Morocco

Recent macroeconomic and financial developments

After Morocco's first recession in 20 years, GDP grew at 7.2% in 2021 aided by the low-base effect, export performance, and an exceptional 2020/21 agricultural season. Consumption and investment rebounded in 2021. Inflation was moderate, at 1.2%, allowing monetary policy to remain accommodative. Nonperforming loans deteriorated in 2020 among households (representing 18.2% of loans) and corporates (12.3%). Fiscal expenditures increased in 2021 with the extension of the medical program. The budget deficit, which had doubled in 2020, narrowed slightly to 6.4% of GDP in 2021. To cover financing needs in 2020, authorities used the IMF precautionary and liquidity line ($3 billion) and issued Eurobonds—€1 billion in September 2020 and $3 billion in December that year. In 2021, they relied mainly on the domestic market. Public debt rose to 76.4% of GDP in 2020 and 76.9% in 2021, including state-owned enterprise debt, which was equivalent to 13.8% of GDP in 2019.

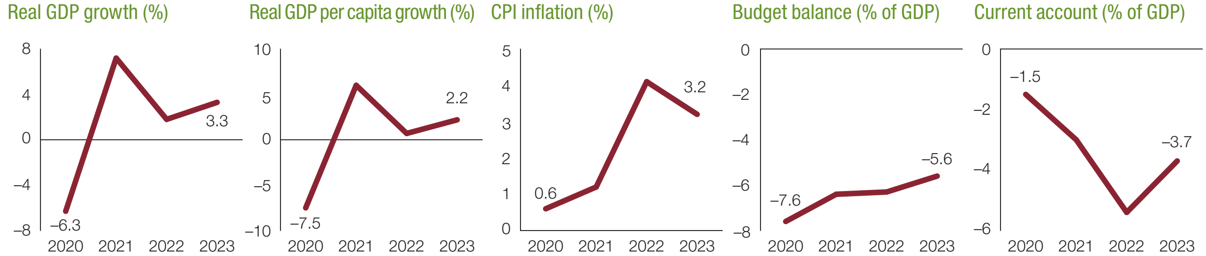
In 2020, the current account deficit was low due to a decline in imports, strong remittances, and grants. In 2021, it is estimated to widen to 3% of GDP, reflecting a stronger rebound for imports than exports. Reserve assets represented more than 7 months of imports at end-2021, or three times the volume of short-term debt maturing in the year, partly due to the $1.2 billion SDR allocation that Morocco used to supplement foreign exchange reserves. Despite the policy actions to mitigate the crisis, small and medium enterprises were hit hard, and unemployment increased from 9.2% in 2019 to 11.8% at end-2021.

Outlook and risks

In 2022, despite the recovery of exports and a partial return of tourists, economic growth is projected at 1.8%, below the 2015–19 average, due to rising commodity prices and delayed rainfalls hampering the 2021/22 agricultural season. Yet, this outlook remains subject to risks due to new COVID-19 variants and the closing of borders, hampering trade and tourism. In 2022, inflation is set to exceed 4% as import prices are on the rise, also affecting the energy bill and the current account deficit. In accordance with the New Model of Development aiming to increase human capital by 2035, social indicators should improve because, by 2025, the country aims to generalize social protection, compensation for job loss, health insurance, and family allowance. The budget deficit is projected at 6.3% of GDP in 2022. Authorities should push the ongoing reforms of state-owned companies to free some fiscal space. Moreover, policies aiming to further develop the private sector through developing small and medium enterprises would enhance growth and its inclusiveness.

Climate change issues and policy options

The effects of climate change are increasing in Morocco, which the IPCC has identified as a highly vulnerable country. The economy depends on sectors—agriculture, fisheries, and tourism—that are highly sensitive to climate change. Morocco is a water-scarce country with agriculture consuming around 80% of its water resources, as most land is in arid and semi-arid areas. The 2020–30 Green Generation strategy aims to increase agricultural resilience to climate change. In 2019, Morocco published its National Climate Plan 2030 confirming its commitment to the Paris Agreement. The Climate Action Tracker indicates that Morocco has achieved its conditional mitigation targets because of its expanded RE capacity. The energy sector still depends on imported hydrocarbons, albeit at a decreasing rate since the country started investing in renewables in 2000. Per the state-owned power utility company, in 2021, thermal production accounted for about 62% of electricity production, and RE 37.2% of the energy mix with the aim of 52% by 2030. Morocco, eight on the 2022 Climate Change Performance Index, is the only non-European country in the top 20.



Source: Data are as of April 2022 and are from domestic authorities; figures for 2021 are estimates and figures for 2022 and 2023 are projections by the African Economic Outlook team.