



# MOROCCO

April 2025

## REQUEST FOR AN ARRANGEMENT UNDER THE FLEXIBLE CREDIT LINE AND CANCELLATION OF THE CURRENT ARRANGEMENT—PRESS RELEASE; STAFF REPORT; STAFF SUPPLEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR MOROCCO

In the context of the Request for an Arrangement under the Flexible Credit Line and Cancellation of the Current Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on April 2, following discussions with the officials of Morocco on economic developments and policies underpinning the IMF arrangement under the Flexible Credit Line. Based on information available at the time of these discussions, the staff report was completed on March 18.
- A **Staff Supplement** on the assessment of the impact of the proposed arrangement under the Flexible Credit Line on the Fund's finances and Liquidity Position.
- A **Statement by the Executive Director** for Morocco.

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**International Monetary Fund**  
**Washington, D.C.**



## IMF Executive Board Approves New Two-Year US\$4.5 Billion Flexible Credit Line Arrangement for Morocco

FOR IMMEDIATE RELEASE

- The IMF approved today a successor two-year arrangement for Morocco under the Flexible Credit Line (FCL), designed for crisis prevention, of about US\$ 4.5 billion.
- Morocco qualifies for the FCL by virtue of its very strong institutional policy frameworks and economic fundamentals, its track record of implementing very strong policies, and its continued commitment to maintaining such policies in the future.
- In a highly uncertain environment, the arrangement will enhance Morocco's external buffers and provide insurance against downside risks. The authorities intend to treat the new arrangement as precautionary.

**Washington, DC – April 2, 2025:** The Executive Board of the International Monetary Fund (IMF) approved today a new successor two-year arrangement for Morocco under the Flexible Credit Line (FCL) in an amount equivalent to SDR 3.45 billion (about US\$ 4.5 billion, equivalent to 386 percent of quota), and noted the cancelation by Morocco of the previous FCL arrangement. The Moroccan authorities stated their intention to treat the new arrangement as precautionary.

This is Morocco's second FCL, with lower access in line with the authorities' goal of continuing to reduce access as risks permit in the context of their gradual exit strategy. The first FCL was approved on April 3, 2023 in an amount of SDR 3.7262 billion (equivalent to 417 percent of quota) (see [Press Release No. 23/104](#)). Before the first FCL, Morocco had also benefited from four successive Precautionary and Liquidity Line (PLL) arrangements between 2012-2020 (see [Press Release No. 12/287](#), [Press Release No. 14/368](#), [Press Release No. 16/355](#), [Press Release No. 18/477](#)).

Following the Executive Board's discussion on Morocco, Mr. Okamura, Deputy Managing Director, and Acting Chair, said:

"The Moroccan economy has shown sustained track record of implementing very strong policies and remarkable resilience to recent shocks, although a succession of droughts has severely curtailed agricultural production and pushed unemployment to historical highs. Morocco's very strong institutional and policy frameworks have been effective in addressing these shocks, with well-calibrated fiscal, monetary, and financial policies. The recent bond issuance in the international capital markets at very favorable terms is a testament of the

authorities' very strong track record. Looking ahead, the authorities are committed to continuing to implement their ambitious structural reform agenda towards a more resilient, inclusive, greener, and private sector-led growth, and further strengthening their institutional policy frameworks. The new FCL arrangement will continue to be instrumental in supporting Morocco's commitment to such strong policies and reforms.

"The new FCL arrangement will also continue to provide Morocco insurance against downside risks. The Moroccan economy remains vulnerable to a worsening of global economic and financial conditions, higher commodity prices, and new occurrence of droughts.

"The authorities are committed to treating the new FCL arrangement as precautionary and gradually reducing access, in the context of their exit strategy, contingent on the evolution of risks."

## **ANNEX**

### **Recent Economic Developments**

Morocco's economy has demonstrated resilience in the face of multiple shocks. In recent years, Morocco navigated the global pandemic, the economic fallout from Russia's invasion of Ukraine, a devastating earthquake in 2023, and five droughts in six years. While these shocks have weighed on economic activity and the successive droughts have curtailed agricultural production and pushed unemployment to historical highs, the authorities managed to preserve macroeconomic stability through effective fiscal, monetary, and financial policy responses. They also continued to implement important structural reforms to achieve Morocco's new model of development, aimed at stronger, greener, more resilient and inclusive growth. Medium-term growth is projected at 3.6 percent, supported by planned infrastructure projects and progress in structural reforms.

However, Morocco remains highly exposed to elevated uncertainty and external risks, and policy space remains limited relative to what would be needed to mitigate the economic impact if external risks were to materialize. At the same time, the risk of severe droughts continues to imperil the agricultural sector—with large weight in Morocco's economy—as the authorities work on addressing the country's water scarcity.

### **Arrangement Summary**

The IMF approved today a successor two-year arrangement for Morocco under the Flexible Credit Line (FCL), designed for crisis prevention and mitigation, of about US\$ 4.5 billion. Morocco qualifies for the FCL by virtue of its very strong institutional policy frameworks and economic fundamentals, its track record of implementing very strong policies, and its continued commitment to maintaining such policies in the future. The authorities consider that the FCL arrangement has served the country well and remains the most appropriate tool to help them continue to rebuild buffers while accelerating the implementation of structural reforms in a highly uncertain external environment.

### Morocco: Selected Economic Indicators, 2020–30

Population: 36.8 million; 2024

Per capita GDP: \$3,817; 2023

Quota: SDR 894.4 million

Poverty rate: 4.8 percent; 2013

Main exports: automobiles, phosphate and derivatives; 2023

Key export markets: France and Spain (42% of total trade); 2023

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Proj.										
<b>Output (annual percent change)</b>											
Real GDP growth	-7.2	8.2	1.5	3.4	3.2	3.9	3.7	3.6	3.6	3.6	3.6
Real nonagricultural GDP growth	-7.2	7.0	3.2	3.6	4.1	3.7	3.7	3.7	3.7	3.7	3.7
<b>Employment (percent)</b>											
Unemployment	11.9	12.3	11.8	13.0	13.3	13.2	12.9	12.4	12.1	11.9	11.8
<b>Prices</b>											
Inflation (end of period)	-0.3	3.2	8.3	3.4	0.7	2.1	2.2	2.2	2.1	2.0	2.0
Inflation (period average)	0.7	1.4	6.6	6.1	0.9	2.2	2.3	2.2	2.1	2.0	2.0
<b>Central government finances (percent of GDP) 1/</b>											
Revenue	27.0	25.1	28.4	27.9	30.1	30.4	29.4	28.1	28.1	28.1	28.1
Expenditure	34.1	31.0	33.8	32.3	34.2	34.3	32.8	31.4	31.3	31.2	31.2
Fiscal balance	-7.1	-5.9	-5.4	-4.5	-4.1	-3.9	-3.4	-3.3	-3.2	-3.1	-3.1
Public debt	72.2	69.4	71.5	69.5	70.0	68.9	67.7	66.8	66.2	65.6	65.1
<b>Money and credit (annual percent change)</b>											
Broad money	8.4	5.1	8.0	4.0	7.9	4.6	4.6	4.6	4.6	4.6	4.6
Claims to the economy 2/	4.9	3.8	7.1	5.3	6.9	4.5	4.1	4.2	4.2	4.2	4.2
<b>Balance of payments</b>											
Current account (percent of GDP)	-1.2	-2.3	-3.5	-0.6	-1.5	-2.0	-2.2	-2.6	-2.9	-3.1	-3.3
Exports of goods (in U.S. dollars, annual percent change)	-4.4	34.4	15.1	-0.5	8.6	6.6	7.3	6.9	6.8	6.7	6.7
Imports of goods (in U.S. dollars, annual percent change)	-12.0	32.1	21.9	-2.5	7.9	8.1	7.5	7.4	7.3	6.4	6.2
Merchandise trade balance (percent of GDP)	-12.8	-14.0	-20.2	-17.3	-17.3	-17.8	-18.0	-18.3	-18.6	-18.6	-18.5
FDI (percent of GDP)	0.8	1.1	1.2	0.2	0.7	1.4	1.5	1.6	1.6	1.7	1.7
Gross reserves (months of imports)	7.2	5.8	5.3	5.4	5.2	5.2	5.2	5.2	5.1	5.1	5.2
External Debt (percent of GDP)	54.2	45.5	49.5	48.2	45.3	46.1	46.3	46.8	45.9	46.5	46.5
<b>Exchange rate</b>											
REER (annual average, percent change)	1.4	1.6	-3.2	0.9	...	...	...	...	...	...	...
<b>Memorandum Items:</b>											
Nominal GDP (in billions of U.S. dollars)	121	142	131	144	155	166	177	188	199	212	225
Net imports of energy products (in billions of U.S. dollars)	-5.3	-8.4	-15.1	-12.0	-11.5	-12.1	-12.3	-12.8	-13.2	-13.7	-14.1
Local currency per U.S. dollar (period average)	9.5	9.0	10.2	10.1	9.9	...	...	...	...	...	...

Sources: Moroccan authorities; and Fund staff estimates.

1/ Include grants.

2/ Includes credit to public enterprises.



# MOROCCO

March 18, 2025

## REQUEST FOR AN ARRANGEMENT UNDER THE FLEXIBLE CREDIT LINE AND CANCELLATION OF CURRENT ARRANGEMENT

### EXECUTIVE SUMMARY

**Context:** The Moroccan economy showed remarkable resilience to recent shocks, although a succession of droughts severely curtailed agricultural production and pushed unemployment to historical highs. Morocco's very strong institutional and policy framework has been effective in addressing these shocks, with well-calibrated fiscal, monetary, and financial policies. The authorities continue to implement their ambitious structural reform agenda, towards a more resilient, greener, inclusive, private sector-led growth, and further strengthening their institutional policy frameworks. The authorities remain fully committed to maintaining very strong policies and policy frameworks.

**Risks:** Although domestic risks to the growth outlook are broadly balanced, uncertainty and external risks remain elevated. Escalating geopolitical tensions and global trade compression could diminish demand for Moroccan exports, reduce foreign direct investment (FDI) inflows, and tighten external financial conditions. Other external relevant risks include the intensification of regional conflicts leading to higher commodity prices and volatility, increasing the import bill, and passing through to higher energy and food prices and inflation, which may necessitate tighter monetary policy and further slow economic activity. Domestically, new droughts could hinder agricultural production, displace jobs, and increase food imports.

**Flexible Credit Line (FCL):** The authorities are requesting a two-year FCL arrangement for SDR 3.45 billion (about 386 percent of quota) and notifying the Fund of the cancellation of the current arrangement approved on April 3, 2023 (SDR 3.7262 billion, 417 percent of quota). The authorities see the arrangement as an additional buffer to address plausible tail risks and intend to treat it as precautionary. In staff's assessment, Morocco continues to meet the qualification criteria for access under the FCL arrangement, and staff supports the authorities' request for a slightly lower access, reflecting Morocco's stronger initial position. The lower access also reflects the authorities' commitment to gradually exit the arrangement.

**Fund liquidity:** The proposed commitment would have a manageable impact on the Fund's liquidity position.

Approved By  
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## CONTEXT

**1. Morocco's economy has demonstrated resilience in the face of recent shocks.** In recent years, Morocco navigated the global pandemic, the economic fallout from Russia's invasion of Ukraine, a devastating earthquake in 2023, and five droughts in six years. While these shocks have weighed on economic activity and the successive droughts have curtailed agricultural production and pushed unemployment to historical highs, the authorities managed to preserve macroeconomic stability through effective fiscal, monetary, and financial policy responses. They also continued implementing important structural reforms to achieve Morocco's new model of development, aimed at stronger, greener, more resilient and inclusive growth, as discussed in the 2025 Article IV Consultation.<sup>1</sup> Medium-term growth is projected at 3.6 percent, supported by planned infrastructure projects and progress in structural reforms.

**2. Although its external position has strengthened since 2022, Morocco remains highly exposed to elevated uncertainty and external risks.** Since 2022 (around the time of the first FCL request), Morocco's current account deficit has narrowed in 2024, and foreign reserves have built up. Nonetheless, policy space remains limited relative to what would be needed to mitigate the economic impact if external risks were to materialize. At the same time, the risk of severe droughts continues to imperil the agricultural sector—with large weight in Morocco's economy—as the authorities work on addressing the country's water scarcity.<sup>2</sup>

**3. Against this background, the authorities have requested a new two-year FCL arrangement, replacing the current one set to expire on April 2, 2025.** The continuation of the FCL arrangement would strengthen Morocco's reserve buffers and provide valuable insurance against plausible tail risks, as evidenced by the country's experience with the Precautionary and Liquidity Line (PLL) during the pandemic.<sup>3</sup> The authorities consider that the FCL arrangement has served the country well and remains the most appropriate tool to help them continue to rebuild buffers while accelerating the implementation of structural reforms in a highly uncertain external environment.

<sup>1</sup> IMF (2025), Morocco: Staff Report for the 2025 Article IV Consultation and Third Review Under the Arrangement Under the Resilience and Sustainability Facility.

<sup>2</sup> Morocco is highly water-stressed, and water scarcity is a constraint to Morocco's planned transition to a new model of development. In addition to investments in water infrastructure, the authorities are working to address water scarcity with demand management reforms, including through the RSF-supported measures (RM1). (see IMF (2023), Morocco: Request for an Arrangement Under the Resilience and Sustainability Facility)

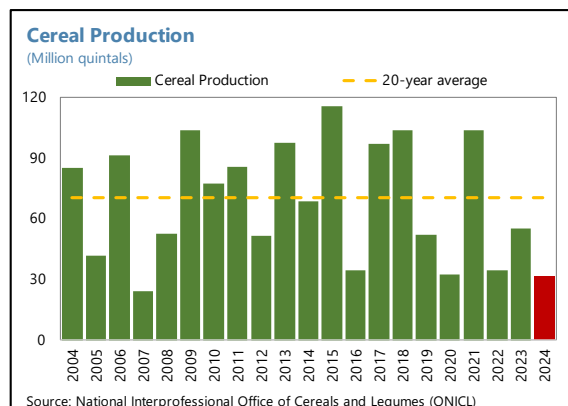
<sup>3</sup> Morocco's access to the resources under the PLL arrangement in April 2020 helped ease external financing pressures at the onset of the pandemic. As external conditions normalized, Morocco successfully returned to international markets in December 2020 and in early 2021, it repurchased early one third of purchases made under the PLL arrangement.

## RECENT DEVELOPMENTS

### 4. Real GDP growth slowed to an estimated 3.2 percent in 2024, as another drought weighed on agricultural output.

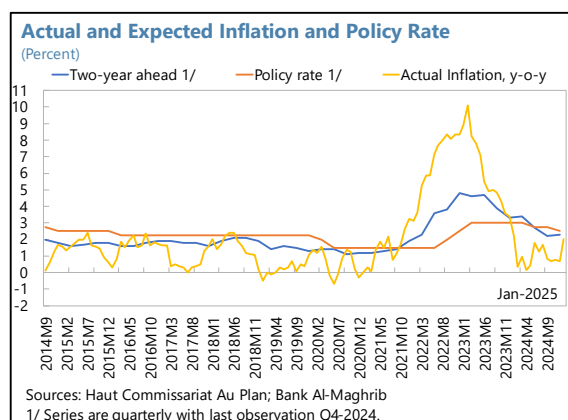
Cereal production dropped to historic lows (31 million quintals, compared to a long-term average of 70 million), following the fifth drought in six years. The nonagricultural output remained resilient, however, supported by a strong rebound in investment, driven by several infrastructure projects and robust consumption on account of falling inflation and some fiscal support to households.

The challenges in the agricultural sector led to substantial job losses that raised unemployment to 13.3 percent in Q4, up from 13.0 percent in the previous year, and significantly higher than the pre-COVID average of 9 percent.



### 5. Inflationary pressures continued to abate in 2024, allowing Bank Al-Maghrib (BAM) to cut the policy rate in June and December.

Headline inflation fell to about 1 percent in 2024, as volatile food prices declined, while core inflation remained below 2½ percent. In response, BAM reduced the policy rate by 25 bps twice in June and December, bringing it to 2½ percent. In January 2025, headline inflation stood at 2 percent y/y as volatile food prices began to normalize in line with expectations, while core inflation remained stable (below 2½ percent).



**6. The fiscal deficit in 2024 was smaller than projected in the Budget, amid stronger-than-expected revenues.** The overall deficit narrowed to 4.1 percent in 2024, from 4.5 percent of the GDP in 2023, a 0.2 percent of GDP overperformance compared to the deficit target in the budget.<sup>4</sup> This reflected the strong increase in tax revenues (2.2 percent of GDP greater than in the budget), resulting mainly from better than expected yields from the recent tax policy and tax administration reforms,<sup>5</sup> which were mostly used to accelerate capital spending (1.2 percent of GDP

<sup>4</sup> IMF staff presents the overall balance according to GFSM 2014, which classifies sale of financial assets below the line as a financing flow; whereas the authorities use their national presentation, which is consistent with GFSM 1986 and classifies those transactions above the line as revenues, resulting in a different overall balance of 3.9 percent of GDP for 2024.

<sup>5</sup> The recent tax reforms—the harmonization of CIT and VAT rates, the reduction of CIT exemptions, the introduction of VAT withholding and self-declaration, and the extension of PIT withholding to self-employed and non-salary incomes—have simplified the tax system, raised the cost of evasion, and boosted compliance beyond expectations.

higher than expected), and accommodate an increase in the cost of subsidies due to the higher-than-expected international price of gas butane (0.6 percent of GDP) and of the wage bill in line with agreements under the social dialogue (0.2 percent of GDP).

**7. The external position was estimated to be moderately stronger than the level implied by medium-term fundamentals and desirable policies in 2024,<sup>6</sup> even as the current account deficit widened.** The current account deficit is estimated to have widened to 1.5 percent of GDP in 2024 from 0.6 percent in 2023. This deterioration reflects a smaller services surplus (with higher import of services only partly offset with buoyant tourism receipts) and a higher primary income deficit. Net FDI flows rose, and international reserves reached USD 37.2 billion in 2024 (120 percent of the estimated adjusted ARA metric), compared to USD 36.3 billion in 2023 (about 125 percent of the adjusted ARA metric). Even as imports of goods and services rose, driven by the rebound in investment, reserve coverage has remained strong at over 5 months of prospective imports. The average nominal exchange rate appreciated in 2024 by about 2 percent vis-à-vis the USD, ending the year around the middle of the fluctuation band, and by about 2.6 percent in real effective terms.

**8. Credit growth slowed while banks' profitability increased in 2024.** Credit to nonfinancial companies slowed as lower production costs (including energy prices) reduced the need for working capital financing, even as loans for machinery and equipment rose. Following a period of stagnation in 2023 due to higher interest rates and stricter lending standards, credit to households began to recover in 2024 as interest rates started to ease following policy rate cuts. Banks' return on equity improved to 12 percent in September 2024, up from 9.8 percent the previous year, supported by increased credit and abundant low-cost deposits. However, profit growth was limited by higher provisioning for nonperforming loans (NPLs), which rose by 2.5 percent y/y in December 2024. The increase in NPLs in 2024 was primarily driven by the household sector as high inflation in 2022–2023 eroded disposable income (households' NPL ratio increased to 10.8 percent from 10 percent in early 2023). The NPL ratio for nonfinancial private firms rose to 12.5 percent in December (from 12 percent in early 2023), reflecting small and medium-sized firms' difficulties in repaying pandemic-related subsidized loans (about 1 percentage point of the NPL ratio). Banks' capitalization remains adequate, with Tier 1 capital ratio at 12.9 percent in June 2024.

## VIEWS ON POLICIES

**9. The pace of monetary policy rate cuts has been appropriate, keeping inflation expectations anchored, and low and stable inflation provides an opportunity for the authorities to continue with their planned transition to an inflation targeting regime.** The real ex-ante policy rate (0.2 percent) is modestly below the staff's range of estimates for the neutral rate (between 0.5 and 1 percent).<sup>7</sup> However, significant uncertainty around these estimates underscores the need to maintain a cautious approach to future policy decisions, calibrating new rate

<sup>6</sup> Based on IMF's EBA current account model. See 2025 Article IV Staff Report.

<sup>7</sup> Queyranne, M., Baksa, D., Bazinas, V., & Abdulkarim, A. (2021). Morocco's Monetary Policy Transmission in the Wake of the COVID-19 Pandemic. IMF Working Paper WP/21/249.

adjustments to changes in actual inflation and inflation expectations. Over the past few years, BAM has made good progress in preparing for a smooth transition to an inflation targeting regime, including by improving the functioning and liquidity of foreign exchange (FX) markets, refining macro-forecasting tools, and adapting its communication strategies.<sup>8</sup> Taking advantage of the expected stabilization of inflation at low levels (around 2 percent), the authorities should prepare to move forward with the final stages of the transition, remove the peg around the dirham, and allow greater exchange rate flexibility, which would strengthen Morocco's resilience to future shocks.

**10. In line with the Medium-Term Fiscal Framework (MTFF), the 2025 Budget outlines a gradual fiscal consolidation strategy that ensures that central government debt remains sustainable with high probability.** The 2025 Budget projects the overall deficit to decrease from 4.1 percent of GDP in 2024 to 3.3 percent in 2027. This improvement is driven by higher revenue yields from recent tax reforms,<sup>9</sup> and lower gas butane subsidies (in line with RSF commitments) and capital spending, which would offset lower nontax revenues (as dividends from state-owned enterprises (SOEs) normalize) and higher transfers to municipalities (due to sharing of the higher tax revenues) and SOEs to support their investment plans. Central government debt, estimated at 70 percent of GDP in 2024, would gradually decline to 67 percent by 2027 and 65 percent by 2030. This pace of fiscal consolidation, together with continued prudent debt management, would ensure that central government debt remains sustainable with high probability (Annex II).

**11. Still, recent tax reforms offer an opportunity to rebuild stronger buffers.** As discussed in the 2025 Article IV, there is room to accelerate fiscal consolidation, to achieve the pre-pandemic debt-to-GDP ratio over the medium term. This could be achieved by compressing tax expenditures (such as increasing VAT on fossil fuels), introducing an economy-wide carbon tax, enlarging the tax base (through structural measures to reduce informality), and accelerating the privatization program. Current spending could be reduced by phasing out remaining subsidies, reforming the public wage system, enhancing the targeting of social programs, while reducing transfers to SOEs by strengthening oversight and control (as planned in the draft new Organic Finance Law) and restructuring loss-making SOEs. Although the staff baseline includes a modest acceleration of private investment partly supported by the Investment Charter and public-private partnerships (PPPs), it is important to monitor and contain additional spending pressures and contingent liabilities that could arise in the medium to longer term under these programs.

**12. While systemic risks to the financial system appear to be limited, efforts to further strengthen the resilience of the financial system should continue.** BAM has continued to align its regulatory and supervisory framework with international standards, notably by introducing regulations related to the Net Stable Funding Ratio (NSFR) and the Liquidity Adequacy Assessment Process (ILAAP) and completing the deployment of the Supervisory Review and Evaluation Process

<sup>8</sup> Recent measures include the introduction of the interbank futures markets for FX swaps and overnight interest rate swaps, aiming to deepen the foreign exchange and interest rate hedging markets. Additionally, discussions have begun on adopting a draft law to enable close-out netting, to mitigate credit exposure, and to establish an appropriate tax framework for hedging instruments.

<sup>9</sup> Staff projects tax revenues of 23–24 percent of GDP in 2025–2027, compared to 21.8 percent in 2023.

(SREP). The results of the first SREP exercise were shared with banks in Q4 2024, with full implementation expected by 2027. In 2025, BAM also issued two directives to commercial banks, in line with international standards, that are aimed at better integrating climate-related financial risks. Efforts to further strengthen the resilience of the financial system in the face of emerging risks could include: (i) the successful introduction of a secondary NPL market by adopting the draft law defining the regulatory framework, enhancing pre-judicial and judicial procedures, and developing a digitized market; (ii) broadening the definition of NPLs through a phased implementation of the draft revision of circular 19/G, which would introduce a new classification for sensitive claims, align the definition of restructured claims with international standards and hence support better risk management; and (iii) further measures to mitigate concentration risks until the SREP comes fully into effect, when a Pillar 2 capital surcharge could be required from banks exposed to concentration risk. A new Financial Sector Assessment (FSAP) (updating the 2015 FSAP) is expected in 2026, which would provide a comprehensive analysis of the financial system and offer policy recommendation to strengthen financial stability.

## OUTLOOK AND RISKS

**13. Economic activity is expected to pick up in the short term.** Real GDP growth is projected to accelerate to 3.9 percent in 2025 and then stabilize at around 3½ percent over the medium term, as agricultural output gradually recovers from recent droughts and non-agricultural output continues to expand. Growth will continue to be supported by the planned infrastructure projects (mainly through PPPs) and structural reforms. Inflation is expected to remain low at around 2 percent. Considering the high import content of investment, the trade deficit is expected to worsen, and the current account deficit to widen towards the estimated norm of 3 percent of GDP over the medium term, partly financed by higher FDIs and external borrowing. While reserve accumulation is expected to continue, foreign reserve coverage would decline slightly over the next few years, albeit remaining well above 100 percent of the adjusted ARA metric.<sup>10</sup>

**14. Although domestic risks to the growth outlook are broadly balanced, uncertainty and external risks remain elevated.** Domestically, despite efforts to address water scarcity, new droughts would prevent the normalization of agricultural production, displace more jobs, and increase imported food needs, posing downside risks to growth. An acceleration of private investment would be an upside risk to growth, although it could lead to a deterioration of the current account deficit, fuel inflation, and create government spending pressure. Externally, uncertainty and risks remain elevated. Worsening geopolitical tensions and a compression of global trade could reduce external demand for Moroccan exports, increase commodity price volatility, and reduce FDI inflows (although Morocco could benefit over the medium term from the possible reshuffling of global supply chains, especially if it continues with pro-business structural reforms). Additionally, the intensification of regional conflicts could lead to higher commodity prices and volatility, pass-through to energy and food prices, and create inflation pressures, which may require

<sup>10</sup> The use of the adjusted ARA metric for Morocco takes into consideration the presence of longstanding capital flow management measures on Moroccan residents.

monetary policy to tighten. Morocco's External Economic Stress index (Box 1) suggests that, in a downside scenario, external pressures would be severe and persist for an extended period, though slightly less pronounced than projected at the time of the first FCL request.

### Box 1. External Economic Stress Index

**Background.** The External Economic Stress Index (EESI), a composite indicator of vulnerability related to external shocks, is based on the identification of: (i) key external risks facing Morocco, (ii) proxy variables capturing these risks, and (iii) the choice of weights to apply to each of these variables.

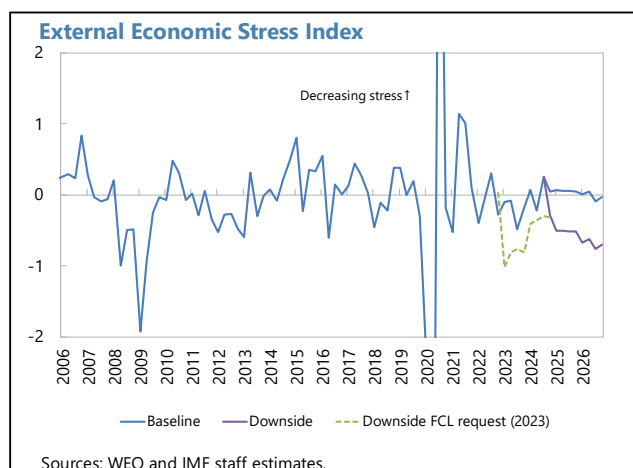
**Risks.** The main external risks for Morocco include: (i) an economic downturn in advanced economies, particularly euro area countries (Morocco's main trading partners), leading to a decline in exports, FDIs, and receipts from tourism and remittances; (ii) rising commodity prices, particularly of food and energy imports, fueling inflation and weakening domestic demand and the trade balance; and (iii) a tightening of global financial conditions, reducing the volume and increasing the cost of external financing.

**Proxy variables.** The decline in exports, FDIs, and receipts from tourism and remittances is captured by the decline of real GDP growth in the euro area; the rise in the price of commodity imports is captured by an increase in global oil prices; and the impact of tighter global financial conditions is captured by the change of the US 10-year Treasury yield.

**Weights.** The index is calculated as the weighted sum of standardized deviations of each of these three variables from their means.<sup>1/</sup> The standardized weights for euro area growth (0.69), the change in global oil prices (0.23), and the change in the US 10-year Treasury yield (0.08) correspond to the impact of shocks on each of the three variables on the Moroccan economy, estimated using the IMF's Flexible System of Global Models (FSGM).

**Baseline scenario.** The baseline follows the October 2024 World Economic Outlook (WEO) projections for Eurozone growth and oil prices, while the change in the US 10-year Treasury yield is consistent with the GAS assumptions, as of December 2024. The EESI suggests that external economic stress in the baseline would weaken slightly over 2025–2026 compared to the FCL request in 2023–2024, remaining close to zero (chart). This reflects projections of a slightly better euro area growth outlook and lower global oil prices.

**Downside scenario.**<sup>2/</sup> The downside scenario assumes a decline in real GDP growth in the euro area in line with the WEO October 2024 adverse scenario (a decline of 0.9 and 1.6 percentage points below the baseline in 2025 and 2026, respectively). Oil prices are assumed to be around 20 percent higher than the baseline in 2025 and 2026, corresponding to the 85th percentile of the confidence interval of oil prices estimated for the October 2024 WEO. The US 10-year Treasury yield is assumed to increase by two standard deviations above the baseline, in line with the downside scenarios used in previous FCL and PLL. In this downside scenario, external pressures would be severe and persist for an extended period, though slightly less pronounced than projected at the time of the first FCL request.<sup>3/ 4/</sup>



**Box 1. External Economic Stress Index (Concluded)**

<b>Comparison of Downside Scenario Assumptions: Current FCL Request vs. Previous FCL</b>						
	<b>FCL</b>		<b>PLL</b>			
	<b>Current Request</b> (1st and 2nd year)	<b>2023 Request</b> (1st and 2nd year)	<b>2018</b>	<b>2016</b>	<b>2014</b>	<b>2012</b>
Decline in Euro Area Growth (p.p.)	0.9 and 1.6	2.7 and 1.3	0.5	1.0	2.5	4.0 and 2.5
Oil Price Increase	US\$14 and US\$13	US\$34 and US\$16	US\$10	US\$15	US\$25	US\$10 and US\$8
Tightening of global financial conditions	2 sd	2 sd	2 sd	2 sd	na	na

Source: IMF Staff calculations.

1/ For the methodology, see Flexible Credit Line—Operational Guidance Note, IMF Policy Paper, August 2018.

2/ As per January 2025 WEO update, projections incorporate recent market developments and the impact of heightened trade policy uncertainty, assumed to be temporary, but refrain from making assumptions about potential policy changes that are currently under public debate.

3/ This combination (lower economic activity, higher commodity prices, tighter financial conditions) is consistent with February 2025 G-RAM (regional conflicts and trade policy uncertainty/shocks).

4/ The EESI shown here follows the previous FCL request and is different than the one in past PLLs as (i) it relies on model-based weights (estimated using the IMF's Flexible System of Global Models, FSGM), rather than balance of payments data, as the former better reflect the importance of the variables in affecting Morocco's external position and (ii) it uses the change in the US 10-year Treasury yield rather than the emerging market implied volatility (VXEEM), as the former seems to better proxy the impact of tighter global financial conditions.

Note: While the different estimation of EESI prevents a full comparison with previous PLLs, the difference between downside and baseline scenarios is generally greater than the one estimated in the past.

## REVIEW OF FCL QUALIFICATION

**15. Staff assesses that Morocco continues to meet all the qualification criteria for an FCL arrangement.** As described in the 2025 Article IV Staff Report, and endorsed by the IMF's Executive Board, Morocco continues to display very strong economic fundamentals and institutional policy frameworks, it is implementing—and has a sustained track record of implementing—very strong policies, and it remains committed to maintaining such policies in the future, all of which give confidence that Morocco will respond appropriately to potential balance of payments difficulties that it could encounter. There are no substantive changes in the nine qualification criteria since the FCL request in 2023 and review in 2024 (Table 1).

- **Sustainable external position.** The 2025 External Balance Assessment (EBA) concluded that Morocco's external position is moderately stronger than the level implied by medium-term fundamentals and desirable policies. This assessment is based on a projected current account (CA) balance of -1.5 percent of GDP for 2024 (against -0.6 percent in 2023). The EBA model



estimates a CA gap at 2 percent of GDP (with a range of 1.5 to 2.5 percent) and a REER undervaluation of about 5½ percent (with a range of around 4 to 7 percent). The external debt remains relatively low, largely long-term (86 percent in 2023), and is projected to stabilize at around 46 percent of GDP going forward (Annex I). Morocco's external position is assessed to be moderately stronger than fundamentals in the 2025 Article IV and at least in line with fundamentals in the preceding four consultations. This criterion is **met** for the current year and the five most recent years.

- **Capital account position dominated by private flows.** Private capital flows constitute the largest share of the capital account, averaging about 56 percent of total capital flows between 2021 and 2023. FDIs and private loans have been among the largest components and are expected to pick up in the medium term as Morocco continues to implement private sector growth-friendly reforms. This criterion is **met**.
- **Track record of steady sovereign access to international capital markets at favorable terms.** The public sector (central government and SOEs) tapped international markets in four of the last five years, on favorable terms, for a cumulative amount of US\$ 10.2 billion (more than 8 times Morocco's quota). Morocco has not tapped the international markets more often mainly because it did not need to, given its low dependence on external financing and abundant availability of domestic savings. Only the public phosphate company OCP issued internationally in 2024, while the central government's last Eurobond issuance was in 2023. The central government decided not to rollover the Eurobond (about EUR1 billion) that matured in June 2024 and repaid it with international reserves. This decision does not reflect a lack of access, as Morocco's sovereign bond spread fell significantly in 2023 and 2024. In the staff's assessment, Morocco did not lose market access at any point in the last 12 months. This criterion is **met**.
- **A relatively comfortable reserve position.** Gross official reserves remained around US\$ 37 billion at end-2024, equivalent to about 24 percent of GDP (above the levels for other FCL countries) and about 5.2 months of imports. As a ratio to the adjusted ARA metric (with weights that reflect the existence of capital controls on residents, in line with the Guidance Note on Assessing the Adequacy of Reserves), Morocco's reserves stand at 120 percent by end-2024 (averaging about 121 percent in 2022–2024).<sup>11</sup> Going forward, staff expects reserves to remain above 100 percent of the adjusted ARA metric in the baseline. The criterion is **met**.
- **Sound public finances, including a sustainable public debt position.** Morocco's public debt is assessed to be sustainable with high probability in the 2025 Article IV consultation (Annex II) and in all previous SRDSA, and "sustainable" in the last produced MAC-DSA. While Morocco's fiscal position had deteriorated after the pandemic recession, like many other countries in the world, fiscal consolidation resumed in 2021 and has continued since, even as the country embarked on ambitious social reforms and infrastructure investments. The authorities have

<sup>11</sup> International reserves stood at 92 percent of unadjusted ARA at end-2024 (95 percent on average over 2022–2024). Both as ratio of adjusted and unadjusted ARA, international reserves never fell below 80 percent in any of the last 5 years (2020–2024).



surpassed the fiscal objectives set in their MTFF in each of the last three years. The 2025 Budget reaffirmed the authorities' commitment to a gradual fiscal consolidation with the overall deficit projected to decline from 4.1 percent of GDP in 2024 to 3.9 percent of GDP in 2025 and to 3.3 percent in 2027. The central government debt is estimated at 70.1 percent of GDP in 2024 (against 70.3 percent of GDP expected in the MTFF) and is projected to decline to about 65 percent of GDP by 2030.<sup>12</sup> Factors that help mitigate risks to the sustainability of central government's debt include (i) limited foreign currency debt at around 25 percent of total, (ii) the large base of domestic institutional investors; and (iii) the long average maturity of the debt (8.2 years).<sup>13</sup> Based on the debt sustainability analysis and other considerations described below, this criterion is **met** for the current and last five years.

- **Low and stable inflation in the context of a sound monetary and exchange rate policy framework.** Morocco has maintained inflation in the single digits in the last five years (averaging 3.2 percent in 2020–2024). Due to global shocks and droughts, inflation accelerated temporarily in 2022 (while remaining below regional and emerging markets averages) before starting to recede in 2023. BAM increased policy interest rates between September 2022 and March 2023 to curb inflation and prevent it from becoming entrenched. As inflation slowed, BAM cut the policy rate in June and December 2024, now close to staff's estimates of the neutral rate. Staff projects that, while remaining low, average inflation will pick-up slightly from 0.9 percent in 2024 to 2.2 percent in 2025, as volatile food prices normalize, and the gradual removal of gas butane subsidies continues. This criterion is **met**.
- **Sound financial system and absence of solvency problems that could threaten systemic stability.** The 2025 Article IV consultation does not highlight significant solvency risks or recapitalization needs. Banks have capital above minimum requirements and high profitability, boosted by ample and stable low-cost deposits (sight and saving deposits are about 80 percent of overall deposits). As of June 2024, the banking system's capital adequacy ratio was 15.8 percent, with Tier 1 capital at 12.9 percent, both exceeding the regulatory minimums of 12 and 9 percent, respectively. The return on average equity rose to 12 percent in September 2024, up from 9.8 percent in the previous year, despite the increase in provisions for credit risk. NPLs at 8.7 percent of total loans in September 2024 remained higher than pre-COVID levels (+1 p.p.), but provisioning levels are comfortable (68.2 percent of NPLs). The central bank has strengthened supervision requirements, such as for identifying NPLs and for addressing concentration risk. BAM has also recently increased the Tier 1 capital requirement for systematically important banks to create larger buffers. The central bank regularly conducts and publishes stress tests, which show that the banking system can withstand severe shocks.

<sup>12</sup> The projected gradual reduction in debt includes the effect of planned sales of financial assets projected at 6 billion dirhams (0.35 percent of GDP) per year in 2025–2027.

<sup>13</sup> General government debt was 65.9 percent of GDP in 2023, 3.6 percentage points lower than central government debt, as non-profit public establishments and retirement and social security organizations hold some central government debt. Staff continues to run the DSA based on central government debt, mainly to ensure continuity with the past, given that the authorities' estimates of general government debt start only from 2017 and a full transition to fiscal accounts with the general government perimeter has not yet been finalized.

Moroccan banks have expanded to Africa, and while this development exposes them to changing economic conditions in that region, it also presents an opportunity for diversification and profit generation. Systemic risks to the financial system appear to be limited, but elevated NPLs and concentration risk warrant close monitoring. This criterion is **met** for the current year and the five most recent years.

- **Effective financial sector supervision.** No substantial concerns regarding the supervisory framework emerged in the context of the last Article IV Consultation. BAM continued to advance the implementation of the SREP in 2024. In terms of liquidity management, following the introduction of a liquidity coverage ratio (with a minimum of 100 percent), BAM is currently working on establishing a NSFR and ILAAP to ensure that banks have adequate coverage for liquidity risks with sufficient high-quality liquidity buffers. In order to improve banks' risk management, BAM plans to gradually broaden the definition of NPLs, align the definition of restructured claims with international standards, and introduce more stringent provisioning rules, through the draft revision of circular 19/G. These, together with the successful introduction of a secondary NPL market, should help address elevated NPL levels. Progress has continued in strengthening the AML/CFT framework after Morocco exited the FATF grey list in February 2023. A draft law on crypto assets has been prepared with World Bank assistance, considering jurisdictional benchmarks, and is in the process of being adopted. Given the strength of financial sector supervision, this criterion is **met** for the current year and the five most recent years.
- **Data transparency and integrity.** Morocco subscribes to the Special Data Dissemination Standard. Overall, data continue to be adequate to conduct effective surveillance and program monitoring. The results of the new Data Adequacy Assessment for Surveillance point to the adequacy of the data (A rating). According to the most recently published Annual Observance Report on Morocco's SDDS commitments, Morocco exceeds SDDS publication timeliness requirement for labor market data, the consumer price index, and merchandise trade. This criterion is **met** for the current year and the five most recent years.

**16. Morocco's very strong institutional policy framework has continued to improve, although there is room for further progress.** The MTFF has been strengthened, in line with staff recommendations,<sup>14</sup> and further enhancements could include better quantifying the cost of new fiscal measures and fiscal risks (particular from PPPs, SOEs credit guarantees, and unfunded pension liabilities). As discussed in the 2025 Article IV staff report, the authorities submitted a draft new Organic Budget Law to the Secretariat General of the Government in 2024, which, among other things, introduces a new fiscal rule based on a medium-term debt anchor, consistent with IMF

<sup>14</sup> The MTFF projects the fiscal deficit (with main spending and revenue items) and public debt for the next three years and presents the macroeconomic assumptions and key policy measures underlying these projections. The 2025 MTFF also includes an analysis of fiscal risks (including from PPPs) and an assessment of the impact of climate change on debt sustainability (reform measure under the RSF arrangement).

**Table 1. Morocco: Summary of Relevant Core Indicators for FCL Qualification Criteria <sup>1/</sup>**

	2023 FCL Request	2024 FCL Mid-Term review	2025 FCL Request
<b>1. A sustainable external position</b> (EBA assessment at least “moderately weaker”)	<b>Broadly in line</b>	<b>Moderately stronger</b>	<b>Moderately stronger</b>
<b>2. A capital account dominated by private flows</b> (share of private flows in total capital flows > 50 percent, on average over the last	<b>52 percent</b>	<b>55 percent</b>	<b>56 percent</b>
<b>3. A track record of steady sovereign access to sovereign markets at favorable terms</b> (international bond issuance, cumulative amount during the last 5 years > 50 percent of country's quota at the Fund)	<b>549 percent</b>	<b>765 percent</b>	<b>871 percent</b>
<b>4. A comfortable reserve position</b> (reserves > 100 percent of ARA metric, on average over three (the current and the two previous) years and not below 80 percent in any of these three years.	Reserves averaged 133 percent of the adjusted ARA metric for period 2020-2022, never below 80 percent in any of those three years	Reserves averaged 124 percent of the adjusted ARA metric for period 2021-2023, never below 80 percent in any of those three years	Reserves averaged 122 percent of the adjusted ARA metric for period 2022-2024, never below 80 percent in any of those three years
<b>5. Sound public finances</b> (debt sustainable with high probability)	<b>Debt is sustainable with high probability</b>	<b>Debt is sustainable with high probability</b>	<b>Debt is sustainable with high probability</b>
<b>6. Low and stable inflation in the context of a sound monetary and exchange rate policy framework</b> (inflation in single digits in the last 5 years preceding qualification)	Average inflation was at single digit for each year between 2018 and 2022	Average inflation was 6.1 percent in 2023	Average inflation was 1 percent in 2024
<b>7. Sound financial system and absence of solvency problems that could threaten systemic stability</b> (the average capital adequacy ratio for the banking sector > regulatory thresholds; no significant solvency risks or recapitalization needs)	Tier 1 capital ratio stood at 11.8 percent, no significant solvency risks, or recapitalization needs	Tier 1 capital ratio stood at 12.9 percent, no significant solvency risks, or recapitalization needs	Tier 1 capital ratio stood at 13.4 percent (Jun-24), no significant solvency risks, or recapitalization needs
<b>8. Effective financial sector supervision</b> (no substantial concerns regarding the supervisory framework)	<b>No substantial concern in supervisory framework</b>	<b>No substantial concern in supervisory framework</b>	<b>No substantial concern in supervisory framework</b>
<b>9. Data Transparency and integrity</b>	<b>SDDS subscriber</b>	<b>SDDS subscriber</b>	<b>SDDS subscriber</b>

Source: National authorities and IMF staff estimates.

<sup>1/</sup> Reported indicators are those available at the time of the request and review, respectively.

technical assistance.<sup>15</sup> BAM, the central bank, is an independent well-managed, and highly regarded institution. BAM has continued working towards the planned transition to an inflation targeting regime, also with IMF technical assistance. While Morocco faces governance and corruption

<sup>15</sup> Based on the 2016 Organic Budget Law, Morocco currently follows a “golden fiscal rule”—borrowing is allowed only to fund investment spending.

vulnerabilities, its governance framework has shown improvements in recent years, including to the legislative framework for the anti-corruption authority and public procurement (see 2024 and 2025 Article IV Consultations). The authorities are encouraged to continue advancing governance reforms (including amending legislation on illicit enrichment, conflict of interest, whistleblower protection, and asset declaration for public officials), but these vulnerabilities do not hamper Morocco's ability to respond to shocks.

**17. Morocco's institutional and policy framework has enabled an effective response to shocks.** The authorities responded swiftly to the COVID-19 shock with a package of fiscal, monetary, and financial measures, mitigating its social and economic impact and paving the way for a strong rebound. Similarly, a package of measures helped smooth the economic and social impact of the terms-of-trade shock in 2022 and several years of drought. On the fiscal side, key measures included cash transfers to informal workers, measures to stabilize basic food prices, subsidized credit schemes to the agricultural sector, and transfers to the transport sector. Most of the subsidies have been rolled back as part of fiscal consolidation efforts. On monetary policy, BAM has appropriately calibrated its policy rate, tightening in 2022–23 in response to inflationary pressures and easing in 2024 once inflation and inflation expectations declined. During the 2025 Article IV consultation, the Executive Board provided a very positive assessment of the authorities' policy response to shocks and their track record of reform implementation.<sup>16</sup>

## ACCESS CONSIDERATIONS

**18. Staff considers that an access at 386 percent of quota could provide sufficient insurance against a plausible adverse tail-risk scenario.** The adverse scenario assumes a worsening of global economic conditions (the EESI downside scenario described in Box 1) combined with a new drought in 2025–2026. In this adverse scenario, exports would contract due to lower external demand, while imports would rise from the terms of trade shock and drought-related food imports, partly offset by the compression of import volumes from weaker domestic demand (Box 2). Remittances, FDIs, and external lending would fall, adding to Morocco's external financing needs. The weaker dirham would dampen in part the impact of the shocks on the trade deficit. Part of the financing gap could be covered by drawing down international reserves, which would reduce reserve coverage from 120 to 100 percent of the adjusted ARA metric. In this context, covering the external financing gap would imply an access level of SDR 3.45 billion (about 386 percent of Morocco's quota, or about US\$4.5 billion). In the adverse scenario, external pressures would be severe and persist for an extended period—though slightly less pronounced than projected at the time of the 2023 FCL request—and uncertainty and external risks remain elevated. The lower estimated external gap reflects Morocco's stronger initial position, with a lower current account deficit (1.5 percent of GDP in 2024 vs 3.6 percent in 2022) and higher international reserves (US\$ 37.2 billion at end-2024 versus US\$ 32.3 billion at end-2022).

<sup>16</sup> Executive Directors welcomed "the resilience of the Moroccan economy to challenging domestic and external conditions, supported by very strong policies and policy frameworks and continued progress on structural reforms".

### Box 2. Illustrative Adverse Scenario

*An adverse scenario shows that access of SDR 3.45 billion (386 percent of quota, or US\$ 4.5 billion) would provide sufficient insurance against plausible tail risks. In this scenario, weaker demand in advanced economies, higher oil and food prices, and tighter financing conditions would impact Morocco's economic activity, widen its current account deficit, and curb financial inflows. The adverse scenario also assumes a new drought would weigh on agricultural output in 2025–2026 and increase food imports. In the adverse scenario, external pressures would be severe and persist for an extended period—though slightly less pronounced than projected at the time of the 2023 FCL request—and uncertainty and external risks remain elevated.*

**Current account.** Due to weaker global demand (mainly from the Euro Area), the volume of goods exports would contract by about 16 percent in both 2025 and 2026, compared to the baseline scenario. Despite the increase in phosphate prices, the value of goods exports would fall by around US\$6 billion cumulatively over the two years. Services exports would fall by about 12 percent in both years, although tourism receipts would stay above the trough experienced during the pandemic. The fall of exports places Morocco near the 25<sup>th</sup> percentile of previous precautionary arrangement scenarios (Figure 7). Import volumes would fall by about 7 percent in both years relative to the baseline, reflecting import compression from lower demand, despite the increase of food imports, notably cereal (by about 6 percent in volume), due to the drought. The import bill would, however, rise modestly relative to baseline, due to the terms-of-trade shock. The dirham would weaken by about 5 percent and partly dampen the trade shock. Remittances are projected to decline by 5 percent in both years relative to baseline, but to remain above pre-pandemic levels.

#### Assumption Underlying the Illustrative Adverse Scenario

Assumptions	Illustrative		FCL 2023 Request	
	2025	2026	2023	2024
(in percent change vis-à-vis baseline, unless otherwise indicated)				
Euro Area real GDP growth (ppt)	-0.9	-1.6	-2.7	-1.3
Cereal production (volume)	-11.0	-9.0	0.0	-12.0
Oil price (US\$/barrel; APSP)	14	13	34	16
Commodity Food price Index	11	12	16	8
Phosphate price Index	22	11	26	13
Current account/GDP (ppt)	-4.3	-4.9	-5.0	-4.8
Trade Balance				
Real Imports Growth	-8.8	-7.3	-7.8	-6.7
Nominal Imports Growth	0.2	0.0		
Real Exports Growth	-15.6	-16.3	-15.2	-11.8
Nominal Exports Growth	-8.6	-10.2		
FDI inflows	-25	-25		
Remittances	-5	-5		
Morocco real GDP growth (ppt)	-1.4	-1.8	-2.6	-2.6
(in percent)				
Public MTL rollover rate	170	170	150	150
Private MTL rollover rate	80	83	80	80
Private ST rollover rate	97	93	80	80

Source: IMF staff estimates.

**Foreign Direct Investment.** Lower euro area growth would discourage FDI inflows. Overall, FDI inflows to Morocco would fall by around 25 percent relative to the baseline. Net FDI inflows would average 0.6 percent of GDP in the two years (compared to 1.3 percent for the 10-year average). This places Morocco near the median of previous precautionary arrangements.

**Portfolio and other investment flows.** Access to international markets would become more challenging, with greater uncertainty and higher global funding costs. The rollover rate for medium and long-term public sector debt (both bonds and loans) of about 170 percent over 2025–2026 (compared to near 200 percent in the baseline) would place Morocco outside the bottom 25th percent of the distribution of previous PLL and FCL arrangements, reflecting the large share of official financing for Morocco's public sector which is unlikely to dry out. Private portfolio flows would dry out in net terms, but the presence of CFMs reduces the risk of large capital flight by residents. The worse economic outlook and tighter global financial conditions are assumed to restrict the space for private sector borrowing. The scenario assumes rollover rates of about 90 percent for amortization of private sector debt (trade credit and loans) in 2025–2026.

### Box 2. Illustrative Adverse Scenario (Concluded)

**Use of reserves.** Part of the external financing gap from the worse current and financial accounts is covered by a drawdown of international reserves that would reduce reserve coverage from 120 to 100 percent of the adjusted ARA metric, and slightly below 80 percent of the unadjusted ARA metric. This is consistent with the drawdown in reserves assumed under the 2023 FCL arrangement and Morocco's previous PLL arrangements. Despite the use of reserves, a financing gap of US\$4.5 billion would nonetheless remain—consistent with the requested level of access.

#### External Financing Requirements and Sources, 2021–2026

	2021	2022	2023	2024	2025			2026		
					Baseline	Adverse	Contribution to gap 1/	Baseline	Adverse	Contribution to gap 1/
<b>External financing requirements</b>	28.2	36.2	34.2	39.7	40.4	44.5	4.1	43.2	48.4	5.2
Trade deficit	20.0	26.5	25.1	26.8	29.6	33.6	4.08	31.9	37.1	5.2
FDI Payments	3.5	3.7	4.8	5.1	4.8	4.8		5.1	5.1	
Interest Payments	2.0	1.9	2.1	2.7	2.8	2.8		2.9	2.9	
Debt Amortizations	2.8	4.1	2.2	5.1	3.3	3.3		3.3	3.3	
<b>External financing sources</b>	28.2	36.2	34.2	39.7	40.4	40.0	-0.4	43.2	43.8	0.7
Services	6.8	11.4	13.1	13.4	14.6	12.7	-1.9	15.4	13.4	-2.1
of which Tourism receipts	3.8	9.2	10.3	11.3	12.2	9.2		13.2	9.2	
Private Transfers	11.7	12.2	12.9	13.5	14.3	13.7	-0.6	15.1	14.5	-0.7
Grants	0.2	0.1	0.2	0.2	0.3	0.3		0.2	0.2	
FDI Inflows	5.1	5.3	5.1	6.1	7.0	5.7	-1.3	7.7	6.2	-1.4
Public Sector Loans	3.1	4.7	3.0	5.3	5.1	4.3	-0.9	4.5	3.5	-1.0
Public Sector Issuances	1.5	0.0	2.6	2.0	2.3	1.3	-1.0	2.8	2.1	-0.8
Private sector loans (net)	-1.4	0.1	-0.6	0.8	0.9	-0.2	-1.1	0.9	-0.1	-1.1
Trade credit (net)	0.6	0.1	-0.2	-0.4	0.2	-0.9	-1.1	0.2	-1.2	-1.5
Other portfolio inflows (net)	-1.8	0.3	-0.2	-1.3	-0.4	-0.7	-0.4	0.3	-0.5	-0.7
Other Inflows (net)	3.0	-0.2	-1.0	1.6	-1.4	-1.9	-0.5	-1.6	-2.5	-0.9
Errors and Omissions	0.9	2.1	1.3	0.0	0.0	0.0		0.0	0.0	
Change in Gross Official Reserves (- : increase)	-1.5	0.1	-2.0	-1.7	-2.4	5.7	8.2	-2.4	8.3	10.8
<b>Financing Gap (USD Billion) /2</b>						4.5	4.5		4.5	4.5
SDR (0.763940 USD/SDR, February 27, 2025)							3.5			3.5
SDR rate (Feb. 28, 2025)							0.8			0.8
Percent of quota							386			386
<b>Net use of fund resources excl. FCL (- : increase)</b>	-0.9	0.0	0.0	-0.5	-0.2	-0.2		0.0	0.0	
<b>Gross international reserves</b>	35.6	32.3	36.3	37.2	40.5	31.5		43.1	32.2	
Percentage of ARA metric (adjusted)	133	118	125	120	122	100		122	100	
Months of prospective imports of GNFS	5.8	5.3	5.4	5.2	5.2	4.1		5.1	3.9	

Source: IMF staff calculations.

Note: Under a two-year FCL arrangement requested on a precautionary basis, the adverse scenario table should demonstrate, in each of the years of the arrangement, the same BoP gap commensurate with the requested level of total access under the arrangement. This is to illustrate that the entire amount would be made available at approval, allowing the member to draw at any time during the arrangement whenever the actual BoP need materializes, subject to the completion of the mid-term review.

1/ Calculated as deviation from baseline scenario.

2/ This includes the residual PLL repayment obligation and disbursements of the existing RSF arrangement.

## FUND FINANCES AND SAFEGUARDS

**19. The proposed arrangement for Morocco under the FCL (SDR 3.45 billion, about 386 percent of quota) would have a manageable impact on the Fund's liquidity.** The Fund's Forward Commitment Capacity (FCC) would increase by 0.2 percent of its current level and remain at some SDR 176.2 billion (Table 7). More detailed analysis of the impact of the requested FCL arrangement on the Fund's finances and liquidity position is provided in a staff report supplement.

**20. The potential GRA credit exposure to Morocco would amount to a moderate share of the Fund's outstanding credit.** In a downside scenario in which the resources available under the FCL arrangement are fully drawn, credit to Morocco would represent about 4.2 percent of total GRA credit outstanding as of February 28, 2025. Potential GRA exposure to Morocco would amount to 13.8 percent of the Fund's current precautionary balances. Morocco's public external debt would peak at 34.9 percent of GDP in 2026 (30.2 percent of GDP in the baseline) and gradually decline to about 32 percent of GDP over the medium term. Fund credit would initially account for 4 percent of GDP, 18 percent of gross international reserves, and 10.8 percent of public external debt. The debt service to the Fund would increase to about 1.2 percent of GDP and 5.8 percent of gross international reserves by 2029 but gradually decline over the medium term.

**21. Safeguards procedures will be conducted.** BAM was subject to safeguards procedures in 2023 in connection with the 2023 FCL arrangement and no significant issues emerged. Safeguard procedures for this FCL request have been initiated and will be conducted based on a review of the most recent external audit results and discussions with BAM's external auditors. Once completed, the results will be included in the next staff report for Morocco.

**22. Enterprise risks associated with the FCL approval are largely mitigated by policy and program design.** Financial risks to the Fund comprise mainly credit risk and adequacy of liquidity resources (liquidity risk). Credit risks arise from the SDR 3.45 billion commitment, which, if drawn, would make Morocco the sixth largest GRA borrower among current arrangements. However, this is mitigated by the precautionary nature of the arrangement, the size of which is now lower (down from SDR 3.7262 billion), and the expectation that members with access exceeding 200 percent of quota would gradually reduce access. Credit risk to the Fund is further mitigated by the design of the facility linked to the strength of member's policies and Morocco's adequate buffers and credible macroeconomic policies. Adequacy of liquid resources at the Fund would continue to be constrained by the FCL as this commitment is deducted from the FCC. Progressive reduction in the size of the FCL is an important mitigant to the Fund's liquidity risk. On the nonfinancial side, the proposed arrangement mitigates member engagement and reputation credibility risks for the Fund by appropriately responding to a precautionary lending request, in line with its policies.



## STAFF APPRAISAL

**23. Staff assesses that Morocco continues to meet the qualification criteria for an arrangement under the FCL.** Morocco has very strong policies, institutional policy frameworks, and economic fundamentals that have enabled the country to remain resilient in the face of multiple economic shocks. The fiscal, monetary, supervisory and governance frameworks have also been strengthened further in recent years. During the 2025 Article IV consultation, the IMF Executive Board shared this assessment. The authorities remain committed to maintaining such policies in the future, giving confidence that Morocco will respond appropriately to potential balance of payment difficulties.

**24. Staff supports the authorities' request for an FCL arrangement and considers appropriate the proposed access of about 386 percent of quota.** Morocco continues to be highly exposed to new shocks, and uncertainty and external risks remain elevated. In particular, Morocco remains vulnerable to worsening geopolitical tensions and compressed global trade, which could reduce external demand for Moroccan exports, reduce FDI, and tighten financial conditions. The intensification of regional conflicts could also lead to higher and more volatile commodity prices, increased import bill, with a pass-through to inflation. At the same time, new droughts would weigh on agricultural output and increase demand for imported food. In the adverse scenario, external pressures would be severe and persist for an extended period—though slightly less pronounced than projected at the time of the 2023 FCL request. The smaller access reflects Morocco's stronger external position and the authorities' commitment to exit the FCL. Against this backdrop, staff supports authorities' request for a FCL arrangement as it will enhance Morocco's external buffers and provide insurance against plausible tail risks on a temporary basis.

**25. Staff considers the impact of the proposed FCL arrangement on Fund finances to be manageable.** Capacity to repay indicators suggest that, if fully drawn, credit risk to the Fund would be moderate. The authorities intend to treat this FCL arrangement as precautionary and to exit the arrangement as soon as the 24-month period is completed, contingent on the evolution of risks. They are also fully committed to maintaining prudent macro-economic policies and implement the range of structural reforms for stronger, greener, more resilient, and inclusive growth.

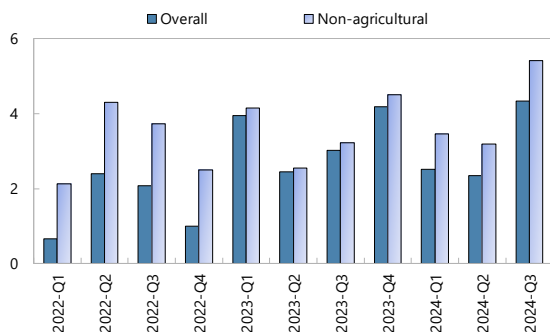


**Figure 1. Morocco: Real Sector Developments**

Real GDP grew at 3.1 percent on average in the first three quarters of 2024...

**Real GDP Growth**

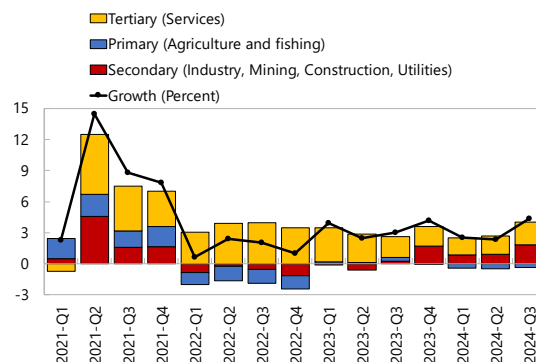
(Percentage change, y-o-y, seasonally adjusted)



... despite the negative contribution of the agricultural sector.

**Sectoral Contribution to Real GDP Growth**

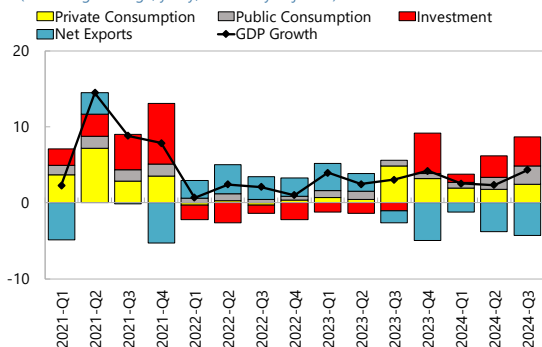
(Percentage points, y-o-y)



Domestic demand has strengthened, both for consumption and investment.

**Demand Contribution to Real GDP Growth**

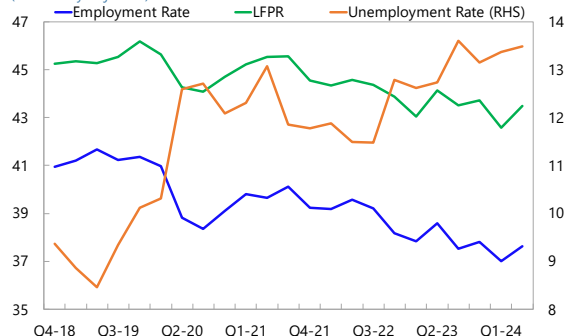
(Percentage change, y-o-y, seasonally adjusted)



Unemployment remained high in 2024:Q4 at 13.3 percent.

**Aggregate Labor Market Indicator**

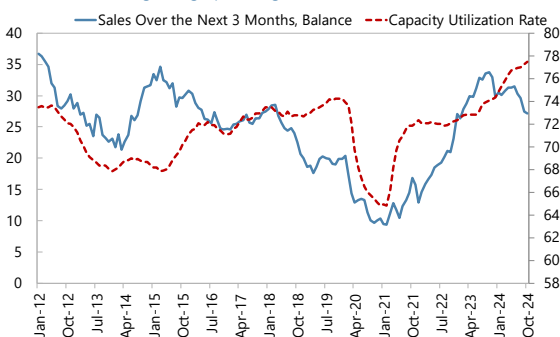
(Seasonally adjusted)



Business sentiment and capacity utilization have rebounded from the pandemic lows...

**Business Outlook**

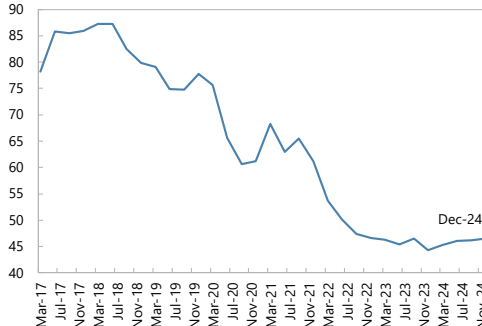
(12-month moving average, percentage)



...while household confidence remains weak.

**Consumer Confidence Index**

(Neutral=100)

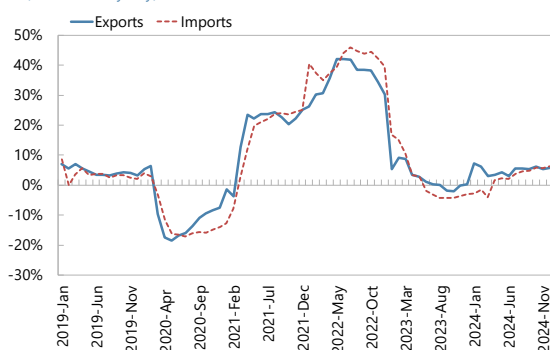


Sources: Haver, HCP, BAM, and IMF staff calculations.

**Figure 2. Morocco: External Developments**

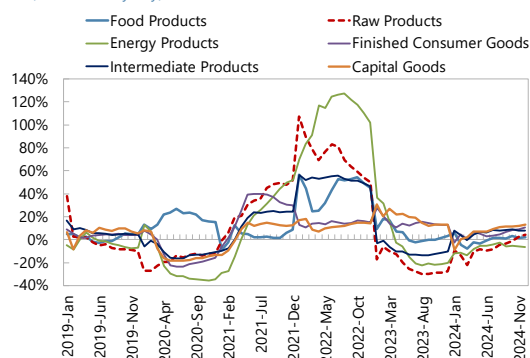
Exports and imports have grown at a similar pace in 2024.

#### Goods Trade (Growth rate, y-o-y)



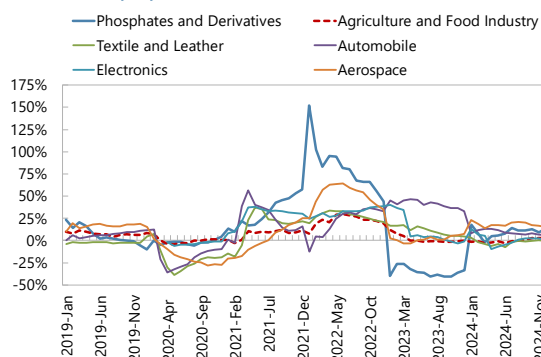
Imports of capital, intermediate, and consumer goods picked up, compensating for a decline in energy...

#### Goods Imports (Growth rate, y-o-y)



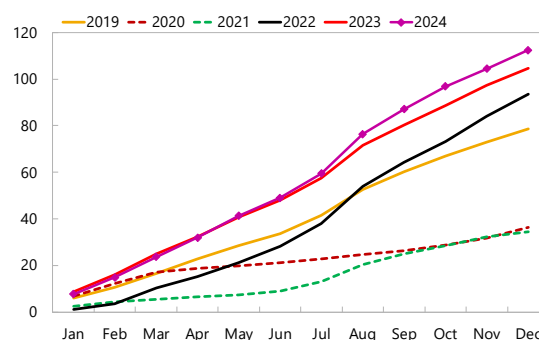
...while export growth was supported by automobile, aerospace, and phosphates and its derivatives.

#### Goods Exports (Growth rate, y-o-y)



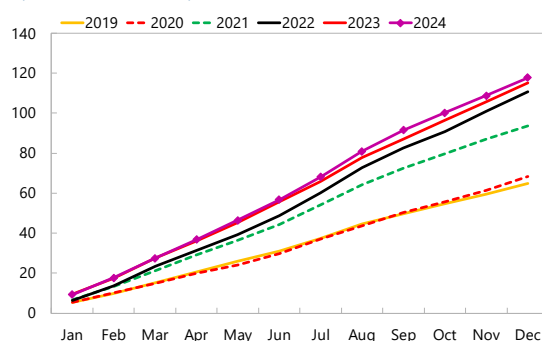
Tourism revenues continued to increase...

#### Tourism Revenues (Cumulative, Bil. Dirhams)



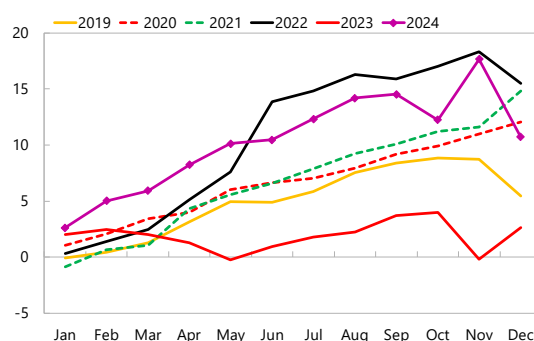
... as well as remittances.

#### Remittances (Cumulative, Bil. Dirhams)



Net FDIs increased in 2024.

#### Net FDI (Cumulative, Bil. Dirhams)



Source: Office des Changes.

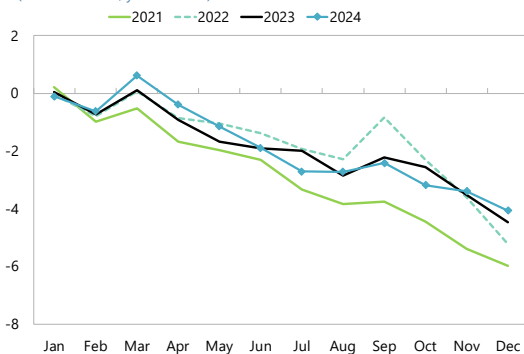
**Figure 3. Morocco: Fiscal Developments**

*The fiscal deficit in 2024 was smaller than in 2023.*

*... driven by very strong revenue performance...*

#### Overall Fiscal Balance

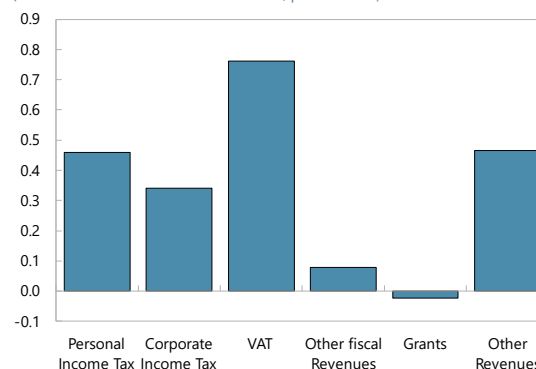
(Percent of GDP, year-to-date)



*... that was used to increase social benefits and capital spending.*

#### Revenues

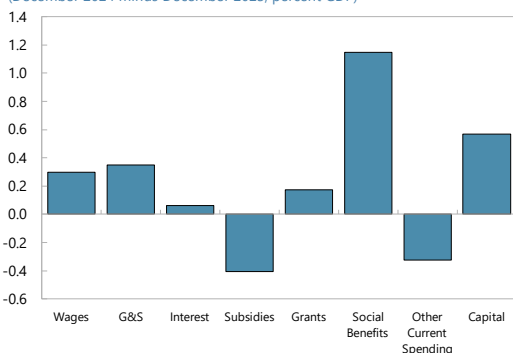
(December 2024 minus December 2023, percent GDP)



*The authorities continued removing the fiscal stimulus injected for the pandemic.*

#### Expenditures

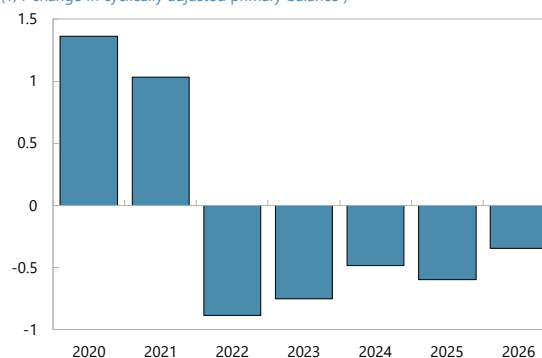
(December 2024 minus December 2023, percent GDP)



*Government debt peaked in 2022 and is expected to continue falling gradually over the medium term.*

#### Fiscal Impulse

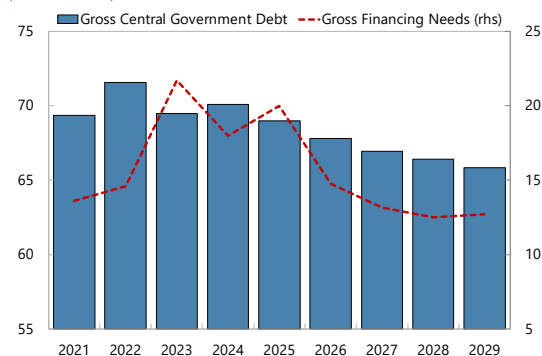
(Y/Y change in cyclically adjusted primary balance)



*Sovereign spreads continued to fall in 2024 and early 2025.*

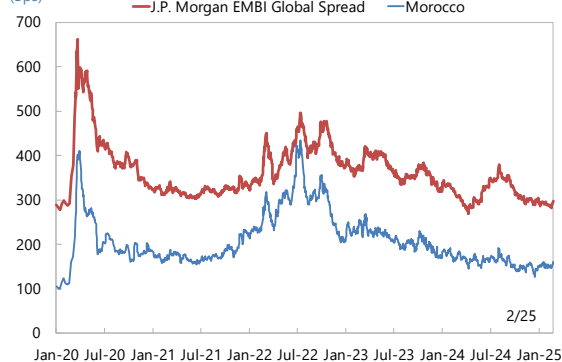
#### Central Government Debt and Gross Financing Needs

(Percent of GDP)



#### Weighted Average Spread

(Bps)



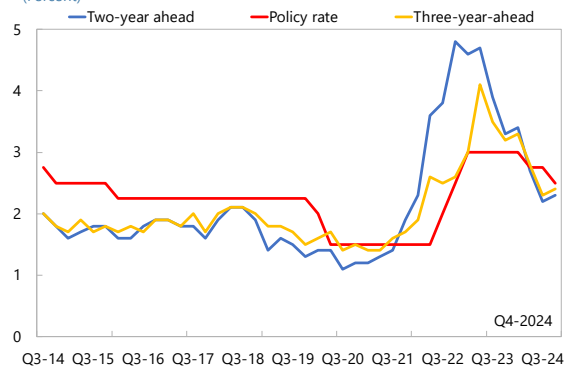
Sources: Haver, National Authorities; Bloomberg L.P.; IMF Sovereign Debt Monitor; and IMF staff calculations.

**Figure 4. Morocco: Monetary and Financial Developments**

BAM cut the policy rate by 25 bps in both June and December 2024.

#### Inflation Expectations and Policy Rate

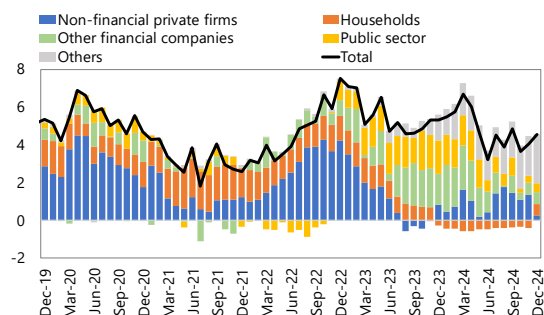
(Percent)



Growth of overall credit slowed in 2024...

#### Bank Credit by Economic Sector

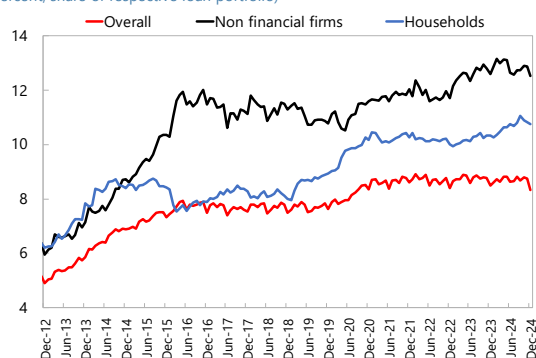
(Contribution to y/y growth in percentage points)



NPL ratios for non-financial firms and households have increased since end 2022.

#### Non-Performing Loans

(Percent, share of respective loan portfolio)



The dirham appreciated in 2024 and into 2025, falling slightly below the middle of the band.

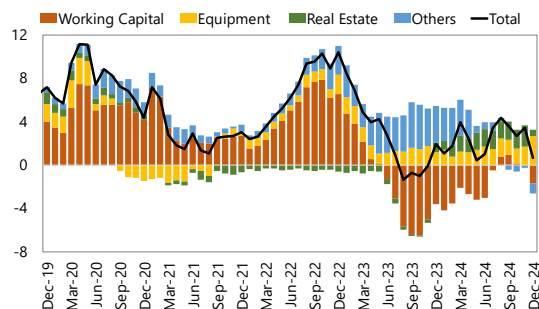
#### Dirham Band



...but lending to non-financial private firms for machinery and equipment accelerated.

#### Credit to Non-financial Private Firms

(Contribution to y/y growth in percentage points)



Banks' holdings of Treasuries have fallen from the peak in 2023 but are trending upward again.

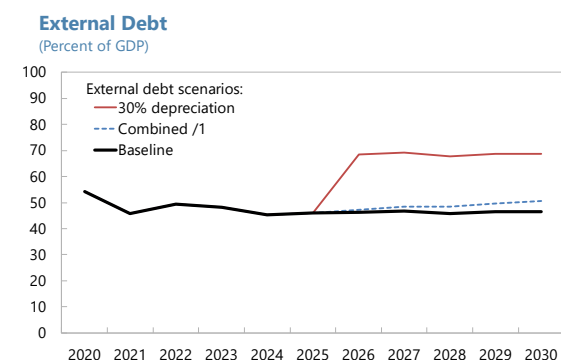
#### Banks: Treasury Bonds as share of Assets



Sources: Haver, IMF staff calculations, and BAM.

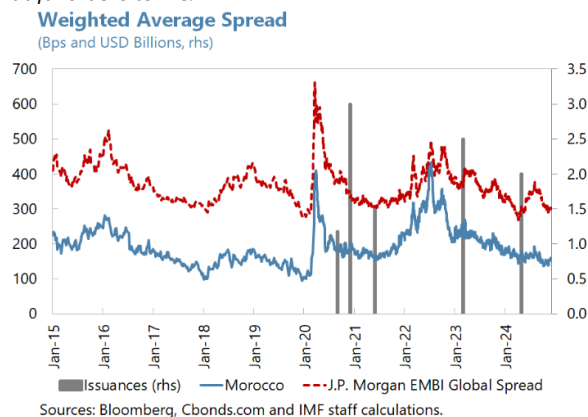
**Figure 5. Morocco: Selected Statistics Relating to the FCL Qualification Criteria**

Morocco's external position is assessed as sustainable.

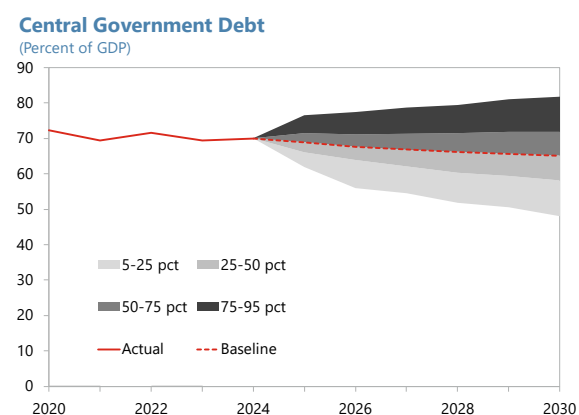


1/ Combined permanent 1/4 standard deviation shocks applied to interest rate, growth, and current account balance.

Morocco continued to access international capital markets at favorable terms.

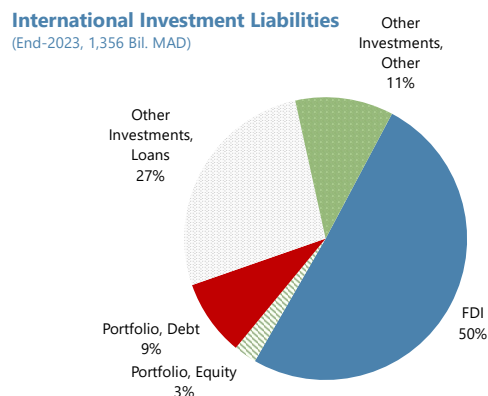


Public debt is assessed as sustainable with a high probability.

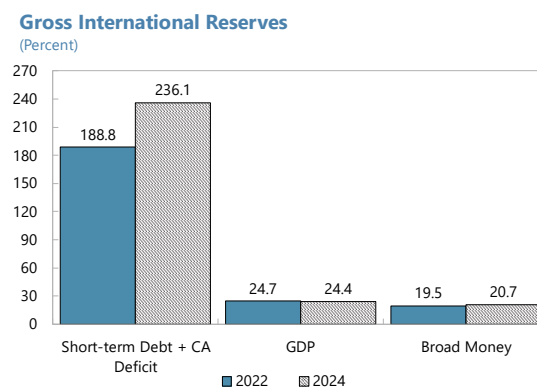


Sources: National Authorities, Haver, Bloomberg.

FDIs represent the largest share of non-resident claims.



Reserves remain at a comfortable level.



Morocco has maintained inflation in the single digits, and inflation expectations are low.

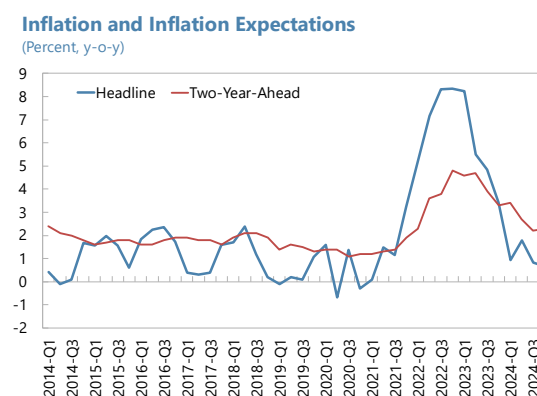
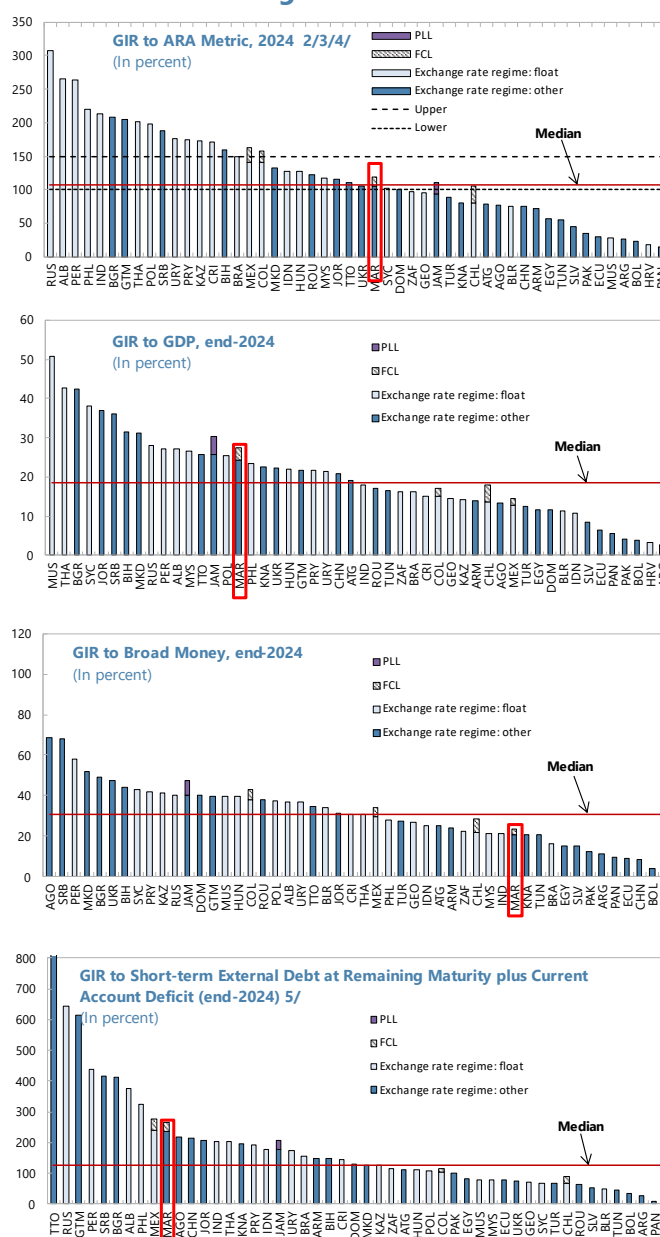


Figure 6. Morocco: Reserve Coverage and FCLs in an International Perspective <sup>1/</sup>

Sources: World Economic Outlook; IFS; and IMF staff estimates.

1/ The sample of countries included in these charts includes all EMEs for which data is available.

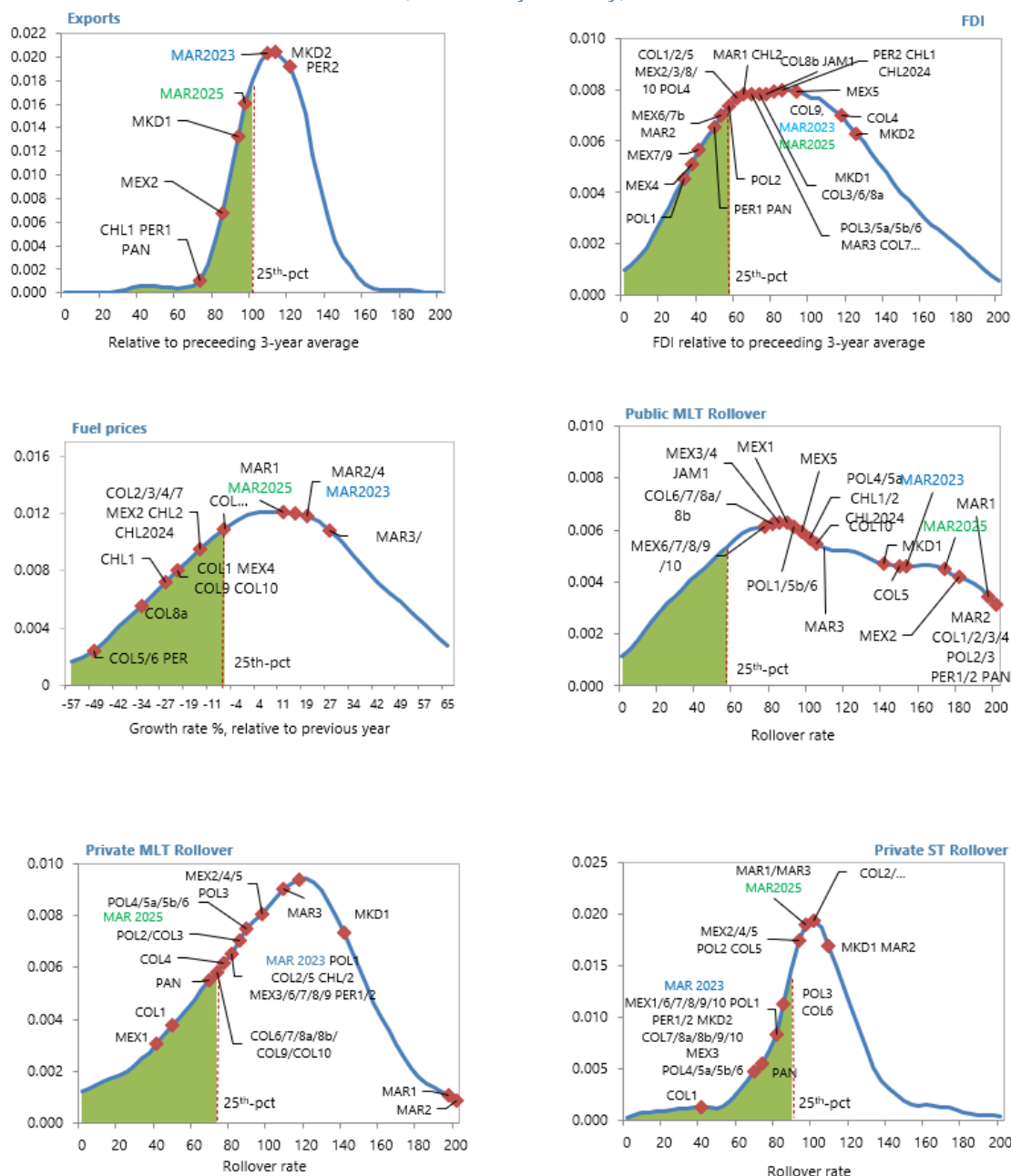
2/ The ARA metric provides a tool to help inform reserve adequacy assessments, but individual circumstances (for example, access to swap lines, market maturity, etc.) require additional judgment and, for this reason, mechanistic comparisons of the ARA metric do not provide a complete view.

3/ The ARA metric is a weighted sum of potential drains on the BoP, depending on the country's exchange rate regime. For fixed exchange rates, ARA Metric = 10% × Exports + 10% × Broad Money + 30% × Short-term Debt + 20% × Other Liabilities. For floating exchange rates, ARA Metric = 5% × Exports + 5% × Broad Money + 30% × Short-term Debt + 15% × Other Liabilities. See "Guidance Note on the Assessment of Reserve Adequacy and Related Considerations", IMF, 2016.

4/ The upper and lower lines denote the 100-150 percent range of ARA metric, which are considered broadly adequate for precautionary purposes.

5/ The current account balance is set to zero if it is in surplus.

**Figure 7. Morocco and Selected Countries: Comparing Adverse Scenarios <sup>1/</sup>**  
(Probability Density)



Source: IMF staff calculations.

1/ The countries shown are previous FCL/PCL/PLL arrangements, numbered consecutively by country. MAR2025, marked in green, and the current FCL arrangement MAR2023 in blue (effect for the first year of crisis). Note that since Morocco is a fuel importer, a greater price growth shock implies greater risk for the country.

Table 2. Morocco: Selected Economic Indicators, 2020–2030

					Proj.								
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030		
	(Annual percentage change)												
Output and Prices													
Real GDP	-7.2	8.2	1.5	3.4	3.2	3.9	3.7	3.6	3.6	3.6	3.6		
Real agriculture GDP	-7.1	19.0	-11.8	1.6	-4.6	6.2	4.6	2.5	2.5	2.5	2.5		
Real non-agriculture GDP	-7.2	7.0	3.2	3.6	4.1	3.7	3.7	3.7	3.7	3.7	3.7		
Consumer prices (end of period)	-0.3	3.2	8.3	3.4	0.7	2.1	2.2	2.2	2.1	2.0	2.0		
Consumer prices (period average)	0.7	1.4	6.6	6.1	0.9	2.2	2.3	2.2	2.1	2.0	2.0		
Output gap (percentage points of non-primary sector GDP)	-5.3	0.5	-0.4	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0		
Unemployment rate (period average)	11.9	12.3	11.8	13.0	13.3	13.2	12.9	12.4	12.1	11.9	11.8		
Unemployment rate (end of period)	12.2	11.9	12.9	13.0	13.3	13.1	12.8	12.5	12.1	11.8	11.8		
	(In percent of GDP)												
Investment and Saving													
Gross capital formation	28.8	30.7	30.3	28.8	29.0	28.5	28.3	28.3	28.7	29.1	29.7		
Of which: Nongovernment	20.5	24.3	22.6	20.8	20.5	20.9	21.6	22.4	22.9	23.3	23.9		
Gross national savings	26.7	28.2	26.6	28.0	27.3	26.1	25.8	25.7	25.9	26.1	26.6		
Of which: Nongovernment	34.6	34.1	31.9	32.5	31.3	30.0	29.2	29.0	29.0	29.2	29.6		
	(In percent of GDP)												
Public Finances													
Revenue	27.0	25.1	28.4	27.9	30.1	30.4	29.4	28.1	28.1	28.1	28.1		
Expenditure	34.1	31.0	33.8	32.3	34.2	34.3	32.8	31.4	31.3	31.2	31.2		
Budget balance	-7.1	-5.9	-5.4	-4.5	-4.1	-3.9	-3.4	-3.3	-3.2	-3.1	-3.1		
Cyclically-adjusted primary balance	-3.1	-4.1	-3.2	-2.5	-2.0	-1.4	-1.0	-1.1	-1.0	-0.9	-0.9		
Central government debt	72.2	69.4	71.5	69.5	70.0	68.9	67.7	66.8	66.2	65.6	65.1		
	(Annual percentage change; unless otherwise indicated)												
Monetary Sector													
Claims to the economy	4.9	3.8	7.1	5.3	6.9	4.5	4.1	4.2	4.2	4.2	4.2		
Broad money	8.4	5.1	8.0	4.0	7.9	4.6	4.6	4.6	4.6	4.6	4.6		
	(In percent of GDP; unless otherwise indicated)												
External Sector													
Exports of goods and services (in U.S. dollars, percentage change)	-15.0	26.0	24.5	5.2	8.7	6.6	6.6	6.4	6.3	6.2	6.1		
Imports of goods and services (in U.S. dollars, percentage change)	-14.5	30.2	22.5	-0.1	9.2	7.5	7.1	6.8	6.5	6.3	5.9		
Merchandise trade balance	-12.8	-14.0	-20.2	-17.3	-17.3	-17.8	-18.0	-18.3	-18.6	-18.6	-18.5		
Current account	-1.2	-2.3	-3.5	-0.6	-1.5	-2.0	-2.2	-2.6	-2.9	-3.1	-3.3		
Foreign direct investment	0.8	1.1	1.2	0.2	0.7	1.4	1.5	1.6	1.6	1.7	1.7		
Total external debt	50.8	47.3	50.9	47.1	46.1	46.0	46.2	46.7	45.8	46.4	46.6		
Gross reserves (in billions of U.S. dollars)	36.0	35.6	32.3	36.3	37.2	40.5	43.1	45.6	47.6	50.7	53.3		
In months of next year imports of goods and services	7.2	5.8	5.3	5.4	5.2	5.2	5.2	5.2	5.1	5.1	5.2		
In percent of Fund Assessing Reserve Adequacy (ARA) metric	109.3	100.4	90.4	96.5	91.9	93.7	94.0	93.6	92.8	93.0	92.4		
In percent of the adjusted Assessing Reserve Adequacy (ARA) metric	143	133	118	125	120	122	122	121	120	120	119		
Memorandum Items:													
Nominal GDP (in billions of U.S. dollars)	121.4	142.0	131.0	144.4	155.4	165.8	176.6	187.7	199.4	211.6	224.5		
Nominal GDP per capita (in U.S. dollars, percent change)	-6.8	15.9	-8.7	9.2	6.6	5.8	5.5	5.4	5.3	5.3	5.3		
Population (millions)	35.95	36.31	36.67	37.0	37.4	37.7	38.1	38.4	38.7	39.0	39.3		
Net imports of energy products (in billions of U.S. dollars)	-5.3	-8.4	-15.1	-12.0	-11.5	-12.1	-12.3	-12.8	-13.2	-13.7	-14.1		
Local currency per U.S. dollar (period average)	9.5	9.0	10.2	10.1	9.9	...	...	...	...	...	...		
Real effective exchange rate (annual average, percent change, depreciation -)	1.4	1.6	-3.2	0.9	...	...	...	...	...	...	...		
Interest rate (money market rate, end of period, in percent)	1.50	1.50	2.50	3.00	2.50	...	...	...	...	...	...		

Sources: Bank Al-Maghrib; Ministry of Economy and Finance; Office des Changes; HCP; and IMF staff estimates.



**Table 3a. Morocco: Budgetary Central Government Finance, 2020–2030**  
(Billions of dirhams)

	2020	2021	2022	2023	2024	2025	2026	Proj. 2027	2028	2029	2030
Revenue	311.1	320.3	378.1	407.8	465.0	498.7	512.5	517.5	547.7	579.0	611.8
Taxes	230.8	259.4	302.1	318.7	364.2	395.9	410.7	430.4	455.6	481.7	509.0
Taxes on income, profits, and capital gains	95.8	97.8	121.2	125.6	144.8	148.8	148.2	155.6	164.6	173.9	183.7
Taxes on property	9.9	12.2	14.2	16.1	17.5	18.5	19.8	21.0	22.2	23.5	24.8
Taxes on goods and services	110.8	127.6	142.2	147.7	169.3	189.8	202.2	213.0	225.3	238.1	251.5
Taxes on international trade and transactions	9.9	12.4	14.5	16.4	17.8	21.6	22.3	22.6	24.3	25.8	27.4
Other taxes	4.3	9.5	10.0	12.1	14.0	16.8	17.5	17.5	18.5	19.6	20.7
Grants	5.0	1.5	1.5	2.6	2.4	1.5	1.5	1.5	1.6	1.7	1.8
Other revenue	75.4	59.5	74.5	86.5	98.4	101.3	100.2	85.6	90.5	95.7	101.1
Of which: Innovative Financing 1/	0.3	11.9	25.1	25.4	35.0	35.0	35.0	25.0	25.0	25.0	25.0
Expense	328.6	334.3	379.3	392.3	433.7	486.2	496.9	506.5	533.1	562.8	593.6
Compensation of employees	133.5	140.5	147.8	151.8	164.6	180.3	191.2	195.0	206.3	218.0	230.3
Use of goods and services	33.1	42.0	35.3	33.8	41.0	40.0	38.5	37.9	40.1	42.3	44.7
Grants 2/	65.3	66.3	78.2	95.3	103.1	125.9	132.9	139.5	147.6	155.9	164.7
Subsidies	13.5	21.8	41.8	30.1	25.5	17.1	14.1	14.2	15.0	15.8	16.7
Social benefits	23.3	16.3	15.0	13.5	32.0	36.1	39.0	39.0	40.3	42.6	45.0
Interest	28.8	27.1	28.5	31.2	33.9	42.6	42.9	43.0	44.5	46.5	48.1
Other expenses 3/	31.0	20.4	32.7	36.7	33.7	44.2	38.4	38.0	39.4	41.6	44.0
Net acquisition of nonfinancial assets	64.9	61.6	70.3	80.8	93.9	76.4	74.8	71.9	76.1	80.4	84.9
Primary balance	-53.6	-48.5	-43.1	-34.0	-28.7	-21.3	-16.4	-18.0	-16.9	-17.7	-18.6
Overall balance	-82.4	-75.6	-71.6	-65.2	-62.6	-63.9	-59.2	-61.0	-61.5	-64.2	-66.7
Cyclical adjusted primary balance	-35.4	-51.7	-42.9	-36.2	-30.6	-22.8	-17.9	-19.5	-18.5	-19.4	-20.4
Change in net financial worth	-82.4	-75.6	-71.6	-65.2	-62.6	-63.9	-59.2	-61.0	-61.5	-64.2	-66.7
Net acquisition of financial assets	14.7	-8.7	-11.2	13.8	16.6	-6.0	-6.0	-6.0	0.0	0.0	0.0
Domestic	14.7	-8.7	-11.2	13.8	16.6	-6.0	-6.0	-6.0	0.0	0.0	0.0
Shares and other equity	0.0	-4.0	0.0	-1.6	-1.7	-6.0	-6.0	-6.0	0.0	0.0	0.0
Foreign Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	97.1	66.9	60.3	79.0	79.3	57.9	53.2	55.0	61.5	64.2	66.7
Domestic	25.6	45.3	54.2	44.1	53.2	18.8	13.9	18.7	32.0	22.4	31.5
Currency and Deposits	-6.9	14.5	10.3	13.7	4.9	1.0	1.0	1.0	1.0	1.0	1.0
Securities other than shares	45.0	24.4	44.7	39.7	43.1	17.8	12.9	17.7	31.0	21.4	30.5
Other accounts payable	-12.5	6.4	-0.8	-9.3	5.2	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	71.5	21.5	6.1	35.0	26.0	39.1	39.3	36.3	29.5	41.8	35.3
Other (after refinancing)	71.5	21.5	6.1	35.0	18.6	34.3	39.3	36.3	29.5	41.8	35.3
RSF disbursement	0.0	0.0	0.0	0.0	7.4	4.8	0.0	0.0	0.0	0.0	0.0
Memorandum Item:											
Total investment (including capital transfers)	95.9	82.0	103.0	117.4	127.6	120.6	113.1	109.9	115.5	122.0	128.9
Central Government Debt	832.6	885.3	951.8	1,016.7	1,081.6	1,131.8	1,178.5	1,230.8	1,289.7	1,351.1	1,416.3
GDP	1,152.5	1,276.6	1,330.6	1,463.4	1,544.5	1,641.8	1,740.8	1,842.0	1,948.6	2,059.2	2,175.4

Sources: Ministry of Economy and Finance; and IMF staff estimates.

1/ Sale of real estate assets would normally be classified under GFSM 2014 as a decrease in net acquisition of nonfinancial assets. For ease of economic interpretation, this table uses the GFSM 1986 definition and includes sale of real estate assets (innovative financing) under other revenue.

2/ Includes transfers to other general government units, international organizations, and foreign governments.

3/ Includes capital transfers to public entities.

**Table 3b. Morocco: Budgetary Central Government Finance, 2020–2030**  
(In percent of GDP)

	2020	2021	2022	2023	Proj.						
					2024	2025	2026	2027	2028	2029	2030
Revenue	27.0	25.1	28.4	27.9	30.1	30.4	29.4	28.1	28.1	28.1	28.1
Taxes	20.0	20.3	22.7	21.8	23.6	24.1	23.6	23.4	23.4	23.4	23.4
Taxes on income, profits, and capital gains	8.3	7.7	9.1	8.6	9.4	9.1	8.5	8.4	8.4	8.4	8.4
Taxes on property	0.9	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Taxes on goods and services	9.6	10.0	10.7	10.1	11.0	11.6	11.6	11.6	11.6	11.6	11.6
Taxes on international trade and transactions	0.9	1.0	1.1	1.1	1.2	1.3	1.3	1.2	1.2	1.3	1.3
Other taxes	0.4	0.7	0.8	0.8	0.9	1.0	1.0	1.0	1.0	1.0	1.0
Grants	0.4	0.1	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Other revenue	6.5	4.7	5.6	5.9	6.4	6.2	5.8	4.6	4.6	4.6	4.6
Of which: Innovative Financing 1/	0.0	0.9	1.9	1.7	2.3	2.1	2.0	1.4	1.3	1.2	1.1
Expense	28.5	26.2	28.5	26.8	28.1	29.6	28.5	27.5	27.4	27.3	27.3
Compensation of employees	11.6	11.0	11.1	10.4	10.7	11.0	11.0	10.6	10.6	10.6	10.6
Use of goods and services	2.9	3.3	2.7	2.3	2.7	2.4	2.2	2.1	2.1	2.1	2.1
Grants 2/	5.7	5.2	5.9	6.5	6.7	7.7	7.6	7.6	7.6	7.6	7.6
Subsidies	1.2	1.7	3.1	2.1	1.6	1.0	0.8	0.8	0.8	0.8	0.8
Social benefits	2.0	1.3	1.1	0.9	2.1	2.2	2.2	2.1	2.1	2.1	2.1
Interest	2.5	2.1	2.1	2.1	2.2	2.6	2.5	2.3	2.3	2.3	2.2
Other expenses 3/	2.7	1.6	2.5	2.5	2.2	2.7	2.2	2.1	2.0	2.0	2.0
Net acquisition of nonfinancial assets	5.6	4.8	5.3	5.5	6.1	4.7	4.3	3.9	3.9	3.9	3.9
Primary balance	-4.6	-3.8	-3.2	-2.3	-1.9	-1.3	-0.9	-1.0	-0.9	-0.9	-0.9
Overall balance	-7.1	-5.9	-5.4	-4.5	-4.1	-3.9	-3.4	-3.3	-3.2	-3.1	-3.1
Cyclical adjusted primary balance	-3.1	-4.1	-3.2	-2.5	-2.0	-1.4	-1.0	-1.1	-1.0	-0.9	-0.9
Change in net financial worth	-7.1	-5.9	-5.4	-4.5	-4.1	-3.9	-3.4	-3.3	-3.2	-3.1	-3.1
Net acquisition of financial assets	1.3	-0.7	-0.8	0.9	1.1	-0.4	-0.3	-0.3	0.0	0.0	0.0
Domestic	1.3	-0.7	-0.8	0.9	1.1	-0.4	-0.3	-0.3	0.0	0.0	0.0
Shares and other equity	0.0	-0.3	0.0	-0.1	-0.1	-0.4	-0.3	-0.3	0.0	0.0	0.0
Foreign Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	8.4	5.2	4.5	5.4	5.1	3.5	3.1	3.0	3.2	3.1	3.1
Domestic	2.2	3.6	4.1	3.0	3.4	1.1	0.8	1.0	1.6	1.1	1.4
Currency and Deposits	-0.6	1.1	0.8	0.9	0.3	0.1	0.1	0.1	0.1	0.0	0.0
Securities other than shares	3.9	1.9	3.4	2.7	2.8	1.1	0.7	1.0	1.6	1.0	1.4
Other accounts payable	-1.1	0.5	-0.1	-0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	6.2	1.7	0.5	2.4	1.7	2.4	2.3	2.0	1.5	2.0	1.6
Other (after refinancing)	6.2	1.7	0.5	2.4	1.2	2.1	2.3	2.0	1.5	2.0	2
RSF disbursement	0.0	0.0	0.0	0.0	0.5	0.3	0.0	0.0	0.0	0.0	0.0
Memorandum Item:											
Total investment (including capital transfers)	8.3	6.4	7.7	8.0	8.3	7.3	6.5	6.0	5.9	5.9	5.9
Central Government Debt	72.2	69.4	71.5	69.5	70.0	68.9	67.7	66.8	66.2	65.6	65.1
GDP (Billions Dirham)	1,152.5	1,276.6	1,330.6	1,463.4	1,544.5	1,641.8	1,740.8	1,842.0	1,948.6	2,059.2	2,175.4

Sources: Ministry of Economy and Finance; and IMF staff estimates.

1/ Sale of real estate assets would normally be classified under GFSM 2014 as a decrease in net acquisition of nonfinancial assets. For ease of economic interpretation, this table uses the GFSM 1986 definition and includes sale of real estate assets (innovative financing) under other revenue.

2/ Includes transfers to other general government units, international organizations, and foreign governments

3/ Includes capital transfers to public entities.

**Table 4. Morocco: Balance of Payments, 2020–2030**  
(In billions of U.S. dollars, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
								Proj.			
Current account	-1.4	-3.3	-4.6	-0.8	-2.3	-3.2	-4.0	-4.9	-5.8	-6.6	-7.3
Trade balance	-15.5	-19.9	-26.5	-25.0	-26.8	-29.6	-31.9	-34.4	-37.1	-39.4	-41.5
Exports	23.6	31.7	36.5	36.3	39.4	42.0	45.1	48.2	51.5	55.0	58.7
Food products	6.0	7.0	7.4	7.6	8.1	8.6	9.1	9.5	9.9	10.4	10.9
Phosphates and derived products	5.4	8.9	11.4	7.6	8.7	9.4	10.1	10.9	11.6	12.4	13.2
Finished goods	11.5	14.4	16.4	19.4	20.8	22.2	23.9	25.8	27.9	29.9	32.2
Imports	-39.1	-51.6	-63.0	-61.4	-66.2	-71.6	-77.0	-82.7	-88.7	-94.3	-100.2
Energy	-5.3	-8.4	-15.1	-12.0	-11.5	-12.1	-12.3	-12.8	-13.2	-13.7	-14.1
Capital goods	-11.4	-13.2	-13.7	-15.8	-18.1	-20.4	-22.9	-25.0	-27.4	-29.5	-31.7
Food products	-5.8	-6.7	-8.5	-8.8	-9.2	-9.2	-9.4	-9.7	-10.0	-10.3	-10.6
Services	6.7	6.8	11.4	13.1	13.4	14.6	15.4	16.5	17.8	18.8	19.8
Tourism receipts	3.8	3.8	9.2	10.3	11.3	12.2	13.2	14.2	15.3	16.4	17.5
Income	-1.2	-2.0	-1.9	-2.1	-2.7	-2.8	-2.9	-3.1	-3.4	-3.6	-4.0
Transfers	8.6	11.8	12.4	13.2	13.8	14.5	15.4	16.1	16.8	17.6	18.3
Workers' remittances (net)	7.1	10.6	10.9	11.3	11.8	12.5	13.4	14.1	14.8	15.6	16.3
Capital account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	7.0	3.9	2.4	1.7	3.9	5.7	6.4	7.2	7.7	9.5	9.9
Direct investment	1.0	1.6	1.6	0.3	1.1	2.2	2.6	2.9	3.1	3.6	3.8
Portfolio investment	2.2	-0.3	-1.1	2.4	-0.4	1.9	2.5	2.3	1.6	3.0	2.5
Other	3.9	2.6	1.9	-0.9	3.3	1.5	1.3	1.9	2.9	2.9	3.6
Reserve asset accumulation (-increase)	-7.3	-1.5	0.1	-2.1	-1.7	-2.4	-2.4	-2.2	-1.8	-2.9	-2.6
Of which: IMF net financing	3.0	-0.9	0.0	0.0	-0.5	-0.2	0.0	0.0	0.0	0.0	0.0
Reserve asset accumulation (-increase, without RSF)	-7.3	-1.5	0.1	-2.1	-0.9	-1.9	-2.4	-2.2	-1.8	-2.9	-2.6
Errors and omissions	1.7	0.9	2.1	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	(Percent of GDP)										
Current account	-1.2	-2.3	-3.5	-0.6	-1.5	-2.0	-2.2	-2.6	-2.9	-3.1	-3.3
Trade balance	-12.8	-14.0	-20.2	-17.3	-17.3	-17.8	-18.0	-18.3	-18.6	-18.6	-18.5
Exports	19.4	22.3	27.9	25.1	25.4	25.4	25.5	25.7	25.9	26.0	26.1
Food products	4.9	4.9	5.7	5.3	5.2	5.2	5.1	5.1	5.0	4.9	4.8
Phosphates and derived products	4.4	6.3	8.7	5.2	5.6	5.7	5.7	5.8	5.8	5.8	5.9
Finished goods	9.4	10.1	12.5	13.4	13.4	13.4	13.6	13.8	14.0	14.2	14.3
Imports	-32.2	-36.4	-48.1	-42.5	-42.6	-43.2	-43.6	-44.0	-44.5	-44.6	-44.6
Energy	-4.3	-5.9	-11.5	-8.3	-7.4	-7.3	-7.0	-6.8	-6.6	-6.5	-6.3
Capital goods	-9.4	-9.3	-10.4	-10.9	-11.7	-12.3	-13.0	-13.3	-13.7	-13.9	-14.1
Food products	-4.8	-4.7	-6.5	-6.1	-5.9	-5.6	-5.3	-5.2	-5.0	-4.8	-4.7
Services	5.5	4.8	8.7	9.1	8.7	8.8	8.7	8.8	9.0	8.9	8.8
Tourism receipts	3.2	2.7	7.1	7.2	7.3	7.4	7.5	7.6	7.7	7.8	7.8
Income	-1.0	-1.4	-1.5	-1.4	-1.7	-1.7	-1.6	-1.7	-1.7	-1.7	-1.8
Transfers	7.1	8.3	9.4	9.1	8.9	8.8	8.7	8.6	8.4	8.3	8.2
Private transfers (net)	6.7	8.2	9.4	9.0	8.7	8.6	8.6	8.5	8.3	8.2	8.1
Workers' remittances (net)	5.9	7.5	8.3	7.9	7.6	7.6	7.6	7.5	7.4	7.4	7.2
Official grants (net)	0.4	0.1	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Capital account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	5.8	2.8	1.8	1.2	2.5	3.4	3.6	3.8	3.9	4.5	4.4
Direct investment	0.8	1.1	1.2	0.2	0.7	1.4	1.5	1.6	1.6	1.7	1.7
Privatization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Portfolio investment	1.8	-0.2	-0.8	1.6	-0.2	1.2	1.4	1.2	0.8	1.4	1.1
Other	3.2	1.8	1.5	-0.6	2.1	0.9	0.7	1.0	1.5	1.4	1.6
Memorandum items:											
Exports of goods and services (in U.S. dollars, percentage change)	-15.0	26.0	24.5	5.2	8.7	6.6	6.6	6.4	6.3	6.2	6.1
Imports of goods and services (in U.S. dollars, percentage change)	-14.5	30.2	22.5	-0.1	9.2	7.5	7.1	6.8	6.5	6.3	5.9
Terms of trade (percentage change) 1/	-2.0	2.6	-5.8	2.3	1.7	-1.0	1.0	0.5	0.2	-0.1	-0.1
Gross official reserves	36.0	35.6	32.3	36.3	37.2	40.5	43.1	45.6	47.6	50.7	53.3
In months of prospective imports of GNFS	7.2	5.8	5.3	5.4	5.2	5.2	5.2	5.2	5.1	5.1	5.2
In percent of the Assessing Reserve Adequacy (ARA) metric	109.3	100.4	90.4	96.5	91.9	93.7	94.0	93.6	92.8	93.0	92.4
In percent of the adjusted Assessing Reserve Adequacy (ARA) me	143.3	132.9	117.7	125.3	120.0	121.9	121.9	121.0	119.8	119.7	118.7
Debt service (percent of export of GNFS and remittances) 2/	12.5	9.4	8.6	6.0	11.6	8.3	7.7	7.4	7.2	6.8	6.7
Public guaranteed external debt (percent of GDP) 2/	28.4	28.0	31.3	28.4	30.2	30.2	30.7	29.7	30.3	30.3	30.5
DHs per US\$, period average	9.5	9.0	10.2	10.1	..	..	..	..	..	..	..
Nominal GDP (in billions of U.S. dollars)	121.4	142.0	131.0	144.4	155.4	165.8	176.6	187.7	199.4	211.6	224.5
Oil price (US\$/barrel; Brent)	41.8	69.2	96.4	80.6	79.2	76.6	71.5	69.6	68.6	68.0	67.6

Sources: Ministry of Finance; Office des Changes; and IMF staff estimates and projections.

1/ Based on WEO data projections.

2/ Public and publicly guaranteed debt.

Table 5. Morocco: Monetary Survey, 2020–2025

	2020	2021	2022	2023	2024	Proj. 2025
(Billions of dirhams)						
Net foreign assets	317	317	318	352	405	429
Net domestic assets	1,169	1,244	1,367	1,400	1,486	1,549
Domestic claims	1,371	1,449	1,593	1,643	1,762	1,822
Net claims on the government	238	272	333	317	345	341
Bank Al-Maghrib	-4	-3	19	10	4	3
<i>Of which : deposits</i>	-7	-7	-5	-12	-9	-9
Deposit money banks	243	276	315	307	341	337
Claims on the economy	1,133	1,176	1,260	1,326	1,417	1,481
<i>of which credit to private sector</i>	762	790	849	854	876	911
Other liabilities, net	-202	-205	-225	-243	-276	-273
Broad money	1,485	1,561	1,685	1,752	1,891	1,978
Money	1,019	1,087	1,196	1,287	1,400	1,482
Currency outside banks	301	320	355	394	414	440
Demand deposits	719	767	842	893	986	1,041
Quasi money	426	432	441	424	446	458
Foreign deposits	40	42	48	42	45	38
(Annual percentage change)						
Net foreign assets	20.0	0.1	0.2	10.8	15.2	5.9
Net domestic assets	5.6	6.4	9.9	2.4	6.1	4.7
Domestic credit	6.1	5.7	9.9	3.2	7.2	3.4
Net claims on the government	12.2	14.3	22.3	-4.7	8.7	-1.2
Claims on the economy (excl. central government)	4.9	3.8	7.1	5.3	6.9	4.5
Banking credit (excl. central government)	4.7	2.6	7.5	5.3	4.4	4.0
Broad money	8.4	5.1	8.0	4.0	8.0	4.6
(Change in percent of broad money)						
Net foreign assets	3.8	0.0	0.0	2.0	3.1	1.3
Domestic credit	5.7	5.2	9.2	3.0	6.8	3.2
Net claims on the government	1.9	2.3	3.9	-0.9	1.6	-0.2
Claims on the economy	3.9	2.9	5.3	3.9	5.2	3.4
Memorandum items:						
Velocity (GDP/M3)	0.78	0.82	0.79	0.84	0.82	0.83
Velocity (non-agr. GDP/M3)	0.70	0.72	0.71	0.76	0.75	0.76
Claims on economy/GDP (in percent)	98.3	92.1	94.7	90.6	91.8	90.2
<i>of which credit to private sector</i>	66.1	61.9	63.8	58.4	56.7	55.5
Claims on economy/nonagricultural GDP (in percent)	109.4	104.0	105.6	100.0	100.3	98.6

Sources: Bank Al-Maghrib; and IMF staff estimates.

**Table 6. Morocco: Financial Soundness Indicators, 2019–2024**

(Percent, unless otherwise indicated)

	2019		2020		2021		2022		2023			2024	
	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Sep	Dec	Jun	Sep
<b>Regulatory capital 1/</b>													
Regulatory capital to risk-weighted assets	15.1	15.6	15.5	15.7	16.0	15.8	15.3	15.6	15.8	N.A.	15.5	16.0	N.A.
Tier 1 capital to risk weighted assets	11.0	11.5	11.4	11.4	11.9	12.0	11.8	12.4	12.9	N.A.	12.9	13.4	N.A.
Capital to assets	9.2	9.5	9.3	9.6	9.5	9.5	9.4	9.5	9.2	9.4	9.2	9.2	8.9
<b>Asset quality</b>													
<b>Sectoral distribution of loans to total loans</b>													
Industry	15.5	15.9	16.3	15.5	15.9	15.5	16.9	17.0	17.9	18.2	18.3	17.6	18.3
Of which: agro-business	3.3	3.4	3.3	3.4	3.5	3.7	4.0	4.0	3.7	3.7	3.5	3.4	3.5
Of which: textile	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.7	0.7	0.7	0.6	0.6
Of which: gas and electricity	4.6	4.5	4.7	3.8	3.8	4.1	4.8	5.1	5.3	5.7	6.1	5.8	6.0
Agriculture	4.0	4.1	3.9	3.8	3.9	4.0	4.1	3.8	3.8	3.8	3.8	3.6	3.6
Commerce	6.6	6.4	6.6	6.4	6.5	6.7	7.1	8.1	7.4	7.3	7.2	6.7	6.5
Construction	10.4	10.2	9.5	9.9	8.9	7.9	7.7	7.4	7.6	7.3	7.6	8.6	8.4
Tourism	1.6	1.5	1.6	1.8	1.8	2.0	1.9	1.9	1.8	1.8	1.7	1.6	1.5
Finance	12.2	12.7	13.1	13.5	13.1	12.7	12.4	12.7	12.5	13.1	14.1	14.6	14.9
Public administration	8.2	8.6	8.2	8.3	8.6	8.4	8.1	7.7	7.9	7.9	8.0	8.4	8.2
Transportation and communication	4.5	4.2	4.1	4.1	4.0	4.1	3.5	3.7	3.8	3.8	3.6	3.2	3.9
Households	31.8	31.6	30.5	30.9	30.8	31.1	30.1	29.9	29.7	29.7	28.9	28.9	28.4
Other	5.2	4.8	6.2	5.8	6.6	7.7	8.2	7.7	7.5	7.2	6.9	6.7	6.4
FX-loans to total loans	3.1	3.3	3.8	3.0	3.3	3.1	5.1	3.8	3.1	2.7	2.5	2.3	2.1
Credit to the private sector to total loans	86.2	86.0	86.4	86.6	86.7	84.4	87.7	87.1	86.5	86.1	85.5	85.3	85.2
Nonperforming Loans (NPLs) to total loans	7.5	7.5	8.0	8.2	8.3	8.6	8.5	8.4	8.6	8.8	8.5	8.6	8.7
Specific provisions to NPLs	69.3	69.3	67.9	68.6	68.6	67.5	66.7	68.4	67.7	67.3	67.5	67.8	68.2
NPLs, net of provisions, to Tier 1 capital	16.3	16.0	17.9	17.5	17.7	18.5	19.0	17.9	18.6	19.4	19.0	18.6	18.8
Large exposures to Tier 1 capital	262.9	240.1	255.0	237.0	249.0	228.8	259.4	274.5	271.4	268.0	288.1	279.0	282.0
Loans to subsidiaries to total loans	8.7	8.1	8.4	8.3	8.4	8.3	8.7	8.9	7.8	8.3	7.7	8.8	8.5
Loans to shareholders to total loans	0.7	0.5	0.6	0.7	0.6	0.6	0.7	0.8	0.7	1.0	0.8	1.1	1.0
Specific provisions to total loans	5.2	5.2	5.4	5.6	5.7	5.8	5.7	5.7	5.8	5.9	5.8	5.8	5.9
General provisions to total loans	1.1	1.2	1.3	1.4	1.3	1.4	1.3	1.3	1.2	1.2	1.2	1.3	1.4
<b>Profitability</b>													
Return on assets (ROA)	1.1	0.9	0.6	0.5	1.2	0.8	1.0	0.7	1.1	0.9	0.7	1.2	1.1
Return on equity (ROE)	11.8	9.4	5.6	4.8	12.2	8.2	10.9	6.9	11.8	9.8	8.0	13.3	12.0
Interest rate average spread (b/w loans and deposits)	3.7	3.7	3.7	3.8	3.7	3.7	3.8	3.7	3.8	3.8	3.8	3.9	3.9
Interest return on credit	4.7	4.6	4.5	4.5	4.6	4.3	4.3	4.3	4.4	4.5	4.5	4.6	4.6
Cost of risk as a percent of credit	0.8	0.8	1.4	1.3	0.9	1.9	0.6	0.7	0.7	0.8	0.9	0.9	1.0
Net interest margin to net banking product (NBP) 2/	68.6	67.5	68.2	68.2	69.6	69.3	73.5	75.4	72.3	69.3	66.9	63.9	56.9
Operating expenses to NBP	46.1	50.2	45.8	50.0	44.6	48.5	46.2	53.0	43.7	45.1	46.6	39.1	39.6
Operating expenses to total assets	1.8	1.8	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.2	1.6	0.8	1.1
Personnel expenses to noninterest expenses	47.5	47.6	47.6	47.4	46.8	47.0	47.5	46.7	46.4	46.4	46.1	46.1	46.1
Trading and other noninterest income to NBP	31.4	32.5	31.8	31.8	30.4	32.5	26.5	24.7	37.5	30.7	33.1	36.1	38.2
<b>Liquidity</b>													
Liquid assets to total assets	12.8	14.0	14.8	16.1	16.5	16.4	16.8	16.1	15.0	14.9	14.6	16.5	15.8
Liquid assets to short-term liabilities	16.2	17.9	18.7	20.0	20.4	19.9	19.6	19.2	18.4	17.9	17.7	19.6	19.0
Deposits to loans	102.2	102.2	101.1	103.2	103.6	105.9	105.0	106.3	106.4	106.0	104.8	107.3	107.9
deposits	2.2	2.2	1.7	1.6	2.2	1.7	2.2	2.7	2.3	2.0	1.9	2.0	1.6
<b>Sensitivity to market risk</b>													
FX net open position to Tier 1 Capital	0.0	-1.6	8.0	5.8	-1.2	-2.3	-3.9	0.0	-2.7	2.8	0.0	-2.2	2.2

Source: Bank Al-Maghrib.

1/ Financial Soundness Indicators (FSIs) are calculated according to guidelines of the IMF FSIs compilation guide, 2004.

2/ Net Banking Product (NBP)=net interest margin-commissions paid+commissions received.

**Table 7. Morocco: FCL Arrangement—Impact on GRA Finances**  
(in SDR millions, unless otherwise indicated)

	As of 2/28/25
<b>Liquidity measures</b>	
Current Forward Commitment Capacity (FCC) 1/	175,921
FCC on approval 2/	176,198
Change in percent	0.2
<b>Prudential measures, assuming full FCL drawing</b>	
Fund credit to Morocco	
In percent of total GRA credit outstanding 3/	4.2
In percent of current precautionary balances	13.8
Fund credit outstanding to five largest debtors	
In percent of total GRA credit outstanding, before approval	74.8
In percent of total GRA credit outstanding including Morocco's assumed full drawing 3/	71.9
<b>Memorandum items</b>	
Current precautionary balances (As of January 31st, 2025)	26,970
Total FCL commitments, including proposed FCL arrangement	46,787
Quota of FTP members with actual and proposed FCLs, in percent of total quota of FTP members	2.7

Source: Finance department.

<sup>1/</sup> The FCC is defined as the Fund's stock of usable resources less undrawn balances under existing arrangements, plus projected repurchases during the coming 12 months, less repayments of borrowing due one year forward, less a prudential balance. The FCC does not include resources from currently unactivated lines of credit, including the New Arrangements to Borrow or bilateral commitments from members to boost IMF resources.

<sup>2/</sup> Current FCC minus access under the proposed FCL plus the remaining access under the current FCL.

<sup>3/</sup> Based on current Fund credit outstanding plus full drawings under the proposed FCL arrangement.



**Table 8. Morocco: Indicators of Fund Credit—Adverse Scenario (GRA and RSF arrangements)**  
(in SDR millions, unless otherwise indicated)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
<b>Existing and prospective Fund credit (SDR million)</b>																					
Disbursements	3,825	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GRA	3,450	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FCL	3,450	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PLL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RSF	375	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Stock of existing and prospective Fund credit	4,388	4,388	4,388	3,525	1,800	938	938	938	938	925	850	756	663	569	475	381	288	194	100	19	0
GRA	3,450	3,450	3,450	2,588	863	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FCL	3,450	3,450	3,450	2,588	863	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PLL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RSF	938	938	938	938	938	938	938	938	938	925	850	756	663	569	475	381	288	194	100	19	0
Obligations	675	183	183	1,037	1,831	910	38	38	38	51	112	127	124	120	116	112	108	104	100	84	19
Principal (repayments/repurchases)	538	0	0	863	1,725	863	0	0	0	13	75	94	94	94	94	94	94	94	94	81	19
GRA	538	0	0	863	1,725	863	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FCL	0	0	0	863	1,725	863	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PLL	538	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RSF	0	0	0	0	0	0	0	0	0	13	75	94	94	94	94	94	94	94	94	81	19
Charges and interest	136.8	183.0	183.0	174.8	105.7	47.9	38.4	38.4	38.4	37.1	33.6	29.8	25.9	22.1	18.3	14.4	10.6	6.7	2.9	0.3	0.0
GRA	108.1	144.6	144.6	136.4	67.3	9.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which GRA Basic Charges	81.8	129.2	129.2	122.5	67.3	9.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GRA Surcharges	9.0	15.3	15.3	13.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Level-based surcharges	9.0	15.3	15.3	11.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Time-based surcharges	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	28.8	38.4	38.4	38.4	38.4	38.4	38.4	38.4	38.4	38.4	37.1	33.6	29.8	25.9	22.1	18.2	14.4	10.6	6.7	2.9	0.3
<b>Fund obligations (repurchases and charges) in percent of:</b>																					
Quota	75.4	20.5	20.5	116.0	204.7	101.8	4.3	4.3	4.3	5.7	12.5	14.2	13.8	13.4	13.0	12.5	12.1	11.7	11.2	9.4	2.1
GDP	0.6	0.1	0.1	0.7	1.2	0.5	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exports of goods and services	1.3	0.3	0.3	1.6	2.7	1.3	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Gross international reserves	2.8	0.7	0.7	3.6	5.8	2.6	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.0
Government revenue	1.9	0.5	0.5	2.5	4.1	1.9	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.0
External debt service, total	12.5	3.4	3.4	16.1	25.3	13.8	0.7	0.7	0.7	0.9	1.9	2.1	2.0	1.9	1.8	1.7	1.6	1.5	1.4	1.1	0.2
External debt service, public	15.9	4.7	4.5	22.9	48.9	20.9	0.9	0.9	0.8	1.0	2.1	2.3	2.1	2.0	1.8	1.6	1.5	1.4	1.3	1.0	0.2
<b>Fund credit outstanding in percent of:</b>																					
Quota	491	491	491	394	201	105	105	105	105	103	95	85	74	64	53	43	32	22	11	2	0
GDP	4	3	3	2	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Exports of goods and services	9	8	7	5	3	1	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0
Gross international reserves	18	18	16	12	6	3	3	2	2	2	2	1	1	1	1	1	0	0	0	0	0
Government revenue	12.3	11.8	11.1	8.4	4.0	2.0	1.9	1.8	1.7	1.6	1.4	1.2	1.0	0.8	0.6	0.5	0.3	0.2	0.1	0.0	0.0
External debt, total	7.1	6.7	6.1	4.8	2.3	1.1	1.1	1.0	1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0.1	0.0	0.0
External debt, public	10.8	10.0	9.0	7.1	3.5	1.7	1.6	1.6	1.5	1.4	1.2	1.0	0.9	0.7	0.6	0.4	0.3	0.2	0.1	0.0	0.0
<b>Memorandum items:</b>																					
Quota (SDR million)	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4

Source: IMF staff calculations.

Note: Morocco belongs to the RST interest Group C. Based on the RST rate of interest of 4.096 percent as of February 27, 2025. An adverse scenario where the FCL is drawn in 2025 is assumed.

## Annex I. External Debt Sustainability Analysis

External debt is expected to have fallen from 48.2 percent of GDP in 2023 to 45.3 percent in 2024, as the current account deficit remained low and the central government paid back some of the PLL. It is expected to stabilize at around 46 percent in the medium term. In the scenarios for growth, current account, and combined shocks, external debt increases to about 50 percent of GDP in the medium term. In the unlikely scenario of a 30 percent currency depreciation, external debt increases to about 70 percent.

**Annex I. Table 1. Morocco: External Debt Sustainability Framework, 2020–2030**  
(In percent of GDP unless otherwise indicated)

	Actual			Estimate		Projections						Debt-stabilizing non-interest current account 6/ -4.0
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
<b>Baseline: External debt</b>	54.2	45.8	49.5	48.2	45.3	<b>46.1</b>	<b>46.3</b>	<b>46.8</b>	<b>45.9</b>	<b>46.5</b>	<b>46.5</b>	
Change in external debt	11.7	-8.4	3.7	-1.2	-2.9	0.8	0.2	0.5	-0.9	0.6	0.0	
Identified external debt-creating flows (4+8+9)	1.2	-6.5	7.0	-5.8	-2.4	-2.1	-2.2	-1.7	-1.1	-1.5	-1.2	
Current account deficit, excluding interest payments	0.1	1.4	2.6	-0.7	-0.1	0.6	0.9	1.3	1.5	1.6	1.8	
Deficit in balance of goods and services	7.3	9.2	11.5	8.3	8.6	9.0	9.3	9.5	9.7	9.7	9.6	
Exports	30.8	33.2	44.8	42.8	43.2	43.1	43.2	43.2	43.2	43.3	43.2	
Imports	38.1	42.4	56.3	51.1	51.8	52.2	52.5	52.8	52.9	53.0	52.9	
Net non-debt creating capital inflows (negative)	-2.6	-0.9	-0.4	-1.8	-0.4	-2.5	-2.9	-2.8	-2.4	-3.1	-2.8	
Automatic debt dynamics 1/	3.8	-7.0	4.8	-3.3	-1.8	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	
Contribution from nominal interest rate	1.1	0.9	1.0	1.3	1.6	1.5	1.4	1.4	1.4	1.4	1.5	
Contribution from real GDP growth	3.2	-3.8	-0.8	-1.5	-1.4	-1.7	-1.6	-1.6	-1.6	-1.5	-1.6	
Contribution from price and exchange rate changes 2/	-0.6	-4.1	4.6	-3.1	-2.0	...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	10.5	-1.9	-3.3	4.6	-0.6	2.9	2.4	2.1	0.1	2.1	1.2	
External debt-to-exports ratio (in percent)	175.8	138.0	110.4	112.8	104.8	106.9	107.3	108.3	106.1	107.4	107.5	
<b>Gross external financing need (in billions of US dollars) 4/</b>	13.9	15.4	18.1	13.1	18.9	17.6	19.0	20.6	22.1	23.4	25.1	
in percent of GDP	11.5	10.8	13.8	9.1	12.2	10.6	10.8	11.0	11.1	11.1	11.2	
<b>Scenario with key variables at their historical averages 5/</b>						<b>46.1</b>	<b>49.6</b>	<b>52.8</b>	<b>54.0</b>	<b>57.4</b>	<b>59.8</b>	<b>-1.8</b>
<b>Key Macroeconomic Assumptions Underlying Baseline</b>												
						10-Year Historical Average	10-Year Standard Deviation					
Real GDP growth (in percent)	-7.2	8.2	1.5	3.4	3.2	2.5	4.0	3.9	3.7	3.6	3.6	3.6
GDP deflator in US dollars (change in percent)	1.4	8.2	-9.2	6.7	4.2	0.4	6.3	2.7	2.6	2.6	2.5	2.4
Nominal external interest rate (in percent)	2.4	2.0	1.9	2.8	3.5	2.5	0.4	3.6	3.3	3.3	3.3	3.4
Growth of exports (US dollar terms, in percent)	-15.0	26.0	24.5	5.2	8.7	7.1	12.8	6.6	6.6	6.4	6.3	6.2
Growth of imports (US dollar terms, in percent)	-14.5	30.3	22.5	0.0	9.1	5.9	14.9	7.5	7.1	6.8	6.5	6.3
Current account balance, excluding interest payments	-0.1	-1.4	-2.6	0.7	0.1	-1.5	1.5	-0.6	-0.9	-1.3	-1.5	-1.6
Net non-debt creating capital inflows	2.6	0.9	0.4	1.8	0.4	1.6	1.1	2.5	2.9	2.8	2.4	3.1

1/ Derived as  $[r - g - r(1+g) + ea(1+r)] / (1+g+r+gr)$  times previous period debt stock, with  $r$  = nominal effective interest rate on external debt;

$r$  = change in domestic GDP deflator in US dollar terms,  $g$  = real GDP growth rate,  $e$  = nominal appreciation (increase in dollar value of domestic currency), and  $a$  = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as  $[-r(1+g) + ea(1+r)] / (1+g+r+gr)$  times previous period debt stock.

$r$  increases with an appreciating domestic currency ( $e > 0$ ) and rising inflation (based on GDP deflator).

3/ For projection, line includes the impact of price and exchange rate changes.

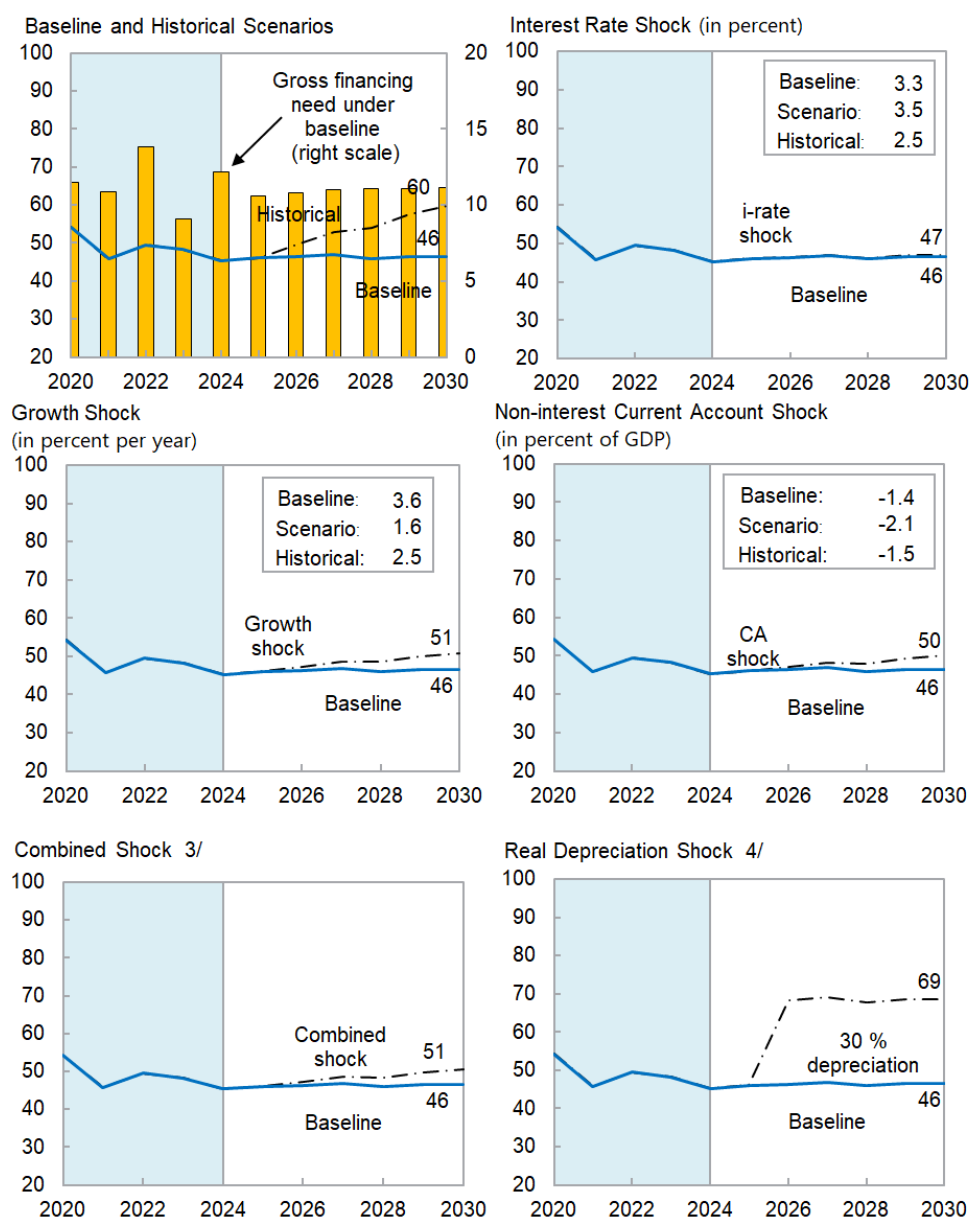
4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.



**Annex I. Figure 1. Morocco: External Debt Sustainability: Bound Tests <sup>1/2/</sup>**  
(External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.

1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.

2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.

3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.

4/ One-time real depreciation of 30 percent occurs in 2024.

## Annex II. Sovereign Risk and Debt Sustainability Assessment

*Morocco's debt is assessed to be sustainable with high probability, and risk of sovereign stress is assessed to be moderate. Debt-to-GDP is projected to decline gradually in the medium term, to 65.1 percent of GDP in 2030, reflecting the announced path of fiscal consolidation. There are ongoing efforts to mitigate medium- and long-term risks, including by further strengthening the medium-term fiscal framework and reforming the pension system.*

**1. Debt coverage and definition.** This Sovereign Risk and Debt Sustainability Assessment (SRDSA) covers *central government* debt (domestic and external).

**2. Background.** Central government debt is expected to have increased slightly from 69.5 percent of GDP in 2023 to 70 percent of GDP in 2024. Despite a lower primary fiscal deficit (1.9 percent of GDP compared to 2.3 percent in 2023), low nominal GDP growth (5.5 percent)—as real growth is expected to have decelerated slightly from 3.4 to 3.2 percent and the GDP deflator is expected to have fallen sharply from 6.4 to 2.3 percent—contributed to the higher debt to GDP ratio. Gross financing needs for the central government decreased from 19.8 percent in 2023 to 13.2 percent of GDP in 2024, driven by lower amortization needs.

**3. Baseline Projections.** Under the baseline scenario, central government debt is expected to decrease gradually to 65.1 percent of GDP by 2030, in line with the Medium-Term Fiscal Framework published as part of the 2025 Budget. The projected fiscal consolidation efforts over the medium term seem realistic relative to the distribution of fiscal adjustment efforts in a group of peer countries. Gross financing needs are expected to stay around 11 percent of GDP in 2025 and stabilize at around 10 percent in the medium term. Government interest payments are expected to be stable in the medium term.

**4. Medium-term risks.** Medium-term risks are assessed to be moderate, based on the debt fanchart module and the gross financing needs (GFN) module. The debt fanchart index—measuring medium-term solvency risks—indicates a moderate risk. The baseline debt trajectory is on a downward trend, the fanchart width is narrower than the median in the peer group, and the probability of debt not stabilizing is limited. Overall, solvency risks should be contained with continuous fiscal consolidation, fiscal reforms, and a gradual economic recovery. The GFN financeability index also indicates a moderate risk, with GFN stabilizing in the stress scenario. The contingent liability stress test indicates a path of gross financing needs substantially above the baseline for the medium term when contingent liabilities from local government debt and domestic and external debt guaranteed by the central government (about 13 percent of GDP) materialize. Relevant reforms in the budgetary framework, including the continued reinforcement of the MTFF, the strengthening of its fiscal risk analysis, and the implementation of a fiscal rule anchored on the public debt, will help contain medium-term risks. A faster reduction of the debt would ensure stronger protection against the risks.

**5. Long-term risks.** Long-term risks are moderate, reflecting risks related to climate change and the sustainability of the public pension and health care systems in the context of demographic change. These risks highlight the importance of ongoing comprehensive reforms in water infrastructure, health care, and pension systems.

**6. Sustainability.** Debt is assessed to be sustainable with high probability. The debt to GDP ratio is expected to decrease in the medium-term and GFN will remain at manageable levels, conditional on the implementation of the announced fiscal adjustment that is assessed as feasible. A few characteristics of the debt profile, such as relatively long maturity and low share of FX denominated debt, continue to limit potential vulnerabilities.

## Annex II. Figure 1. Morocco: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
<b>Overall</b>	...	<b>Moderate</b>	The overall risk of sovereign stress is moderate, reflecting moderate levels of vulnerability in the medium and long terms. Relevant reforms in the budgetary framework and the pension system are expected in the coming years. Reforms under the RSF and other future comprehensive reforms in the water and energy sectors will also be needed to reduce climate-related risks.
<b>Near term 1/</b>			
<b>Medium term</b>	<b>Moderate</b>	<b>Moderate</b>	The debt fanchart module and the gross financing needs module suggest moderate levels of risk. The contingent liability stress test shows a path of gross financing needs substantially above the baseline. Medium term fiscal framework is expected to continue improving.
Fanchart	<b>Moderate</b>	...	
GFN	<b>Moderate</b>	...	
Stress test	Cont. Liabty.	...	
<b>Long term</b>	...	<b>Moderate</b>	Long term risks are moderate, given risks related to climate change and demographic change. However, there are ongoing comprehensive reforms in water infrastructure, healthcare, and pension systems to help mitigate these risks. The long-term amortization module does not trigger an overall risk indication.
<b>Sustainability assessment 2/</b>		Sustainable with high probability	The projected debt path is expected to decrease in the medium term and GFN will remain at manageable levels, conditional on the implementation of fiscal adjustment measures that are assessed as feasible.
<b>Debt stabilization in the baseline</b>			Yes

## DSA Summary Assessment

Commentary: Morocco is at moderate overall risk of sovereign stress, with public debt that is sustainable with high probability. Debt is expected to continuously decline over the medium term to around 65 percent of GDP by 2030. Medium term risks are moderate, as indicated by debt fanchart module and the gross financing needs module. The Medium-Term Fiscal Framework is expected to continue improving. Long term risks are moderate, given risks related to climate and demographic change. However, there are ongoing comprehensive reforms in water infrastructure, healthcare, and pension systems to mitigate these risks.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

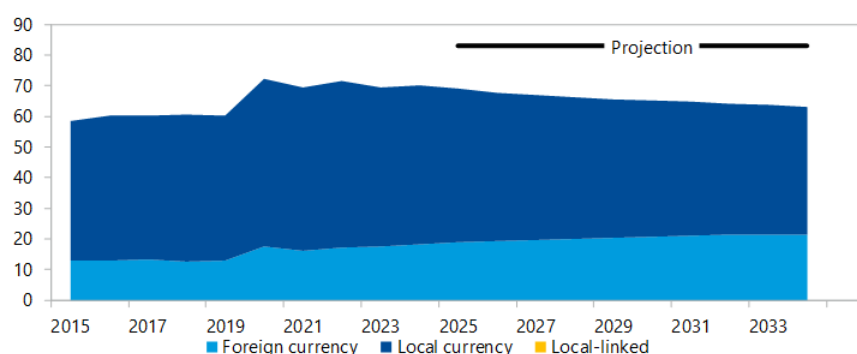
2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

## Annex II. Figure 2. Morocco: Debt Coverage and Disclosures

1. Debt coverage in the DSA: 1/						CG					GG	NFPS	CPS	Other	Comments	
1a. If central government, are non-central government entities insignificant?																No
2. Subsectors included in the chosen coverage in (1) above:																
Subsectors captured in the baseline															Inclusion	
CPS	NFPS	GG: expected	CG	1	Budgetary central government										Yes	
				2	Extra budgetary funds (EBFs)										No	
				3	Social security funds (SSFs)										No	
				4	State governments										No	
				5	Local governments										No	
				6	Public nonfinancial corporations										No	
				7	Central bank										No	
				8	Other public financial corporations										No	
3. Instrument coverage:						Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/						
4. Accounting principles:						Basis of recording		Valuation of debt stock								
						Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/						
5. Debt consolidation across sectors:						Consolidated		Non-consolidated								
Color code: <span style="color: green;">■</span> chosen coverage <span style="color: red;">■</span> Missing from recommended coverage <span style="color: gray;">■</span> Not applicable																
Reporting on Intra-Government Debt Holdings																
				Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total			
CPS	NFPS	GG: expected	CG	1	Budget. central govt									0		
				2	Extra-budget. Funds										0	
				3	Social security funds										0	
				4	State govt.										0	
				5	Local govt.										0	
				6	Nonfin pub. corp.										0	
				7	Central bank										0	
				8	Oth. pub. fin. corp										0	
Total				0	0	0	0	0	0	0	0	0	0			
<p>1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.</p> <p>2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.</p> <p>3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.</p> <p>4/ Includes accrual recording, commitment basis, due for payment, etc.</p> <p>5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).</p> <p>6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.</p> <p>7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.</p> <p>Commentary: The authorities have started to produce general government data with technical assistance from the Fund. Under this accounting, the perimeter of public debt would include the Treasury, extrabudgetary central government (e.g. non-profit public establishments), local entities, and retirement and social security organizations. In 2023, general government debt was 65.9 percent of GDP, about 3.6 percentage points lower than central government debt, as non-profit public establishments and retirement and social security organizations hold some central government debt.</p>																

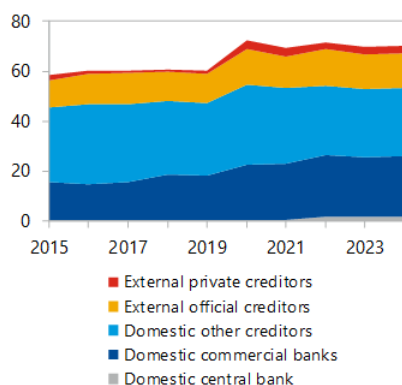
### Annex II. Figure 3. Morocco: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



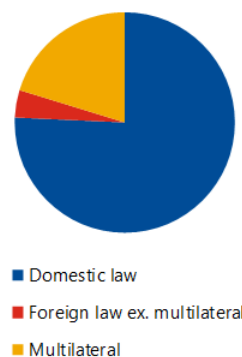
Note: The perimeter shown is central government.

Public Debt by Holder (Percent of GDP)



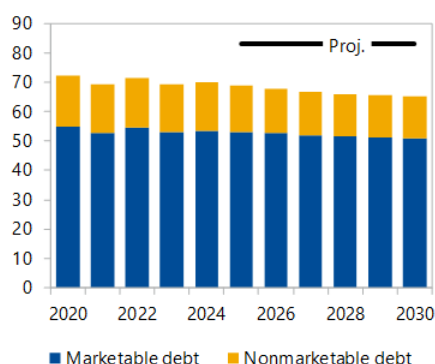
Note: The perimeter shown is central government.

Public Debt by Governing Law, 2024 (percent)



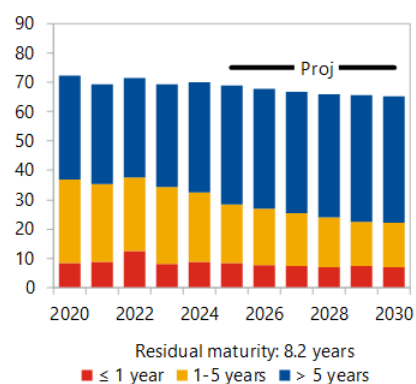
Note: The perimeter shown is central government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is central government.

Public Debt by Maturity (Percent of GDP)



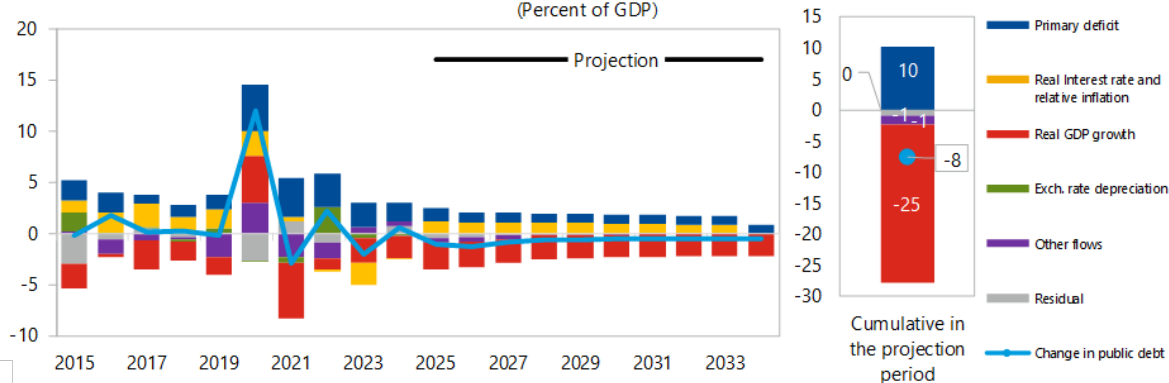
Note: The perimeter shown is central government.

Commentary: The characteristics of the public debt profile, in particular, long maturities and relatively low share of FX-denominated debt, coming from an investment base made mostly of local long-term investors, continue to limit potential vulnerabilities. Average maturity increased from 7 years and 3 months in 2023 to 8 years and 2 months in 2024 through active debt management. The share of long-term debt (>5 years) is projected to increase gradually over the medium term, informed by the authorities' projected issuances.

**Annex II. Figure 4. Morocco: Baseline Scenario**  
(Percent of GDP unless indicated otherwise)

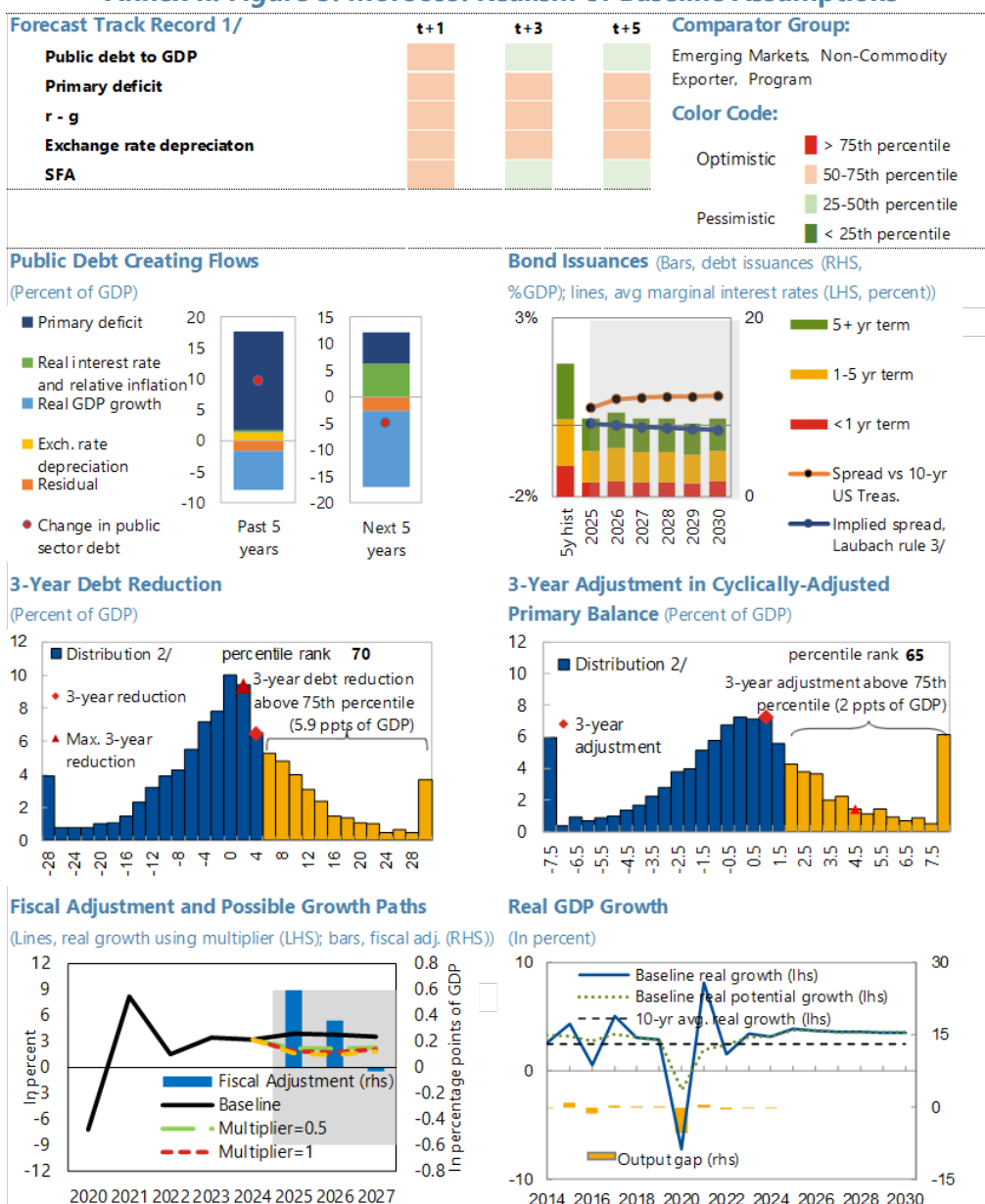
	Estimate	Medium-term projection							Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Public debt	70.0	68.9	67.7	66.8	66.2	65.6	65.1	64.6	64.1	63.6	63.1	
Change in public debt	0.6	-1.1	-1.2	-0.9	-0.6	-0.6	-0.5	-0.5	-0.5	-0.5	-0.5	
Contribution of identified flows	-0.2	-0.6	-0.9	-0.7	-0.5	-0.5	-0.5	-0.6	-0.6	-0.7	n.a.	
Primary deficit	1.9	1.3	0.9	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	
Noninterest revenues	30.1	30.4	29.4	28.1	28.1	28.1	28.1	28.1	28.1	28.1	28.1	
Noninterest expenditures	32.0	31.7	30.4	29.1	29.0	29.0	29.0	29.0	29.0	29.0	29.0	
Automatic debt dynamics	-2.4	-1.5	-1.4	-1.3	-1.3	-1.3	-1.3	-1.5	-1.5	-1.5	n.a.	
Real interest rate and relative inflation	0.0	1.2	1.1	1.0	1.0	1.0	1.0	0.8	0.7	0.7	n.a.	
Real interest rate	0.0	1.1	1.0	1.0	1.0	1.0	1.0	0.7	0.7	0.6	0.6	
Relative inflation	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.1	n.a.	
Real growth rate	-2.1	-2.6	-2.5	-2.4	-2.3	-2.3	-2.3	-2.3	-2.2	-2.2	-2.2	
Real exchange rate	-0.3	...	...	...	...	...	...	...	...	...	...	
Other identified flows	0.4	-0.4	-0.4	-0.4	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other transactions	0.4	-0.4	-0.4	-0.4	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	
Contribution of residual	0.7	-0.5	-0.4	-0.1	-0.1	-0.1	0.0	0.1	0.1	0.1	n.a.	
Gross financing needs	13.2	11.3	11.5	10.7	10.2	9.7	10.1	9.7	9.3	8.9	8.4	
of which: debt service	11.3	10.0	10.6	9.7	9.3	8.8	9.3	8.8	8.4	8.0	7.5	
Local currency	9.1	8.3	8.9	7.9	7.3	7.4	7.6	7.3	6.9	6.5	6.1	
Foreign currency	2.2	1.8	1.7	1.8	2.0	1.4	1.6	1.6	1.5	1.5	1.5	
Memo:												
Real GDP growth (percent)	3.2	3.9	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	
Inflation (GDP deflator; percent)	2.3	2.3	2.2	2.1	2.1	2.0	2.0	2.2	2.2	2.2	2.2	
Nominal GDP growth (percent)	5.5	6.3	6.0	5.8	5.8	5.7	5.6	5.6	5.6	5.6	5.6	
Effective interest rate (percent)	2.3	3.9	3.8	3.6	3.6	3.6	3.5	3.4	3.3	3.2	3.2	

**Contribution to Change in Public Debt**  
(Percent of GDP)



Commentary: Public debt is expected to continuously decline over the medium term to around 65 percent of GDP by 2030, driven by narrowing of primary deficit, sales of financial assets (2025-2027), and stable economic conditions. Long-term real GDP growth is assumed to be equal to the potential growth estimate.

## Annex II. Figure 5. Morocco: Realism of Baseline Assumptions



Commentary: Realism analyses do not signal over-optimism. Past forecast errors are within 25-75th percentile and do not reveal large systematic biases. A significant decrease in debt is achieved through sustained real GDP growth, driven by infrastructure plans and pro-business sector reforms that will boost private investment. The projected debt reduction and fiscal adjustments are below the 75th percentile of cross-country database.

Source : IMF Staff.

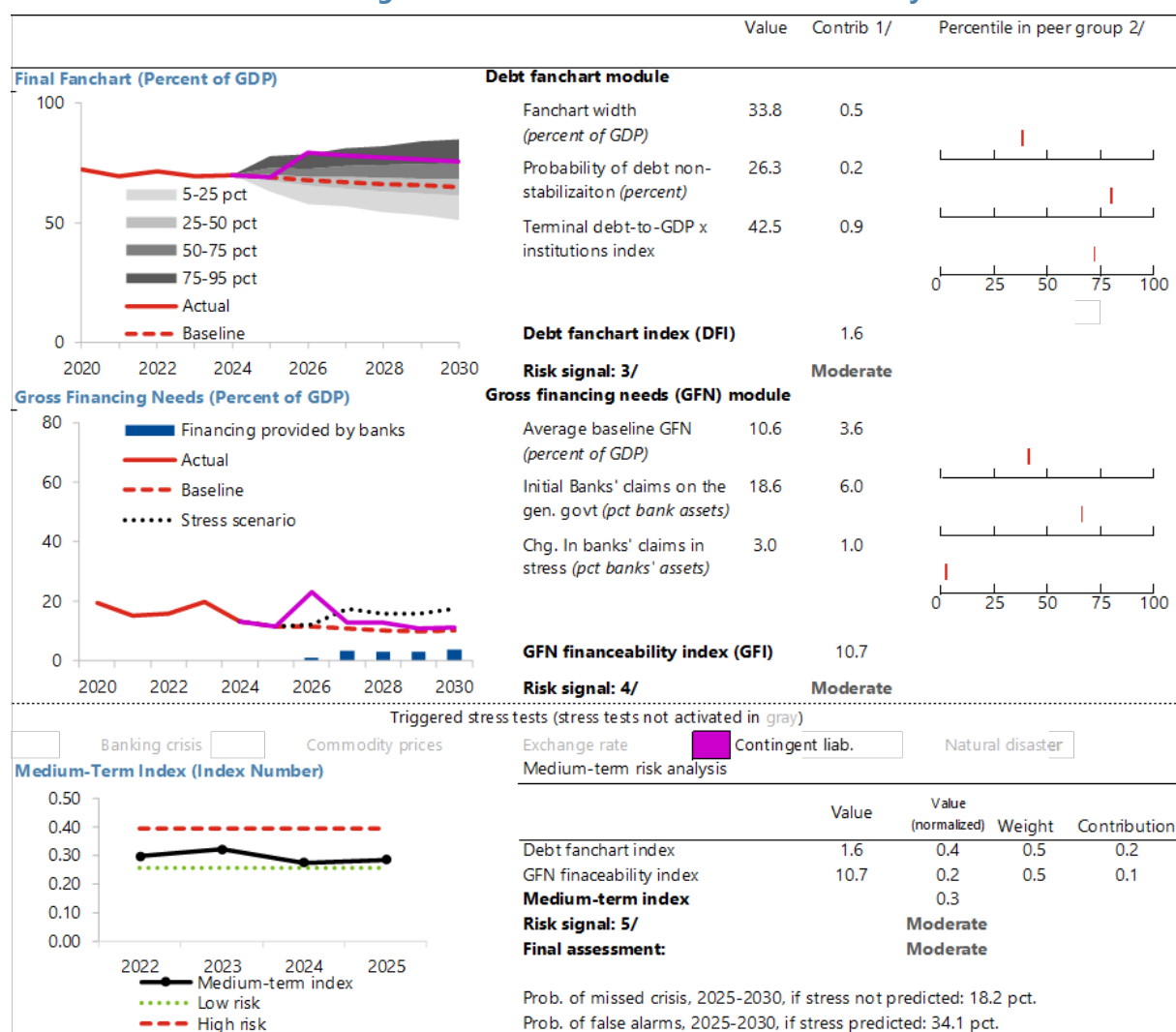
1/ Projections made in the October and April WEO vintage.

2/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

3/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.



## Annex II. Figure 6. Morocco: Medium-Term Risk Analysis



Commentary: The debt fanchart module and the gross financing needs module suggest moderate levels of risk. The medium-term index is also between the high and low risk thresholds. The contingent liability stress test includes debt of local governments and debt guaranteed by the central government. The test shows a path of gross financing needs substantially above the baseline for the medium term. Medium term fiscal framework is expected to continue improving.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.

2/ The comparison group is emerging markets, non-commodity exporter, program.

3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.

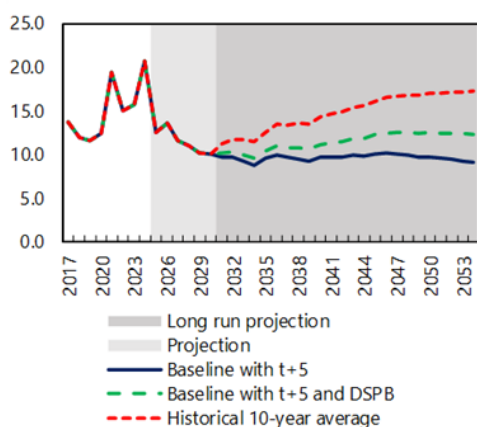
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.

5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

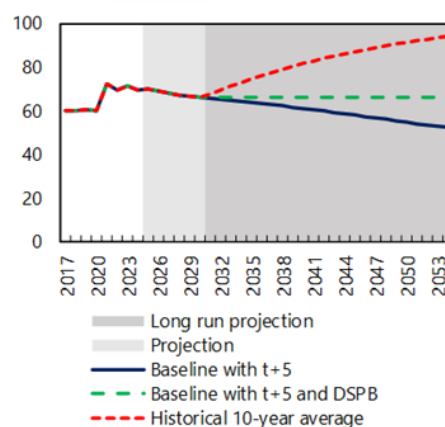
## Annex II. Figure 7. Morocco: Long-Term Risk Assessment: Large Amortization

Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	Green
	Amortization-to-GDP ratio	Green
	Amortization	Red
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	Green
	Amortization-to-GDP ratio	Green
	Amortization	Red
Historical average assumptions	GFN-to-GDP ratio	Green
	Amortization-to-GDP ratio	Green
	Amortization	Red
Overall Risk Indication		Green

**GFN-to-GDP Ratio**

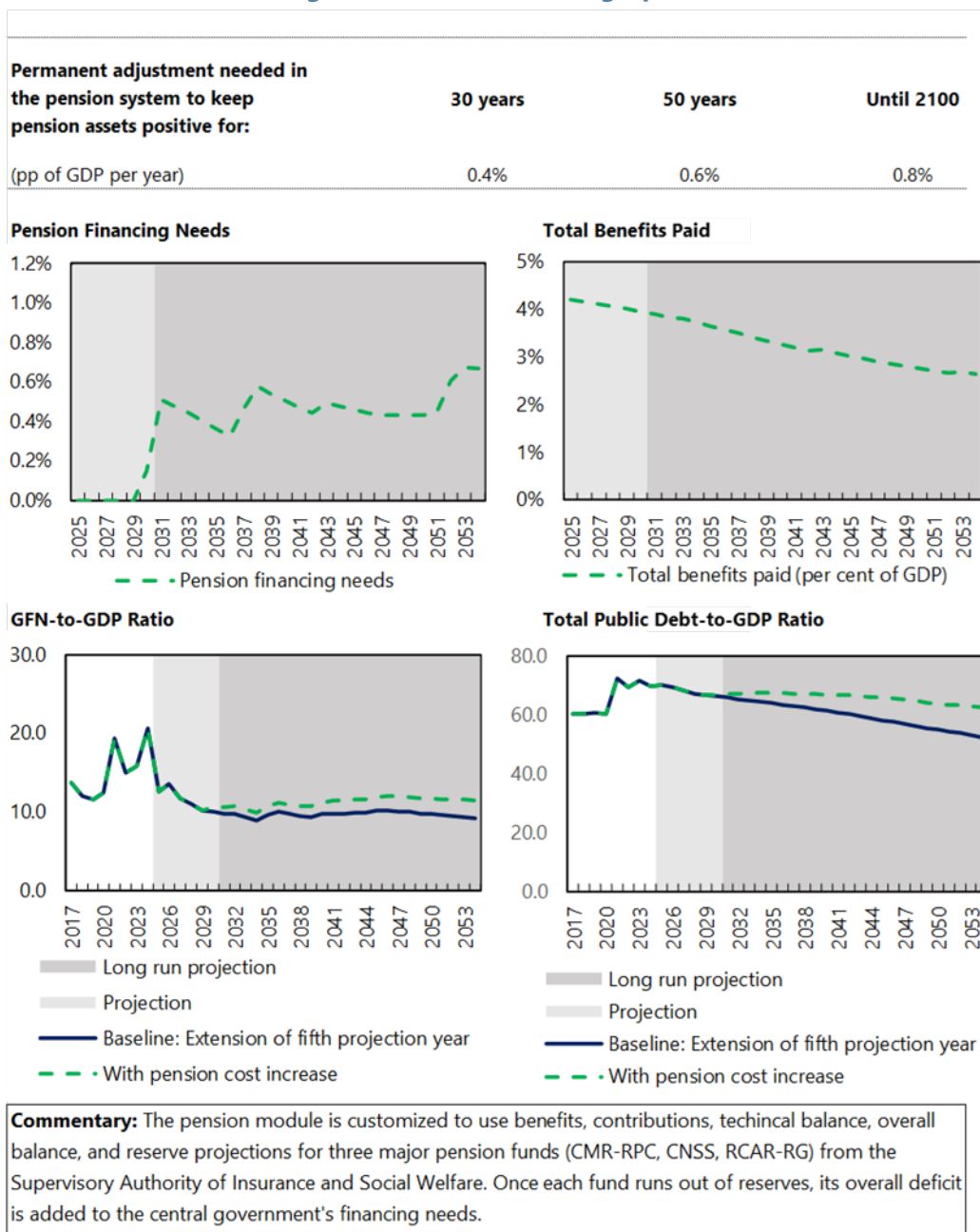


**Total Public Debt-to-GDP Ratio**



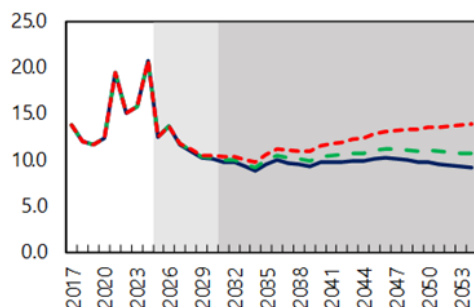
Commentary: The long-term amortization module does not trigger an overall risk indication. GFN-to-GDP and debt-to-GDP projection increase in the scenario using historical 10-year average but decline steadily in the scenario assuming constant t+5 values.

Annex II. Figure 8. Morocco: Demographics: Pensions



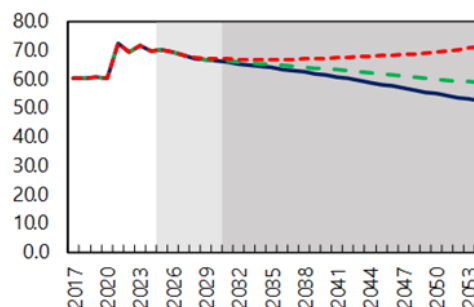
Annex II. Figure 9. Morocco: Demographics: Health

## GFN-to-GDP Ratio



— Baseline: Extension of fifth projection year  
 - - Health (Demographics)  
 - - Health (Demographics + ECG)

## Total Public Debt-to-GDP Ratio

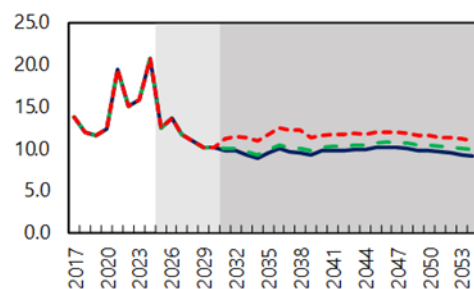


— Baseline: Extension of fifth projection year  
 - - Health (Demographics)  
 - - Health (Demographics + ECG)

**Commentary:** The healthcare sub-module provides projections for the future financing needs driven by demographic changes and excess cost growth (ECG) in the healthcare sector. The authorities are working on an ambitious reform of the health care system to ensure quality care and financial sustainability.

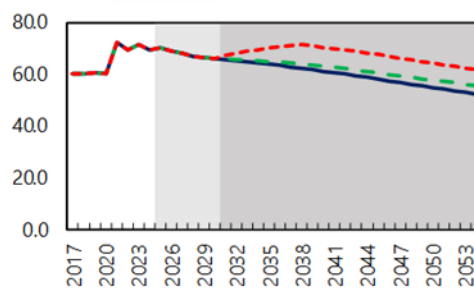
Annex II. Figure 10. Morocco: Climate Change: Adaptation

## GFN-to-GDP Ratio



— Baseline: Extension of fifth projection year  
 - - With climate adaptation (standardized scenario)  
 - - With climate adaptation (customized scenario)

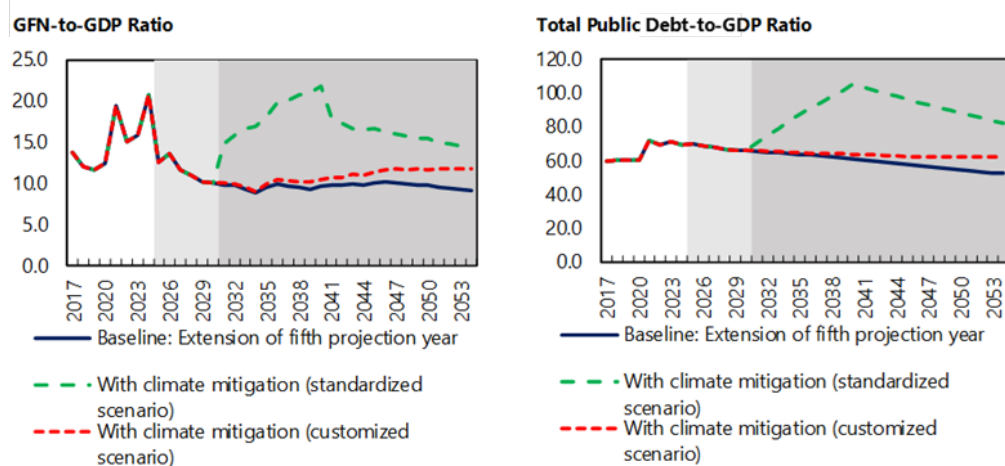
## Total Public Debt-to-GDP Ratio



— Baseline: Extension of fifth projection year  
 - - With climate adaptation (standardized scenario)  
 - - With climate adaptation (customized scenario)

**Commentary:** The customized scenario uses the adaptation costs estimated in 2022 World Bank Country Climate and Development Report. Ongoing reforms (as part of the RSF) and other future comprehensive reforms in the water and energy sectors will reduce Morocco's vulnerabilities to climate-related risks.

Annex II. Figure 11. Morocco: Climate Change: Mitigation



**Commentary:** The customized scenario assumes that the government bears 15% of the mitigation costs estimated in 2022 World Bank Country Climate and Development Report. The private sector is assumed to cover the other 85% of mitigation costs. Reforms in the regulatory framework of the energy sector (as part of the RSF) will help attract private investment for clean energy.

## Appendix I. Written Communication

Rabat, March 18, 2025

Ms. Kristalina Georgieva  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431  
United States of America

Dear Managing Director,

Over the past two years, thanks to monetary tightening and lower energy and food prices, inflationary pressures have eased significantly while the global economy has gradually slowed. However, the outlook remains subject to significant uncertainties, related notably to the economic policy direction in some major economies, geopolitical tensions, and risks related to the impact of climate change.

In this challenging and shock-prone environment, Morocco has been able, thanks to an ambitious structural reform agenda and increased agility in the management of public policy, to preserve its macroeconomic stability and strengthen the resilience of its economy, while promoting strong, inclusive, and sustainable growth.

Thus, despite water stress and an unprecedented succession of years of drought that have negatively impacted agricultural production and employment, economic growth reached 3.4 percent in 2023 and 3.3 percent in 2024. Growth is expected to firm up to more than 4 percent from this year, driven by the growing momentum of non-agricultural sectors. At the same time, thanks to well-calibrated monetary tightening and the various measures taken by the government to support the purchasing power of the population and certain economic activities, inflation was reduced from 6.6 percent in 2022 to 0.9 percent in 2024 and is expected to hover around 2 percent in the medium term.

The external sector posted very favorable results, driven by the momentum of Morocco's main export products (fertilizers, automobiles, aeronautics, etc.), the resilience of remittances from Moroccans living abroad, and strong growth in tourism activities. This performance should make it possible to limit the current account deficit to 1.5 percent of GDP in 2024, compared to 0.6 percent in 2023, despite an acceleration of imports related to the economic recovery and the completion of numerous large-scale infrastructure projects. Thanks to these results and the country's FDI attractiveness, foreign exchange reserves are at a comfortable level, covering more than five months of imports, or the equivalent of 120 percent of the adjusted Assessing Reserve Adequacy (ARA) metric.

The reform of the exchange rate regime, initiated in 2018, continues to progress well with the

continued deepening of the foreign exchange market and the movements in the value of the dirham within the fluctuation band without intervention by Bank Al-Maghrib (BAM). Our assessments confirm that the value of the domestic currency remains in line with the fundamentals of the economy. At the same time, the authorities are continuing to prepare for the next phases of the reform of the exchange rate regime and the establishment of an inflation-targeting framework, in particular through the development of the hedging market against interest rate and exchange rate risks, raising awareness among economic operators, particularly small and medium-sized enterprises (SMEs), and the strengthening of the monetary policy analysis and forecasting framework.

The Moroccan banking system remains sound, well-capitalized, liquid, and profitable, supported by a regulatory and prudential framework that is in line with international standards. BAM regularly strengthens its surveillance, particularly through the annual stress test exercise conducted by banks on the basis of macroeconomic scenarios provided by BAM, the results of which demonstrated the resilience of banking institutions. Furthermore, Morocco is capitalizing on its considerable progress in anti-money laundering/ combating the financing of terrorism (AML/CFT) since it exited the FATF grey list. As part of an ongoing effort to enhance supervisory tools, BAM continued the deployment of the system for assessing bank risk profiles (Supervisory Review and Evaluation Process (SREP)) which will be rolled out gradually until 2027; and it introduced capital surcharges for the three systemically important banks. In 2024, BAM adopted regulatory texts on the Net Stable Funding Ratio (NSFR) and on strengthening the requirements for banks' liquidity management of liquidity risks through the internal liquidity adequacy assessment process (ILAAP) framework. To further strengthen the resilience of the financial system, progress has been made in strengthening the bank resolution framework. In 2025, BAM issued two directives to develop a clear and comparable framework for climate risk analysis in line with the guidance by the International Sustainability Standards Board (ISSB) and to integrate climate risks in the data collection and analysis processes for large debtors.

In terms of public finances, the budget deficit continued its downward trajectory, which began as soon as the pandemic crisis ended, posting a deficit of 3.9 percent of GDP in 2024, compared to 4.4 percent in 2023 and 7.1 percent in 2020. This control of the deficit was made possible by the improvement in revenues, particularly tax revenues, which helped cover the additional expenditures related to the cyclical support measures. For its part, the central government debt to GDP ratio remained at nearly 70 percent, after having reached 72.2 percent in 2020.

Morocco reaffirms its resolute commitment to preserving budgetary discipline and continuing the consolidation of its public finances, as demonstrated in the three-year fiscal framework in the 2025 Budget Law, with deficit targets of 3.5 percent of GDP in 2025 and 3 percent starting in 2026, which will make it possible to reduce the central government debt ratio to 67 percent of GDP in 2027. This consolidation is based on the rationalization of public expenditure, the pursuit of tax reform, and the use of innovative financing mechanisms that do not generate debt and involve the private sector. In addition, the ongoing reform of the organic budget law involves the introduction of a new fiscal rule, based on a medium-term debt anchor and the broadening of its scope to non-

commercial state-owned enterprises (SOEs). These efforts are aimed at rebuilding buffers and ensuring the viability and sustainability of the structural reform program.

Within this framework, significant progress has been made in strengthening the Kingdom's development model based on the principles of social and territorial cohesion, economic efficiency, and inclusive and sustainable value creation.

Priorities include the continuation of the generalization of social protection based on the unified social registry to ensure a better targeting of beneficiaries, ambitious reforms in the health and education sectors, as well as the ongoing reconstruction of the areas affected by the Al Haouz earthquake. On the economic front, emphasis is placed on strengthening the role of the private sector and creating jobs through the continued rollout of the new Investment Charter, the 2023–2026 Strategic Roadmap for the Improvement of the Business Environment, the Mohammed VI Fund for Investment, and the reform of the SOE sector.

To promote employment and adapt skills to market needs, Morocco is also rolling out a roadmap focusing on rural employment, the economic integration of women, the restructuring of active labor market programs and support for SMEs. Important anchor projects in the rail, airport, tourism, and urban transportation sectors are also being launched, particularly relating to hosting international sporting events, thereby stimulating growth and the creation of employment opportunities. Morocco is also strengthening its resilience to water, food, and energy security challenges, through the national water supply program, seawater desalination, and the Generation Green strategy for agriculture. Projects to accelerate the deployment of renewable energies, electricity interconnection, and the development of green hydrogen are also part of this dynamic. At the same time, Morocco is accelerating its digital transformation in the era of technological change, through the new Digital 2030 strategy. Moreover, a new strategy for the development of climate finance by 2030 has been adopted, aimed at accelerating the green transition of the financial sector.

Aware of the decisive role that good governance plays in the success of these reform projects, our country is pursuing the reform of the justice system and the modernization of the civil service, relying on digitalization as the main lever for these transformations with the aim of facilitating citizens' access to public services and continuing to improve the business climate. In order to further anchor the values of probity and integrity, the National Authority for Probity and the Prevention and Combating of Corruption conducted surveys on the corruption situation in Morocco, as well as public policy evaluations as part of the implementation of a new-generation anti-corruption strategy. Pursuing its efforts to consolidate the principles of transparency, the Competition Council has issued opinions on the state of competition in strategic sectors and has intensified its activities to prevent and combat anticompetitive practices, economic concentration, and monopolistic operations.

Given the still uncertain and shock-prone international environment, the Moroccan authorities wish to maintain access to precautionary liquidity in the event of extreme shock scenarios. We consider that the Flexible Credit Line (FCL) remains perfectly suited to support the country's development strategy, which, despite very solid policy frameworks and economic fundamentals, remains exposed



to exogenous shocks of various kinds.

In this context, Morocco is requesting a new arrangement under the FCL in an amount equivalent to SDR 3.45 billion (nearly 386 percent of the quota or around USD 4.5 billion) and with a duration of two years and notifying the cancellation of the current arrangement. This new arrangement will further support our economic strategy, boosting the confidence of partners and investors and contributing to macroeconomic stability, including by ensuring the availability of financial resources in case of external shocks that would put pressure on the balance of payments.

We intend to treat this arrangement as precautionary against tail risks, and to draw on this credit line only in the event of severe exogenous shocks, such as a deterioration in the international economic situation. By continuing to strengthen the economy's resilience, including by increasing fiscal and external buffers, and further diversifying the economy, Morocco should be well positioned to exit the FCL once the exogenous risks to which the economy is exposed have largely abated.

Morocco remains committed to macroeconomic and financial stability and to economic and social reforms. Maintaining fiscal discipline is a priority, as is mobilizing the necessary resources to support long-term growth. In addition, Bank Al-Maghrib remains committed to taking the necessary decisions, informed by the latest data, to maintain inflation at levels consistent with the objective of price stability.

We will continue to respond adequately to any shocks that may arise in the future. In the event of further negative shocks, the authorities would not hesitate to use the available policy space and adopt an appropriate policy mix, as has been done in the past, including by judiciously adapting monetary policy conditions and conducting a responsible countercyclical fiscal policy.

We would like to thank the Executive Directors, Management, and staff of the IMF for their support to Morocco and for their constructive feedback during the discussions under the FCL. We look forward to continued close and fruitful cooperation with the Fund in the period ahead.

/s/

Nadia Fettah

Minister of Economy and Finance

/s/

Abdellatif Jouahri

Governor, Bank Al-Maghrib



# MOROCCO

March 19, 2025

## ASSESSMENT OF THE IMPACT OF THE PROPOSED ARRANGEMENT UNDER THE FLEXIBLE CREDIT LINE ON THE FUND'S FINANCES AND LIQUIDITY POSITION

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## INTRODUCTION

**1. A two-year Flexible Credit Line (FCL) arrangement with slightly reduced access is proposed to succeed the current FCL arrangement approved in 2023.** The proposed two-year FCL arrangement, which the authorities intend to treat as precautionary, would be in the amount of SDR 3.45 billion (385.7 percent of quota). This arrangement would succeed the existing FCL arrangement, approved in April 2023, with access of SDR 3.726 billion (416.6 percent of quota). The existing arrangement would be cancelled upon approval of the proposed arrangement. The reduced access under the proposed arrangement is in line with the country's improved external position and the authorities' strategy of maintaining precautionary buffers and taking into account external risks remain elevated. The full amount of access would be available throughout the arrangement period, in one or multiple purchases.<sup>1</sup> Staff's baseline projections envisage no purchase, in line with the authorities' intention to treat the successor arrangement as precautionary.

**2. This note assesses the impact of the proposed arrangement under the FCL for Morocco on the Fund's finances and liquidity position, in accordance with the policy on FCL arrangements.**<sup>2</sup> The analysis focuses on the impact of Morocco's proposed reduced FCL access on the Fund's finances and liquidity position. The adverse scenario where all FCL access would be drawn reflects the materialization of downside external risks to Morocco, which would be triggered by a growth slowdown in the Euro area, global uncertainty, and tighter global financial conditions, higher commodity prices triggered by intensification of regional conflicts, and further episodes of drought.

## BACKGROUND

**3. Morocco has had four successive Precautionary and Liquidity Line (PLL) arrangements during 2012–20, followed by one FCL arrangement approved in 2023 and a Resilience and Sustainability Facility (RSF) arrangement also approved in 2023 (Annex I).**

- **PLL.** All four PLL arrangements were treated as precautionary at the time of approval. The Moroccan authorities did not draw on the first three arrangements. A fourth two-year PLL arrangement was approved in December 2018 in the amount of SDR 2.15 billion (or 240 percent of quota). While the authorities originally intended to treat it as precautionary, similarly to the previous three PLLs, the onset of the COVID-19 pandemic in 2020 severely affected Morocco's economic activity and external position. On April 7, 2020, the Moroccan authorities purchased all available resources under the PLL arrangement (equivalent to about 3 percent of GDP) to help maintain official reserves at an adequate level. In January 2021, the authorities made an early repurchase of about SDR 651 million after the country managed to issue Euro bonds on

<sup>1</sup> If the full amount is not drawn in the first year of the arrangement, subsequent purchases are subject to a review of Morocco's continued qualification for the FCL arrangement.

<sup>2</sup> See GRA Lending Toolkit and Conditionality—Reform Proposals (3/13/09) and Flexible Credit Line (FCL) Arrangements, Decision No.14283-(09/29), adopted March 24, 2009, as amended.

favorable terms in late 2020.<sup>3</sup> As of February 28, 2025, SDR 268.9 million (30.1 percent of quota) remains outstanding—and expected to be repaid by April 2025.

- **FCL.** On April 3, 2023, the Executive Board approved a two-year FCL arrangement with Morocco, following staff's assessment that the country has progressed to the point where its very strong economic fundamentals and institutional policy frameworks, sustained track records of implementing very strong policies, and continued commitment to maintaining such policies in the future justified a transition to an FCL arrangement. The authorities have treated the arrangement as precautionary. The arrangement is set to expire on April 2, 2025.
- **RSF.** On September 28, 2023, the Executive Board approved an arrangement under the Resilience and Sustainability Facility (RSF) for SDR 1 billion (about 112 percent of quota) to help Morocco address climate vulnerabilities, bolster its resilience against climate change, and seize the opportunities from decarbonization. As of February 28, 2025, SDR 562.5 million has been disbursed upon the completion of the first two reviews under the RSF arrangement. The arrangement is set to expire on April 2, 2025.

**4. Morocco's economy has proved resilient to a series of negative shocks experienced since 2020 while the PLL and FCL arrangements have served as an important precautionary buffer.** Timely policy responses have allowed the authorities to successfully adjust to significant external shocks, including the Covid-19 pandemic, the fallout from Russia's invasion of Ukraine and geopolitical conflicts in the region, the major earthquake in 2023, and severe droughts. At the same time, the authorities accelerated the implementation of structural reforms and took steps to further strengthen their already strong policy frameworks. The drawing of available PLL access in 2020 was instrumental to help preserve adequate reserve buffers in a context of heightened global uncertainty. The FCL has served as an important precautionary buffer, helping the authorities to continue to pursue very strong macroeconomic policies and ambitious structural reforms amid adverse shocks.

## PROPOSED FLEXIBLE CREDIT LINE ARRANGEMENT— RISKS AND IMPACT ON FUND FINANCES

**5. Morocco's external debt is sustainable under the baseline of the Debt Sustainability Analysis (DSA).** Morocco's external debt-to-GDP ratio is expected to increase slightly this year and remain stable over the medium term under the baseline. After peaking at 54.2 percent of GDP in 2020 driven by the negative impact of the pandemic, Morocco's external debt declined to 45.3 percent of GDP by 2024, as the current account deficit remained low, the country repurchased most of the PLL, and GDP rebounded strongly (Table 1). The external debt-to-GDP ratio is projected to hover around 46½ percent from 2025 onwards.

<sup>3</sup> In late 2022, Morocco's Treasury used the remaining outstanding of the proceeds of the PLL arrangement (about US\$ 2 billion) to fund its financing needs in dirham.

## 6. External debt is also expected to remain sustainable under standard Debt

**Sustainability Analysis's (DSA) stress scenarios.** Multiple scenarios with various macroeconomic shocks were modelled to identify vulnerability in the external DSA. If a real exchange rate depreciation of 30 percent, which is the largest shock in the external DSA, were to materialize in 2025, Morocco's external would peak at around 69 percent of GDP but remain on a sustainable medium-term path (see Annex I of the main report). Furthermore, Morocco has an excellent track record of meeting its financial obligations, and its refinancing risks are mitigated by the long average maturity of the debt and a diversified foreign investor base. Morocco's public debt is also assessed to be sustainable with high probability in the DSA (see Annex II of the main report).

**Table 1. Morocco: Total External Debt, 2018-25**

	2018	2019	2020	2021	2022	2023	2024	2025 Proj. 1/
(In millions of US Dollars)								
Total External Debt	51,611	54,843	65,782	65,035	64,792	69,684	70,371	76,471
Private	17,463	19,392	23,570	24,297	24,700	25,816	26,050	27,518
Public	34,147	35,452	42,212	40,738	40,092	43,868	44,321	48,954
(In percent of GDP)								
Total External Debt	40.5	42.5	54.2	45.8	49.5	48.2	45.3	46.1
Private	13.7	15.0	18.2	17.7	19.4	17.5	17.1	16.6
Public	26.8	27.5	34.8	28.7	30.6	30.4	28.5	29.5

Sources: Moroccan authorities and IMF staff estimates.

1/ Baseline scenario.

**7. The adverse scenario considers shocks to the global economic conditions and a new drought during 2025–26, as described in Box 2 in the main report.**<sup>4</sup> If this scenario were to materialize, weaker trading partner growth and higher commodity prices would slow economic activity and worsen Morocco's external position over 2025–26 (Table 2). A drought, assumed during 2025–26, would exacerbate these conditions. Morocco would experience significantly lower GDP growth in 2025 and 2026 compared with the baseline, while its current account deficit would widen from about 1½ percent of GDP in 2024 to about 6¼ percent of GDP in 2025 and about 7¼ percent of GDP in 2026. Weaker global economic activity and tighter global financial conditions would reduce remittances, FDIs, and external lending. These would add to Morocco's external financing needs under the adverse scenario. The dirham would weaken and partly dampen the impact of the shocks on the trade deficit. Part of the financing gap could be covered by drawing down international reserves, which would reduce reserve coverage from 120 to 100 percent of the adjusted ARA metric. In this context, covering the external financing gap would require drawing the entirety of the access under the proposed FCL arrangement.

<sup>4</sup> Staff's adverse drawing scenario, used also for the Capacity to Repay indicators, differs from the external DSA stress tests in the main report in terms of size of the shocks to key macroeconomic assumptions.

**Table 2. Morocco: Comparison of Key Assumptions Under Baseline and Adverse Scenarios <sup>1/</sup>**  
(in millions of US dollars, unless otherwise indicated)

	2023	2024	2025	2026	2027	2028	2029	2030
<b>Baseline scenario</b>								
Real GDP growth (percent)	3.4	3.2	3.9	3.7	3.6	3.6	3.6	3.6
Nominal GDP (billions of Dirham)	1,463	1,544	1,642	1,741	1,842	1,949	2,059	2,175
Current account balance (in percent of GDP)	-0.6	-1.4	-1.9	-2.2	-2.6	-2.9	-3.1	-3.2
Gross international reserves	36.3	37.2	40.5	43.1	45.6	47.6	50.7	53.3
in months of next year's imports of goods and services	5.4	5.2	5.2	5.2	5.2	5.1	5.1	5.2
Exports of goods and services	61.8	67.1	71.5	76.3	81.1	86.2	91.5	97.1
Total external debt (in percent of GDP)	48.2	45.3	46.1	46.3	46.8	45.9	46.5	46.5
of which: public external debt (in percent of GDP)	30.4	28.5	29.5	30.2	30.6	29.7	30.2	30.2
Financial account balance	1.7	3.9	5.7	6.4	7.2	7.7	9.4	9.9
Oil Price (WEO APSP, US\$ per barrel)	80.6	79.2	76.6	71.5	69.6	68.6	68.0	67.6
Central government debt (in percent of GDP)	69.5	70.0	68.9	67.7	66.8	66.2	65.6	65.1
<b>Adverse scenario</b>								
Real GDP growth (percent)	3.4	3.2	2.5	1.9	3.6	3.6	3.6	3.6
Nominal GDP (billions of Dirham)	1,463	1,544	1,625	1,714	1,814	1,918	2,027	2,142
Current account balance (in percent of GDP)	-0.6	-1.4	-6.3	-7.2	-2.6	-2.9	-3.1	-3.2
Gross international reserves	36.3	37.2	31.5	32.2	35.1	37.9	41.7	45.4
in months of next year's imports of goods and services	5.4	5.2	4.1	4.0	4.1	4.1	4.3	4.5
Exports of goods and services	61.8	67.1	65.7	69.0	79.9	84.9	90.1	95.6
Total external debt (in percent of GDP)	48.2	45.3	51.8	52.1	50.7	49.4	49.0	48.5
of which: public external debt (in percent of GDP)	30.4	28.5	34.2	34.9	34.6	33.2	32.7	32.2
Financial account balance	1.7	4.0	-0.5	-0.9	7.1	7.6	9.3	9.8
Oil Price (WEO APSP, US\$ per barrel)	80.6	79.2	90.1	84.9	69.6	68.6	68.0	67.6
Central government debt (in percent of GDP)	69.5	70.0	72.4	71.4	70.8	69.7	68.2	67.1
Financing gap	0.0	0.0	4.5	4.5	0.0	0.0	0.0	0.0

Sources: Moroccan authorities and IMF staff projections.

<sup>1/</sup> Since a full drawing of the FCL is assumed under the adverse scenario, external debt under this scenario includes the liability generated from such drawing.

## 8. If the full amount available under the proposed FCL arrangement were purchased in a downside scenario, Morocco's capacity to repay would remain adequate:

- Morocco's external debt would reach 52.1 percent of GDP and public external debt would rise to 34.9 percent of GDP by 2026 under the adverse scenario, and these ratios would decline gradually over the medium term (Table 2). The total external debt-to-GDP ratio at time of approval would be slightly below the median of previously approved exceptional access cases and FCL arrangements approved, while the overall public debt-to-GDP ratio at the time of approval would be above the median (Figure 1). At its peak in 2025, Morocco's outstanding Fund credit would amount to 3.7 percent of GDP, 8.8 percent of exports of goods and services, and 18.3 percent of gross international reserves (Table 3).<sup>5</sup>

<sup>5</sup> Metrics of Capacity to Repay account for Fund credit and obligations under all existing and past arrangements (in Morocco's case, these include past PLL with credit still outstanding and payable in 2025, RSF, and the proposed FCL that is assumed to be fully drawn under the adverse scenario).

Table 3. Morocco: Capacity to Repay Indicators Under the Adverse Scenario <sup>1/2/3/</sup>

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
<b>Existing and prospective Fund credit (SDR million)</b>																					
Disbursements	3,825	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GRA	3,450	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FCL	3,450	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PLL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RSF	375	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Stock of existing and prospective Fund credit	4,388	4,388	4,388	3,525	1,800	938	938	938	938	925	850	756	663	569	475	381	288	194	100	19	0
GRA	3,450	3,450	3,450	2,588	863	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FCL	3,450	3,450	3,450	2,588	863	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PLL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RSF	938	938	938	938	938	938	938	938	938	925	850	756	663	569	475	381	288	194	100	19	0
Obligations	675	183	183	1,037	1,831	910	38	38	38	51	112	127	124	120	116	112	108	104	100	84	19
Principal (repayments/repurchases)	538	0	0	863	1,725	863	0	0	0	13	75	94	94	94	94	94	94	94	94	81	19
GRA	538	0	0	863	1,725	863	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FCL	0	0	0	863	1,725	863	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PLL	538	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RSF	0	0	0	0	0	0	0	0	0	13	75	94	94	94	94	94	94	94	94	81	19
Charges and interest	136.8	183.0	183.0	174.8	105.7	47.9	38.4	38.4	38.4	38.4	37.1	33.6	29.8	25.9	22.1	18.3	14.4	10.6	6.7	2.9	0.3
GRA	108.1	144.6	144.6	136.4	67.3	9.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which GRA Basic Charges	81.8	129.2	129.2	122.5	67.3	9.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GRA Surcharges	9.0	15.3	15.3	13.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Level-based surcharges	9.0	15.3	15.3	11.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Time-based surcharges	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	28.8	38.4	38.4	38.4	38.4	38.4	38.4	38.4	38.4	38.4	37.1	33.6	29.8	25.9	22.1	18.2	14.4	10.6	6.7	2.9	0.3
<b>Fund obligations (repurchases and charges) in percent of:</b>																					
Quota	75.4	20.5	20.5	116.0	204.7	101.8	4.3	4.3	4.3	5.7	12.5	14.2	13.8	13.4	13.0	12.5	12.1	11.7	11.2	9.4	2.1
GDP	0.6	0.1	0.1	0.7	1.2	0.5	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exports of goods and services	1.3	0.3	0.3	1.6	2.7	1.3	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Gross international reserves	2.8	0.7	0.7	3.6	5.8	2.6	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.0
Government revenue	1.9	0.5	0.5	2.5	4.1	1.9	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.0
External debt service, total	12.5	3.4	3.4	16.1	25.3	13.8	0.7	0.7	0.7	0.9	1.9	2.1	2.0	1.9	1.8	1.7	1.6	1.5	1.4	1.1	0.2
External debt service, public	15.9	4.7	4.5	22.9	48.9	20.9	0.9	0.9	0.8	1.0	2.1	2.3	2.1	2.0	1.8	1.6	1.5	1.4	1.3	1.0	0.2
<b>Fund credit outstanding in percent of:</b>																					
Quota	491	491	491	394	201	105	105	105	105	103	95	85	74	64	53	43	32	22	11	2	0
GDP	3.7	3.5	3.1	2.4	1.1	0.6	0.5	0.5	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0
Exports of goods and services	8.8	8.4	7.2	5.5	2.6	1.3	1.3	1.2	1.2	1.1	1.0	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0.0	0.0
Gross international reserves	18.3	17.9	16.4	12.2	5.7	2.7	2.5	2.3	2.2	2.0	1.7	1.5	1.2	1.0	0.8	0.6	0.4	0.3	0.1	0.0	0.0
Government revenue	12.3	11.8	11.1	8.4	4.0	2.0	1.9	1.8	1.7	1.6	1.4	1.2	1.0	0.8	0.6	0.5	0.3	0.2	0.1	0.0	0.0
External debt, total	7.1	6.7	6.1	4.8	2.3	1.1	1.1	1.0	1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0.1	0.0	0.0
External debt, public	10.8	10.0	9.0	7.1	3.5	1.7	1.6	1.6	1.5	1.4	1.2	1.0	0.9	0.7	0.6	0.4	0.3	0.2	0.1	0.0	0.0
<b>Memorandum items:</b>																					
Quota (SDR million)	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4	894.4

Sources: Moroccan authorities, Finance Department, World Economic Outlook, and IMF staff estimates.

1/ Assumes the full drawing of 385.73 percent of quota under the new access.

2/ Morocco belongs to the RST interest Group C. Based on the RST rate of interest of 4.096 percent as of February 27, 2025.

3/ Staff projections for external debt, GDP, gross external reserves, and exports of goods and services reflect the adverse and not the baseline scenario under which the full FCL drawing is assumed.

- Peak Fund exposure relative to GDP, gross international reserves, and total external debt would be below the median of recent exceptional access and FCL arrangements (Figure 2). Projected outstanding Fund credit in percent of quota around the peak would be on a lower side compared with that of recent exceptional access cases and FCL arrangements in the event of full drawdown (Figure 3).
- External debt service including obligations to the Fund in percent of exports of goods and services would peak in 2025, but at relatively low levels compared with previously approved exceptional access cases and FCL arrangements (Figure 2). Morocco's projected debt service to the Fund would peak in 2029 at about SDR 1.8 billion, at 1.2 percent of GDP and 2.7 percent of exports of goods and services, before quickly falling to more moderate levels by 2030.<sup>6</sup> If the amount available under the FCL arrangement were to be fully drawn in 2025, Morocco's debt service to the Fund as a share of exports of goods and services would be significantly lower than the median of recent exceptional access cases (Figure 2). Although Morocco's debt service to the Fund as a share of total external debt service would be marginally higher than the median, this reflects the country's relatively small size of total external debt and long maturity of external debt.

**9. The approval of the proposed FCL arrangement and cancellation of the existing one would have a small positive net impact on the Fund's liquidity as measured by the forward commitment capacity (FCC).** Commitments for the new arrangement would continue to be covered in full by quota resources. The cancellation of the existing arrangement would free up SDR 3.7262 billion, compared with SDR 3.45 billion committed upon approval of the proposed arrangement. Other things equal, approval of the proposed FCL arrangement would increase the Fund's FCC by 0.2 percent from its current level to SDR 176.2 billion (Table 4).

**10. Fund exposure to Morocco would increase, but remain moderate, if the country drew the entire amount available under the proposed arrangement.** If the entire amount available under the proposed FCL arrangement were drawn, GRA credit to Morocco would represent about 4.2 percent of total GRA credit outstanding as of February 28, 2025. This would make Morocco the sixth largest GRA borrower among current arrangements. The concentration of Fund credit toward the top five users of Fund resources would decline modestly, from 74.8 percent to 71.9 percent of total GRA credit outstanding. GRA credit to Morocco would amount to 13.8 percent of the Fund's current precautionary balances.

<sup>6</sup> The figures on debt service used in this report are calculated assuming that purchase of 385.7 percent of quota would be made in April 2025 shortly after the approval and that all repurchases are made as scheduled. Morocco's repurchases would reach about 96 percent and about 193 percent of quota in 2028 and 2029, respectively, before falling to about 96 percent in 2030 and 0 in 2031. Its payments of GRA charges and RST interest would be about 20 percent of quota during 2026–28, before falling to about 12, 5, and 4 percent of quota in 2029, 2030, and 2031, respectively.



**11. The proposed FCL arrangement would marginally shift the regional concentration of the Fund's lending portfolio (credit and undrawn balances) and slightly reduce the concentration among Fund facilities:**

- **Regional concentration to Latin America would increase marginally.** Currently, the Western Hemisphere accounts for about 57.6 percent of GRA credit and undrawn balances, including for arrangements treated as precautionary (Figure 4). With the proposed FCL arrangement for Morocco, this share would edge up to 57.7 percent.
- **Among the Fund's different facilities, the share of FCL commitments would decline marginally.** Commitments under FCL arrangements, which represent the bulk of precautionary arrangements, stood at around SDR 47.1 billion as of February 28, 2025, or about 54.7 percent of total GRA commitments (Figure 4). With the proposed FCL for Morocco, which is slightly lower than the access under Morocco's current FCL arrangement, the share of commitments from FCL arrangements in total would edge down to about 54.6 percent.

**Table 4. Morocco: FCL Arrangement—Impact on GRA Finances**  
(in SDR millions, unless otherwise indicated)

	As of 2/28/25
<b>Liquidity measures</b>	
Current Forward Commitment Capacity (FCC) 1/	175,921
FCC on approval 2/	176,198
Change in percent	0.2
<b>Prudential measures, assuming full FCL drawing</b>	
Fund credit to Morocco	
In percent of total GRA credit outstanding 3/	4.2
In percent of current precautionary balances	13.8
Fund credit outstanding to five largest debtors	
In percent of total GRA credit outstanding, before approval	74.8
In percent of total GRA credit outstanding including Morocco's assumed full drawing 3/	71.9
<b>Memorandum items</b>	
Current precautionary balances (As of January 31st, 2025)	26,970
Total FCL commitments, including proposed FCL arrangement	46,787
Quota of FTP members with actual and proposed FCLs, in percent of total quota of FTP members	2.7

Source: Finance department.

<sup>1/</sup> The FCC is defined as the Fund's stock of usable resources less undrawn balances under existing arrangements, plus projected repurchases during the coming 12 months, less repayments of borrowing due one year forward, less a prudential balance. The FCC does not include resources from currently unactivated lines of credit, including the New Arrangements to Borrow and Bilateral Borrowing Agreements from members to boost IMF resources.

<sup>2/</sup> Current FCC minus access under the proposed FCL plus the remaining access under the current FCL.

<sup>3/</sup> Based on current Fund credit outstanding plus full drawings under the proposed FCL arrangement.

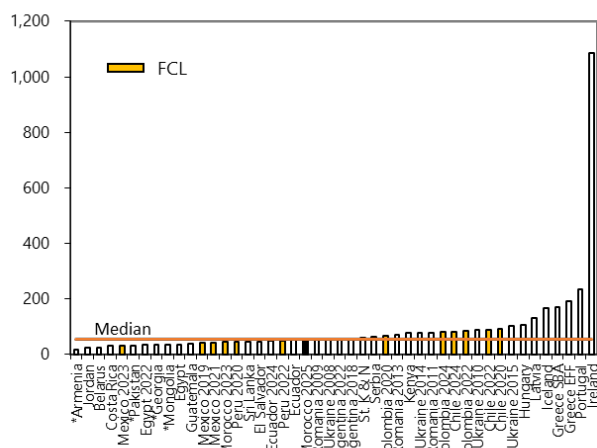
## ASSESSMENT

**12. The proposed new arrangement will have a marginally positive impact on the Fund's overall liquidity position.** The cancellation of the current FCL arrangement in the amount of SDR 3.7262 billion followed by approval of a new FCL arrangement in the amount of SDR 3.45 billion is expected to marginally improve the Fund's overall liquidity. If Morocco were to draw the full amount of access under the new arrangement, the effect on the Fund's liquidity would also be relatively small. While the Fund's overall liquidity position is expected to remain adequate after the approval of the proposed FCL arrangement, a close monitoring would still be warranted in view of the elevated risks to global growth and financial stability, potentially triggered by trade policy and investment shocks, intensification of regional conflicts, and higher-for-longer interest rates, that could result in higher demand for Fund resources.

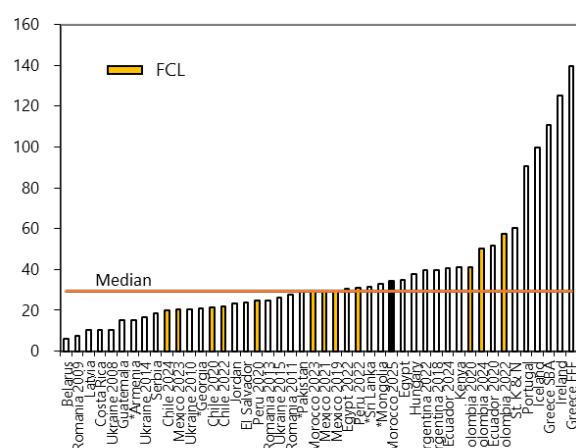
**13. Staff considers that the proposed FCL arrangement carries moderate credit risks to the Fund.** If fully drawn, the Fund's credit exposure to Morocco would increase but remain moderate. These potential credit risks are mitigated by several factors. Morocco intends to treat the FCL arrangement as precautionary. Even if Morocco were to draw all the resources available under the new FCL arrangement in an adverse scenario, its capacity to repay to the Fund would remain adequate (Table 3). Moreover, Morocco has very strong policy frameworks and a track record of implementing very strong policies, including during the pandemic, the food and energy price crisis that unfolded upon the onset of Russia's war on Ukraine, the major earthquake in 2023, and three severe droughts. The authorities remain committed to maintain such policies in the future and closely cooperate with the Fund, and they plan to implement several additional reforms that would strengthen their policy frameworks even further. Delivering on these commitments will be important to help further mitigate financial risks to the Fund.

**Figure 1. Debt Ratios of Recent Exceptional Access Cases <sup>1/2/</sup>**  
(EA and FCL cases since September 2008)

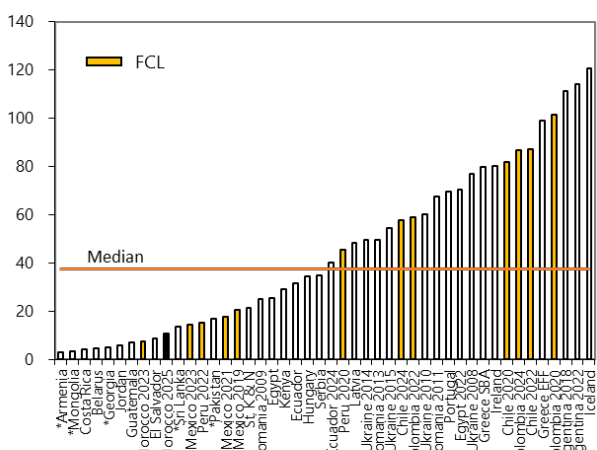
**A. Total External Debt (in percent of GDP at time of approval)**



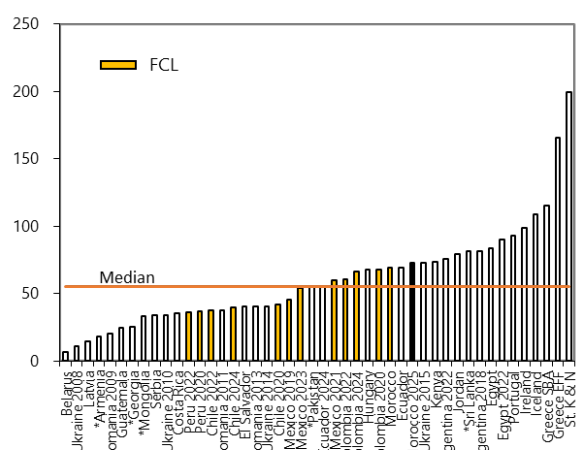
**B. Public External Debt (in percent of GDP at time of approval)**



**C. External Debt Service (in percent of Exports of Goods and Services at time of approval)**



**D. Total Public Debt (in percent of GDP at time of approval)**



Sources: Finance Department and IMF staff estimates.

<sup>1/</sup> Estimates as reported in relevant staff reports on the request of SBAs or arrangements under the EFF approved since September 2008. Also includes ratios reported in relevant staff reports of FCL arrangements for Mexico (2019, 2021 and 2023), Peru (2020 and 2022), Chile (2020, 2022, and 2024), Colombia (2020, 2022, and 2024) and Morocco (2023 and 2025).

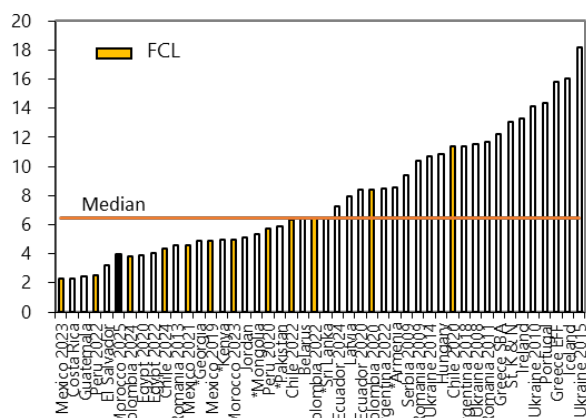
<sup>2/</sup> Asterisks indicate PRGT-eligible countries at the time of the program.

**Figure 2. Peak Fund Exposure and Debt Service Ratios for Recent Exceptional Access Cases <sup>1/2/</sup>**

(EA and FCL cases since September 2008)

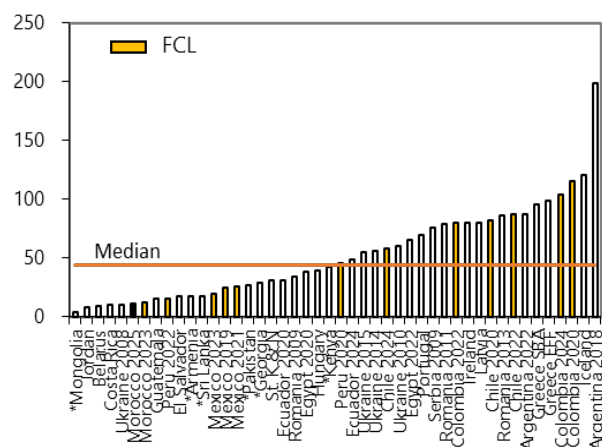
Peak Fund Exposure Ratios

A. Fund Exposure (in percent of GDP)

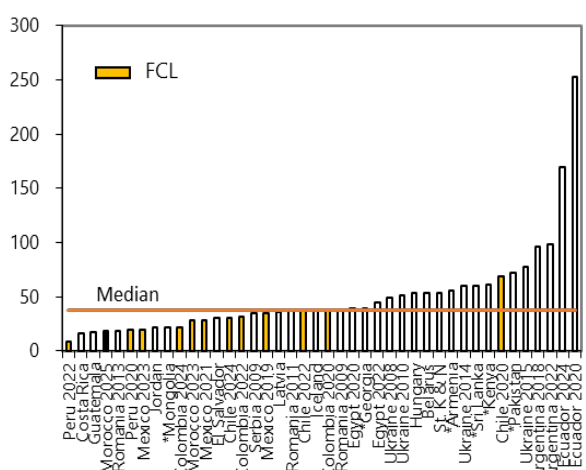


Peak Debt Service Ratios

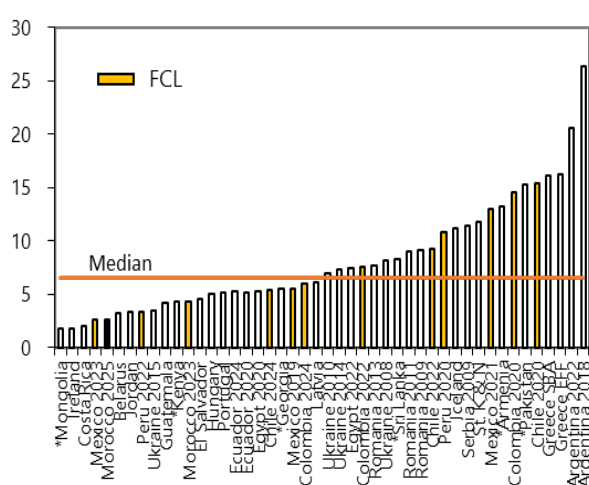
B. Total External Debt Service (in percent of Exports of Goods and Services)



C. Fund Exposure (in percent of Gross International Reserves) <sup>3/</sup>



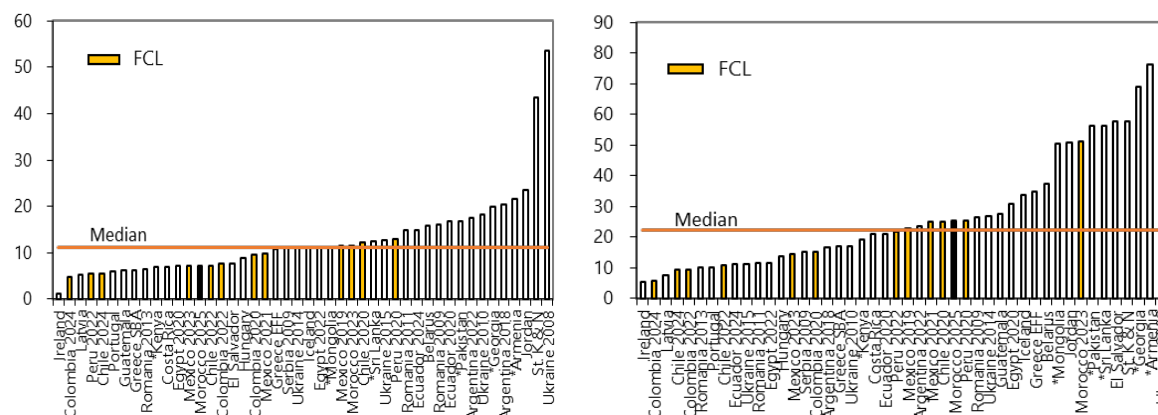
D. Debt Service to the Fund (in percent of Exports of Goods and Services) <sup>4/</sup>



**Figure 2. Peak Fund Exposure and Debt Service Ratios for Recent Exceptional Access Cases (concluded)**  
(EA and FCL cases since September 2008)

E. Fund Exposure (in percent of Total External Debt) <sup>4/</sup>

F. Debt Service to the Fund (in percent of Total External Debt Service) <sup>4/</sup>



Sources: Finance Department and IMF staff estimates.

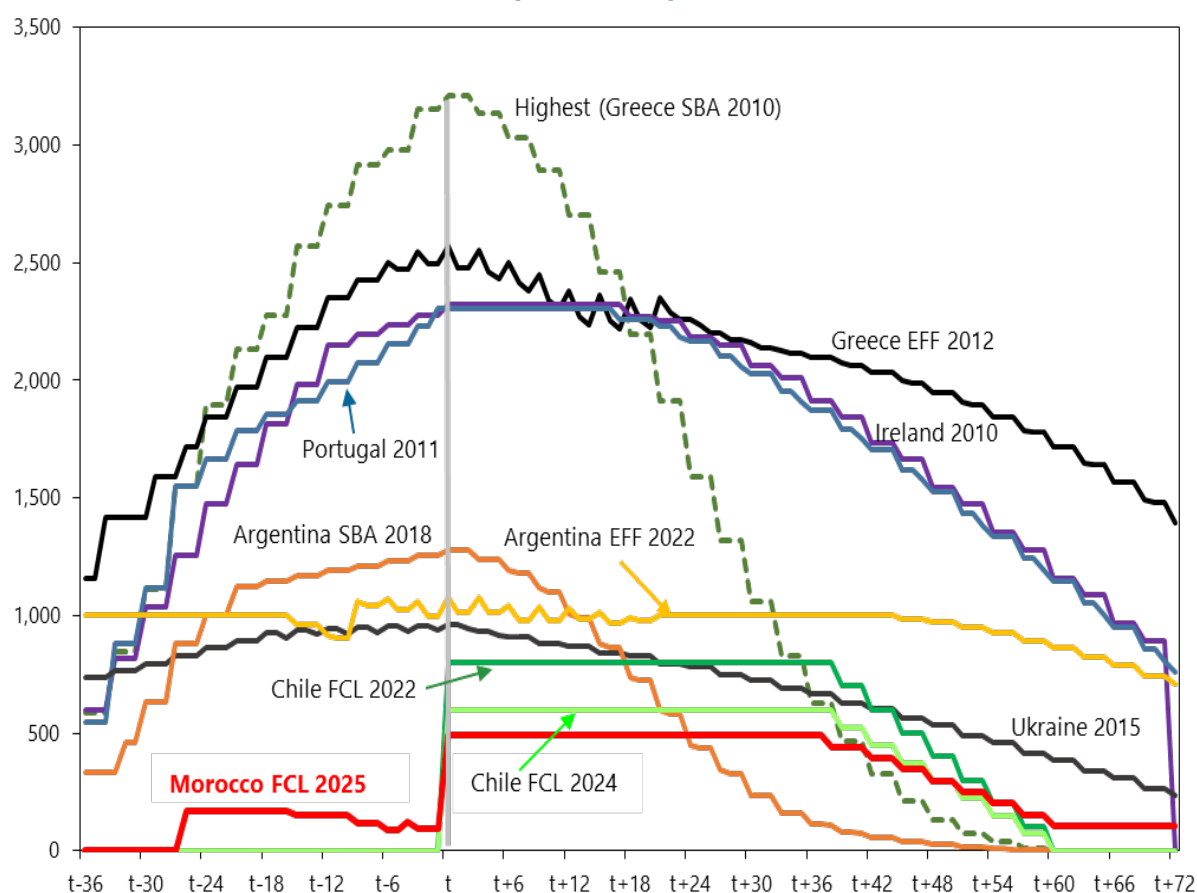
<sup>1/</sup> Estimates as reported in relevant staff reports on the request of SBAs or arrangements under the EFF approved since September 2008. Also includes ratios reported in relevant staff reports of FCL arrangements for Mexico (2019, 2021, and 2023), Peru (2020 and 2022), Chile (2020, 2022, and 2024), Colombia (2020, 2022, and 2024), and Morocco (2023 and 2025).

<sup>2/</sup> Asterisks indicate PRGT-eligible countries at the time of the program. In Panel F, Georgia's debt service to the Fund includes one from PRGF loan.

<sup>3/</sup> Excluding arrangements with members belonging to the euro area at the time of the approval of the arrangement: Greece, Ireland, and Portugal.

<sup>4/</sup> For arrangements of which total external debt (or debt service) ratio is not available, public external debt ratio is shown instead.

**Figure 3. Projected Fund Credit Outstanding in the GRA around Peak Borrowing 1/ 2/**  
(in percent of quota)



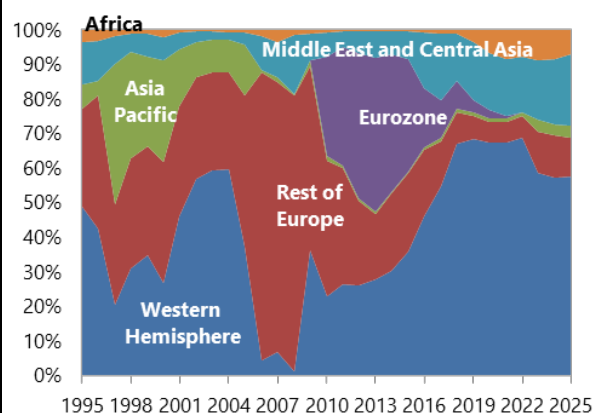
Sources: Finance Department and IMF staff estimates.

1/ t represents the time when outstanding credit to the Fund is at its peak. Time is expressed in months.

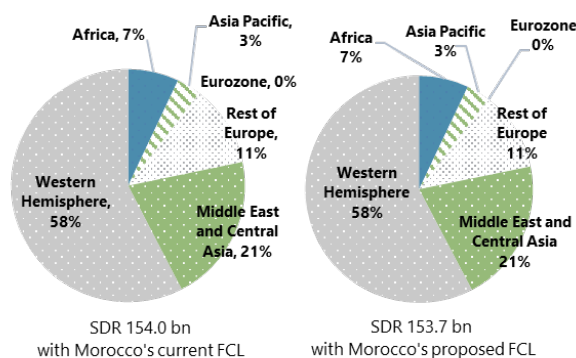
2/ GRA credit outstanding of Peru 2020 FCL overlaps with that of Colombia 2020 FCL, after the latter's augmentation, at 600 percent of quota for the majority of the period.

**Figure 4. IMF Lending Concentration By Region and by Lending Instrument**  
(in percent)

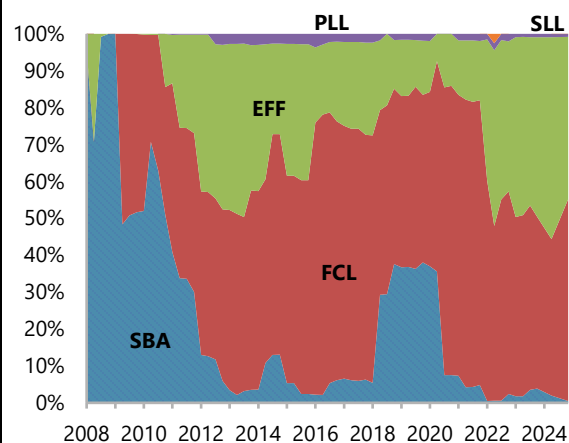
Regional Concentration of Credit and  
Precautionary Arrangements, historical trend 1/ 2/



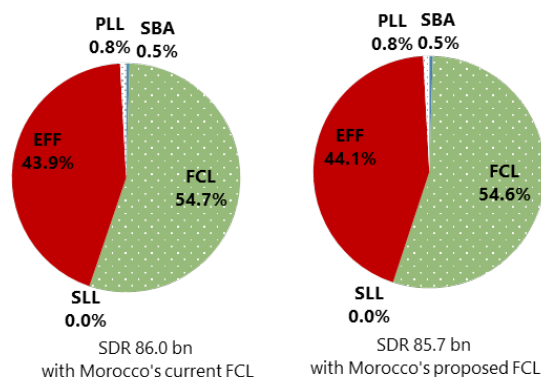
Regional Concentration of Credit and  
Precautionary Arrangements, as of February 18, 2025 1/



Commitments under Current GRA Arrangements,  
historical trend



Commitments under Current GRA Arrangements, as of  
February 18, 2025



Source: Finance Department.

<sup>1/</sup> GRA credit outstanding plus undrawn balances, by region, as a share of total GRA balances and total GRA undrawn balances. The latter include undrawn balances under existing arrangements as well as commitments under precautionary arrangements.

<sup>2/</sup> Morocco FCL is included in the credit and precautionary arrangements within the region of Middle East and Central Asia in the charts on the left-hand side.

## Annex I. History of IMF Arrangements with Morocco

1. Morocco had a series of Stand-by Arrangements (SBAs) from the late 1950s to the mid-1970s. By the late 1970s, Morocco faced a set of external pressures, which convinced the authorities that the economy was in need of structural reforms in addition to the financial program. To supplement the reform package, an arrangement under the Extended Fund Facility (EFF) was approved in 1980. The following year, it became apparent that the reform measures and drawings made under the existing EFF arrangement had proven insufficient amidst intensifying external pressures. As a result, the program was canceled and replaced with an enhanced EFF arrangement in 1981. However, further balance of payment pressures made the Moroccan authorities request cancellation of the EFF arrangement and adopt a transitional stabilization program for 1982, supported by a one-year SBA. Morocco had several SBAs after 1982 until the mid-1990s. Morocco consistently drew resources under every arrangement approved between 1967 and 1992, entirely or partially, and fully settled its outstanding obligations to the Fund by 1997 (Annex Table 1). Since then, Morocco had no arrangements with the Fund until 2012.
2. During 2012-2020, Morocco had four consecutive Precautionary and Liquidity Line (PLL) arrangements approved. A two-year PLL arrangement in an amount equivalent to SDR 4,117.4 million (700 percent of quota) was approved on August 3, 2012. It was followed by three successor two-year PLL arrangements: one in the amount of SDR 3,235.1 million (550 percent of quota) approved on July 28, 2014; one for SDR 2,504 million (280 percent of quota) approved on July 22, 2016; and, finally, one for SDR 2,150.8 million (240 percent of quota) approved on December 17, 2018. All the arrangements were treated as precautionary at inception and intended to help the authorities pursue their growth-oriented reforms by insuring against external shocks. On April 7, 2020, the Moroccan authorities purchased all the resources available under the fourth PLL arrangement, which was SDR 2,150.8 million. Out of this purchased amount, SDR 268.9 million is still outstanding as of February 28, 2025.
3. On April 3, 2023, the Executive Board approved a two-year Flexible Credit Line (FCL) arrangement with Morocco for SDR 3,726.2 million (about 417 percent of quota) to enhance its external buffers and provide insurance against plausible tail risks on a temporary basis. The authorities stated their intention to treat the arrangement as precautionary and committed to exit the arrangement conditional on the evolution of risks. The arrangement is set to expire on April 2, 2025.
4. On September 28, 2023, the Executive Board approved an arrangement under the Resilience and Sustainability Facility (RSF) for SDR 1 billion (about 112 percent of quota) to help Morocco address climate vulnerabilities, bolster its resilience against climate change, and seize the opportunities from decarbonization. The 18-month arrangement coincides with the remaining term under the concurrent FCL arrangement. As of February 28, 2025, SDR 562.5 million has been disbursed upon the completion of the first two reviews under the RSF, with one more review remaining before the expiration of the arrangement.



**Annex I. Table 1. Morocco: IMF Financial Arrangements, 1990-2025**  
(in millions of SDR)

Year	Type of Arrangement	Date of Arrangement	Date of Expiration or Cancellation	Amount of New Arrangement		Amount Drawn	Credit Outstanding 1/
				SDR millions	in % of quota		
1990	Stand-By Arrangement	20-Jul-90	31-Mar-91	100	33	48	0
1992	Stand-By Arrangement	31-Jan-92	31-Mar-93	92	30	18	0
2012	Precautionary and Liquidity Line	3-Aug-12	27-Jul-14	4,117	700	0	0
2014	Precautionary and Liquidity Line	28-Jul-14	21-Jul-16	3,235	550	0	0
2016	Precautionary and Liquidity Line	22-Jul-16	21-Jul-18	2,504	280	0	0
2018	Precautionary and Liquidity Line	17-Dec-18	7-Apr-20	2,151	240	2,151	269
2023	Flexible Credit Line	3-Apr-23	2-Apr-25	3,726	417	0	0
2023	Resilience and Sustainability Facility	28-Sep-23	2-Apr-25	1,000	112	562.5	562.5

Source: Finance Department.

1/ As of February 28, 2025.

**Statement by Mr. Mohammed El Qorchi on Morocco**  
**April 2, 2025**

On behalf of the Moroccan authorities, I thank the Board and Management for their continued support to Morocco. I also thank staff for their excellent work and for the comprehensive report on the Flexible Credit Line (FCL) arrangement and welcome the assessment of Morocco's qualification criteria for the FCL. Morocco has very strong policies, institutional policy frameworks, and economic fundamentals that have enabled the country to remain resilient in the face of multiple economic shocks. The fiscal, monetary, supervisory, and governance frameworks have also been strengthened further in recent years. An FCL arrangement would continue to be very instrumental in supporting Morocco's commitment to maintaining a very strong macroeconomic policy and institutional framework. Given the downside risks and a more uncertain global economic outlook, an FCL would augment precautionary reserve buffers and provide a valuable backstop against tail risks.

Although domestic risks to the growth outlook are broadly balanced, Morocco continues to be highly exposed to new shocks in a context marked by uncertainty and elevated external risks. The economic fallout from the war in Ukraine, a devastating earthquake in 2023, and an unprecedented succession of years of drought impacted adversely agricultural production and employment. Looking forward, the escalating geopolitical tensions and compressed global trade could negatively affect the external demand for Moroccan exports, reduce FDI inflows, and tighten financial conditions. The intensification of regional conflicts could also lead to higher and more volatile commodity prices, increased import bill, and elevated inflation. Moreover, the continuing risk of new droughts could hinder agricultural output and lead to an increase of food imports.

The Moroccan economy has demonstrated remarkable resilience in face of these recent shocks. While these shocks have weighed on economic activity and the successive droughts have curtailed agricultural production and exacerbated unemployment, the authorities managed to preserve macroeconomic stability through effective fiscal, monetary, and financial policy responses. They also continued to implement important structural reforms to achieve Morocco's new model of development, aimed at stronger, greener, more resilient, and inclusive growth. Nonetheless, economic growth reached 3.4 percent in 2023 and 3.3 percent in 2024. The ongoing infrastructure projects as well as structural reforms will support medium-term growth which is projected to exceed 4 percent starting in 2025.

Inflationary pressures continued to abate in 2024. Headline inflation fell to about 0.9 percent in 2024, down from 6.6 percent in 2022, while core inflation remained below 2<sup>1/2</sup> percent. This allowed Bank Al-Maghrib (BAM) to cut the policy rate by 25 bps twice in June and December 2024, and by 25 bps in March 2025 bringing it to 2<sup>1/4</sup> percent. Inflation is expected to hover around 2 percent in the medium term. Following a period of stagnation in 2023 due to high interest rates and stricter lending standards, credit to households began to recover in 2024.

The authorities are making progress in the reform of the exchange rate regime that was initiated in 2018. The foreign exchange market continues to deepen and the value of the dirham—which is in line with the fundamentals of the economy—fluctuates within the band without intervention by BAM. At the same time, the authorities are pursuing preparation for the next phases of the reform of the exchange rate regime and the adoption of an inflation-targeting framework. This includes developing a hedging market against interest rate and exchange rate risks, raising awareness among economic operators, particularly SMEs, and further strengthening the monetary policy analysis and forecasting framework.

The Moroccan banking system remains sound, well-capitalized, liquid, and profitable, supported by a regulatory and prudential framework that is in line with international standards. Notwithstanding, BAM has continued to strengthen its regulatory and supervisory framework and further align them with international standards. In this regard, BAM requires banks to conduct a regular annual stress test exercise, based on macroeconomic scenarios provided by BAM. It continued to strengthen its supervisory framework and completed the deployment of the system for assessing bank risk profiles (Supervisory Review and Evaluation Process (SREP)), which will be rolled out gradually until 2027 and introduced a capital surcharge for the three systemically important banks. Furthermore, BAM also adopted regulations related to the Net Stable Funding Ratio (NSFR) and the Liquidity Adequacy Assessment Process (ILAAP). Regarding climate challenges, it also issued two directives to commercial banks, in line with the guidance by the International Sustainability Standards Board (ISSB), that are aimed at better integrating climate-related financial risks, and to integrate climate risks in the data collection and analysis processes for large debtors.

Fiscal consolidation has continued with the implementation of sound public finance policies. The fiscal deficit in 2024 was smaller than projected in the Budget, amid stronger-than-expected revenues. The overall deficit narrowed to 3.9 percent of GDP in 2024, from 4.4 percent of the GDP in 2023, with a deficit reduction amounting to 0.2 percent of GDP, compared to the deficit target in the budget. This outcome reflected the overperformance in tax revenues, following the implementation of the recent tax policy and tax administration reforms.

The 2025 Budget outlines a gradual fiscal consolidation strategy that ensures that central government debt remains sustainable with high probability. The 2025 Budget projects the overall deficit to decrease further in 2024 to 3.5 percent in 2025 and 3 percent in 2026. This improvement is predicated on higher revenue yields from recent tax reforms and lower spending, notably lower gas butane subsidies and capital spending. Central government debt, estimated at 70 percent of GDP in 2024, would gradually decline to 67 percent by 2027 and 65 percent by 2030.

Morocco's very strong institutional policy framework has continued to improve, and the Medium-Term Fiscal Framework (MTFF) has been strengthened, in line with staff

recommendations. The MTFF projects the fiscal deficit and central government debt for the next three years and presents the macroeconomic assumptions as well as the key policy measures underlying these projections. The 2025 MTFF also includes an analysis of fiscal risks and an assessment of the impact of climate change on debt sustainability. Moreover, the authorities proposed a draft new Organic Budget Law in 2024 for adoption, which introduces a new fiscal rule based on a medium-term debt anchor, in line with staff recommendations.

The external position was estimated by staff to be moderately stronger than the level implied by medium-term fundamentals and desirable policies in 2024. Even though the current account deficit is estimated to have widened (to 1.5 percent of GDP in 2024 from 0.6 percent in 2023), net FDI flows rose, and international reserves remained comfortable at USD 37.2 billion in 2024 (120 percent of the estimated adjusted ARA metric and over 5 months of prospective imports), compared with US\$ 36.3 billion in 2023 and US\$ 32.3 billion at end-2022. Morocco's External Economic Stress index suggests that, in a downside scenario, external pressures would be slightly less pronounced than projected at the time of the first FCL request.

Against this background, the authorities have requested a new two-year FCL arrangement, replacing the current one that is set to expire on April 2, 2025. They are requesting a smaller access (about 386 percent of Morocco's quota, or about US\$ 4.5 billion, compared to 417 percent for the 2023 FCL arrangement), which—based on staff calculation—could provide sufficient insurance against a plausible adverse tail-risk scenario. The smaller access reflects Morocco's stronger external position and the authorities' commitment to exit the FCL once the external risks have significantly abated.

Morocco continues to meet all the qualification criteria for an FCL arrangement as it did in the FCL request in 2023 and review in 2024. It continues to display very strong economic fundamentals and institutional policy frameworks, and has a sustained track record in implementing very strong policies. The authorities remain committed to maintaining such policies going forward and addressing appropriately the potential balance of payments difficulties that may arise. They also reiterate full commitment to pursuing economic structural reforms. Morocco's institutional and policy frameworks have enabled an effective response to various shocks, combining an appropriate and well-calibrated mix of fiscal, monetary, and financial policy measures, which mitigated their social and economic impact and laid the ground for a strong rebound.

The authorities intend to treat this FCL arrangement as precautionary against tail risks, and to draw on this credit line only in the event of severe exogenous shocks, such as a deterioration in the international economic situation. By continuing to strengthen the economy's resilience, including by increasing fiscal and external buffers, and further diversifying the economy, Morocco should be well positioned to exit the FCL contingent on the evolution of the exogenous risks facing the economy.