

## AFRICA RISK CONSULTING

### Morocco Monthly Briefing December 2024

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#### Morocco Summary 11 December 2024

*Morocco's tourism ministry announces on 8 December that the country received a record 15.9 million tourists in the first 11 months of 2024, surpassing the entire previous year's record total of 14.5 million. The African Development Bank (AfDB) on 5 December signs a deal to lend Morocco €350m (\$370m) and is also considering lending the country another €650m (\$684.9m) to fund its infrastructure for the 2030 FIFA World Cup. The Office des Changes (exchange's office) reveals that Morocco's export sectors continue to grow, registering significant growth in trade and services.*

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#### Morocco receives record 15.9 million tourists so far in 2024

Morocco's tourism ministry confirmed on 8 December that the country attracted a record 15.9 million tourists in the first 11 months of 2024, surpassing the entire previous year's record total of 14.5 million. Tourist arrivals up to November increased by 20% compared to the same period in 2023 and were 10% higher than the whole of last year.<sup>1</sup> In November alone Morocco received 1.3 million tourists, reflecting a 31% growth over the same month in 2023.<sup>2</sup> Official figures also showed that tourism revenues from January to October increased by 9.3% to MAD 97 billion (\$9.7 billion).<sup>3</sup>

Tourism minister **Fatim-Zahra Ammor** noted that the "*remarkable figures prove the impact of our roadmap*" and represent a significant step towards its goal of positioning the country to be among the top 15 travel destinations in the world.<sup>4</sup> A local resident told **Africa Risk Consulting Briefing (ARC Briefing)** that the tourism figures were incredible but expected, adding "*that's serious income which government will surely use well*".<sup>5</sup>

Morocco seeks to attract 17.5 million visitors by 2026 and 26 million by 2030 when it will co-host the **FIFA World Cup** with **Spain** and **Portugal**. That requires Morocco to boost the number of tourists by at least one million annually through 2030, which they have been able to do since the ministry launched its **Tourism Roadmap 2023-2026**. To achieve this objective, Morocco in 2023 began doubling the number of foreign flights arriving in the country and reached an agreement with **Irish** low-cost airline, **Ryanair**, which is estimated to double the number of tourists that the company flies to Morocco by 2027 to ten million.<sup>6</sup> The government also plans for 150,000 additional hotel beds to be ready before 2030, either through greenfield projects or the upgrading of existing facilities. Authorities are also working on the development of 14 large-scale projects to add options for tourists, including natural park resorts, amusement parks and hot-air balloon sites.<sup>7</sup>

While Morocco's plans are ambitious, the government has demonstrated that it has the political will and commitment to meet them. Alongside additional capital infusion and a growing fleet owned by state carrier **Royal Air Maroc (RAM)**, Morocco seems poised to accelerate its growth trajectory and realise its ambitious vision for the tourism sector. The crucial tourism sector accounts for 7% of GDP

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<sup>1</sup> Ministry of Tourism, 8 Dec 2024

<sup>2</sup> Morocco World News, 9 Dec 2024

<sup>3</sup> Ministry of Tourism, 8 Dec 2024

<sup>4</sup> Ministry of Tourism, 8 Dec 2024

<sup>5</sup> ARC Source, Local Resident

<sup>6</sup> Bloomberg, 27 Feb 2024

<sup>7</sup> Bloomberg, 27 Feb 2024

and employs 5% of the country's workforce.<sup>8</sup> The tourism sector's strong performance also bodes well for Morocco's inflow of foreign currency and will be a key economic driving force.

### African Development Bank pledges \$1 billion to Morocco

The **African Development Bank (AfDB)** on 5 December signed a deal to lend Morocco €350m (\$370m) and is considering lending the country another €650m (\$684.9m) to fund its infrastructure for the **2030 FIFA World Cup**.<sup>9</sup> The loans will help Morocco improve economic governance, bolster water supplies and establish an industrial zone in the **Nador West Med Port**.<sup>10</sup> AfDB president **Akinwumi Adesina** also told reporters on 6 December that Morocco's state-owned rail operator, **ONCF**, is seeking \$8.8 billion from investors to fund its expansion plan but that investors were in fact prepared to provide ONCF more than the requested amount, with financing offering reaching a combined \$13 billion.<sup>11</sup> The ONCF aims to expand its high-speed train network to **Marrakech** before the 2030 World Cup, and further south to **Agadir**.<sup>12</sup> ONCF is also seeking to extend its network to double the number of cities it serves to 43 or 87% of the country's population by 2040.

During talks with prime minister **Aziz Akhannouch** (2021-present) on 5 December, Adesina noted that the AfDB's total financing to Morocco extends to 37 projects worth \$3.6 billion, covering strategic sectors such as energy, infrastructure, water, sanitation and the private sector.<sup>13</sup> Adesina added that this year alone, the AfDB approved \$1.5 billion in financing for Morocco, reflecting this partnership's importance.<sup>14</sup> Discussions between the two also focused on the challenges of youth employment and skills development, with the AfDB further pledging to support Morocco in these priority areas.<sup>15</sup>

The deal with Morocco was signed in **Rabat** during the AfDB's **Africa Investment Forum (AIF)**, which was founded in 2021 by France-based **Jeune Afrique Media Group** and is co-hosted by the **International Finance Corporation (IFC)**. This year's AIF and brought together over 1,000 leaders from across Africa.<sup>16</sup> Prominent Moroccan officials attended the closed-door three-day event held from 4 to 6 December include Akhannouch, economy and finance minister **Nadia Fettah**, trade minister **Ryad Mezzour**, and investment minister **Karim Zidane**.<sup>17</sup> During the AIF event, the AfDB, which partners with other banks and financial institutions, raised \$29.2 billion for large-scale African development projects to finance, including energy, water supply, private equity, tourism, infrastructure and pharmaceuticals.<sup>18</sup>

Morocco has demonstrated a strong capacity to secure capital, reinforcing confidence in its ability to complete all developments ahead of the World Cup. Meanwhile, the **Bank Al-Maghrib (BAM)** (central bank), is expected to approve another interest rate cut before the end of the year to bolster economic growth. This move would enable the government to implement its ambitious plans, including rebuilding areas impacted by last year's earthquake and preparing for its role as a co-host of the World Cup.

### Trade and services sectors grow despite increased deficit

An **Office des Changes** (exchange's office) report published on 1 December indicates that Morocco's export exports reached MAD 373.54 billion (\$37.4 billion) at the end of October, an increase of 6.2% from MAD 351.66 billion (\$35.21 billion) recorded a year earlier. These figures indicate strong growth in trade and services.<sup>19</sup>

<sup>8</sup> Reuters, 9 Dec 2024

<sup>9</sup> AfDB, 5 Dec 2024

<sup>10</sup> AfDB, 5 Dec 2024

<sup>11</sup> North Africa Post, 6 Dec 2024

<sup>12</sup> North Africa Post, 6 Dec 2024

<sup>13</sup> Reuters, 7 Dec 2024;

<sup>14</sup> North Africa Post, 6 Dec 2024

<sup>15</sup> Morocco World News, 9 Dec 2024

<sup>16</sup> Morocco World News, 9 Dec 2024

<sup>17</sup> Morocco World News, 9 Dec 2024

<sup>18</sup> Reuters, 7 Dec 2024

<sup>19</sup> Office des Changes, 1 Dec 2024

The Office des Changes attributed the growth to an increase in imports in key sectors, such as automotive, aerospace, phosphates and derivatives, electronics and electricity and agriculture and food.<sup>20</sup> In Morocco's context, increased imports stimulated economic activity by fuelling domestic production. The increase in imports signified a rise in the demand for intermediate goods and raw materials that are essential components used in domestic production processes.<sup>21</sup> Some of these key sectors that generated significant growth include aeronautical exports with a 17.3% growth rate, phosphates and derivatives with growth of 12.5% and automotive exports 8%.<sup>22</sup>

Morocco was also positive growth trend recorded in several sectors:

- Exports of services grew by 7.3% but the surplus dropped by 1.2% to MAD 111.26 billion (\$11.14 billion).
- There was a 61.6% improvement in the net flow of foreign direct investment (FDI), reaching almost MAD 19.5 billion (\$1.95 billion);
- Tourism revenues grew by 9.3% to MAD 96.92 billion (\$9.7 billion) and travel expenditure rose by 20%, reaching MAD 24.68 (\$2.47 billion);
- Remittances sent home by Moroccans living abroad reached MAD 100.290 billion (\$10 billion).<sup>23</sup>

The **Haut Commissariat au Plan (HCP)** (high commission for planning) also said on 9 December that GDP grew 10% to \$146 billion in 2023.<sup>24</sup> According the HCP, financial and non-financial firms contributed 45% to the national GDP, households and non-lucrative entities contributed 29%, public administrations 15.2% and represented 10.1%.<sup>25</sup>

Despite the growth of Morocco's economy and trade and services showing positive growth, Office des Changes noted that Morocco's trade deficit has increased by 5.2%, representing MAD 249.83 billion (\$25.01 billion) compared to MAD 237.49 billion (\$23.79 billion) at the end of October 2023.<sup>26</sup> While Morocco's exports grew by 6.2% to reach MAD 373.54 billion (\$37.4 billion) at the end of October, there was also a 5.8% increase in imports, which were totalled MAD 623.37 billion (\$62.42 billion).<sup>27</sup>

These included food products, semi-finished products, finished equipment products and consumer products.<sup>28</sup> Morocco spending more on imports, particularly when its finances are already stretched by increased spending on earthquake recovery, 2030 FIFA World Cup constructions and public servants' wage demands, could negatively impact Morocco's budget and may necessitate a revision of the budget. Despite that, Morocco's export sectors are projected to grow in the coming years, especially with the country expected to become a key manufacturer and exporter of electric vehicle batteries, boosted by **Chinese** investments.

### Key things to watch in 2025

Morocco faces several opportunities and challenges in 2025. Tensions with **Algeria** over the **Western Sahara** are highly likely to intensify next year as Morocco's recognition of its claim over the disputed region is increasingly supported internationally. **France's** support for Morocco's autonomy plan in July has already increased friction, and Algeria has vowed to continue opposing Morocco's position. This ongoing dispute will likely fuel diplomatic tensions and could impact regional stability, especially as both countries are key players in the **North African** and **Sahel** regions. Morocco will also continue fully supporting **Palestinian** rights and statehood while also maintaining full normalisation of relations with **Israel**.

<sup>20</sup> Morocco World News, 1 Dec 2024

<sup>21</sup> Morocco World News, 1 Dec 2024

<sup>22</sup> Office des Changes, 1 Dec 2024

<sup>23</sup> Office des Changes, 1 Dec 2024

<sup>24</sup> North Africa Post, 9 Dec 2024

<sup>25</sup> North Africa Post, 9 Dec 2024

<sup>26</sup> Office des Changes, 1 Dec 2024

<sup>27</sup> Morocco World News, 1 Dec 2024

<sup>28</sup> Morocco World News, 1 Dec 2024

The country's post-earthquake reconstruction efforts will continue into next year and this will require careful management by the government to ensure the MAD 120 billion (\$11.7 billion) allocated to the effort is used effectively and inclusively. Co-hosting the **2025 African Cup of Nations (AFCON)** and the 2030 FIFA World Cup promises significant economic benefits through infrastructure development and job creation, although it requires Morocco to spend about MAD 20 billion (\$1.98 billion) on upgrading football stadiums in preparation for the major events. Meticulous planning is key to managing potential risks. Inflation is now at 0.7%, below BAM's 1.3% target, and this is widely expected to compel the central bank to implement one more rate cut by the end of 2024 to support economic growth so the government can roll out its ambitious spending plans to rebuild areas damaged by last year's earthquake and prepare to co-host the 2030 FIFA World Cup.

**United States**-headquartered credit rating agencies **Fitch Ratings** and **Moody's** could also raise Morocco's rating within the next 12 to 19 months should the government continue to implement structural reforms, resulting in stronger economic growth and a broadening of the tax base, while budget deficits continue to decline. Maintaining these structural reforms brings Morocco a step closer to reclaiming its investment grade rating, which it lost during the **Covid-19** pandemic.

### Planner

Dec 2024 **(Morocco)** Bank Al-Maghrib (BAM) Monetary Policy Committee (MPC) meeting  
2026 **(Morocco)** General election

### Chronology

5 Dec 2024 **Rabat (Morocco)** *Morocco World News*. **Dave Lewis**, the CEO of **United Kingdom (UK)**-based **Xlinks**, says the company's ambitious undersea power project connecting Morocco to the UK will traverse **Spanish** waters as part of its 3,800km route to avoid the technical challenges posed by the deeper waters of the **Bay of Biscay**;

8 Dec 2024 **Rabat (Morocco)** *Reuters*. King **Mohammed VI** of Morocco has successful surgery on his left shoulder after suffering a fall;

8 Dec 2024 **Rabat (Morocco)** *Morocco World News*. Prince **Moulay Rachid** attends a dinner hosted at the **Élysée Palace** in **Paris (France)** by President **Emmanuel Macron** and first lady **Brigitte Macron**;

5 Dec 2024 **Rabat (Morocco)** *Reuters*. **African Development Bank (AfDB)** president **Akinwumi Adesina** says the AfDB plans to lend Morocco €650m (\$687.2m) to develop transport infrastructure ahead of the **2030 FIFA World Cup**;

4 Dec 2024 **Rabat (Morocco)** *Morocco World News*. King **Mohammed VI** chairs a ministerial council meeting focused on Morocco's preparations for its bid to co-host the **2030 FIFA World Cup** with **Spain** and **Portugal**;

2 Dec 2024 **Rabat (Morocco)** *Morocco World News*. Prime Minister **Aziz Akhannouch** is in **Riyadh (Saudi Arabia)** to represent King **Mohamed VI** at the **One Water Summit**;

2 Dec 2024 **Rabat (Morocco)** *Middle East Monitor*. Thousands of Moroccans took to the streets in **Casablanca** on 1 December in solidarity with **Gaza (Palestine)**;

1 Dec 2024 **Rabat (Morocco)** *North Africa Post*. **French** and Moroccan representatives from the interior and foreign affairs ministries and the co-chairs of the **Morocco-France Permanent Joint Migration Group (GMMP)** meet to discuss improving migration procedures;

1 Dec 2024 **Rabat (Morocco)** *Morocco World News*. **Palestinian** foreign minister **Riyad Al-Maliki** expresses gratitude to King **Mohammed VI** for his steadfast support of the Palestinian cause;

30 Nov 2024 **Rabat (Morocco)** *Middle East Monitor*. Authorities report a total of 105 demonstrations were today in 48 Moroccan cities to denounce **Israeli** attacks in **Gaza (Palestine)**;

28 Nov 2024 **Conakry (Guinea)** *APA News*. Prime minister **Bah Oury** travels to **Morocco** and meets his counterpart, **Aziz Akhannouch**, to discuss bilateral relations;

28 Nov 2024 **Rabat (Morocco)** *Bloomberg*. Morocco will reportedly allow local banks to unload junk loans totalling almost \$10 billion through a secondary market, as the country looks to boost funding for an economy grappling with the effects of climate change;

### About Africa Risk Consulting:

**Africa Risk Consulting (ARC)** is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

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