

## Kingdom of Morocco's rating reaffirmed at 'CareEdge BBB-/Stable'

Issuer rating (Long-Term Foreign Currency)

CareEdge BBB-/Stable (Unsolicited)

CareEdge Global has reaffirmed the Long-Term Foreign Currency issuer rating for the **Kingdom of Morocco** at '**CareEdge BBB-/Stable**' (Unsolicited).

### Rationale

The reaffirmation of Morocco's credit rating reflects a resilient economy, driven by domestic demand, particularly private consumption and investment, alongside ongoing structural diversification. While non-agricultural sectors such as manufacturing, construction, and services continue to support overall growth, the agricultural sector rebounded in 2025. Agricultural output grew by 5%, following a 4.6% contraction in 2024, thanks to improved weather conditions. Tourism and related services, notably those tied to the 2025 Africa Cup of Nations (AFCON), further contributed to economic activity and foreign exchange inflows, reinforcing the country's overall growth momentum.

Morocco's fiscal position has gradually improved. Fiscal deficit narrowed to 3.5% of GDP in 2025 from 3.8% in 2024, supported by stronger revenue mobilisation. The 2026 Budget targets a further narrowing of the deficit to 3%, supporting a gradual stabilisation of gross general government (GGG) debt. According to International Monetary Fund (IMF) estimates, GGG debt reached 67.1% of GDP in 2025 from 67.7% in 2024 and is expected to stabilise at 64.8% in the medium term. Tax receipts and dividends from state-owned enterprises (SOEs) increased. Expenditure has been directed towards infrastructure, social programmes, and preparations for the 2030 FIFA (International Federation of Association Football) World Cup.

On the external front, Morocco's current account balance is supported by record tourism receipts and resilient remittance inflows that help offset a widening trade deficit, driven by investment-related imports. Foreign exchange reserves remain comfortable, covering 5.6 months of imports, while the IMF's flexible credit line (FCL) of USD 4.5 billion<sup>1</sup> continues to provide a buffer to external vulnerabilities. Foreign direct investment (FDI) inflows remain volatile but strategically important, with concentration in sectors such as renewable energy, automotive, and information technology (IT).

Inflationary pressures have been subdued. Morocco experienced deflation from November 2025 to January 2026 due to lower global food and oil prices, and improved domestic food supply. The central bank has maintained a stable policy rate and announced plans to pilot an inflation-targeting framework in 2026, signalling a commitment to strengthen policy credibility

<sup>1</sup> IMF's Flexible Credit Line (FCL) arrangement of USD 4.5 billion, approved in April 2025 and currently in effect.

and anchor expectations. The banking sector remains well-capitalised, although non-performing loans (NPLs) are elevated at around 8%, reflecting exposure to riskier Sub-Saharan markets.

### **Outlook: Stable**

The stable outlook for Morocco balances resilient macroeconomic fundamentals with downside risks. Economic growth will likely be supported by domestic demand, investment, and tourism activity, alongside ongoing structural reforms aimed at enhancing productive capacity. External buffers are adequate, supported by tourism receipts and remittance inflows, while fiscal consolidation is progressing gradually through improved revenue mobilisation and controlled expenditure. However, the outlook needs to be monitored closely due to vulnerabilities such as climate-related shocks affecting the agricultural sector and heightened global and regional risks, including spillovers from the Middle East (ME) conflict, which could weigh on external demand, commodity prices (including food, energy, phosphates and derivatives), and investor sentiment. These factors, combined with structural vulnerabilities, warrant continued monitoring despite otherwise supportive macroeconomic fundamentals.

### **Upside scenario**

Morocco's sovereign credit rating could be revised upwards if the country sustains robust economic growth over the medium term, particularly in the absence of adverse climate conditions affecting agricultural output. Continued strong performance in tourism would further support foreign exchange earnings and overall economic activity. Additionally, the effective implementation of structural reforms, including investments in water infrastructure and desalination capacity to mitigate climate-related risks could enhance economic resilience. A sustained strengthening of external sector fundamentals, marked by improved current account dynamics and stable foreign exchange reserves, would further bolster the credit profile.

### **Downside scenario**

Morocco's outlook could be revised to negative if external shocks, particularly an escalation of the ME conflict, adversely impact energy prices (despite notable improvements in renewable energy generation capacity), remittance inflows, and external financing, leading to a deterioration in the external position. A revision could also be triggered by a weakening fiscal position, resulting in a sustained increase in public debt, including from the materialisation of contingent liabilities. Additionally, a prolonged period of deflation could constrain monetary policy effectiveness and signal weak domestic demand, while rising vulnerabilities in the banking sector, including higher non-performing loans linked to regional exposures, could weigh on the credit profile.

## Key rating drivers

### Economic structure & resilience

Morocco has a relatively diversified economy and a nominal GDP of USD 183 billion in 2025, with GDP per capita estimated at USD 9,809 (constant PPP in 2025). Morocco's economic growth strengthened to an estimated 4.9% in 2025, from 3.8% in 2024, because of favourable weather conditions, with improved rainfall supporting an estimated 5% rebound in agricultural output. Non-agricultural activity grew by an estimated 4.8%, because of large-scale infrastructure and construction projects linked to preparations for the 2025 AFCON and the 2030 FIFA World Cup, alongside solid performance in manufacturing, particularly automotive, phosphates, and derivative industries. The services sector also performed strongly, with tourist arrivals reaching a record 19.8 million in 2025, up 14% YoY, supported by AFCON and expanded air connectivity. Overall growth was reinforced by resilient domestic demand.

The IMF projects Morocco's economic growth to reach 4.4% in 2026, based on resilient agricultural performance and continued public infrastructure spending. Bank Al-Maghrib presents a more optimistic outlook, forecasting a faster acceleration in growth to 5.6%, following an estimated expansion of 4.8% in 2025. A stronger projection reflects exceptionally favourable climatic conditions in recent months, which should significantly boost agricultural output, particularly through improved cereal harvest with agricultural growth projected to surge to 14.4% in 2026. Further, ongoing largescale infrastructure investment, along with increased private sector participation, is expected to support job creation and gradually reduce unemployment to ~11% by 2028 from ~13% in 2025.

Morocco's growth outlook faces near-term headwinds from heightened external uncertainty linked to the ongoing ME conflict, which is weighing on global demand and stoking commodity price volatility. While domestic investment, particularly in infrastructure, continues to support activity, risks are tilted to the downside. These include potential spillovers from weaker economic conditions in key trading partners, notably the Euro Area, as well as uncertainties around the pace and effectiveness of domestic reform implementation. Should these risks materialise, growth could fall short of expectations, particularly if external demand softens further or investment multipliers prove weaker than anticipated. Additionally, despite favourable climatic conditions at the start of 2026, recurring drought episodes and potential declines in agricultural output remain the primary downside risk to economic activity.

Against this backdrop, Morocco's reform momentum under the New Development Model (NDM) amid broadly supportive macroeconomic conditions is expected to provide an important anchor for growth over the near to medium term. Low inflation and the ongoing expansion of targeted social protection should support private consumption. Simultaneously, sustained public investment (particularly in water security, energy, and transport) along with probusiness and governance reforms, is set to underpin capital formation. Largescale desalination projects form a central pillar of the authorities' strategy to address structural water scarcity and climate risks, strengthening economic resilience amid rising weather

volatility. External demand should remain supportive for key sectors such as tourism and automotive manufacturing, while government-led housing initiatives are expected to further stimulate construction activity.

### Fiscal strength

Morocco has made notable progress in fiscal consolidation. Its fiscal deficit halved from a peak of 7.1% of GDP in 2020 to an estimated 3.5% in 2025, reflecting the government's continued commitment to fiscal discipline. This improvement builds on the 3.9% deficit recorded in 2024 and has been driven primarily by revenue growth outpacing expenditure growth. Tax revenues benefited from resilient economic activity, tax administration reforms, and improved collection efficiency. On the expenditure side, outlays exceeded initial budget projections, largely reflecting higher public investment and increased transfers to SOEs, partially offsetting the gains from stronger revenue performance.

The government projects the fiscal deficit to narrow to ~3% of GDP in 2026, supported by strong revenue mobilisation and renewed expenditure discipline. Revenue gains reflect improved tax performance, underpinned by ongoing value-added tax (VAT), personal income tax (PIT), and corporate income tax (CIT) reforms, as well as higher dividend inflows. On the expenditure side, subsidy rationalisation, particularly on butane gas, alongside lower public investment in line with the NMD (to increase private investment share), should support consolidation. The IMF expects the deficit to decline gradually to 3.4% of GDP in 2026, before reaching 3% by 2031.

While the 2026 Budget confirms the gradual fiscal adjustment path projected last year, higher revenue growth should be leveraged to expedite debt reduction towards pre-pandemic levels (~60% of GDP). As the government continues to finance structural reforms, it will need to raise additional revenue and tighten spending to avoid fiscal pressures. This includes reducing transfers to SOEs as part of the ongoing sector reform and expanding the Unified Social Registry to better target social programmes, thereby enhancing spending efficiency and containing fiscal pressures.

The GGG debt is estimated at 67.1% of GDP in 2025 and is projected to decline gradually to 60.5% in 2031. Debt affordability is comfortable at 9.3% in 2025. GG's external debt is moderate at ~24.8% (as of 2024) and is primarily in the form of concessional loans. However, the fiscal profile is weighed down by contingent liabilities, which account for ~13% of GDP. The government has initiated an extensive review of SOEs to mitigate these risks. SOE transfers have climbed sharply since the pandemic, led by large commercial entities (ONEE, ONCF, RAM<sup>2</sup>). Ongoing SOE and Organic Budget Law reforms should help curb fiscal risks through tighter oversight and transfer rationalisation. Furthermore, a significant portion of the

<sup>2</sup>ONEE – Office National de l'Électricité et de l'Eau Potable (National Office of Electricity and Drinking Water)

ONCF – Office National des Chemins de Fer (National Railways Office)

RAM – Royal Air Maroc (Morocco's National Airline)

revenue is allocated to salaries, pensions, and subsidies, which account for approximately half of the government's expenditure.

### External position & linkages

Morocco's current account deficit (CAD) is estimated to widen to 2.1% of GDP in 2025, from 1.2% in 2024, because of a deterioration in the goods trade balance. Strong domestic demand and investment-driven activity increased imports (particularly of capital goods, raw materials, and consumer products) at a faster pace than exports. Export performance was mixed: phosphates and aerospace remained resilient, but weakness in the automotive sector and subdued external demand constrained overall export growth. Although a large services surplus, supported by tourism, combined with steady remittance inflows (~8% of GDP) and foreign investment, continued to support the current account, these gains were insufficient to offset the widening trade deficit.

Looking ahead, CAD is expected to widen to around 3.3% of GDP in 2026, reflecting high import content of infrastructure investments and elevated costs of energy (despite notable improvements in renewable energy generation capacity) and other commodity imports. External vulnerabilities are reinforced by Morocco's heavy reliance on France and Spain, which collectively account for about 43% of total trade, making exports sensitive to shocks affecting these economies. Heightened global uncertainty, including the ME conflict, rising trade barriers, and ongoing supply-chain disruptions could weigh on growth in the Euro Area, thereby reducing demand for Moroccan exports, especially for manufacturing and tourism-related services, intensifying pressure on the current account.

Despite potential external pressures from prolonged geopolitical tensions, Morocco continues to benefit from strong FDI inflows, underpinned by investment in manufacturing, infrastructure, and renewable energy. Nonetheless, external debt is high, at 45% of GDP in 2025, which, coupled with a large negative net international investment position (NIIP) of -41.4% of GDP in 2024, makes the economy vulnerable to external shocks. However, the availability of FCL of USD 4.5 billion from the IMF, with no binding conditions, will help support a smooth macroeconomic adjustment if downside risks to growth were to materialise, including a further escalation of the ME conflict, while supporting future Eurobond issuances. Lastly, the country's foreign reserves provide a sufficient cushion to meet short-term external debt obligations and are sufficient to cover 5.6 months of imports as of 2025.

### Monetary & financial stability

The exchange rate is pegged to a currency basket of 60% Euros and 40% US dollars, within a fluctuation band of  $\pm 5\%$ , thus limiting monetary policy flexibility. While this arrangement supports nominal stability, it inherently constrains monetary policy independence. Consequently, the authorities are pursuing a cautious transition towards greater exchange rate flexibility, treating it as a medium-term objective aligned with the plans to strengthen the monetary policy framework, including a potential shift towards inflation-targeting.

Inflation moderated from 0.9% in 2024 to 0.8% in 2025, reflecting easing price pressures and a brief deflationary period between November 2025 and January 2026 (arising from lower global food and oil prices, and improved domestic food supply). In this context, monetary policy has remained accommodative. Bank Al-Maghrib has maintained a cautious stance to support domestic demand, while closely monitoring downside risks to inflation expectations. Looking ahead, inflation is expected to rise gradually to 1.7% over the medium term as external energy price shocks and domestic subsidy reforms take effect.

The banking system is resilient, well-capitalised and liquid, along with sustained profitability. This stability is underpinned by a regulatory framework that aligns with international standards. However, NPLs are relatively high at 8% in 2025, highlighting persistent asset quality concerns and elevated credit risk.

### **Institutions & quality of governance**

Morocco benefits from a relatively strong institutional foundation and an established rule of law, underpinned by a track record of prudent macroeconomic management and the steady implementation of reforms. The country has maintained political stability despite regional tensions, while improvements in regulatory quality and crisis management, demonstrated by the coordinated response to the H2 2023 earthquake, underscores institutional resilience. Ongoing governance challenges, including high unemployment, pockets of social discontent, and ongoing concerns around corruption and public sector efficiency, remain key risks. While reform progress has been gradual, consistent macroeconomic and fiscal reforms support policy credibility and economic stability. The September 2026 elections remain a key monitorable for shift in policy direction.

Morocco – Select indicators									
	Unit	2020	2021	2022	2023	2024	2025	2026 F	2027 F
<b>Economic indicators</b>									
Nominal GDP	USD billion	121	142	131	146	160	183	194	212
GDP per capita (constant-PPP)	USD	8,319	8,908	8,981	9,221	9,482	9,809	10,130	10,445
Real GDP growth	%	-7.2	8.2	1.8	3.7	3.8	4.9	4.4	4.5
GFCF/GDP	%	26.2	26.3	26.6	25.1	26.5	-	-	-
Gross domestic savings/GDP	%	37.74	37.96	36.83	37.12	37.91	-	-	-
Exports (G&S)/GDP	%	13.50	14.12	15.41	17.20	19.83	-	-	-
Working age (15-64) population (% share in total)	%	53.61	53.84	54.05	54.23	54.42	54.62	54.82	55.02
Old age (65+) population (% share in total)	%	3.02	3.03	3.04	3.04	3.05	3.04	3.04	3.03
<b>Fiscal indicators – general government</b>									
Fiscal balance/GDP	%	-7.1	-5.9	-5.4	-4.4	-3.9	-3.5	-3.4	-3.3
Revenue/GDP	%	27.0	25.1	28.4	27.6	26.9	27.7	28.1	27.6
Expenditure/GDP	%	34.1	31.0	33.7	32.0	30.9	31.3	31.5	30.9
GG gross debt/GDP	%	72.2	69.4	71.4	68.7	67.7	67.1	65.9	64.8
GG external debt (by creditor)/GG gross debt	%	25.9	22.5	23.6	25.9	24.8	-	-	-
Interest/revenue	%	9.3	8.7	8.0	7.5	8.5	9.3	9.0	9.4
<b>External indicators</b>									
Current account balance/GDP	%	-1.2	-2.3	-3.5	-1.0	-1.2	-2.1	-3.3	-3.0
FDI, net inflows/GDP	%	1.2	1.6	1.8	0.7	0.6	1.2	1.2	1.4
Outstanding FII liabilities/GDP	%	12.2	10.3	9.5	10.7	10.3	-	-	-
NIIP/GDP	%	-67.2	-58.5	-58.3	-46.2	-41.4	-	-	-
Foreign exchange reserves	USD billion	36.0	35.6	32.3	36.3	37.1	-	-	-
Import cover	Months	8.9	6.8	5.1	5.6	5.3	-	-	-
External debt/GDP	%	54.2	45.5	49.5	48.2	42.6	45.1	45.0	43.8
<b>Monetary and financial indicators</b>									
CPI inflation	%	0.7	1.4	6.6	6.1	0.9	0.8	1.6	1.6
Exchange rate (average)	LC per USD	9.5	8.9	10.2	10.1	9.9	9.4	-	-
Non-performing loans/total gross loans	%	8.4	8.6	8.4	8.5	8.4	8.0	-	-
Private debt, loans and debt securities/GDP	%	71.7	66.5	68.8	63.1	61.4	-	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - forecast; PPP – purchasing power parity; GFCF – gross fixed capital formation; exports (G&S) – exports of goods and services; GG – general government; FDI – foreign direct investment; FII – foreign institutional investment; NIIP – net international investment position. Data refers to fiscal/calendar year and actual/estimate as reported by the source. Where general government data is unavailable, central government data is used. The latest available data for 2025

### Solicitation status

The rating is unsolicited.

### Rating history

Instrument	Type	Rating	Date
<b>Issuer Rating</b>	Long-Term Foreign Currency (Unsolicited)	CareEdge BBB-/Stable	April 01, 2026
<b>Issuer Rating</b>	Long-Term Foreign Currency (Unsolicited)	CareEdge BBB-/Stable	April 03, 2025
<b>Issuer Rating</b>	Long-Term Foreign Currency (Unsolicited)	CareEdge BBB-	October 03, 2024

### Criteria applied

[CareEdge Sovereign Rating Methodology](#)

### Analytical contacts

Kiran Kavala

[kiran.kavala@careedgeglobal.com](mailto:kiran.kavala@careedgeglobal.com)

Zaakirah Ismail

[zaakirah.ismail@careratingsafrica.com](mailto:zaakirah.ismail@careratingsafrica.com)

Girisha Algoo

[girisha.algoo@careratingsafrica.com](mailto:girisha.algoo@careratingsafrica.com)

### Media contact

Mradul Mishra

[mradul.mishra@careedge.in](mailto:mradul.mishra@careedge.in)

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CareEdge Global IFSC Limited  
(A subsidiary of CARE Ratings Ltd.)  
501, FlexOne, GIFT SEZ, Block 15, Gandhinagar, Gujarat – 382050, India. Phone: +91-79-6519 0701 | [www.careedgeglobal.com](http://www.careedgeglobal.com)  
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