

Summary of the Economic and Financial Report accompanying the 2025 Finance Bill -REF 2025-

The Finance Bill 2025 comes at a historic moment for the Kingdom, marking the 25th anniversary of the enthronement of His Majesty King Mohammed VI. A quarter-century of far-reaching reforms and structuring initiatives has enabled our country to undergo a lasting transformation, repositioning it on the continental and global stage, while strengthening the foundations of the social State.

This project takes place in a particular global context, where economic resilience is asserting itself as an essential pillar of stability. In 2023-2024, the global economy managed to maintain moderate growth, buoyed by the easing of energy shocks and the gradual decline in inflation. Prospects for 2025 point to a gradual recovery, although uncertainties remain due to geopolitical tensions and increasingly pressing climate challenges.

On a national scale, the Moroccan economy has shown remarkable resilience and a sustained capacity to adapt. The year 2023 saw an acceleration in growth, driven by the dynamism of key sectors such as the automotive, aeronautics and tourism industries. The outlook for 2024 confirms this positive trend, underlining the solidity of the Kingdom's economic fundamentals and the relevance of the reforms undertaken.

Against this backdrop, the first part of the 2025 edition of the Economic and Financial Report (REF) analyzes recent developments in the international environment, identifying the main risks and opportunities for the Moroccan economy. The second part explores the resilience factors of the national economy and sheds light on the issues and challenges facing our country. Finally, the third part analyzes the structural evolution of public finances, highlighting the reforms and efforts made to preserve their sustainability. It concludes with a presentation of the guidelines underlying the economic forecasts of the 2025 Finance Bill.

1. Global economy more resilient than expected, but with persistent risks

According to IMF forecasts, global economic growth is set to continue at a moderate pace, reaching 3.2% in 2024 and 3.3% in 2025, after 3.3% in 2023. These growth rates vary from country to country and region to region.

In the *advanced economies*, economic growth should remain moderate overall in 2024, compared with 2023. *In the United States*, growth should reach 2.6%, up from 2.5% in 2023, before slowing to 1.9% in 2025.

In the Eurozone, growth is expected to pick up gradually, reaching 0.9% in 2024 and 1.5% in 2025, after 0.5% in 2023, supported by a recovery in domestic demand. Among the major economies of the Eurozone, economic growth in 2024 will prove resilient in France (0.9% after 1.1% in 2023), Italy (0.7% after 0.9%) and Spain (2.4% after 2.5%). By contrast, the recovery in Germany remains modest (0.2% after -0.2%), affected by persistent industrial difficulties. In 2025,

growth should strengthen in Germany (1.3%), France (1.3%) and Italy (0.9%), while consolidating in Spain (2.1%).

In the United Kingdom, after a quasi-stagnation in 2023 (0.1%), economic activity should record a moderate recovery of 0.7% in 2024, before reaching 1.5% in 2025, according to the IMF.

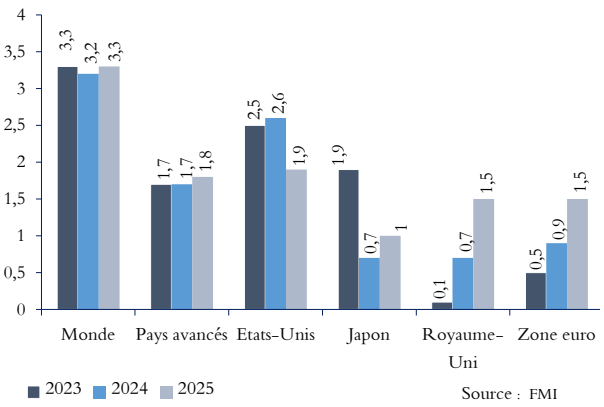
In Japan, growth is expected to slow to 0.7% in 2024, after 1.9% in 2023, as the temporary factors that underpinned the recovery in 2023, such as the rebound in tourism and automobile exports, dissipate. In 2025, growth should reach 1%, slightly above potential, driven by private consumption and investment.

In emerging and developing economies, growth is expected to remain resilient at 4.3% in 2024 and 2025, slightly lower than in 2023 (4.4%). In emerging Asia, growth is expected to fall from 5.7% in 2023 to 5.4% in 2024 and 5.1% in 2025. In China, economic growth should remain solid in 2024, at 5% after 5.2% in 2023. However, Chinese GDP growth is expected to slow to 4.5% in 2025. In India, growth is expected to reach 7% in 2024 and 6.5% in 2025, after 8.2% in 2023, the fastest pace among the major economies.

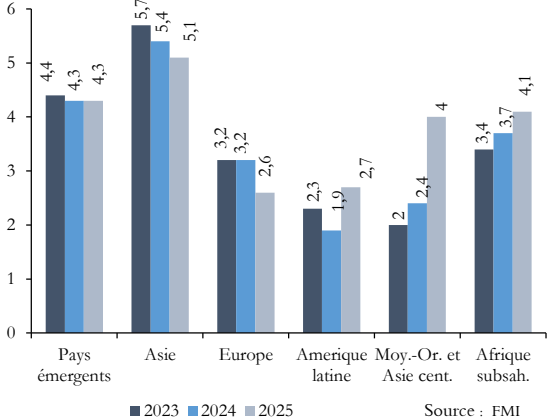
In Latin America, after a timid growth in 2024, growth is set to accelerate in 2025, driven mainly by the recovery of the Brazilian economy, where growth is set to rise again from 2.9% in 2023 to 2.1% in 2024 and 2.4% in 2025.

In sub-Saharan Africa, economic recovery is expected to remain gradual, with a more marked upturn in Nigeria (3.1% in 2025 and 3.0% in 2024, after 2.9% in 2023) than in South Africa (0.9% and 1.2%, after 0.7%).

In the **Middle East and Central Asia** region, growth is set to improve steadily from 2% in 2023 to 2.4% in 2024, then to 4.0% in 2025, underpinned mainly by an increase in oil production and a revival of economic activity from the end of 2024.



Graph 1: Economic growth prospects for advanced countries (in %)



Graph 2: Economic growth prospects for emerging countries (in%)

In terms of **international trade**, world merchandise trade has shown resilience over the past four years, despite a combination of unfavorable factors. According to data from the World Trade Organization (WTO), the volume of world merchandise trade rose by 2.3% year-on-year in the first half of 2024. This rebound is set to continue for the rest of the year, as evidenced by the WTO's recent forecast of a 2.7% recovery in world merchandise trade volume in 2024, following a downturn. The main reason for this is the easing of inflationary pressures, which is boosting consumption of manufactured goods in advanced economies.

As for **global flows of foreign direct investment (FDI)**, the latest edition of the “World Investment Report 2024” report from the United Nations Conference on Trade and Development (UNCTAD) reveals a drop of 2% in 2023, to settle at 1.332 billion dollars. For the year 2024,

UNCTAD highlights a weakening growth outlook, due to factors such as trade and geopolitical tensions, industrial policies and the diversification of supply chains. These developments are reshaping FDI patterns and prompting some multinational companies to adopt a cautious approach in their international expansion.

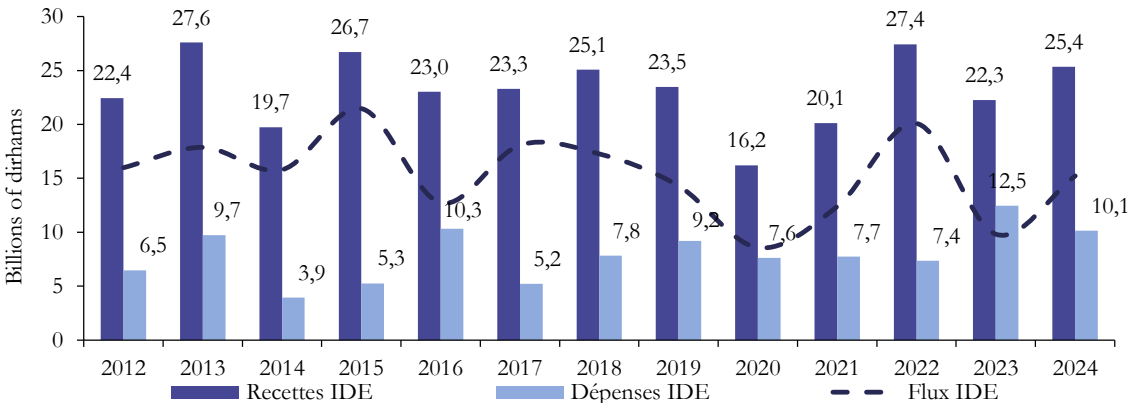
An analysis of these trajectories shows that the **outlook for 2025 points to a gradual recovery in the global economy**, although major risks remain, notably those associated with climate change, rising geopolitical tensions, increased fragmentation of trade and the global over-indebtedness of economies.

These developments in the international economy have had repercussions on the national economy, particularly in terms of foreign trade, other financial flows and the exchange rate...

The value of Moroccan exports rose by 5.5% to the end of August 2024 compared with the same period in 2023, reaching 295 billion dirhams, benefiting from growth in foreign sales in the automotive, phosphates and derivatives, and aeronautics sectors. The value of **imports** rose by 4.6% to 491.95 billion dirhams in the first eight months of 2024, driven by higher imports of finished capital goods, semi-finished products and finished consumer goods.

As a result, the **trade deficit** stood at almost 196.85 billion dirhams at the end of August 2024, up 3.2% on the same period of the previous year. It is important to note in this respect that the variation in the dirham exchange rate would have had a positive contribution on the trade deficit of the order of 2.8 billion dirhams, which is explained by the fall in the invoice for all product groups following the appreciation of the dirham against the euro and the dollar.

In terms of FDI attractiveness, **Morocco's net FDI inflow** has fallen by 52% to 11.1 billion dirhams in 2023, compared with 23 billion dirhams in 2022. This decline is explained by a 14% drop in FDI receipts to 34.6 billion dirhams, and a 35.8% increase in expenditure to 23.5 billion dirhams. Sector-wise, industry and real estate were the most attractive sectors in Morocco in 2023, with respective shares of 38% and 22% of total FDI inflows, followed by transport (7%), energy and mining (6.4%) and tourism (6.3%). Nevertheless, net FDI inflows at the end of August 2024 were 55.1% up on the same period in 2023, at almost 15.2 billion dirhams.



Source: DEPF calculations, OC data

Figure 3: Foreign direct investment’s trend in Morocco (situation at end August)

II. Morocco's economy consolidates its resilience

In recent years, the Moroccan economy has demonstrated a certain resilience in the face of multiple exogenous shocks. As a result, growth in the national economy has rebounded to 3.4% in 2023, i.e. more than 1.9 percentage points higher than in 2022.

In 2024, the economic data observed show the resilience of non-agricultural activities, offsetting the contraction in agricultural value added, which augurs well for sustained growth. This growth dynamic should also be reflected in demand factors, notably household consumption, which should continue to grow in 2024, buoyed by the increase in transfers from Moroccans living abroad and consumer credit, up by 3.9% and 0.8% respectively at end-August 2024 compared with the same period the previous year. The significant fall in inflation, which stood at 1.1% at the end of the first 8 months of 2024, confirming a gradual return to price stability after two years of high inflation, is also helping to boost household purchasing power.

On the investment front, initial economic indicators are showing signs of acceleration in 2024, as evidenced by the 10.9% increase in capital goods imports to end-August 2024, and the 12.1% rise in bank equipment loans over the same period. Public investment is also buoyant, with capital expenditure up 10.7% year-on-year at the end of August.

The resilience shown by the national economy is the result, among other things, of the adoption of appropriate, proactive policies in key sectors such as agriculture, industry, tourism and infrastructure.

With regard to the **agricultural sector**, Morocco is continuing to roll out its policy of adapting and strengthening the sector's sustainability and competitiveness, through the implementation of an ambitious "Generation Green" agricultural strategy, covering the period 2020-2030. This strategy aims, in particular, to make national agriculture more resilient to climatic hazards, preserve gains in agricultural productivity and promote human capital in the agricultural sector. It is based on actions aimed at doubling the added value per cubic metre of water as part of ongoing water mobilization and conservation programs. Similarly, strategic actions have been undertaken to reinforce the sustainable development of agricultural production sectors and adaptation to the country's difficult agro-climatic context, notably by increasing investment in R&D in the agricultural sector, improving the value-added rate of agricultural products, and supporting the emergence of new sectors with potential (organic farming).

As far as **domestic industry** is concerned, the transformation of the sector in our country has reached crucial stages, marking a turning point towards a more diversified, higher value-added industrial structure. The country's political stability, its modern infrastructure, the positive performance of new sectors such as automotive and aeronautics, and the existence of a qualified, young workforce are all factors that have helped to make Morocco a more attractive destination. These assets have enabled the industrial sector to take first place, in 2023, in terms of mobilizing private investment within the framework of the implementation of the new Investment Charter, with the approval of 63.7 billion dirhams, i.e. 59.4% of the investments projected by the National Investment Commission. Similarly, the national industrial sector is strongly committed to achieving its ambitions in terms of the transition to green and sustainable production methods aimed at minimizing inputs (raw materials, energy, water), maximizing the use of renewable energies for electricity and heat, and promoting the circular economy for waste management...

The **tourism sector**, for its part, showed a confirmed recovery, as evidenced by the evolution of the sector's activity indicators. Indeed, the national tourism sector has been able to resume its upward trend beyond its pre-pandemic level (tourist arrivals in Morocco rising to 14.5 million and tourism revenues reaching 104.6 billion dirhams, respectively by 12.3% and 33% in 2023 compared to 2019). This recovery will be confirmed in 2024, given the favourable trend in economic data relating to the various components of the tourism business. It should be noted that the recovery of domestic tourism and its resilience to the crises affecting the main emitting countries are the result of both the exceptional recovery measures undertaken by the State (2 billion dirham for the emergency plan), and the usual measures (Operation Marhaba, ONMT promotion and strengthening air and sea connectivity, etc.), in addition to structural reforms (reform of the legal framework, adoption of e-visas, etc.), and strategic reforms. Pursuing this mobilization drive, a roadmap for the revival of tourism has set strategic objectives to boost Moroccan tourism and position Morocco among the world's top 15 destinations. With an investment of nearly 6.14 billion

dirhams, it aims to attract 17.5 million tourists, generate 120 billion dirhams in foreign currency earnings and generate 200,000 direct and indirect jobs by 2026.

This sectoral dynamic has been accompanied by an acceleration in the pace of development of modern, efficient transport infrastructures to meet the current and future needs of the Moroccan economy and society. This mobilization can only further bolster Morocco's economic competitiveness and territorial attractiveness, support the country's industrial transformation process and respond to its growing population.

At *regional* level, targeted investments are being deployed to strengthen infrastructure and support key sectors, in order to boost the local economy and reduce inequalities in wealth creation at regional level. It is worth mentioning that the analyses carried out in this respect show that national wealth creation continues to be driven by the provinces of the Tangier-El Jadida backbone. Indeed, over the period 2014-2022, the Casablanca Settat region posted the highest average share of GDP, accounting for 32.1% of the national total, followed by Rabat Salé Kénitra (16%), Tangier Tétouan Al Hoceïma (10.5%) and Fès Meknès and Marrakech Safi (8.4% each). In terms of nominal growth rates, certain regions that have benefited from structuring development programs are beginning to show more dynamic growth trajectories over the 2014-2022 period, posting growth rates above the national average (3.6%). These include Laâyoune Sakia Al Hamra (9.1%), Guelmim Oued Noun (5.5%), Dakhla Oued Ed Dahab (5.4%) and Darâa Tafilalet (5.2%).

These undeniable achievements should not obscure the persistent challenges facing our country. Consolidating the *social State* is a crucial challenge, and one that requires us to consolidate our efforts in key areas such as employment, education, health and social protection.

In terms of access to employment, the Government has made the promotion of employment and integration into the job market a major priority for the second half of its mandate, in view of the high levels of unemployment recorded (13% in 2023 and 13.1% in the 2nd quarter of 2024). In this context, he has activated the work of the inter-ministerial committee in charge of employment, to ensure strong coordination of public action and a better match between job supply and demand. This work should lead to a new roadmap for employment in Morocco. This will set out action plans for the next five to ten years, with targeted measures to support employment in rural areas, restructure active employment programs and support very small, small and medium-sized enterprises (SMEs), while focusing on action levers to strengthen women's access to the labor market and economic opportunities.

As for access to education, thanks to the reforms of the last two decades, Morocco has generalized access to primary education and improved access to middle school and qualifying secondary education. This momentum is set to accelerate thanks to the roadmap for the reform of the education system, which aims in particular to generalize and improve pre-school education by 2028, broaden the educational offer and roll out the pioneering schools project on a large scale from the 2024-2025 school year, thereby reinforcing excellence and equal opportunities.

As a result, the preschool rate has risen significantly, reaching 80% for the 2023-2024 school year, compared with 45.3% in 2017-2018, with a notable increase for girls from 41.6% in 2017-2018 to 79.7% in 2023-2024. The primary school enrolment rate reached 111.6% in 2023-2024 (112.0% for girls, 123.2% for rural areas and 103.9% for urban areas), compared with 99.5% in 2017-2018 (99.0% for girls, 102.7% for rural areas and 97% for urban areas). For the college and qualifying secondary cycles, enrolment rates for students aged 12 to 14 and 15 to 17 have reached 101.1% and 80.2% respectively in 2023-2024, compared with 89.7% and 65.8% in 2017-2018. To consolidate these gains and make up for shortfalls, the Government has launched the “Pioneer School” program, designed to strengthen in-school tutoring, rethink teaching methods, offer certification training for teachers, and equip classrooms with state-of-the-art digital equipment. The program also aims to improve school infrastructure, to ensure an environment conducive to student development and academic excellence.

With regard to **vocational training**, the vocational training system has seen its capacity strengthened, notably with the opening of six Cités des Métiers et des Compétences (CMC) in the regions of Souss-Massa, Oriental, Laâyoune-Sakia El Hamra, Rabat-Salé-Kenitra, Tangier-Tétouan-Al Hoceima and Béni Mellal-Khénifra, with a capacity of 21,865 teaching places. Within this framework, OFPPT is forecasting a total capacity of 414,855 teaching places for 2024-2025, thanks to the opening of 20 new establishments in the regions of Rabat-Salé-Kénitra, Souss-Massa, Casablanca-Settat, Beni-Mellal Khénifra, l'Oriental and Tanger-Tetouan-Al Hoceima, with a capacity of over 3,805 places.

In the field of **higher education**, which plays a key role in the qualification of human resources and the development of scientific research and innovation, the 2023-2024 academic year was marked by the concrete implementation of the national plan to accelerate the transformation of the higher education scientific research and innovation ecosystem (PACTE ESRI 2030). These measures aim to improve access and study conditions in higher education, while guaranteeing effective mechanisms to enhance the quality of the system and improve its results. They also focus on strengthening good governance mechanisms, as well as developing scientific research by improving infrastructures and enhancing results.

With regard to the **health sector**, significant efforts have been made to operationalize its reform, which is a sine qua non for the success of the Royal project to generalize social protection. These efforts include reinforcing the availability of healthcare personnel and improving their professional status, rehabilitating infrastructures and improving governance in the sector. These include, in particular, the publication of law no. 33.21 amending and supplementing law no. 131.13 on the practice of medicine, to enable foreigners and Moroccans living abroad to practise medicine in Morocco on a permanent basis. Similarly, a vast operation to renovate and rehabilitate existing health infrastructures was launched to ensure compliance with quality health service standards (1,400 primary health care facilities, 483 of which were delivered by the end of 2023, requiring a budget of 850 million dirhams). In addition, the sector's governance bodies were set up, namely the High Health Authority, responsible for the technical supervision of the basic AMO project, and the Territorial Health Groups, responsible for implementing the State's health policy at regional level.

In this vein, it is important to mention the ongoing efforts to achieve the **generalization of social protection**, launched by His Majesty King Mohammed VI in 2020. The year 2022 marked a key milestone with the operationalization of the generalization of medical coverage to all citizens, with the inclusion of Non-Salaried Workers (TNS) and Ramédistes in the AMO and the publication of the relevant implementing decrees. The year 2023 saw the publication of Law no. 60-22 on the AMO scheme for people able to pay their contributions but not engaged in any paid or unpaid activity, and the related implementing decrees extending AMO to inactive citizens able to pay contributions. This step marks the finalization of the legal arsenal consolidating this vast project to generalize basic medical coverage.

In addition, the *generalization of direct social assistance* and the introduction of targeting mechanisms towards the end of 2023 have enabled the second phase of the program to generalize social protection to become a reality. By the end of August 2024, almost 4.8 million applications for direct social assistance had been registered via the dedicated electronic platform. Of these, some 3.9 million families had received assistance, representing an acceptance rate of 81%. Similarly, some 2.9 million families benefited from child risk protection assistance.

In addition to the social challenges that affect the development of the country's human capital, strengthening the country's water and energy security, against a backdrop of intensifying climate change impacts, is a key factor in ensuring the sustainability of the Moroccan development model.

In terms of **water security**, and in line with the Royal High Directions, the water strategy has been adjusted to better integrate climatic constraints. This revision concerns in particular the National Plan for Drinking Water Supply and Irrigation (PNAEPI 2020-2027) and the National Water Plan.

In terms of water supply, major programs have been launched as part of the dams policy, adopted as a proactive, long-term approach. At the same time, initiatives to develop non-conventional water resources, such as seawater desalination, by developing a national industry, have been reinforced with the promotion of renewable energies for their production. With regard to the rational and sustainable management of demand for water resources, a number of proactive strategic actions have been undertaken affecting the various water-using sectors (reinforcement of the water-saving program for agricultural use as part of the Generation Green strategy (2020-2030), implementation of the program to preserve underground resources, reduction of losses in drinking water production and distribution networks, etc.).

On the energy front, in line with Royal Directives, Morocco is stepping up its renewable energy projects to accelerate its energy transition and thus successfully decarbonize the Moroccan economy. In this context, Morocco is working to develop the gas sector by stepping up its gas exploration, and its energy partnership with Spain and Nigeria. The Kingdom has also launched the “Morocco Offer” initiative for green hydrogen, with the aim of strengthening its position in this strategic sector to support its energy transition and contribute to the global decarbonization effort. A circular, unveiling Morocco's Offer to develop the green hydrogen sector, describes the operational steps required to guarantee its success. To operationalize this offer, the OCP has announced its intention to become a leader in the development of an industrial base dedicated to the production of hydrogen and green molecules, and has launched a 130-billion-dirham investment program for the period 2023-2027 to achieve this.

At the same time, Morocco has resolutely embarked on the trajectory of its economic transformation, capitalizing on its intrinsic strengths and exploiting the opportunities offered by the digital and ecological transitions. The emergence of the blue economy is also a promising strategic direction, offering significant prospects for wealth and job creation.

Morocco has made significant strides ***in its digital transition***, playing a key role in its socio-economic development. To this end, our country has undertaken vast initiatives to modernize its public services and make life easier for citizens and businesses alike. These include the development of e-services for businesses, the implementation of the National Open Data Portal and a 45% reduction in the documents required for investors. A new “Maroc Digital 2030” strategy has been drawn up to position Morocco at the top of Africa's international e-services index rankings, boost employment to 240,000 positions in the outsourcing sector, and generate 40 billion dirhams in export revenues. This strategy is based on two main thrusts: digitizing public services to better serve citizens and businesses, and boosting the digital economy to produce Moroccan digital solutions and create value and jobs.

In the same vein, the emergence of a sustainable, resilient and inclusive blue economy is now a strategic priority under the leadership of His Majesty King Mohammed VI, who has on several occasions reiterated the imperative of capitalizing on our country's blue economy potential (two 3,500 km-long Mediterranean and Atlantic seabords and a vast 1.2 million km² Exclusive Economic Maritime Zone). Given the strategic importance of this sector, a national blue economy program was launched in June 2022. The program aims to promote the sustainable development of marine and coastal zone resources, and to improve vertical and horizontal institutional coordination within and between the sectors concerned. The program is based on three pillars: national food security, economic development and job creation, and the protection and sustainable use of natural resources. Continuing this mobilization for the development of the blue economy, the year 2023 was marked by the creation of the Interministerial Commission for the Blue Economy (CIDEB) and the launch of work to prepare a National Strategy for the Blue Economy (SNEB) to harmonize the various sectoral policies and initiatives through an integrated and coherent approach at all levels of administration and regional governance.

III. Maintaining the sustainability of public finances despite difficult national and international conditions

Maintaining the sustainability of public finances is a key issue today, in a context marked by a succession of international crises (pandemics, geopolitical tensions, climatic shocks, etc.), which have led to an inflationary cycle and considerable pressure on public finances.) Despite this difficult context, the Government has continued its efforts to revive economic activity, mitigate the effects of inflation and drought and, at the same time, implement major reforms, notably those linked to the consolidation of the foundations of the social State, while taking care to adjust the trajectory of public finances and control the budget deficit over the medium term.

An analysis of the evolution of the public finances profile shows that **ordinary revenues** returned to a positive trajectory during the 2021-2023 period. During this period, ordinary revenues grew by an annual average of 12.3%, enabling the mobilization of more than 95 billion dirham in additional revenues over three years compared with 2020. As a percentage of GDP, ordinary revenues reached 22.2% in 2023 versus 19.9% in 2020, representing an increase of 2.3 GDP points over three years.

Tax revenues, which account for a significant proportion of ordinary revenues, rose by 4.7% on average over the 2019-2023 period, thanks to a 4.6% increase in corporate income tax revenues, a 3.7% increase in income tax revenues, a 5% increase in value-added tax (VAT) and a 3% increase in domestic consumption tax (TIC). Relative to GDP, they have risen from 17.2% in 2019 to 18% in 2023, an increase of 0.8 points of GDP.

Non-tax revenues rose by an annual average of 23% between 2019 and 2023, driven by a 30.5% increase in other revenues, driven by the mobilization of substantial financial resources under innovative financing mechanisms, and an 8.5% rise in revenues from Public Establishments and Enterprises. These revenues represented 3.9% of GDP in 2023, compared with 2.9% of GDP in 2019, an increase of one point of GDP.

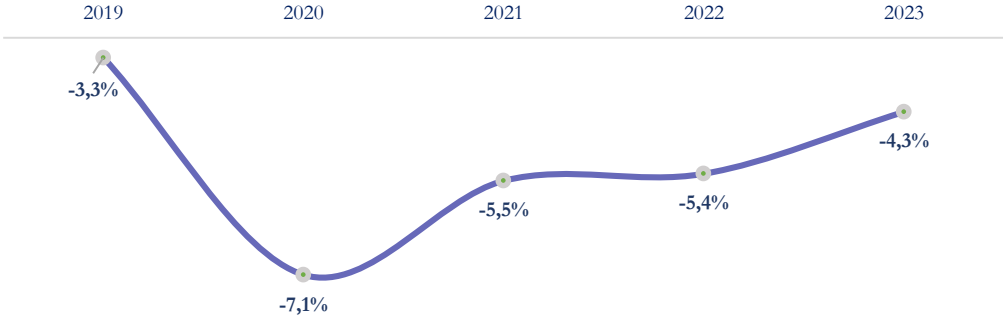
For the year 2023, despite a difficult international context marked in particular by the tightening of financial conditions and a national context marked by the continuation of the drought, tax revenues showed an increase of 5.6% (excluding VAT from local authorities). This increase was attributable to a moderate 2.4% rise in corporate income tax revenues, a 5.8% increase in income tax revenues, a 4% improvement in VAT revenues, a 3.7% rise in ICT revenues, an 18.3% increase in customs duty revenues, and an 11.1% increase in registration duty revenues. Non-tax revenues improved by 16.8% in 2023, thanks to increases of 16.1% in other revenues and 6.4% in revenues from Public Establishments and Enterprises.

In terms of expenditure, an analysis of the structure of overall spending shows that ordinary expenditure outweighs capital expenditure, accounting for an average of 74.5% of overall expenditure between 2019 and 2023. This predominance has eased over the last five years (from 75.6% in 2019 to 72.6% in 2023), due to the significant budgetary effort devoted to investment. **Ordinary expenditure** rose by an average of 6.6% a year over the 2019-2023 period, representing 20% of GDP in 2023, as a result of a 7.4% increase in personnel costs, a 5.1% rise in expenditure on other goods and services, a 3.5% increase in debt interest expenditure and an 11.1% increase in compensation expenditure. For the year 2023, ordinary expenditure rose by 1.8% compared with 2022, marking a slowdown compared with the momentum recorded during the 2019-2022 period, i.e. an average annual increase of 8%.

Capital expenditure rose by an annual average of 11% over the 2019-2023 period, from 5.8% of GDP in 2019 to 7.6% of GDP in 2023 (an increase of 1.7 points of GDP), due to the Government's introduction of measures to support economic activity and implement infrastructure projects and sector strategies. In 2023, this expenditure rose by 18.1% compared with 2022.

On the basis of these revenue and expenditure trends over the last three years, the budget deficit eased significantly to 7.1% of GDP, following a sharp increase in 2020. From 2021 onwards, the

budget deficit gradually improved by 2.9 points of GDP, reaching 4.3% of GDP in 2023, thanks to a positive ordinary balance of 30.9 billion dirham, or 2.1% of GDP. This reduction in the budget deficit took place in a context marked by a major fiscal effort to cope with the repercussions of the health crisis, maintain and reduce price stability, boost the economy and launch structural social reforms.



Source : MEF

Figure 4: Budget balance as a percentage of GDP

In the wake of efforts to strengthen the efficiency and sustainability of public finances, while at the same time stimulating economic growth, Morocco is pursuing, at the instigation of His Majesty the King, the deployment of ambitious structural reforms to achieve this, such as tax reform (adoption of specific measures relating to VAT), social protection reform (continued mobilization of the financing needed to deploy the reform), restructuring of Public Establishments and Enterprises (approval of the State's shareholding policy), boosting public and private investment (continued implementation of the Investment Charter and operationalization of the Mohammed VI Fund), and reform of the Organic Law on the Finance Law (LOF) (process launched to amend the LOF to meet the new economic and social requirements facing our country). Although these reforms are at different stages, they are well advanced in their implementation.

In line with the Royal guidelines and the commitments set out in the government's program, the 2025 Finance Bill is structured around four priority objectives: further strengthening the pillars of the social State, consolidating investment momentum and job creation, continuing to implement structural reforms, and preserving the sustainability of public finances.

In terms of outlook, and on the basis of assumptions based on cereal production of 70 million quintals, an average Brent crude oil price of \$78 per barrel, an euro-dollar parity of 1.085 and a 3.2% increase in foreign demand for Morocco (excluding phosphate products and derivatives), the national economy should grow by 4.6% in 2025, with a budget deficit target of 3.5% of GDP.