development loans, conversely, slowed from 6.2 percent to 4.9 percent.

As regards loans to individuals, they rose by 3.6 percent in April, following 3.4 percent in the first quarter, reflecting increases from 2.4 percent to 2.6 percent in housing loans and from 3.9 percent to 4.8 percent in consumer loans. Similarly, loans to individual entrepreneurs posted an acceleration in their growth from 0.3 percent to 1.8 percent.

On the other hand, the growth rate of loans to state-owned businesses slowed from 5.5 percent to 4.8 percent in April, reflecting a slowdown from 20.3 percent to 18.5 percent in equipment loans and a moderate drop in cash facilities from 10.9 percent to 10.5 percent.

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

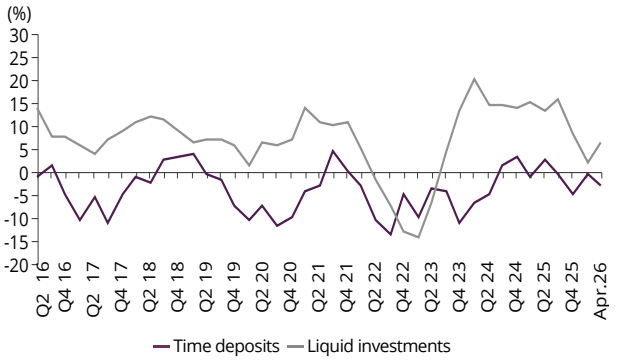



By sector of activity, data for the first quarter of 2026 show year-on-year increases in loans granted to businesses by 11.2 percent for the "Construction" sector, 6.5 percent for the "Commerce, Automotive Repairs and Household Goods" sector, and 30.9 percent for the "Chemical and Para-chemical Industries" sector. Conversely, loans to businesses contracted by 21.9 percent for "Transport and Communications", by 13.3 percent for "Extractive Industries", and by 6.8 percent for "Other Manufacturing Industries".

Concerning non-performing loans, their growth rate remained unchanged at 2.6 percent in April 2026, while their ratio to outstanding bank credit remained virtually unchanged at 8.3 percent. They rose by 2.2 percent for private non-financial corporations and by 3.3 percent for households, with respective ratios of 12.7 percent and 10.7 percent.

As for loans granted by financial companies other than banks to the non-financial sector, they increased by 16.3 percent in the first quarter of 2026. This development reflects increases of 14.4 percent in credit extended by finance companies, 27.1 percent in lending provided by offshore banks, and 7 percent in loans granted by microfinance institutions.

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




Regarding liquid investment aggregates, their growth rate accelerated from 2.2 percent in the first quarter to 6.7 percent in April, reflecting a 2.5 percent increase in Treasury bills, following a 3 percent drop, as well as accelerations in the growth of bond mutual funds from 4.7 percent to 7.5 percent and equity and diversified mutual funds from 9.1 percent to 16.9 percent.

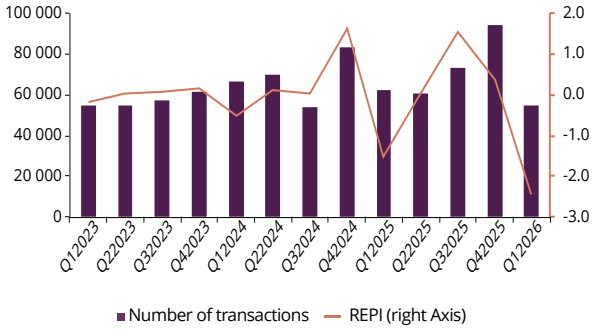
## 3.2 Asset prices

### 3.2.1 Real estate assets

In the first quarter of 2026, the real estate asset price index dropped by 2.4 percent, following near-stagnation in the previous quarter. This development reflected decreases of 3.1 percent in residential properties and land prices, and of 0.8 percent in prices of property for professional use. At the same time, the volume of transactions fell by 42.3 percent, following an increase of 28.7 percent a quarter earlier, with declines of 47.3 percent in land transactions, 42.6 percent in transactions involving property for professional use, and 40.6 percent in residential property transactions.

Excluding Oujda, where prices remained virtually unchanged, the drop affected all other major cities, with decreases ranging from 0.4 percent in Agadir to 4.9 percent in Rabat. As regards sales, the decline affected all major cities, with rates ranging from 34.3 percent in El Jadida to 56.7 percent in Rabat.

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




Source: BAM and ANCFCC.

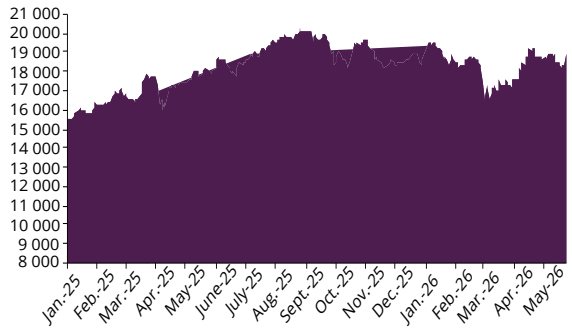
### 3.2.2 Financial assets

#### 3.2.2.1 Shares

Following a decline of 8.9 percent in the first quarter of 2026, the MASI index rose by 10 percent in May, thus returning to a level close to that recorded at the beginning of the year. This development was driven mainly by the "Mining" sector, whose index jumped by 92.8 percent, contributing 7.1 percentage points to the rise in the MASI. To a lesser extent, it was also driven by increases of 3.9 percent in the "Building and Construction Materials" sector index, 7.5 percent

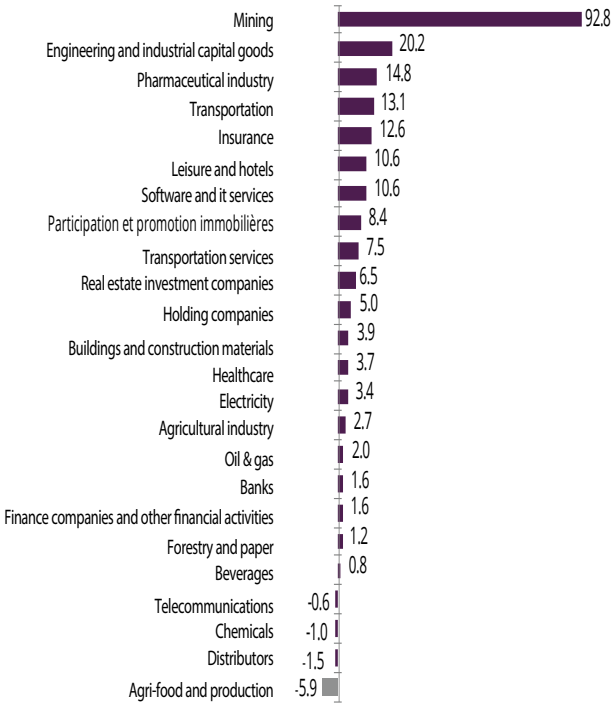
in the "Transport Services" sector index, and 1.6 percent in the "Banks" sector index.

**Chart 3.11: Change in MASI index**




Sources: Casablanca Stock Exchange.

**Graph 3.12: Evolution of Sectoral Indices in May compared to first quarter of 2026 (in percent)**



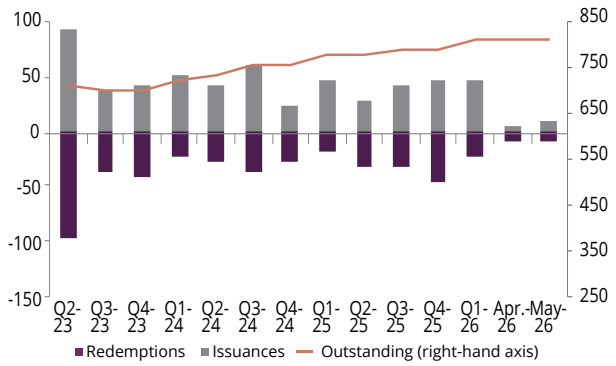

Sources: Casablanca Stock Exchange.

As regards trading volume, it averaged 8 billion dirhams in April and May, from 9 billion over the first quarter of 2026. Under these conditions, market capitalization stood at 1,100.6 billion dirhams, up 14.3 percent compared with end-March and 5.8 percent since the beginning of the year.

### 3.2.2.2 Sovereign debt market

In April and May, average monthly Treasury bill issuances amounted to 6.3 billion dirhams, compared with 15.2 billion over the first quarter of 2026. They consisted of 51 percent short-term maturities and 49 percent of medium-term maturities. Taking into account repayments amounting to 8.4 billion dirhams over the past two months, the outstanding stock of Treasury bills stood at 807.1 billion dirhams by end-May, up 2.5 percent compared with end-December 2025.

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




Source: BAM.

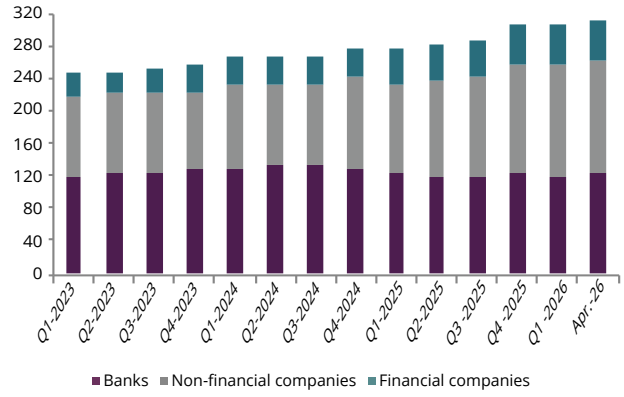
### 3.2.2.3 Private debt market

Private debt securities issuances stood at 13.3 billion dirhams in April, compared with a monthly average of 7 billion over the first quarter. Issuances by financial companies reached 11.4 billion dirhams, while those by non-financial companies stood at 900 million, as against respective monthly averages of 3.7 billion and 3.3 billion dirhams in the first quarter.

By instrument, negotiable debt securities issuances stood at 10.8 billion dirhams, mainly as certificates of deposit, amounting to 9.1 billion dirhams. Bond issuances, for their part, stood at 2.5 billion dirhams, 60 percent of which were raised by other state-owned financial companies.

Taking into account repayments, the outstanding stock of private debt stood at 314.6 billion dirhams at end-April 2026.

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




Source: Maroclear and BAM calculations.

### 3.2.2.4 UCITS

Over the first five months of the year1, subscriptions to mutual funds amounted to 661.9 billion dirhams, as against 672.2 billion during the same period a year earlier. In turn, redemptions stood at 599.1 billion, as against 594.5 billion, resulting in a net collection of 62.8 billion dirhams.

As regards performance, yields reached 2.5 percent and 2.2 percent, respectively, for short-term bond funds and money market funds. Conversely, yields dropped by 0.1 percent for medium- and long-term bond funds, by 0.7 percent for diversified funds, and by 1.5 percent for equity funds.

Net assets of mutual funds stood at 844.3 billion dirhams in May, up 7.5 percent compared with December 2025, driven by increases ranging from 8.6 percent for diversified funds to 44.8 percent for contractual funds. Conversely, long-term bond funds and equity funds posted declines of 1.8 percent and 1.5 percent, respectively.

1 The most recent data available is as of May 15, 2026.

# 4. FISCAL POLICY TREND

At end-April 2026, budget execution resulted in an overall deficit of 19.1 billion dirhams, up 1.6 billion compared to the same period in 2025. Ordinary revenues increased by 7.2 percent to 159.4 billion, reflecting an 8.4 percent rise in tax revenues and a 10.5 percent drop in non-tax revenues. At the same time, current expenditures rose by 10.4 percent to 161.3 billion, driven in particular by an 11.7 percent increase in expenditures on goods and services and a 15.8 percent rise in debt interest payments, while subsidy costs fell by 6.2 percent. Under these circumstances, the current balance showed a deficit of 2 billion, compared to a surplus of 2.5 billion at the end of April 2025. Meanwhile, capital spending jumped 24.9 percent to 43.6 billion, bringing total expenditures to 204.9 billion, up 13.2 percent. As for the balance of the Treasury's special accounts, it showed a surplus of 26.5 billion, compared with 14.9 billion a year earlier.

In view of the reduction in pending transactions by 1.8 billion dirhams, the cash deficit narrowed to 20.9 billion, down from 33.3 billion a year earlier. This funding requirement and the negative net flow from external financing of 2.5 billion were covered by domestic resources totaling 23.4 billion. Thus, outstanding direct debt is estimated to have increased by 1.5 percent as at end-April 2026 compared to its level at end-December 2025. As for the Treasury's borrowing conditions, they have generally improved compared to the same period in 2025.

## 4.1 Current revenues

Budget execution at end-April 2026 shows a 7.2 percent increase in ordinary revenues to 159.4 billion, reflecting an 8.4 percent rebound in tax revenue to 148.9 billion.

Revenue from direct taxes rose by 11.7 percent to 73 billion dirhams, mainly reflecting a 24.9 percent rise in corporate tax (CT) receipts to MAD 45.4 billion and a 4.3 percent decline in income tax (IT) receipts to 26.1 billion dirhams. The decrease in the latter was primarily due to the collection, in January 2025, of exceptional revenue amounting to 3.8 billion dirhams related to the voluntary tax regularization scheme. Excluding this revenue, IT receipts would have increased by 11.1 percent. As for the rise in CT receipts, it was mainly driven by the increase in the final settlement payment, by 4.1 billion dirhams, and in the first advance payment, by 4 billion.

As for indirect taxes, they generated 60.3 billion, up 4.6 percent, reflecting a 3.9 percent increase to 48 billion in VAT revenue and a 7.4 percent increase to 12.4 billion in Internal consumption Tax (ICT). The change in the latter tax reflects, in particular, a 7.9 percent increase to 7.4 billion in ICT on energy products and a 5.8 percent increase to 4 billion in ICT on tobacco products. The rebound in VAT, for its part, reflects increases of 5.6 percent to 30.9 billion in import VAT revenue and 1 percent to 17 billion in domestic VAT revenue.

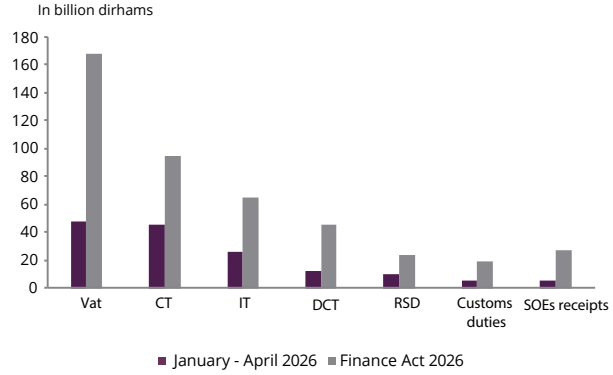
**Table 4.1: Current revenues (in billion dirhams)***

| | Jan. - Apr. 2025 | Jan. - Apr. 2026 | Change in % | FA 2026 | Actual rates vs FA ( percent) |
|---|---|---|---|---|---|
| Current revenues | 148.7 | 159.4 | 7.2 | 480.6 | 33.2 |
| Tax revenues | 137.4 | 148.9 | 8.4 | 420.3 | 35.4 |
| - Direct taxes | 65.3 | 73.0 | 11.7 | 164.2 | 44.4 |
| Includ. CT | 36.4 | 45.4 | 24.9 | 94.5 | 48.1 |
| I.T | 27.3 | 26.1 | -4.3 | 64.5 | 40.5 |
| - Indirect taxes | 57.7 | 60.3 | 4.6 | 213.6 | 28.3 |
| VAT* | 46.2 | 48.0 | 3.9 | 168.2 | 28.5 |
| DCT | 11.5 | 12.4 | 7.4 | 45.4 | 27.3 |
| - Customs duties | 5.4 | 5.5 | 2.8 | 18.5 | 29.9 |
| - Registration and stamp duties | 9.0 | 10.0 | 11.5 | 24.0 | 41.8 |
| Nontax revenues | 9.6 | 8.6 | -10.5 | 56.7 | 15.2 |
| - Revenues from SOE (State-Owned Enterprises) | 4.9 | 5.3 | 7.9 | 27.5 | 19.2 |
| - Other revenues | 4.7 | 3.3 | -29.6 | 29.2 | 11.4 |
| - Innovative financing mechanisms | 0.0 | 0.0 | - | 20.0 | 0.0 |
| TSA revenues | 1.7 | 1.9 | 11.4 | 3.6 | 52.0 |

* 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.

On the other hand, customs duty receipts increased by 2.8 percent to 5.5 billion dirhams, while receipts from registration and stamp duties rose by 11.5 percent to 10 billion dirhams.

**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

As for non-tax revenues, receipts under the "other revenue" item dropped by 29.6 percent to 3.3 billion dirhams year-on-year. Revenue from state-owned institutions and enterprises (SIEs) totaled 5.3 billion dirhams at end-April 2026, as against 4.9 billion dirhams a year earlier.

## 4.2 Expenses

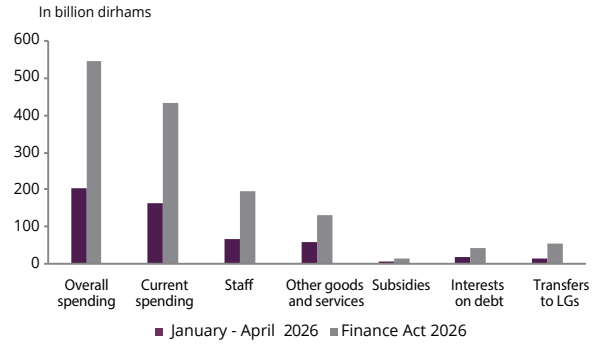
Total expenditure increased by 13.2 percent to 204.9 billion dirhams at end-April 2026, reflecting increases of 10.4 percent to 161.3 billion in current expenditure and 24.9 percent to 43.6 billion in capital spending. Expenditure on goods and services amounted to 123 billion, up 11.7 percent, reflecting increases of 9.6 percent to 63.9 billion in the wage bill and 14 percent to 59.1 billion in expenditure on other goods and services. The latter includes transfers amounting to 29.2 billion to SIEs, up 30.9 percent, and 13.2 billion to the Treasury special accounts, down 23.3 percent. Concerning the wage bill, the portion paid by the Personnel Expenditure Directorate rose by 8.9 percent to 52.5 billion, reflecting a 6.2 percent increase in its structural component and a 106 percent rise in arrears which reached 2.7 billion.

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

| | Jan. - Apr. 2025 | Jan. - Apr. 2026 | Change in % | FA 2026 | Actual rates vs FA ( percent) |
|---|---|---|---|---|---|
| Overall expenditure | 181,1 | 204,9 | 13,2 | 548,1 | 37,4 |
| Current expenditure | 146,2 | 161,3 | 10,4 | 433,2 | 37,2 |
| Goods and services | 110,1 | 123,0 | 11,7 | 324,0 | 38,0 |
| Wage bill | 58,3 | 63,9 | 9,6 | 195,3 | 32,7 |
| Other goods and services | 51,8 | 59,1 | 14,0 | 128,7 | 45,9 |
| Debt interests | 13,7 | 15,9 | 15,8 | 41,6 | 38,2 |
| Subsidy cost | 7,6 | 7,1 | -6,2 | 13,9 | 51,4 |
| Transfer to local governments | 14,8 | 15,3 | 3,9 | 53,8 | 28,5 |
| Investment | 34,9 | 43,6 | 24,9 | 114,8 | 38,0 |

* 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.

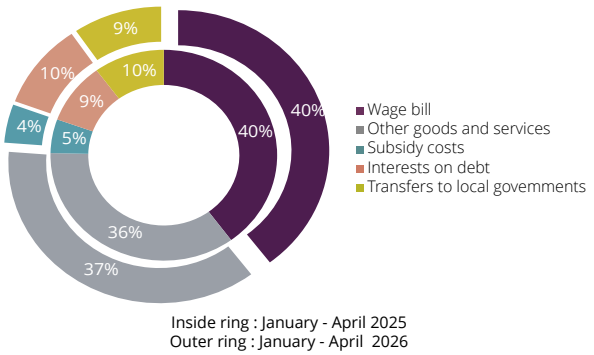
**Chart 4.2: Expenditure execution compared to the FA**




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

Public debt interest charges increased by 15.8 percent to 15.9 billion dirhams, reflecting increases of 16.2 percent to 11.8 billion in interest on domestic debt and 14.8 percent to 4.1 billion in those on external debt.

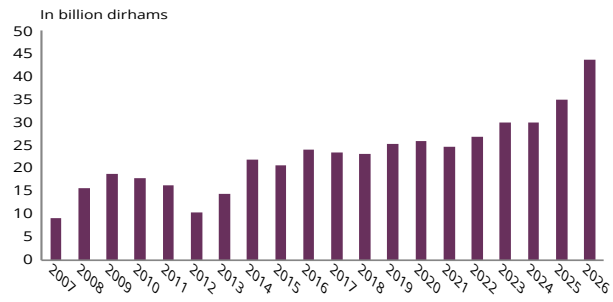
**Chart 4.3: Structure of current expenditure**




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

Subsidy costs decreased by 6.2 percent to 7.1 billion dirhams, while capital spending increased by 24.9 percent to 43.6 billion.

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

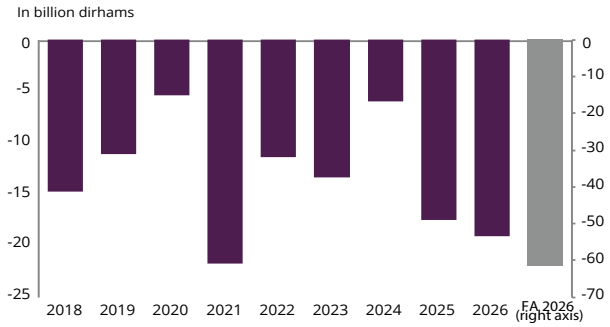



Sources: Ministry of Economy and Finance (DTFE).

## 4.3 Deficit and Treasury Financing

Taking into account the changes in revenue and expenditure, as well as the balance of the Treasury special accounts, the Treasury's revenue and expenditure position resulted in a widening of the fiscal deficit, from 17.5 billion dirhams to 19.1 billion. In addition, the Treasury reduced its outstanding operations by 1.8 billion, compared with 15.7 billion at end-April 2025, thereby lowering the cash deficit to 20.9 billion, compared with 33.3 billion a year earlier.

**Chart 4.5: Fiscal balance, at end-April**




Source: MEF (DTFE).

The Treasury's financing needs and the negative net flow of external financing were covered by net domestic resources up to 23.4 billion dirhams. The external financing flow comprised gross drawings of 7.3 billion, compared with 32.5 billion a year earlier, and repayments of 9.8 billion, compared with 3.9 billion a year earlier.

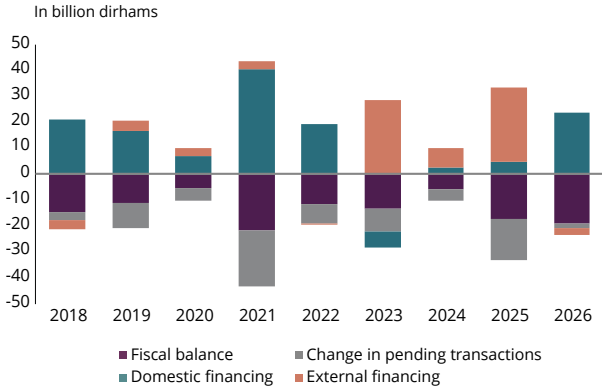
**Table 4.3: Deficit financing (in billion dirhams)**

| | Jan. - Apr. 2025 | Jan. - Apr. 2026 | FA 2026 |
|---|---|---|---|
| Current balance | 2.5 | -2.0 | 47.4 |
| TSA Balance | 14.9 | 26.5 | 6.0 |
| Primary balance | -3.8 | -3.2 | -13.9 |
| Fiscal balance | -17.5 | -19.1 | -61.4 |
| Change in pending transactions | -15.7 | -1.8 | 0.0 |
| Financing requirements | -33.3 | -20.9 | -61.4 |
| Domestic financing | 4.7 | 23.4 | 14.4 |
| External financing | 28.6 | -2.5 | 41.0 |
| Privatization | 0.0 | 0.0 | 6.0 |

Sources: Ministry of Economy and Finance (DTFE).

Regarding domestic financing, recourse to the auction market raised a net amount of 18.3 billion dirhams, compared with 21.6 billion a year earlier. Net subscriptions mainly targeted 2-year maturities, up to 13.1 billion, 5-year maturities for 8.2 billion, and 10-year maturities for MAD 2.7 billion. At the same time, net redemptions were carried out on 20-year T-bills, amounting to 3.5 billion, 52-week T-bills for 1.9 billion, and 26-week T-bills for 150 million.

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




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

Regarding Treasury financing conditions on the auction market, data as at end-April indicate a drop in weighted average rates compared with the same period in 2025. The decreases reached 20 basis points (bps) to 2.19 percent for 26-week T-bills, 14 bps to 2.96 percent for 10-year bills, and 11 bps to 2.36 percent for 52-week bills, while 5-year bills recorded a slight increase of 5 bps to 2.82 percent.

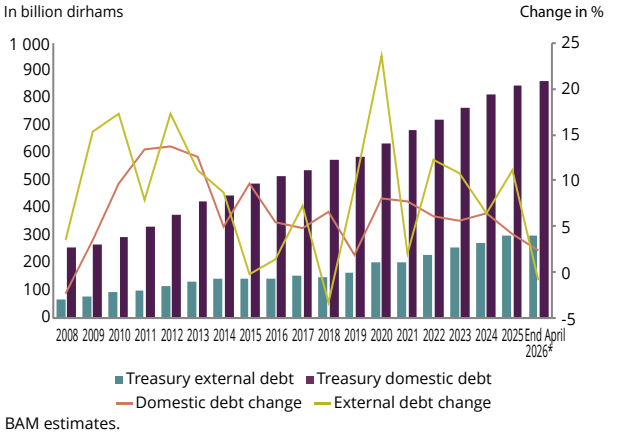
**Table 4.4: Treasury debt (in billion dirhams)**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | End April 2026* |
|---|---|---|---|---|---|---|---|---|
| Treasury external debt | 161.6 | 199.7 | 203.8 | 228.9 | 253.6 | 269.8 | 299.8 | 297.3 |
| Change in % | 9.2 | 23.6 | 2.0 | 12.3 | 10.8 | 6.4 | 11.1 | -0.8 |
| Treasury domestic debt | 585.7 | 632.9 | 681.5 | 722.9 | 763.0 | 811.8 | 845.2 | 864.4 |
| Change in % | 1.9 | 8.1 | 7.7 | 6.1 | 5.6 | 6.4 | 4.1 | 2.3 |
| Outstanding direct debt | 747.3 | 832.6 | 885.3 | 951.8 | 1016.7 | 1081.6 | 1145.0 | 1161.7 |
| Change in % | 3.4 | 11.4 | 6.3 | 7.5 | 6.8 | 6.4 | 5.9 | 1.5 |

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

Under these conditions, direct public debt is expected to have increased by 1.5 percent at end-April 2026 compared with its end-December 2025 level, reflecting a 2.3 percent increase in its domestic component and a 0.8 percent drop in its external component.

**Chart 4.7: Treasury indebtedness**




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

# 5. DEMAND, SUPPLY AND LABOR MARKET[1]

Economic growth stood at 4.9 percent in 2025, as against 4.4 percent a year earlier. This change reflects an 8.2 percent increase in agricultural value added, following a 5.7 percent drop a year earlier, while non-agricultural activities decelerated from 5.1 percent to 3.9 percent. On the demand side, growth was driven by domestic demand, whose contribution stood at 6.6 percentage points, compared with 7.3 points in 2024. Conversely, the contribution of net exports in terms of volume remained negative, at 1.7 percentage points, as against 2.9 points a year earlier.

In the first half of 2026, taking into account the available intra-annual indicators and a cereal harvest estimated by the Department of Agriculture at around 90 million quintals, economic growth is expected to reach 5 percent, reflecting a 16.1 percent increase in agricultural value added and a 3.6 percent rise in non-agricultural value added.

On the labor market, the results of the new Labor Force Survey (LFS 2026) conducted by the HCP indicate a strict rate of unemployment at 10.8 percent at the national level in the first quarter of 2026, 13.5 percent in urban areas and 6.1 percent in rural areas, as well as a participation rate at 41.8 percent nationally and at 17.5 percent among women.

## 5.1 Domestic demand

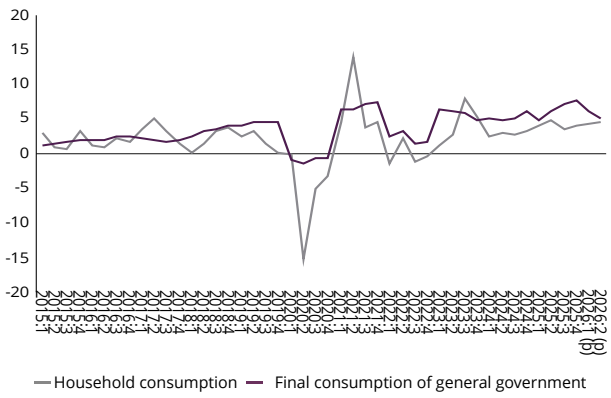
### 5.1.1 Consumption

Household consumption decelerated to 1.2 percent in 2025, from 2.9 percent in 2024, with its contribution to growth standing at 0.7 percentage point, compared with 1.8 points a year earlier.

In the first half of 2026, it is expected to increase by an average of 4.8 percent, a similar rate to the one posted over the same period of the previous year. This momentum would be supported by higher incomes, particularly agricultural income, as well as moderate inflation.

As for public administration consumption, its growth slowed from 8 percent in 2024 to 5.1 percent in 2025. Its contribution to growth stood at 0.9 percentage point, compared with 1.5 points a year earlier. During the first half of 2025, its growth rate is expected to stabilize at around 5.9 percent.

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




Sources: HCP Data and BAM forecasts.

### 5.1.2 Investment

Investment surged by 16.3 percent in 2025, following an increase of 13.9 percent a year earlier. Its contribution to economic growth consequently strengthened, rising from 4 to 5 percentage points.

1 The quarterly analysis in this chapter is based on data from the quarterly national accounts as published by the HCP on March 31, 2026.

Available indicators suggest a slowdown in the increase in investment to 8.4 percent in the first half of 2026, from 18.2 percent registered over the same period a year earlier. This trend is corroborated by a 5.3 percent drop in cement sales at end-May, following a 9.5 percent rise. However, Treasury investment increased by 24.9 percent at end-April, after 15.7 percent a year earlier.

In addition, the quarterly results of Bank Al-Maghrib's business survey for the first quarter of 2026 show that business climate was described as "normal" by 68 percent of industrial businesses and as "unfavorable" by 22 percent of them.

## 5.2 Foreign demand

In 2025, net exports in terms of volume made once again a negative contribution to economic growth, standing at 1.7 percentage points, compared with 2.9 points in 2024. The growth rate of imports of goods and services slowed from 12.2 percent to 9 percent, while that of exports declined from 7.7 percent to 6.6 percent.

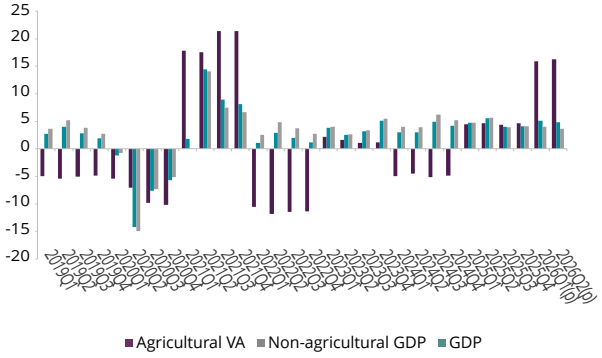
In the first half of 2026, exports of goods and services, in terms of volume, are expected to grow by an average of 7.1 percent, a faster pace compared with the same period a year earlier, notably reflecting the rebound in shipments by the automotive sector. Meanwhile, the growth of imports of goods and services is expected to slow from 12.8 percent to 8.9 percent.

## 5.3 Overall supply

In 2025, economic growth accelerated, to reach 4.9 percent, as against 4.4 percent a year earlier. This change reflects an 8.2 percent increase in agricultural value added, following a 5.7 percent drop a year earlier. Conversely, non-agricultural activities posted a slowdown in their growth rate, from 5.1 percent to 3.9 percent.

Over the first half of 2026, GDP growth is expected to average 5 percent, as against 5.2 percent in the same period a year earlier. This change would reflect a 16.1 percent rebound in agricultural value added, following an increase of 4.6 percent, owing to an improvement in the cereal harvest to 90 million quintals, according to estimates by the Department of Agriculture, representing a 109 percent increase compared with the previous crop year. Non-agricultural activities, for their part, are expected to increase by 3.6 percent instead of 5.1 percent.

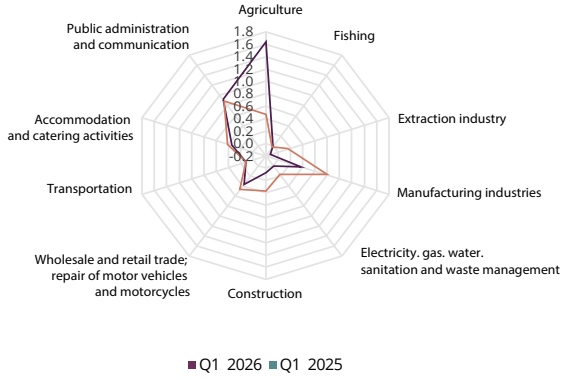
**Chart 5.2: GDP by component (at previous year's prices, percent change, year-on-year, 2014 base year)**




Sources: HCP data and BAM forecasts.

Regarding the secondary sector, the growth rate of its value added is expected to slow to 1.3 percent, from 5.9 percent a year earlier. This change would be attributable to a drop in mining activity, as well as slower growth in manufacturing industries, construction, and the "electricity and water" branch.

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




Sources: HCP data and BAM forecasts.

At the level of the tertiary sector, its value added is expected to increase by 4.7 percent, compared with 4.8 percent over the same period of the previous year. This change would reflect, in particular, a strengthening of activity in non-market services and, to a lesser extent, the continued momentum in the tourism sector.

## 5.4 Labor market and output capacity

### 5.4.1 Activity and employment

Over the first quarter of 2026, income-generating employment stood at 10.4 million jobs. The services sector was the main provider of employment, accounting for 49.1 percent, followed by "agriculture, forestry and fishing" with 24.5 percent, industry with 13.6 percent, and construction with 12.7 percent.

Taking into account developments in the working-age population, the income-generating employment ratio stood at 37.3 percent nationally. This ratio was particularly low among women (14.7 percent) and young people aged 15 to 24 (16.6 percent).

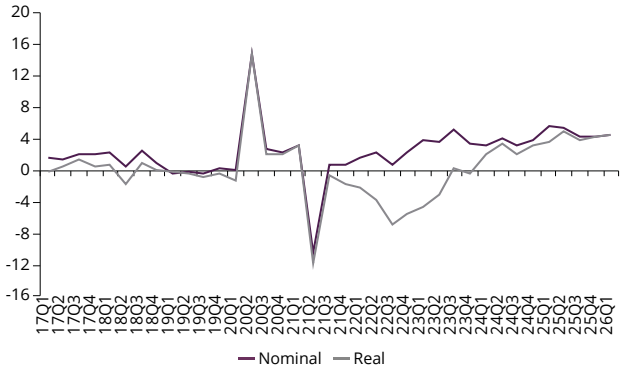
In addition, the strictly defined unemployed population, comprising only persons without employment, who are available for work and actively seeking employment, stood at 1.25 million, nearly 80 percent of whom were in urban areas. Accordingly, the strict rate of unemployment stood at 10.8 percent overall, 13.5 percent in urban areas and 6.1 percent in rural areas. Young people aged 15 to 24 remained the most affected, with an unemployment rate at 29.2 percent overall, 38 percent in urban areas and 17.2 percent in rural areas.

The labor force, comprising persons in income-generating employment and those who are unemployed in the strict sense, stood at 11.6 million people, while the participation rate stood at 41.8 percent nationally, 43.3 percent in rural areas and 41 percent in urban areas. By gender, this rate stood at 66.4 percent for men, compared with 17.5 percent for women.

### 5.4.2 Unemployment and underemployment

The average wage, calculated on the basis of CNSS data by dividing the total wage bill to the number of employees, rose by 4.5 percent over the first quarter of 2026, compared with 5.7 percent a year earlier, in nominal terms, and by 4.6 percent, compared with 3.6 percent, in real terms.

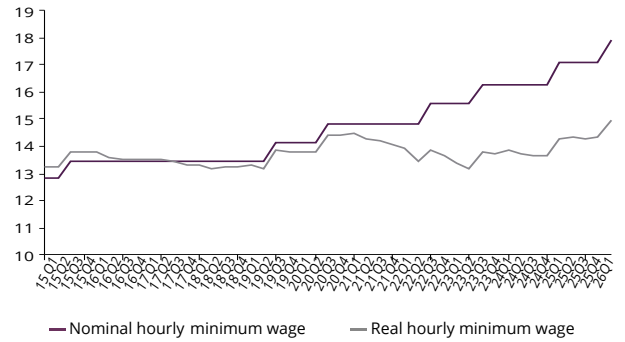
**Chart 5.4: Private sector average wage index (YoY change in %)**




Sources: CNSS data et BAM calculations.

Regarding the hourly minimum wage, pursuant to the social agreement of April 29, 2024, it was increased by 5 percent to MAD 17.92 in the first quarter of 2026. Taking into account a slight 0.1 percent drop in the consumer price index, its increase in real terms stood at 4.9 percent.

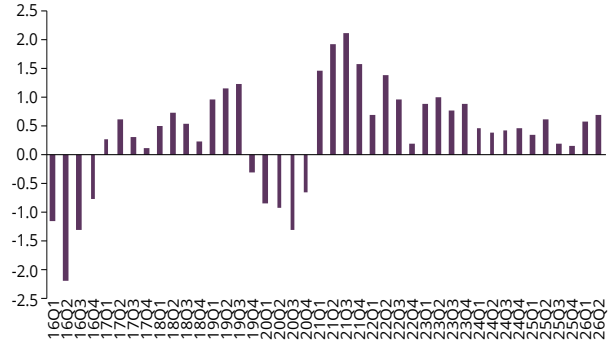
**Chart 5.5: Hourly minimum wages in nominal and real terms (in dirhams)**




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

Overall, the output gap is expected to remain positive during the first half of 2026.

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




Source: BAM estimates.

**Table 5.1: Labor market main indicators**

| | | Q1-2026 |
|---|---|---|
| Labor force (in thousands) | | 11,617 |
| Labor force participation rate (in %) | | 41.8 |
| Urban | | 41 |
| Rural | | 43.3 |
| Employed population earning an income (in thousands) | | 10,364 |
| Employment rate for those earning an income (in %) | | 37.3 |
| Urban | | 35.5 |
| Rural | | 40.7 |
| Unemployed population in the strict sense (in thousands) | | 1,253 |
| Unemployment rate in the strict sense (in %) | | 10.8 |
| Urban | | 13.5 |
| Rural | | 6.1 |
| Average wage index (change in %) | Nominal | 4.5 |
| | Real | 4.6 |

Sources: HCP and CNSS data, BAM calculations

### Box 5.1: New Labor Force Survey (LFS 2026)

In May, the HCP published data on the labor market situation during the first quarter of 2026, based on the new Labor Force Survey (LFS 2026), which replaces the National Employment Survey (NES). This new survey addresses three major requirements: (i) modernizing the national statistical system, following the 2024 General Population and Housing Census; (ii) aligning with the latest international practices and ILO standards; and (iii) adapting the statistical system to the deep-seated changes in the forms of employment, marked by the rise of digitalization, the persistence of informality, the emergence of atypical forms of employment, and the challenges related to job quality and decent work.

The overhaul is based on three pillars: a conceptual update, a methodological revision of the sampling and data collection processes, and an expansion of thematic content.

At the conceptual level, the new framework introduces significant changes. Employment now covers only activities carried out for remuneration or profit. Subsistence activities and volunteer work are therefore excluded. Similarly, the definition of unemployment has been narrowed based on stricter criteria, covering only persons without employment who are available for work and actively seeking employment. Accordingly, persons who are available but not actively seeking employment, as well as those who are seeking employment but are not available, are excluded. Furthermore, the analysis of labor underutilization has been broadened to include, in addition to time-related underemployment, the potential labor force, which comprises individuals who, while not classified as unemployed, wish to work.

**At the methodological level**, the sample size was increased from 90,000 to 135,000 households per year, while the sampling design was improved to allow for the production of more detailed data at the territorial level.

**As regards the topics covered**, new sections were introduced on challenges relating to access to the labor market, informal employment, the various forms of labor underutilization, and lifelong learning.

The first results on the structural characteristics of the LFS 2026 confirm the findings of the NES, notably the structurally low labor force participation rate, particularly among women, as well as the high level of unemployment in urban areas and among young people.

# 6. RECENT INFLATION TRENDS

After falling 0.1 percent over the first quarter of 2026, the Consumer Price Index (CPI) rose by an average of 1.4 percent in April and May. This trend primarily reflects a 28.1 percent rebound in fuel prices—as against a 6.1 percent drop in the first quarter—as well as a moderate decline of the core inflation index from -1.2 percent to -0.5 percent. Similarly, prices for volatile food products rose by an average of 6.4 percent in April and May, following a 4.5 percent increase in the previous quarter. Regulated tariffs, meanwhile, remained unchanged at 0.5 percent.

Over the second quarter of 2026, inflation is expected to stand at 1.2 percent, and its core component at -0.4 percent.

## 6.1 Inflation trends

After averaging -0.1 percent over the first quarter, inflation rose to an average of 1.4 percent in April and May. This acceleration is primarily attributable to a 28.1 percent increase in fuel prices—as against a 6.1 percent drop in the first quarter—and to a lesser drop of the core inflation index from -1.2 percent to -0.5 percent. It also reflects a 6.4 percent increase in the prices of volatile food products, up from 4.5 percent. As for regulated tariffs, they rose by 0.5 percent, the same level as in the previous quarter.

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

Prices for volatile food products rose 6.4 percent year-on-year, from 4.5 percent, driven mainly due to a lesser drop in "poultry and rabbit" prices from -14.9 percent to -3.1 percent.

Their contribution to inflation stood at 0.9 percentage points, up from 0.6 points in the previous quarter.

**Table 6.1: Inflation and its components**

| (In %) | Monthly change | | | YoY change | | |
|---|---|---|---|---|---|---|
| | Mar. 26 | Apr. 26 | May 26 | Mar. 26 | Apr. 26 | May 26 |
| Inflation | 1.2 | 0.4 | -0.9 | 0.9 | 1.7 | 1.2 |
| - Volatile food products | 5 | -1.4 | -5.6 | 7.8 | 8.3 | 4.5 |
| - Price-regulated products | -0.1 | 0.1 | 0.1 | 0.4 | 0.4 | 0.5 |
| - Fuels | 10.9 | 21.8 | -3.6 | 2 | 28.7 | 27.6 |
| Core inflation | 0.1 | 0.1 | 0.2 | -0.8 | -0.6 | -0.3 |
| Food products | 0 | 0 | -0.1 | -4.6 | -4 | -3.8 |
| -Clothing and footwear | 0.5 | 0.1 | -0.2 | 1 | 1 | 0.9 |
| -Housing, water, gas, electricity, and other fuels | 0.2 | 0.5 | 1.7 | 1.3 | 1.6 | 3.1 |
| -Furniture, household goods and routine maintenance | 0.1 | 0.1 | 0.4 | 0.6 | 0.6 | 1.2 |
| -Healthcare[1] | 0 | 0 | 0.3 | 0.8 | 0.2 | 0.7 |
| -Transport[2] | 0 | 0 | 0.2 | 0.1 | 0.1 | 0.3 |
| -Communication | 0 | 0 | -0.1 | -0.3 | -0.3 | -0.3 |
| -Leisure and culture[1] | -0.4 | 0.5 | -0.2 | -0.7 | 0.1 | -0.2 |
| -Education | 0 | 0 | 0 | 2.1 | 2.1 | 2.1 |
| -Restaurants and hotels | 0 | 0.6 | 0.2 | 2 | 2.1 | 2.2 |
| -Miscellaneous goods and services[1] | 0.1 | 0.2 | 0 | 3.6 | 3.8 | 3.7 |

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)**

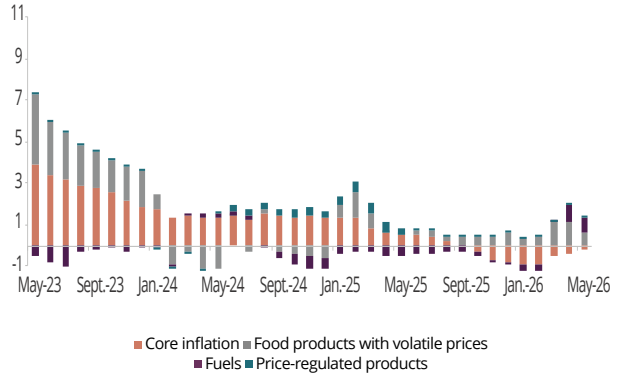



Sources: HCP and BAM calculations.

As for regulated tariffs, they rose by an average of 0.5 percent in April and May, a pace unchanged from the first quarter of 2026. The increase in tariffs during these two months primarily reflects a 4 percent rise in prices for "tobacco."

The contribution of these rates to inflation thus remained at 0.1 percentage points.

**Chart 6.2: Contributions to inflation (in percentage points)**

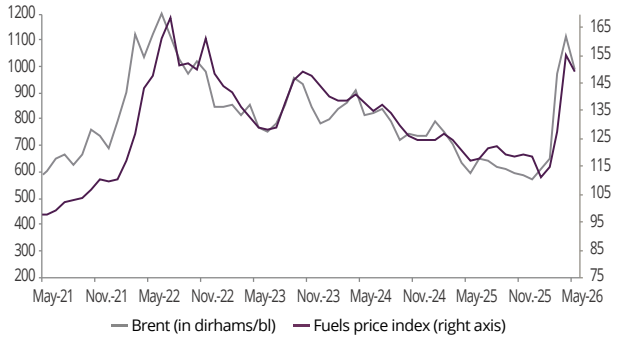



Sources: HCP data and BAM calculations.

In turn, fuel prices posted an average increase of 28.1 percent in April and May, following a 6.1 percent drop in the first quarter. This rise comes amid rising international prices for petroleum products. The price of Brent crude, in particular, rose 41.5 percent to an average of USD 114 per barrel in April and May.

In terms of its contribution to inflation, it rose from -0.2 percentage points in the first quarter to 0.8 percentage points in April and May.

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



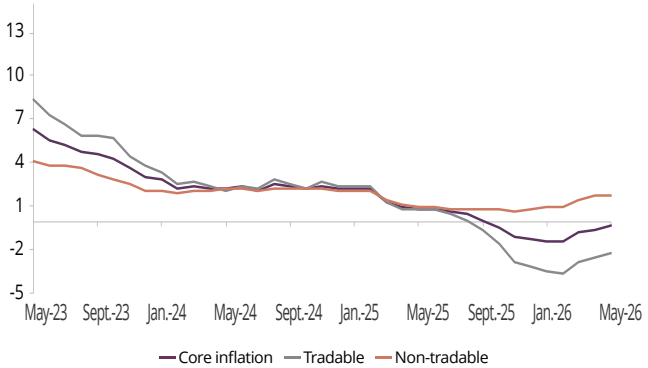

Sources: World Bank, HCP and BAM calculations.

## 6.1.2. Core inflation

The core inflation index fell on average by 0.5 percent in April and May, following a 1.2 percent drop over the first quarter of 2026. This trend primarily reflects a moderation in the decline of food prices, from -5.5 percent to -3.9 percent, driven in particular by an 8.9 percent rise in "fresh meat" prices following a 0.1 percent decrease.

As for the prices of non-food goods and services included in the core inflation index, they rose by an average of 1.7 percent in April and May, up from 1.3 percent in the previous quarter, driven mainly by a 2.4 percent increase in prices for "housing, water, gas, electricity, and other fuels," up from 1.2 percent.

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




Source: HCP data and BAM calculations.

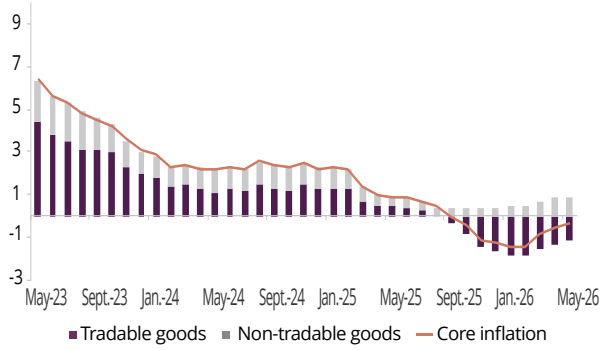
The breakdown of the core inflation indicator's basket into tradable and non-tradable shows that its moderate drop reflects, on the one hand, a less pronounced decline in prices for tradable goods and services to an average of -2.3 percent in April and May, compared with -3.3 percent in the first quarter, and, on the other hand, a steeper rise in prices for non-tradable goods and services to 1.8 percent from 1.1 percent.

**Table 6.2: Price indexes of tradables and non-tradables**

| (In %) | Monthly variation | | | Year-on-year | | |
|---|---|---|---|---|---|---|
| | Mar. 26 | Apr. 26 | May 26 | Mar. 26 | Apr. 26 | May 26 |
| Tradable goods | -0.1 | 0 | 0.2 | -2.9 | -2.6 | -2.2 |
| Non-tradable goods | 0.3 | 0.3 | 0.1 | 1.5 | 1.8 | 1.8 |
| Core inflation | 0.1 | 0.1 | 0.2 | -0.8 | -0.6 | -0.3 |

Sources: HCP data and BAM calculations.

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




Sources: HCP data and BAM calculations.

## 6.2 Short-term outlook for inflation

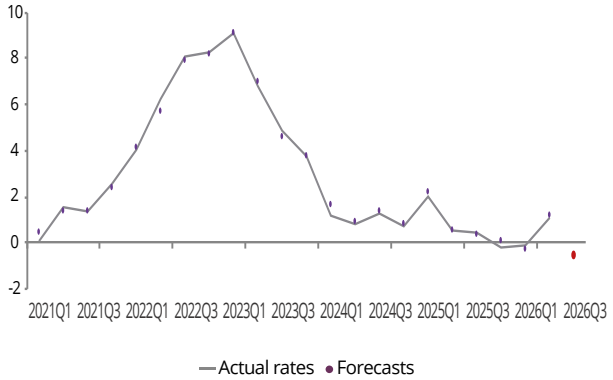
Over the short term, inflation is set to accelerate to an average of 1.2 percent in the second quarter, following -0.1 percent in the first quarter, driven primarily by external inflationary pressures. This trend is expected to be driven primarily by a 26.1 percent increase in fuel prices, following a 6.1 percent drop due to changes in international oil prices.

Similarly, prices for volatile food products are expected to rise by 5.3 percent in the second quarter, compared with 4.5 percent a quarter earlier.

Furthermore, the decline in the core inflation indicator is expected to moderate to -0.4 percent in the second quarter, compared with -1.2 percent a quarter earlier.

Conversely, regulated tariffs are expected to rise by 0.4 percent, the same pace as in the previous quarter.

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

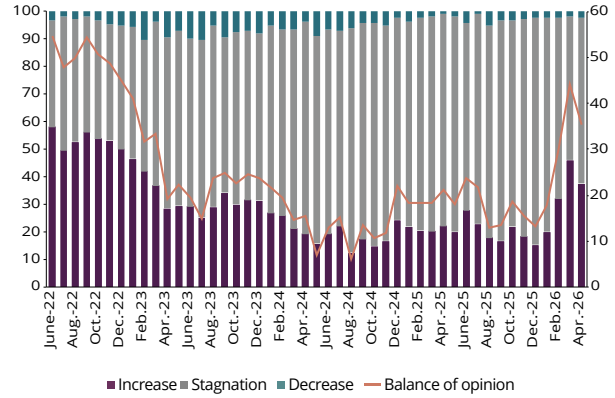



Source: HCP data and BAM forecasts.

## 6.3 Inflation expectations

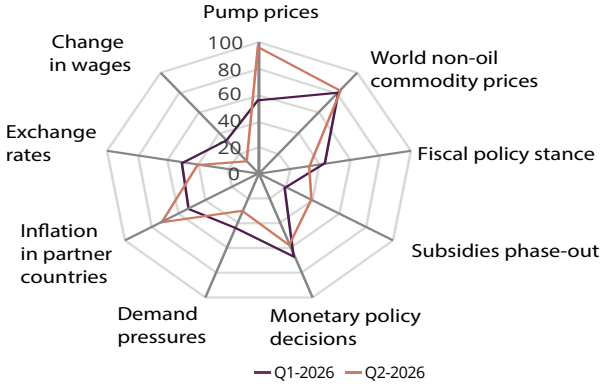
The results of Bank Al-Maghrib's business survey with manufacturers for April 2026 show that 60 percent of respondents expect inflation to remain unchanged over the next three months, 38 percent expect it to rise, while 2 percent expect it to fall. The balance of opinion thus stands at 35 percent.

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




Source: BAM's monthly business survey.

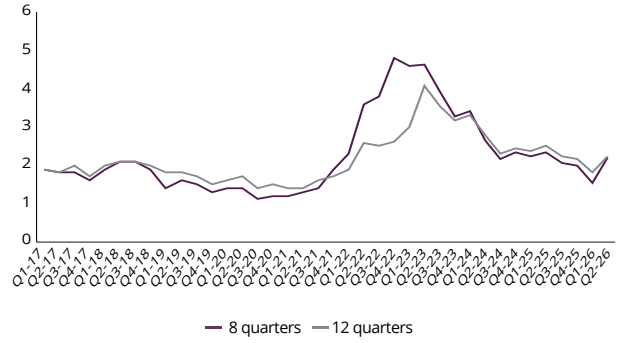
**Chart 6.9: Determinants of the future change in inflation according to financial sector experts**




Source: BAM's quarterly survey on inflation expectations.

In addition, financial sector experts surveyed as part of Bank Al-Maghrib's survey on inflation expectations for the second quarter of 2026 expect inflation to accelerate to an average of 2.2 percent over the next eight quarters, up from 1.5 percent in the first quarter, and to 2.2 percent over the next 12 quarters, compared with 1.8 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.

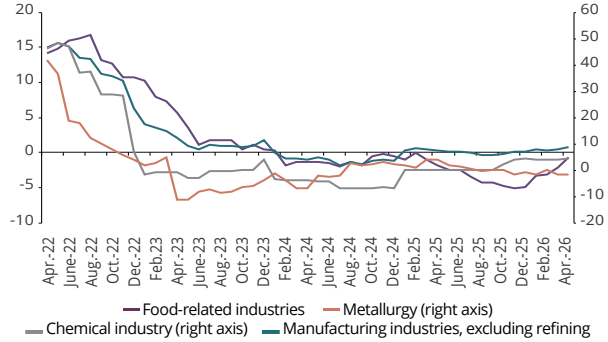
Respondents believe that inflation trends over the next eight quarters will depend, in particular, on gas prices at the pump and international prices of non-oil commodities and inflation in partner countries.

## 6.4 Producer prices

Producer prices in the manufacturing sector, excluding oil-refining, rose 0.3 percent month-on-month in April 2026. This change reflects increases of 0.7 percent in the "Agri-food industry" and 0.4 percent in the "chemical industry." Conversely, prices fell by 0.8 percent in the "Clothing industry," by 0.3 percent in the "metallurgy" sector, and by 0.1 percent in the "manufacture of metal products, excluding machinery and equipment" sector.

Year-on-year, producer prices excluding refining rose by 0.8 percent in April, following a 0.4 percent increase the previous month.

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




Source: HCP.

# 7. MEDIUM TERM OUTLOOK

## Summary

The war in the Middle East has cast a shadow over the global economic outlook, causing significant disruptions to supply chains and a sharp rise in the prices of energy, fertilizers, and other essential inputs. This situation is fueling inflationary pressures and further weighing on household confidence and consumption, as well as on business activity. These developments are unfolding against an international backdrop already marked by a high level of uncertainty surrounding economic policies, as well as by persistent geopolitical tensions.

The recent signing of a memorandum of understanding between the United States and Iran points to a gradual normalization of maritime transport, but economic activity is expected to continue suffering the repercussions of this war over the short term.

Under these conditions, global economic growth is expected to slow from 3.3 percent in 2025 to 2.9 percent this year before rebounding to 3 percent in 2027. In the United States, despite the conflict in the Middle East and rising tariffs, economic activity in 2026 and 2027 is expected to grow at a rate similar to that of the previous year—2.1 percent—driven by robust AI-related investments and the tax measures provided for in the "Budget Reconciliation Act" signed into law on July 4, 2025. In the eurozone, growth is expected to slow from 1.5 percent in 2025 to 1.1 percent in 2026, held back by input shortages due to the conflict in the Middle East and by declining consumer confidence, before standing at 1.3 percent in 2027.

In the United Kingdom, the pace of economic activity is projected to slow from 1.4 percent in 2025 to 1.1 percent this year, and is expected to stand at 1.4 percent in 2027, as dependence on imported gas, rising borrowing costs, and domestic political challenges are expected to weigh on business confidence and household demand. In Japan, growth is expected to decelerate to 0.6 percent this year before rebounding slightly to 0.9 percent in 2027, driven primarily by strong foreign demand for AI-related goods.

In the major emerging economies, growth is projected to stand at 4.9 percent, down from 5 percent in China. This performance reflects primarily strong export growth. However, it is expected to slow to 4.4 percent in 2027, due to ongoing challenges in the real estate sector, fiscal pressure and an aging population. In India, growth is expected to decelerate from 7.5 percent in 2025 to 6.8 percent in 2026 and to 6.6 percent in 2027, as rising fuel prices and uncertainty are expected to weigh on private consumption and investment. Similarly, growth is set to slow significantly in Brazil, falling from 2.6 percent in 2025 to 1.7 percent this year, driven by weak agricultural output and external demand, as well as persistently high interest rates, before rebounding to 1.9 percent in 2027, thanks in particular to gradually improving financial conditions and pre-election fiscal support. Finally, in Russia, the economy is expected to continue suffering from international sanctions, the damage inflicted to its energy infrastructure from the conflict with Ukraine, and weak private investment, with growth falling from 1.1 percent in 2025 to 0.5 percent in 2026, before rebounding to 1.2 percent in 2027.

In the energy commodity markets, disruptions to maritime transport in the Strait of Hormuz, alongside the damage to energy infrastructure, are expected to continue putting strong upward pressure on prices. Furthermore, this unprecedented supply shock is causing global oil inventories to decline at a record pace[1]. In this context, the price of Brent crude, which reached USD93.9 per barrel over the first five months of 2026, is projected to rise sharply to an average of USD92.3 per barrel in 2026, before falling to USD71.6 in 2027.

As for Moroccan phosphate and derivatives, their prices are expected to be driven up by rising input costs (sulfur and ammonia) and the continuation of China's export restrictions, while the price of rock phosphate is set to continue its decline. The price of Moroccan DAP is thus expected to rise from USD713 per metric ton in 2025 to an average of USD912 this year before falling to USD766 in 2027. The price of TSP is projected to rise from USD529 per metric ton in 2025 to USD648 this year and then to USD567 in 2027. As for rock phosphate, its price is set to fall to USD209 per metric ton this year and then to USD200 in 2027.

Regarding monetary policy, following its meeting on June 10 and 11, the ECB decided—after seven consecutive decisions to keep rates unchanged—to raise its three main interest rates by 25 basis points. This marks the first increase since September 2023. The ECB emphasized that the war in the Middle East is putting upward pressure on inflation and that its decision to raise key interest rates is supported by a range of scenarios assessing the possible evolution of the shock and its potential repercussions on the medium-term outlook for the Eurozone. The ECB added that the outlook remains uncertain, with upside risks to inflation and downside risks to economic growth. For its part, the Fed, at its June 16–17 meeting, kept the target range for the federal funds rate unchanged at [3.50 percent–3.75 percent] for the fourth consecutive time. Similarly, the Bank of England decided at its June 17 meeting to keep its rate unchanged at 3.75 percent for the fourth consecutive time.

At the national level, soaring oil prices and rising input costs in certain industries—due to supply disruptions caused by the conflict in the Middle East—are expected to negatively impact the current account deficit. Thus, after standing at 2.4 percent of GDP in 2025, the current account deficit is projected to widen to 4 percent of GDP in 2026 and stand at 3.8 percent in 2027.

Imports are projected to increase by 11 percent in 2026, driven primarily by a rise in the energy bill, a sharp increase in purchases of raw materials—particularly in light of the surge in sulfur prices—and continued growth in purchases of capital goods. In 2027, import growth is expected to slow to 4.1 percent, reflecting, in particular, a drop in energy imports and a slowdown in purchases of capital goods. Exports, for their part, are expected to increase by 8.5 percent in 2026 and by 6.7 percent in 2027, driven mainly by a rise in sales of the automotive sector, due to the projected rebound in the construction segment. For phosphate and derivatives, sales are projected to rise by 8.5 percent and then by 2.4 percent to 110.9 billion in 2027.

At the same time, travel receipts are expected to continue their upward trend, reaching 161.1 billion dirhams in 2027. As for remittances from Moroccans living abroad, they are projected to

1 International Energy Agency Report on the Oil Market, May 2026.

stabilize at 129.8 billion in 2027. Regarding FDI, projections point to an inflow of capital equivalent to approximately 3.5 percent of GDP over the forecast horizon.

Assuming that the projected external financing materializes, official reserve assets would rise to 505.5 billion at end-2026 and then to 542 billion at end-2027, representing the equivalent of 5 months and 26 days and 6 months and 9 days of imports of goods and services, respectively.

With regard to monetary conditions, after accelerating to 4.8 percent in 2025, the growth rate of bank credit to the non-financial sector is expected to reach 6.8 percent in 2026 and 6.1 percent in 2027. For its part, the real effective exchange rate is expected to depreciate over the medium term, following its appreciation in 2025.

In terms of public finances, the fiscal deficit is projected to stand at 3.4 percent of GDP in 2026, down from 3.5 percent in 2025. In addition to the 2026 Finance Act, the 2026–2028 three-year budget plan, and BAM's new macroeconomic projections, this forecast takes into account the additional appropriations of 20 billion dirhams allocated under the general budget, intended primarily to cover subsidy costs and support investment by state-owned institutions and enterprises (SIE). This forecast also incorporates upward revisions to revenue projections for certain taxes due to improved performance based on actual results as at end-April 2026. In 2027, the fiscal deficit is expected to narrow to 3.3 percent of GDP.

As for economic growth, it is expected to accelerate from 4.9 percent in 2025 to 5.2 percent this year, and then stand at 3.1 percent in 2027. This trend would reflect a 16 percent increase in agricultural value added in 2026, based on a cereal harvest estimated by the Department of Agriculture at 90 million quintals (MQx), followed by a 7.6 percent drop in 2027, assuming a return to an average crop year. Non-agricultural activities are projected to grow by an average of 4.2 percent in both 2026 and 2027. On the demand side, growth is expected to be driven by domestic demand, while the contribution of net exports in terms of volume is projected to be negative.

In this context, after remaining virtually unchanged at 0.8 percent in 2025, inflation is expected to accelerate to 1.5 percent in 2026 and to 2.1 percent in 2027. Core inflation, meanwhile, is projected to slow from 0.6 percent in 2025 to 0.2 percent in 2026, before rising to 2.9 percent in 2029, driven primarily by accelerating imported inflation and rising food prices.

## 7.1 Underlying assumptions

### The war in the Middle East is leading to a deterioration in the global economic outlook.

Global economic growth is expected to slow from 3.3 percent in 2025 to 2.9 percent this year before rebounding to 3 percent in 2027. In the United States, despite the conflict in the Middle East and rising tariffs, the U.S. economy is projected to grow in 2026 and 2027 at a rate similar to that of the previous year—2.1 percent—supported by robust AI-related investment and the tax measures provided for in the "Budget Reconciliation Act" entered into law on July 4, 2025. In the eurozone, growth is expected to slow from 1.5 percent in 2025 to 1.1 percent in 2026, held back in the short term by input shortages and weaker consumer confidence, before rebounding to 1.3 percent in 2027.

In the United Kingdom, the pace of economic activity is expected to slow from 1.4 percent in 2025 to 1.1 percent this year and is projected to stand at 1.4 percent in 2027, as dependence on gas imports, rising borrowing costs, and domestic political turmoil are expected to weigh on business confidence and household demand. In Japan, growth is expected to slow to 0.6 percent this year, primarily due to rising energy prices, and then rebound slightly to 0.9 percent in 2027, driven mainly by strong foreign demand for AI-related goods and government subsidies on fuel.

Among the major emerging economies, economic activity in China is projected to grow at a rate close to that of the previous year—4.9 percent in 2026—driven primarily by strong exports. However, growth is expected to slow to 4.4 percent in 2027 due to ongoing challenges in the real estate sector, fiscal pressure, and a significant demographic shift characterized by rapid population aging, a shrinking labor force, and a low fertility rate. In India, growth is expected to slow from 7.5 percent in 2025 to 6.8 percent in 2026 and then to 6.6 percent in 2027 due to weaker consumption and global uncertainty that is likely to weigh on investment. Similarly, in Brazil, growth is expected to slow to 1.7 percent in 2026, driven by weak agricultural output and external demand, as well as persistently high interest rates, before rebounding to 1.9 percent in 2027, owing in particular to the gradual improvement in financial conditions and pre-election fiscal support1. Finally, in Russia, the impact of rising commodity prices—particularly for energy—is expected to be offset by international sanctions, damage to energy infrastructure resulting from the conflict with Ukraine, and weak investment outside the military sector. Under these conditions, growth is expected to slow from 1.1 percent in 2025 to 0.5 percent this year, before rebounding to 1.2 percent in 2027.

1 The presidential elections are scheduled to take place on October 4, 2026.

**Chart 7.1: Growth in the euro area**

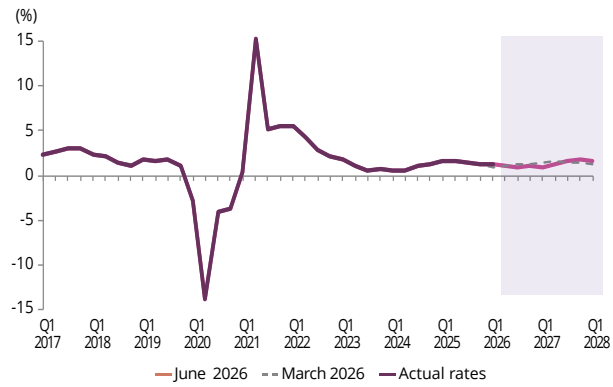



**Chart 7.2: Growth in the USA**




Source: GPMN, May 2026.

## Rising Commodity Prices and Inflation in 2026

In the energy commodity markets, disruptions to maritime transport in the Strait of Hormuz (through which nearly 25 percent of global oil trade passes), damage to energy infrastructure in the Gulf countries and Iran, and the decline in global inventories at a record pace would continue to exert strong upward pressure on prices. The average price of Brent crude, which reached USD 93.9 per barrel in the first five months of 2026, is projected to rise sharply to USD 92.3 per barrel in 2026—up from USD 68.1 in 2025—before falling to USD 71.6 in 2027.

Following the same trend, the price of natural gas on the European market is expected, according to the World Bank's April 2026 projections, to rise this year to USD 15/MMBtu*, due to disruptions in the supply of liquefied natural gas, particularly from Qatar, before falling to USD 12/MMBtu in 2027. Similarly, the price of coal is projected to rise to USD106.2 per metric ton in 2026, driven by increased demand in response to rising gas prices. Later on, it is expected to drop to USD 103.9 per metric ton in 2027.

As for Moroccan phosphate derivatives, prices are reportedly to remain high due to rising input costs—namely sulfur and ammonia— as the Strait of Hormuz accounts for nearly 50 percent of global sulfur trade by sea and about 20 percent of global ammonia trade, and as China maintains its export restrictions, while the price of rock phosphate is expected to continue its decline. The price of Moroccan DAP is thus expected to rise from USD 713 per metric ton in 2025 to an average of USD 912 this year before falling to USD 766 in 2027. The price of TSP is projected to rise from USD 529 per metric ton in 2025 to USD 648 this year and then to USD567 in 2027. As for rock phosphate, its price is expected to fall from USD212 per metric ton in 2025 to USD 209 this year and then to USD 200 in 2027.

Global food prices, impacted by higher fertilizer costs, are expected to continue rising in 2026, with a 3.9 percent increase, which should then slow to 0.7 percent in 2027. Specifically, according to the World Bank's April 2026 projections, the price of U.S. durum wheat is expected to rise by 4 percent in 2026 and then by 2.8 percent in 2027, largely due to unfavorable weather conditions.

Under these circumstances, global inflation is expected to accelerate to 3.6 percent in 2026 before slowing to 3.1 percent in 2027. In the United States, it is projected to reach 3.7 percent in 2026, as rising gasoline and fertilizer prices—driven by the conflict in the Middle East—along with higher housing and healthcare costs, have intensified the inflation caused by higher tariffs. Inflation is later on expected to decelerate to 2.8 percent in 2027. In the eurozone, it will be driven primarily by soaring energy prices, reaching 3.1 percent in 2026—up from 2.1 percent a year earlier—and then decelerating to 2.2 percent in 2027. In China, although accelerating, inflation would remain at low levels, standing at 1.2 percent in both 2026 and 2027, as the country is relatively shielded from the inflationary pressures of the conflict in the Middle East thanks to its strategic oil reserves and domestic fertilizer production.

**Chart 7.3: Price of Brent**




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

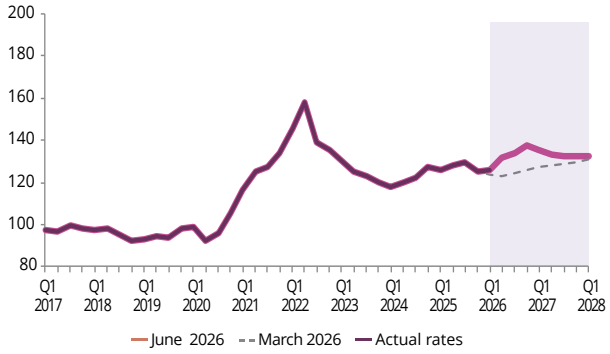
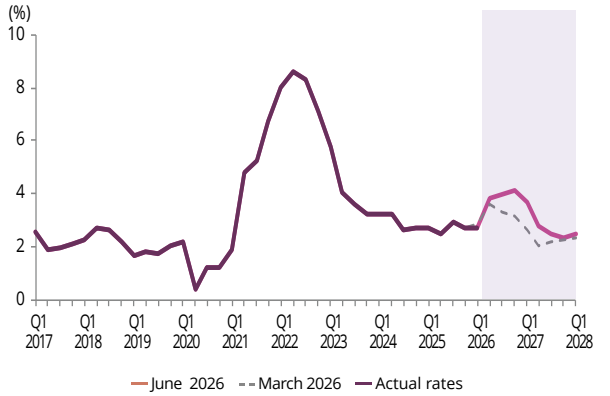



**Chart 7.5: Inflation in the euro area**




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




Source: GPMN, May 2026.

## Monetary Policy Decisions: The ECB Raises Its Main Interest Rates in Response to Inflationary Pressures Caused by the War in the Middle East

Following its meeting on June 10 and 11, the ECB decided—after seven consecutive decisions to keep rates unchanged—to raise its three key interest rates by 25 basis points. This marks the first rate hike since September 2023. Consequently, the interest rates on the deposit facility, the main refinancing operations, and the marginal lending facility were raised to 2.25 percent, 2.40 percent, and 2.65 percent, respectively. It also emphasized that the war in the Middle East is putting upward pressure on inflation, and that its decision to raise key interest rates is robust across a range of scenarios assessing the possible evolution of the shock and its potential repercussions on the medium-term outlook for the Eurozone.

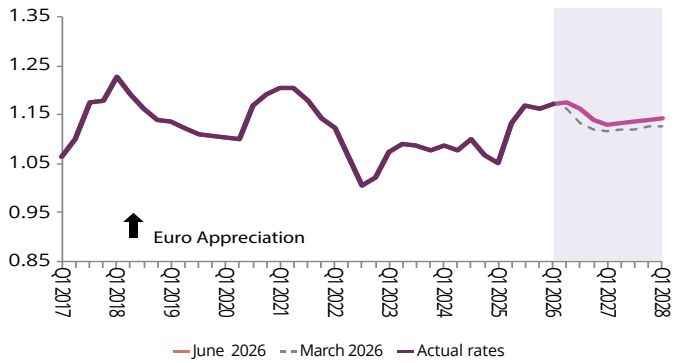
The ECB added that the outlook remains uncertain, with upside risks to inflation and downside risks to economic growth. The full spillovers of the war on inflation and medium-term growth will depend on the intensity and duration of the shock to energy prices, as well as the extent of its indirect and second-round effects.

For its part, following its June 16–17 meeting[1], the Fed's Federal Open Market Committee (FOMC) decided to keep the target range for the federal funds rate unchanged at [3.50 percent–3.75 percent], for the fourth consecutive time since the beginning of the year. It reaffirmed its policy of maintaining ample reserves in the banking system. It noted that economic activity is growing at a steady pace despite high uncertainty, due in part to the conflict in the Middle East. Productivity growth and capital investment are robust. Job creation has kept pace with labor force growth, and the unemployment rate has remained stable. Inflation remains high relative to the Committee's 2 percent target, which partly reflects supply shocks that have driven price increases in certain sectors, particularly the energy sector. The Committee also reaffirmed its commitment to ensuring price stability.

Similarly, at its June 17th's meeting, the Bank of England decided to keep its interest rate unchanged at 3.75 percent for the fourth consecutive time.

As for the international foreign exchange market, since the outbreak of the conflict in the Middle East in late February, it has been marked by the appreciation of the U.S. dollar against the euro. The renewed interest in the greenback, particularly from emerging market economies in Asia, reflects its positive correlation with oil prices—driven by the United States' status as a net oil exporter—and its perception by the markets as a safe-haven asset in the event of a global shock[2]. The outlook for the euro-dollar exchange rate remains highly uncertain, however, and is largely tied to the duration of the conflict. Thus, taking into account expectations that the ECB will raise key interest rates as early as its June 11 monetary policy meeting, while the Fed is expected to maintain the status quo throughout 2026, and assuming the conflict de-escalates starting in the second half of 2026, the euro is expected to appreciate slightly by 2.9 percent in 2026 to average 1.16 dollars, before depreciating by 2.4 percent in 2027 to return to its 2025 level of 1.13.

**Chart 7.7: USD/EUR exchange rate**




Source: GPMN, May 2026.

1 This is the Committee's first meeting under the chairmanship of Kevin Warsh, who succeeded Jerome Powell on May 22 for a four-year term.
2 OECD Economic Outlook, June 2026.

### Cereal production of 90 MQx for the 2025/2026 crop year and an average harvest of 50 MQx for 2026/2027

The Department of Agriculture estimates the cereal harvest for the 2025/2026 crop year at 90 million quintals (MQx), up 109 percent compared to the previous crop year. For non-cereal crops, production increased by 106.8 percent for olives, 58.6 percent for dates, and 23.7 percent for citrus fruits. Under these conditions, agricultural value added is set to increase by 16 percent, rather than the 14.4 percent increase projected in the March 2026 report.

For the 2026–2027 crop year, assuming an average cereal production of 50 MQx and a trend-based change in other crops, agricultural value added would drop by 7.6 percent, as against a 5.3 percent decline projected in the previous forecast.

## 7.2 Macroeconomic projections

### Widening of the current account deficit over the medium term and continued growth in travel receipts and remittances from Moroccans living abroad

In light of the new assumptions regarding the international environment—which take into account the stalemate in the war in the Middle East—and the macroeconomic forecasts, the current account deficit is expected to widen from 2.4 percent of GDP in 2025 to 4 percent in 2026 and stand at 3.8 percent in 2027

In 2026, exports are expected to grow by 8.5 percent, driven primarily by a 9.9 percent increase in automotive industry sales to 170.1 billion, largely due to the projected recovery in the construction sector. Similarly, exports from the "agriculture and agri-food" sector are expected to increase by 6 percent to 92.7 billion, driven by favorable weather conditions, while the growth rate of sales of phosphates and derivatives is expected to slow to 8.5 percent. At the same time, imports are projected to rise by 11 percent in 2026, driven primarily by a 25.9 percent increase in the energy bill to 135.3 billion dirhams resulting from the projected rise in international oil prices, a sharp rise in sulfur imports, and continued strong growth in capital goods purchases. As for travel receipts, they are expected to maintain their strong performance, with a further 11.8 percent rise to reach 154.9 billion. Remittances from MLA are projected to end the year up 5 percent at 128.1 billion. Foreign direct investment (FDI) inflows are expected to reach 64.7 billion dirhams, equivalent to 3.5 percent of GDP.

In 2027, exports are expected to grow by 6.7 percent, driven primarily by a 12.2 percent increase to 190.8 billion in sales from the automotive sector, including 80.2 billion from the construction segment. Conversely, the growth rate of imports is expected to slow to 4.1 percent, reflecting, in particular, a slowdown in capital goods purchases as well as a 15.5 percent decrease in the energy bill to 114.4 billion dirhams, due to the projected decline in oil prices. Travel receipts are projected to rise by 4 percent to 161.1 billion, while remittances from MLA are expected to stabilize at 129.8 billion. As for FDI inflows, projections indicate they will reach a level equivalent to 3.5 percent of GDP in 2027.

Assuming the projected external financing materializes, official reserve assets are expected to rise to 505.5 billion dirhams at-end 2026 and then to 542 billion in 2027, equivalent to 5 months and 26 days and 6 months and 9 days of imports of goods and services.

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

| Change in %, unless otherwise indicated | Actual rates | | | | | | | | Forecast | | Gap (June/March) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2026 | 2027 |
| Exports of goods (FOB) | 10.7 | 3.3 | -7.5 | 25.2 | 30.1 | 0.4 | 6.1 | 3.0 | 8.5 | 6.7 | -2.2 | -0.2 |
| Imports of goods (CIF) | 9.9 | 2.0 | -13.9 | 25.0 | 39.5 | -2.9 | 6.4 | 8.0 | 11.0 | 4.1 | 2.4 | -0.7 |
| Travel receipts | 1.2 | 7.8 | -53.7 | -5.1 | 171.5 | 14.6 | 6.4 | 21.1 | 11.8 | 4.0 | 3.5 | -1.8 |
| Remittances | -1.5 | 0.1 | 4.8 | 40.1 | 16.0 | 4.0 | 3.3 | 2.6 | 5.0 | 1.3 | 1.3 | -0.7 |
| Current account balance (% GDP) | -4.9 | -3.4 | -1.2 | -2.3 | -3.5 | -1.0 | -1.2 | -2.4 | -4.0 | -3.8 | -0.9 | -1.3 |
| Official reserve assets in months of imports of goods and services | 5.4 | 6.9 | 7.1 | 5.3 | 5.4 | 5.4 | 5.2 | 5.4 | 5.9 | 6.3 | 0.2 | 0.5 |

Sources: Foreign Exchange Office data and BAM forecasts

## Acceleration of Credit Growth to the Non-Financial Sector Over the Forecast Horizon

Banks' liquidity needs are expected to widen, reaching 137.7 billion dirhams at-end 2026 and 143 billion in 2027, driven in particular by the increase in currency in circulation. After reaching 15.5 percent in 2025, this item is expected to decline to 14.1 percent in 2026 and to 8.5 percent in 2027. As for bank credit to the non-financial sector, taking into account actual results, the projected evolution of economic activity, and the banking system's expectations, it is expected to grow by 6.8 percent in 2026 and 6.1 percent in 2027. Under these conditions, and in line with the projected trends in other components of the money supply, M3 aggregate is expected to increase by 8.8 percent in 2026 and by 6.8 percent in 2027.

In turn, after appreciating by 2 percent in 2025, the real effective exchange rate (REER) is expected to depreciate by 3.6 percent in 2026, reflecting both a drop in its nominal value and a domestic inflation that is lower than that of major trading partners and competitors. This trend is expected to continue in 2027, but at a more moderate pace.

**Table 7.2: Money Supply and Bank lending**

| Change in %, unless otherwise indicated | Actual rates | | | | | | Forecast | | Gap (June/March) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 6.8 | 6.1 | 0.8 | 0.9 |
| M3 | 8.4 | 5.1 | 8.0 | 3.9 | 8.0 | 9.4 | 8.8 | 6.8 | 2.3 | 1.7 |
| Liquidity requirement, in million MAD | -67.0 | -64.4 | -86.6 | -111.4 | -128.0 | -131.7 | -137.7 | -143.0 | 10.6 | 26.5 |

## Continued Fiscal Consolidation Despite Pressures

After standing at 3.5 percent of GDP in 2025, the fiscal deficit is projected to narrow to 3.4 percent of GDP in 2026 and to 3.3 percent in 2027. These projections are based on the 2026 Finance Act, the 2026–2028 three-year budget plan, as well as budget execution data as at-end April 2026 and BAM's

new macroeconomic forecasts. They also take into account the additional appropriations of 20 billion dirhams approved by the government in May, of which 10 billion are earmarked for investment—notably to support some state-owned enterprises and the Fund for Combating the Effects of Natural Disasters—8 billion are allocated to subsidy costs, and 2 billion to equipment and miscellaneous expenses.

In 2026, tax revenue is projected to increase by 13.1 percent, reflecting a 15.7 percent rise in indirect taxes and a 12.4 percent rise in direct taxes. Non-tax revenue, meanwhile, is projected to drop by 27 percent, driven primarily by a 50.1 percent decrease in revenue from innovative financing mechanisms to 20 billion and a 45.8 percent decrease in revenue under the "other revenue" category. Conversely, current expenditures are expected to rise by 12.4 percent, with a 12.6 percent increase in expenditures on goods and services in particular. Personnel expenditures are projected to rise by 8.7 percent, and expenditures on other goods and services by 19 percent. Similarly, debt service is expected to rise by 0.2 percent. In turn, subsidy costs are expected to increase by 23.3 percent, while capital spending is expected to decline by 0.4 percent to 124.8 billion, or 6.8 percent of GDP.

In 2027, tax revenue is projected to increase by 1.4 percent, with a 3.9 percent decline in direct tax revenue and a 5.1 percent increase in indirect tax revenue. Non-tax revenues are projected to decline by 12.3 percent, including a 25 percent drop in revenues from innovative financing mechanisms to 15 billion and a 7.2 percent decline in revenues from state-owned enterprises. At the same time, current expenditures are expected to rise by 1.1 percent, driven mainly by a 3 percent increase in expenditures on goods and services, while debt service is expected to decline by 0.2 percent. The total wage bill and other goods and services expenditures are projected to rise by 3.6 percent and 2 percent, respectively. Subsidy costs are expected to decrease by 35.3 percent to 14.1 billion, and capital spending is projected to decline by 5.4 percent to 118.1 billion, roughly the equivalent of 6.1 percent of GDP.

## Significant Improvement in Agricultural Value Added in 2026

Following a marked strengthening of growth, which stood at 4.9 percent in 2025, the domestic economy is expected to continue accelerating to reach 5.2 percent this year, down from the 5.6 percent projected in March report. This adjustment reflects slower growth in non-agricultural activities, which are now projected to grow by 4.1 percent instead of the previously expected 4.6 percent, based on new indicators suggesting a less significant improvement in economic conditions due to war-related disruptions. On the other hand, agricultural value added is expected to witness a steeper increase, up 16 percent from the 14.4 percent anticipated in March, taking into account a crop harvest estimated by the Department of Agriculture at 90 MQx, compared to the 82 MQx projected by BAM based on climate data available as at March 10. On the demand side, growth is expected to be driven primarily by domestic demand, which is projected to make a positive contribution. Conversely, the contribution from net exports is expected to remain negative, as the volume of imports of goods and services is set to grow faster than that of exports.

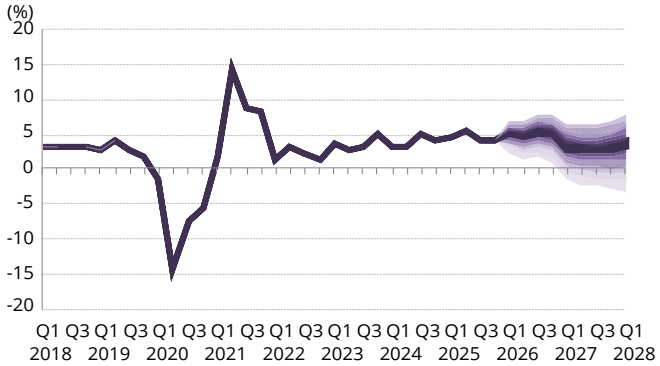
In 2027, growth is projected to stand at 3.1 percent, reflecting primarily a base effect from agricultural value added, which is expected to drop by 7.6 percent, assuming a return to an average crop production of 50 MQx; the growth rate of nonagricultural activities, for its part, is expected to accelerate to 4.3 percent. Growth momentum would continue to be driven by sustained domestic demand, while the contribution of net exports would remain negative, albeit to a lesser extent compared with the previous year.

**Table 7.3: Economic Growth**

| Change in % | Actual rates | | | | | | | Forecast | | Gap (June/March) | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2026 | 2027 |
| National growth | 2.9 | -7.2 | 8.2 | 1.8 | 3.7 | 4.4 | 4.9 | 5.2 | 3.1 | -0.4 | -0.4 |
| Agricultural VA | -5.0 | -8.1 | 19.5 | -11.3 | 1.5 | -5.7 | 8.2 | 16.0 | -7.6 | 1.6 | -2.3 |
| PIB non agricole | 3.8 | -7.1 | 6.9 | 3.5 | 3.9 | 5.6 | 4.5 | 4.1 | 4.3 | -0.5 | -0.2 |

Sources: HCP data and BAM forecasts

**Chart 7.8: Growth outlook over the forecast horizon (Q1 2026–Q1 2028)***




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

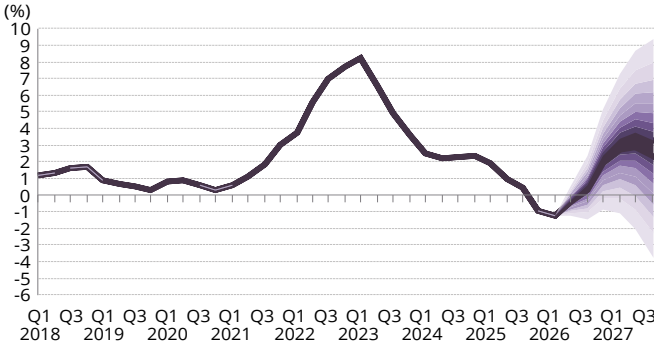
Sources: HCP data and BAM calculations and forecasts.

## Acceleration of Inflation over the Medium Term

After remaining at moderate levels in 2024 and 2025, inflation is expected to accelerate to 1.5 percent in 2026, representing an upward revision of 0.7 percentage points compared with the March forecast. This revision is primarily due to stronger increases in fuel prices—due to the surge in international energy prices—and in the prices of volatile food products, resulting from higher-than-expected price increases over the first quarter of the year. Meanwhile, despite imported pressures, core inflation is expected to remain subdued to 0.2 percent in 2026, due to falling prices of certain food products, particularly olive oil. As for regulated tariffs, they are projected to rise at a rate of 0.4 percent.

In 2027, inflation is expected to continue accelerating to an average of 2.1 percent, an upward revision of 0.7 percentage points compared to the March forecast, driven primarily by the sharp acceleration of its core component, which is projected to average 2.9 percent, due to the combined effect of the dissipation of the downward shock on olive oil prices and the rise in imported inflation. Conversely, fuel prices are expected to decline, assuming a normalization of Brent crude prices. Finally, prices for volatile food products are expected to stabilize, while regulated tariffs would converge toward their trend rate of 0.9 percent.

**Chart 7.9: Inflation expectations over the forecast horizon (Q2 2026 – Q1 2028) ***




*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 (June/March) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | Forecast horizon Q2-2026 – Q1-2028 | 2026 | 2027 |
| Inflation | 0.2 | 0.7 | 1.4 | 6.6 | 6.1 | 0.9 | 0.8 | 1.5 | 2.1 | 2.0 | 0.7 | 0.7 |
| Core inflation | 0.6 | 0.6 | 1.7 | 6.0 | 5.8 | 2.3 | 0.6 | 0.2 | 2.9 | 2.0 | 0.0 | 1.3 |

Sources: HCP data and BAM calculations and forecasts.

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

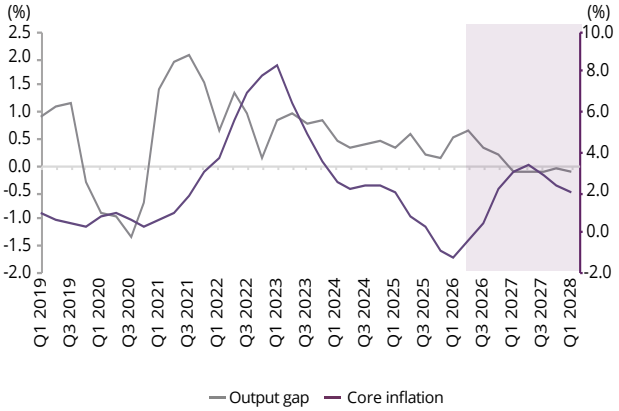
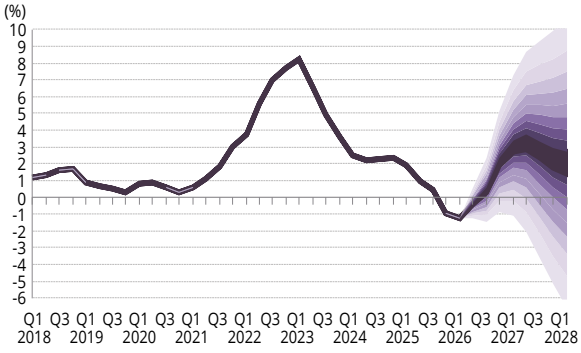



**Chart 7.11: Core inflation projections over the forecast horizon (Q1 2026–Q4 2027)***




* 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 huge uncertainties, the materialization of which could affect the baseline scenario. In this context, the balance of risks remains tilted to the downside for growth and to the upside for inflation.

With regard to domestic economic growth, downside risks remain primarily associated with weather-related uncertainties, which could affect agricultural output. In addition, a more pronounced slowdown in global growth—against a backdrop of significant international uncertainties, particularly those relating to persistent geopolitical tensions—could also weigh on the outlook for foreign demand.

As for inflation, a prolongation of geopolitical tensions in the Middle East and their impact on commodity markets could lead to larger-than-expected increases in international energy prices. Should such shocks materialize, they would exert additional inflationary pressures and amplify the spillover effects across CPI components. In addition, changes in food prices—which are subject to weather-related risks in several countries and to fluctuations in international markets—would generate additional upward pressures.

# 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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