Morocco

Outlook

	Avg. 12-16	2017	2018	2019	2020	2021	2022	Forecast 2023	Forecast 2024
GDP growth (%)	3.0	5.1	3.1	2.9	-7.2	7.9	1.1	3.0	3.1
CPI inflation (%)*	1.2	0.7	1.6	0.2	0.6	1.4	6.6	4.6	2.8
Fiscal balance (% of GDP)	-5.0	-3.2	-3.4	-3.6	-7.1	-5.9	-5.1	-4.9	-4.4
Public debt (% of GDP)	57.3	60.3	60.5	60.3	72.2	68.9	68.8	68.3	68.4
Reference rate (%)*	2.7	2.3	2.3	2.3	1.5	1.5	2.5	3.2	3.4
Exchange rate (MAD/USD)*	8.8	10.2	9.4	9.6	9.6	8.9	9.3	10.3	10.0
Current balance (% of GDP)	-5.4	-3.2	-4.9	-3.4	-1.2	-2.3	-4.3	-3.7	-3.5
External debt (% of GDP)	37.1	44.2	40.5	42.5	54.2	45.5	47.8	45.9	44.2

Note: * Annual average.
Source: CaixaBank Research, based on data from national statistical agencies and Refinitiv.

- **In 2022, the growth rate of the Moroccan economy slowed to 1.1%**, due to the drought that affected most of the country and the effects of the war in Ukraine. The decline in agricultural production (–14% of GDP), together with the increase in fuel prices and imports of essential goods led to a sharp rise in inflation to maximum levels. Despite these obstacles, the Moroccan economy managed to avoid recession thanks to the good performance of the services sector and household consumption, favoured by the increase in the credit mass and the effort made by the authorities in terms of economic policy.

- **By 2023 we expect growth to accelerate to 3%**, driven by the recovery of agricultural production and positive spillover effects on the rest of the economy. Similarly, we anticipate that the trade deficit experienced in 2022 will decrease based on the improvement in Morocco's external position and the increase in income (via remittances and tourism). In terms of inflation, after reaching an all-time high in February of this year (11.1% year-on-year), due to higher food prices (whose contribution to the general index is 37.5%) and transportation, we believe that as the effects of the commodities shock dissipate, energy prices drop and the monetary policy becomes more restrictive, inflationary pressures should recede, although they will not fall below 3% until 2024. In this regard, Bank Al-Maghrib, the monetary authority, which has gradually increased the interest rates since September 2022 by 150 bp up to 3%, will maintain a restrictive profile, like the ECB, and could raise the rates in Q4. Additionally, this aspect will benefit the appreciation of the dirham compared to the dollar, against which it weakened by 11% in 2022. In fiscal matters, the commitment of the Moroccan authorities to the IMF (in the framework of the agreement of a flexible credit line of 5 billion dollars until 2025) contemplates the reduction of fuel subsidies and the increase of the tax base, arguments that should favour the reduction of the fiscal deficit in the coming years.

- In February, Morocco left the FATF (Financial Action Task Force) grey list, after adopting a specific plan to fight against money laundering and the financing of terrorism. This should have a positive impact on Morocco's credit ratings, its positioning in negotiations with international financial institutions and the confidence of foreign investors. However, despite its strength compared to other North African countries, **the risks for the Moroccan economy are tilted to the downside**. A potential worsening of the war in Ukraine would affect it due to the drop in foreign demand (especially from the euro area), the rise in commodity prices and financial tightening. At the domestic level, the most vulnerable aspects would be the weakness of the dirham and droughts.

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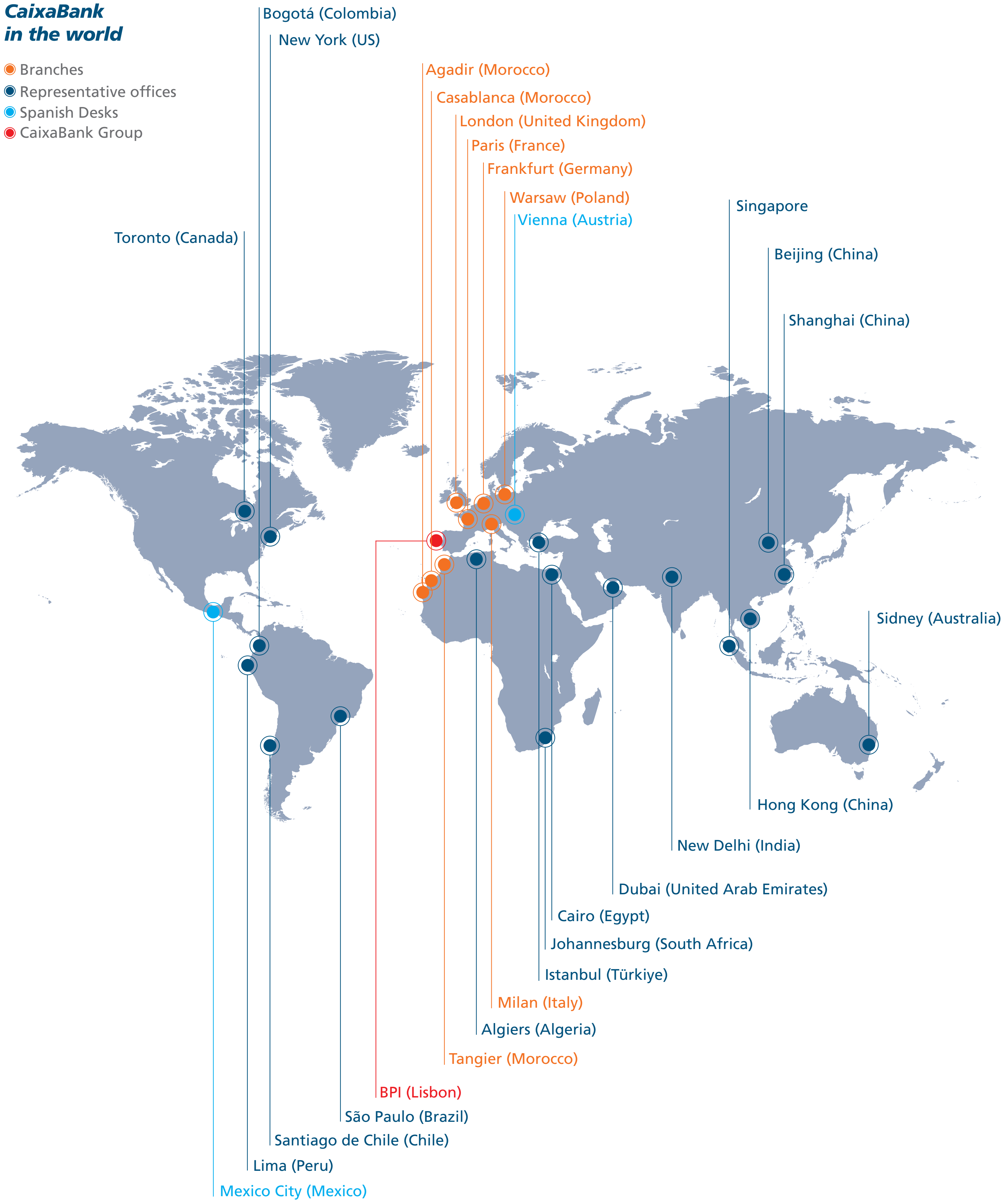
CaixaBank in the world



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