

AFRICA RISK CONSULTING

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Morocco Summary 23 July 2025

The United Kingdom (UK) government announces its decision to not support UK-headquartered Xlinks First ambitious £24 billion (\$33 billion) project which seeks to deliver renewable energy from Morocco to the UK through a 3,800km undersea cable. The Haut Commissariat au Plan (HCP) (high commission of planning) forecasts in a 15 July report that growth is likely to slow down to 4% in 2026 from 4.4% expected in 2025, citing global trade uncertainties. The HCP also confirms on 22 July that annual inflation rate held steady at 0.4% in June, unchanged from May's one year low.

United Kingdom blocks Xlinks \$33 billion subsea green power project

The **United Kingdom (UK)** government confirmed on 26 June that it has decided not to support UK-headquartered **Xlinks First** ambitious £24 billion (\$33 billion) project which seeks to deliver renewable energy from **Morocco** to the UK through a 3,800km undersea cable.¹ The UK said in a statement on 26 June that following a formal evaluation, a team of government officials concluded the project carries “a high level of inherent, cumulative risk”.² The Xlinks project is unusual due to its groundbreaking ambition and scale, and risky because of its high cost, complex logistics, technical demands, and cross-border dependencies requiring international agreements and permits. The UK's under-secretary of state for the department for energy security and net zero, **Michael Shanks**, also told UK parliament on 26 June that the Xlinks project does not strategically align with the UK's goal of building domestic energy infrastructure and therefore, it was deemed not in the national interest.³

The decision is a major blow to Xlinks First, which had wanted the UK government to offer a contract for difference, which would guarantee a fixed price for the power. These contracts are the standard method by which the UK incentivises the construction of new offshore wind farms. The UK government's backing would have helped Xlinks First to unlock a final investment decision on the project, which would provide enough electricity for seven million UK homes.

Following the announcement, Xlinks First chairman, **Dave Lewis**, said his company was “bitterly disappointed” and criticised the UK government for turning down a project that could have delivered “substantial value” in renewable energy, investment and security.⁴ Lewis said the company is now exploring alternative ways to move forward, potentially redirecting its focus toward other markets like **Germany**.

Xlinks First had hoped to draw on Morocco's steadier supply of wind and sunlight to complement the UK's growing fleet of offshore facilities and provide the UK with a reliable and cheap green power, particularly during times when the country's output dips.⁵ When constructed, the cable would be the longest in the world, passing through **Portugal, Spain and France**.⁶ A 10.5 gigawatts (GW) facility of new wind and solar farms in southern Morocco would provide the power and be aided by 5GW of battery storage.⁷ The UK would have received 3.6GW of electricity generated from the project which represents nearly 8% of the UK's current power demand. The undersea cable is expected to be five

¹ Bloomberg, 26 Jun 2025

² United Kingdom government, 26 Jun 2025

³ Bloomberg, 26 Jun 2025

⁴ Financial Post, 26 Jun 2025

⁵ Bloomberg, 26 Jun 2025

⁶ Xlinks First, 26 Apr 2023

⁷ Middle East Monitor, 27 Apr 2023

times the length of the UK's link to **Denmark**, currently the world's longest undersea power connection. Xlinks First aimed to complete the project by 2030 and believes that it will deliver energy at a much cheaper cost to **European** consumers than current wholesale prices.

Despite the setback, a list of key private investors have confirmed millions in funding for the ambitious project, reflecting broader international confidence in its potential. **United States (US)**-headquartered energy company **GE Vernova Inc** announced in April 2024 that it would invest \$10.2m in the project. The **Nigeria**-based **Africa Finance Corporation (AFC)** also announced in April 2024 that it would invest \$14.1m into the ambitious project.⁸ **Abu Dhabi National Energy** (also known as **Taqia**) and UK renewable energy group **Octopus Energy** announced in April 2023 that they would fund the interconnector project for £30m (\$37m).⁹ French oil giant **TotalEnergies** also injected £20m (\$21.5m) into the project.

Xlinks First is now seeking to reshape its strategy without UK state backing and its project earmarked to go ahead through alternative markets. Morocco is still expected to create 10,000 jobs domestically from it and the initiative fits into the Moroccan government's plan to raise the share of renewable sources to more than 52% of the national electricity mix by 2030. Energy minister **Leila Benali** said in May 2024 that the country plans to boost its renewable energy capacity to 11 gigawatts (GW) by adding 6.5GW by 2028, as it also invests in gas and green hydrogen.¹⁰ Renewable energy sources represent approximately 40% of Morocco's energy mix but the country plans to bolster that share to 52% before 2030.

Economic growth increase to 4.5% in 2025 but slow to 4% in 2026

The **Haut Commissariat au Plan (HCP)** (high commission of planning) said on 15 July that Morocco's growth is likely to slow to 4% in 2026 from 4.4% expected in 2025, citing global trade uncertainties.¹¹ The forecast is based on assumptions of an average wheat harvest and a decline in foreign demand for Moroccan goods:

"The fragmentation of international trade and persistent uncertainties are expected to weigh on the growth of trade in goods and services, thereby limiting the recovery of foreign demand directed at Morocco".¹²

The statistics agency further noted that local demand continues to drive imports, resulting in a widening of the current account deficit to a projected 1.9% of gross domestic product (GDP) in 2026 from 1.8% in 2025.¹³ Morocco's fiscal deficit is also expected to narrow slightly to 3.4% of GDP in 2026 from 3.6% this year as higher tax revenue offsets increased government spending.

Before the HCP's forecast, international research firm **BMI**, a subsidiary of the US-headquartered **Fitch Group**, said on 2 July that it revised upward Morocco's growth forecast for 2025 from 4.3% to 4.5%, following stronger-than-expected first-quarter data showing 4.8% year-on-year growth.¹⁴ The forecast is marginally higher than the HCP's forecast of 4.4%. BMI says this boost in growth is largely driven by a long-awaited rebound in agriculture, which expanded by 4.5% after four consecutive quarters of contraction. Non-agricultural sectors also held steady, growing by 4.8%, only slightly down from 5% in the fourth quarter of 2024.

Looking ahead, BMI said the rest of 2025 is expected to see continued momentum. The company expects low inflation and the delayed effects of earlier monetary easing to support household consumption, while investment - particularly in infrastructure in preparation for the 2030 **FIFA World Cup** and key sectors - will remain a central growth driver. Contrary to the HCP's 4% forecast, BMI is more upbeat about Morocco's outlook for 2026, projected to reach 4.8% as credit uptake

⁸ Bloomberg, 23 Apr 2024

⁹ Middle East Monitor, 27 Apr 2023

¹⁰ North Africa Post, 17 May 2024

¹¹ Haut Commissariat au Plan, 15 Jul 2025

¹² Haut Commissariat au Plan, 15 Jul 2025

¹³ Reuters, 15 Jul 2025

¹⁴ BMI, 2 Jul 2025

improves under looser monetary conditions and **European** export demand strengthens. Despite lingering risks, BMI says Morocco's short-term growth outlook has become more optimistic due to recovering agriculture and resilient domestic fundamentals.

It is evident that while the HCP forecasts a slight slowdown to 4% growth in 2026 amid global trade uncertainty, BMI remains more optimistic, projecting 4.8% growth driven by improved credit conditions and stronger export demand. This divergence underscores the balance Morocco must strike between external headwinds and domestic resilience.

Morocco's annual inflation holds steady at 0.4% in June

The HCP also noted on 22 July that annual inflation rate held steady at 0.4% in June, unchanged from May's one year low.¹⁵ The stability was mainly due to a 0.8% month-on-month rise in food prices, while non-food items recorded a modest increase of 0.1%.¹⁶ Prices quickened for food and non-alcoholic beverages in June (0.8% vs 0.4% in May), while the pace of decline in transport costs eased slightly transport (-3.4% vs -4.3%).¹⁷ Inflation also remained unchanged in several categories, including education (2.3%), furnishings (0.4%), clothing and footwear (0.7%) and healthcare (0.2%). However, inflation cooled slightly for alcoholic beverages and tobacco (3.4% vs 3.5%), housing and utilities (0.6% vs 2.1%), restaurants and hotels (3.8% vs 3.9%) and miscellaneous goods and services (1.4% vs 1.5%). On a monthly basis, consumer prices increased by 0.4% in June, rebounding from a sharp 4.0% decline in May. Core inflation, which excludes volatile items such as food, reached 1.1% on a year-on-year basis in June and monthly, core inflation increased by 0.2%.¹⁸

Inflation remained stable through June, despite **Bank Al-Maghrib's (BAM)** (central bank) decision to pause its easing cycle late in the month amid geopolitical uncertainty. At its last quarterly policy meeting on 24 June, the **Monetary Policy Committee (MPC)** paused its monetary-easing cycle, choosing caution even as a tentative **Iran-Israel** ceasefire appeared to ease immediate concerns over a potential rise in consumer prices (*see ARC Briefing Morocco June 2025*).¹⁹ Announcing the first hold since September, BAM elected to maintain its key interest rate at 2.25% citing noting an "*exceptional level of uncertainty*" around its medium-term macroeconomic outlook, citing factors including the Israel-Iran conflict and recent shifts in US trade policy. However, it appears that inflation has remained contained for the time being, suggesting that neither events in the **Middle East** nor BAM's cautious pause have triggered any upward price pressures.

BAM expects inflation in Morocco to hover around 1% by the end of 2025 before settling at 1.8% in 2026, and core inflation, which excludes items with volatile price changes, like food and energy, should follow a similar trajectory.²⁰

Planner

Jul 2025 **Rabat (Morocco)** India's prime minister **Narendra Modi** (2014-present) to visit Morocco

Jul 2025 **Paris (France)** A dozen Moroccan cultural companies to take part in the **Forum Entreprendre dans la Culture** (cultural entrepreneurship forum)

21 Dec 2025 – 18 Jan 2026 **(Morocco)** Morocco to host 2025 **Africa Cup of Nations (AFCON)**

2025/2026 **(Morocco)** King **Mohammed VI** is expected to make a state visit to **France**;

2026 **(Morocco)** General election

¹⁵ Haut Commissariat au Plan, 22 Jul 2025

¹⁶ Morocco World News, 22 Jul 2025

¹⁷ Trade Economics, 22 Jul 2025

¹⁸ Investing, 22 Jul 2025

¹⁹ Bank Al-Maghrib, 24 Jun 2025

²⁰ North Africa Post, 24 Jun 2025

Chronology

22 Jul 2025 **Rabat (Morocco)** *Morocco World News*. **House of Representatives'** committee on education, culture and communication approves a bill to reorganise the **National Press Council**, adopting 45 out of 249 proposed amendments including modifying election and appointment procedures;

21 Jul 2025 **Johannesburg (South Africa)** *Morocco World News*. **African National Congress (ANC)** criticises former president **Jacob Zuma** for his recent **Morocco** visit, during which he recognised Morocco's sovereignty over **Western Sahara**, a stance that contradicts South Africa's longstanding support for the **Polisario Front**;

21 Jul 2025 **Rabat (Morocco)** *Reuters*. **Bank Al-Maghrib (BAM)** (central bank) governor **Abdellatif Jouahri** says the institution is exploring the use of its own digital currency for peer-to-peer and cross border payments;

21 Jul 2025 **Rabat (Morocco)** *Morocco World News*. Opposition **Democratic Left Federation** party demands an urgent investigation into alleged high-level corruption revealed by leaked documents from the **Algerian** hacker group **Jabaroot**, which targeted Moroccan institutions;

21 Jul 2025 **Rabat (Morocco)** *AfDB*. The **African Development Bank (AfDB)** approves a loan worth €100m (\$116.4m) to support sustainable farming led by women and young people in Morocco;

18 Jul 2025 **Rabat (Morocco)** *North Africa Post*. **European Union (EU)** and Morocco are negotiating a comprehensive partnership agreement focused on migration management and border control, as the EU seeks to stabilise irregular migration flows from **North Africa**;

17 Jul 2025 **Rabat (Morocco)** *Morocco World News*. **South Africa's** former president **Jacob Zuma** and his **uMkhonto weSizwe (MK) Party** publicly endorses Morocco's sovereignty over **Western Sahara** and back its autonomy plan as a viable solution to the regional dispute;

16 Jul 2025 **Rabat (Morocco)** *Morocco World News*. Prime minister **Aziz Akhannouch** says spending on social protection in Morocco will reach MAD 39 billion (\$3.9 billion) in 2025 and is expected to exceed MAD 41 billion (\$4.1 billion) in 2026;

12 Jul 2025 **Rabat (Morocco)** *Morocco World News*. Morocco and the **United Arab Emirates** sign a memorandum of understanding to enhance cooperation in the field of industrial property rights;

11 Jul 2025 **Rabat (Morocco)** *North Africa Post*. Morocco's welcomes a record 8.9 million international visitors in the first half of 2025, a 19% surge that adds 1.4 million additional tourists compared to the same period last year;

11 Jul 2025 **Rabat (Morocco)** *Morocco World News*. Telecoms regulator **Agence Nationale de Réglementation des Télécommunications (ANRT)** invites bids for licenses to roll out and operate 5G network services, as the government aims to make it available to 25% of the population by 2026 and 70% by 2030, the year it will co-host the **FIFA World Cup** with **Spain** and **Portugal**;

10 Jul 2025 **Rabat (Morocco)** *Morocco World News*. Equipment and water minister, **Nizar Baraka**, reports that Morocco is accelerating its efforts to secure water supplies by 2030 through expanded seawater desalination and dam projects, aiming to produce 1.7 billion cubic meters of desalinated water annually;

9 Jul 2025 **Rabat (Morocco)** *Middle East Monitor*. Morocco announces the reopening of its embassy in **Syria** after a 13-year closure;

9 Jul 2025 **Rabat (Morocco)** *Morocco World News*. Government is reportedly in negotiations with several **Emirati** companies to launch wind energy projects in its southern provinces in **Western Sahara** as it seeks to increase its renewable energy share to 52%;

9 Jul 2025 **Rabat (Morocco)** *Reuters*. The digital transition ministry says Morocco plans to build a 500MW data centre powered by renewable energy to strengthen security of data storage;

8 Jul 2025 **Rabat (Morocco)** *North Africa Post*. **China** has officially launched its first rail-sea logistics corridor to Morocco, marking a significant milestone in Sino-African trade connectivity;

6 Jul 2025 **Rabat (Morocco)** *Morocco World News*. Morocco secures a second term on the **United Nations Food and Agriculture Organisation Council**, extending its membership until 2029;

3 Jul 2025 **Rabat (Morocco)** *Bloomberg*. **Bank Al-Maghrib (BAM)** (central bank) governor **Abdellatif Jouahri** says Morocco may sell Islamic bonds in 2025 after a seven-year hiatus, amid an investment drive for the 2030 **FIFA World Cup**;

1 Jul 2025 **Rabat (Morocco)** *Morocco World News*. **National Tourist Office** and **China Eastern Airlines** sign a strategic agreement to strengthen Morocco's appeal in the **Chinese** market and attract one million **Chinese** tourists by 2030;

1 Jul 2025 **Rabat (Morocco)** *North Africa Post*. **African Development Bank (AfDB)** approves a financing package of over €300m (\$352m) for Morocco to support entrepreneurship, job creation and climate resilience;

28 Jun 2025 **Rabat (Morocco)** *North Africa Post*. Morocco and **Türkiye** sign two memoranda of understanding (MoU) to strengthen cooperation in road safety and maritime transport;

26 Jun 2025 **Rabat (Morocco)** *Morocco World News*. The **United Kingdom (UK)** government rejects the £25 billion (\$31.25 billion) **Xlinks project**, which aimed to import solar and wind energy from Morocco to supply nearly 10% of the UK's electricity demand;

About Africa Risk Consulting:

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