

MOROCCO

Table 1 **2023**

Population, million	37.8
GDP, current US\$ billion	144.4
GDP per capita, current US\$	3817.1
National poverty rate ^a	3.9
Lower middle-income poverty rate (\$3.65) ^b	9.8
Gini index ^a	40.5
School enrollment, primary (% gross) ^c	114.2
Life expectancy at birth, years ^c	75.0
Total GHG emissions (mtCO ₂ e)	93.0

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2022).

b/ Most recent value (2013).

c/ Most recent WDI value (2022).

Morocco weathered overall well the recent overlapping economic and climate shocks thanks to a strong macroeconomic policy framework and government response. Although a prolonged drought will decelerate the economy in 2024, non-agricultural GDP is expected to strengthen, driven by export-oriented sectors, construction, and domestic demand amid easing inflation. Ongoing reforms promise significant development gains, but additional structural changes are needed to create more good jobs in the private sector and enhance economic opportunities for youth and women.

Key conditions and challenges

Despite a confluence of severe shocks (the COVID-19 pandemic, a prolonged drought, a high commodity prices-led inflationary surge, and a devastating earthquake) Morocco has demonstrated remarkable economic resilience thanks to a strong macroeconomic policy framework and proactive government response.

The Moroccan authorities have also responded to this turbulent period by advancing reforms that hold the potential to set the economy on a stronger and more inclusive long-term development trajectory. In the human capital sphere, Morocco is expanding health insurance coverage, deploying a wide-ranging cash transfer program, and implementing an education reform to improve learning outcomes. On the fiscal and economic management front, the government is advancing a tax reform program to bolster domestic revenue mobilization, reducing butane gas subsidies, and implementing an SOE reform to improve their governance, competitive neutrality, and performance. On climate adaptation and mitigation, Morocco is deploying large infrastructure investments to cope with water scarcity and has committed to ambitious decarbonization targets in energy generation. The government recently pledged to prioritize job creation in the years to come as the labor market remained weak. Reported

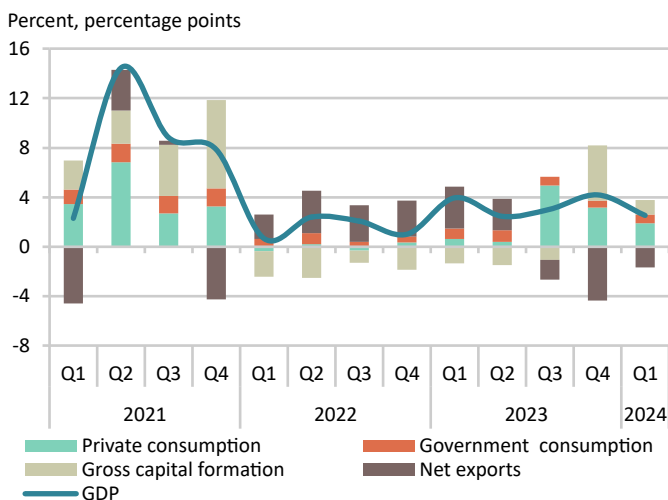
inactivity rates have increased by over 8 percentage points over the past two decades and the unemployment rate remains 4 percentage points higher than its pre-pandemic level. Durably addressing this challenge would require a comprehensive strategy to improve the dynamism of the private sector and bolster productivity, address informality, overcome the low female labor force participation (19 percent in 2023), and raise the skills of the workforce.

Recent developments

After expanding by 3.4 percent in 2023, real GDP growth moderated to 2.5 percent in Q1 2024 due to a 5 percent contraction of agriculture as cereal production fell by 43 percent amid the drought. At 3.5 percent, non-agricultural growth stayed more robust. Domestic demand is regaining momentum, with private consumption and gross capital formation expanding by 3 and 3.6 percent respectively in Q1 2024, facilitated by a sharp drop in annual inflation from a peak of 10.1 percent in early 2023 to 1.3 percent in July 2024. Inflation expectations have also declined, prompting the central bank to reduce the policy rate by 0.25 ppts to 2.75 percent in July.

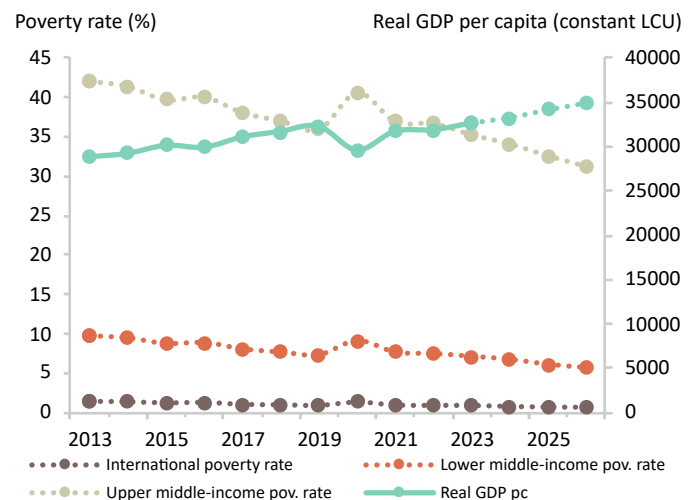
Morocco's external position continues to strengthen. The current account deficit narrowed from 3.5 to 0.6 percent of GDP in 2023 and recorded a surplus in Q1 2024 driven by lower energy prices, robust growth of phosphates and manufacturing

FIGURE 1 Morocco / Real GDP growth and contributions to real GDP growth



Sources: Haut Commissariat au Plan (HCP) and World Bank staff estimates.

FIGURE 2 Morocco / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

exports, rebounding tourism inflows and strong remittances. After a weak 2023, net FDI flows have more than doubled in the first five months of 2024, and new large greenfield projects have been announced, especially in green hydrogen and the production of battery components for electric vehicles. The exchange rate was overall stable, and the dollar value of reserves increased by 3 percent in 2024, covering more than five months of imports. Morocco has made gradual progress in improving its budgetary situation since the pandemic, and the fiscal deficit declined from 5.4 to 4.4 percent of GDP in 2022-2023. However, despite robust tax revenues, spending pressures have increased the budget deficit during the first seven months of 2024. The government has passed an additional budget appropriation of 0.9 percent of GDP to finance a salary increase for civil servants and support SOEs. Recent shocks have had large welfare impacts, especially for poorer rural households. Official statistics indicate that, in 2022, poverty measured by the national line was only marginally lower than in 2014 (3.9 vs. 4.8 percent), while social and spatial welfare disparities increased. Nevertheless, the rise in per capita GDP and the fall in inflation (particularly for food)

are estimated to have resulted in a modest reduction of poverty in 2023.

Outlook

Real GDP growth is projected to decline to 2.9 percent in 2024, before accelerating to 3.9 percent in 2025. This fluctuation stems primarily from the agricultural sector, expected to contract by 4.6 percent in 2024 and rebound by 8.2 percent in 2025, assuming climatic conditions normalize. Non-agricultural growth is anticipated to moderately accelerate to 3.7 percent in 2024, driven by the strong performance of phosphates, export-oriented manufacturing, and a revitalized construction sector, supported by a new homebuyer assistance program and declining interest rates, ongoing post-earthquake reconstruction efforts, and preparation for major sport events (2025 African Cup of Nations and 2030 World Cup). Domestic demand should strengthen, as FDI and public infrastructure projects provide additional momentum for investment while private consumption continues to recover despite a temporary increase in inflation due to the butane gas subsidy reform.

The ongoing recovery of domestic demand and higher agricultural imports are expected to widen the current account deficit to 1 and 1.4 percent of GDP in 2024 and 2025, still significantly below historical averages. FDI inflows are expected to accelerate as announced greenfield projects continue to materialize. Spending pressures are expected to slow the ongoing fiscal consolidation process in 2024, but the budget deficit should fall over the medium-term, resulting in a moderate decline in the debt to GDP ratio by 2026.

Poverty is projected to continue declining in 2024-26 as the economy gains dynamism, inflation stabilizes and the government deploys the new cash transfer program, which could mitigate the impact of the drought in rural areas. However, enrollment of informal workers in the compulsory health insurance scheme is progressing slowly. As the government aims to enforce contributions to the system, some workers (particularly farmers) might be encouraged to misreport their employment status, further hindering formalization. The ability of Morocco to reduce poverty and inequality in the longer-term rests heavily on addressing the structural constraints to private sector dynamism and job creation.

TABLE 2 Morocco / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	8.2	1.5	3.4	2.9	3.9	3.4
Private consumption	6.8	0.0	3.7	2.6	3.1	2.8
Government consumption	7.2	3.0	4.1	4.5	4.1	3.6
Gross fixed capital investment	7.5	-4.0	1.9	3.9	3.8	4.5
Exports, goods and services	7.9	20.5	8.8	8.7	7.9	8.3
Imports, goods and services	10.4	9.5	7.4	8.2	6.3	7.4
Real GDP growth, at constant factor prices	7.9	1.6	3.2	2.9	3.9	3.4
Agriculture	19.0	-11.8	1.6	-4.6	8.2	0.7
Industry	7.8	-2.7	1.3	3.8	3.3	3.4
Services	5.7	6.8	4.4	3.6	3.4	3.7
Inflation (consumer price index)	1.4	6.6	6.1	1.5	2.7	2.4
Current account balance (% of GDP)	-2.3	-3.6	-0.6	-1.0	-1.3	-1.9
Net foreign direct investment inflow (% of GDP)	1.1	1.2	0.2	1.5	1.6	1.7
Fiscal balance (% of GDP)	-6.0	-5.4	-4.4	-4.2	-3.8	-3.4
Revenues (% of GDP)	25.3	28.7	28.3	28.8	27.0	26.3
Debt (% of GDP)	69.4	71.5	70.0	68.6	68.2	67.6
Primary balance (% of GDP)	-3.7	-3.2	-2.3	-2.1	-1.7	-1.4
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	1.0	0.9	0.9	0.8	0.7	0.7
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	7.7	7.5	7.1	6.7	6.1	5.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	36.9	36.7	35.3	34.1	32.6	31.2
GHG emissions growth (mtCO₂e)	7.8	-0.4	0.3	2.3	2.5	2.9
Energy related GHG emissions (% of total)	73.5	73.6	73.5	74.1	74.6	75.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2013-ENCDM. Actual data: 2013. Nowcast: 2014-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2013) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.