

## AFRICA RISK CONSULTING

### Morocco Monthly Briefing April 2024

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#### Morocco Summary 24 April 2024

*The International Monetary Fund (IMF) forecasts in its latest World Economic Outlook, published on 16 April, that Morocco's economic growth will reach 3.1% in 2024 and 3.3% in 2025. United States (US) rating house Standard and Poor's (S&P) on 29 March revises its outlook on Morocco from stable to positive and affirms its 'BB+' long-term sovereign credit ratings and 'B' short-term sovereign credit ratings. The Office des Changes (OE) reports on 1 April that the trade deficit narrowed by 12% in the first two months of 2024 compared to the same period in 2023. Le Haut Commissariat au Plan (HCP) (high commission of planning) reveals on 19 April that 82% of households believe their living standards have declined over the past 12 months. Royal Air Maroc (RAM) unveils ambitious plans to quadruple its fleet size by 2030 as it expands to meet growing travel demand.*

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#### IMF projects Morocco to grow by 3.1% in 2024 and 3.3% in 2025...

The **International Monetary Fund (IMF)** published its latest **World Economic Outlook** on 16 April, forecasting that Morocco's economic growth will reach 3.1% in 2024 and 3.3% in 2025.<sup>1</sup> The global forecasts, published during the **Spring Meetings** held in **Washington D.C. (United States)** in collaboration with the **World Bank**, highlight key metrics on growth, inflation, unemployment, and current account balance.<sup>2</sup>

The IMF also forecast that inflation in Morocco will stabilise at 2.2% this year, after averaging 6.1% in 2023, and then rise marginally to 2.5% next year, in line with forecasts made by the **Bank al-Mahgrib (BAM)** (central bank).<sup>3</sup> On the downside, the global lender forecast that unemployment will remain high despite being projected to decline from 12% in 2024 to 11.5% in 2025.<sup>4</sup> The current account balance is forecast to be -2.6% this year and -2.9% in 2025.

Morocco's forecasted growth aligns with the broader global trends of resilience - projected growth is almost in line with that of the global economy, which is forecast to grow by 3.2% in both 2024 and 2025 - but major challenges persist regionally and domestically such as the conflicts in **Gaza** and **Ukraine**, and the growing disparities between the developed and developing countries.<sup>5</sup> The IMF called for decisive measures to deal with these issues, particularly regarding inflation rates. Concerning Morocco, addressing inflation, high unemployment and growing inequality remains imperative for sustainable economic development.

#### .. as S&P revises Morocco's outlook from stable to positive...

US rating house **Standard and Poor's (S&P)** on 29 March revised its outlook on Morocco from stable to positive and affirmed its 'BB+' long-term sovereign credit ratings and 'B' short-term sovereign credit ratings.<sup>6</sup> S&P justified its outlook by noting that Morocco's economy has "*proven resilient in the face of multiple shocks*" over the last five years and maintained its access to domestic and external financing.<sup>7</sup>

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<sup>1</sup> IMF, 16 Apr 2024

<sup>2</sup> Morocco World News, 16 Apr 2024

<sup>3</sup> North Africa Post, 18 Apr 2024; IMF, 16 Apr 2024

<sup>4</sup> IMF, 16 Apr 2024; Morocco World News, 16 Apr 2024

<sup>5</sup> IMF, 16 Apr 2024; Morocco World News, 16 Apr 2024

<sup>6</sup> Standard and Poor's, 29 Mar 2024

<sup>7</sup> Standard and Poor's, 29 Mar 2024

The agency also said that it expects Morocco to continue building on its recent track record of implementing budgetary and socioeconomic reforms which will lay the groundwork for stronger and more inclusive growth, as well as a reduction in budget deficits.<sup>8</sup> S&P will raise its ratings for Morocco 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.<sup>9</sup> For Morocco, S&P's revision of its outlook to positive brings it a step closer to reclaiming its investment grade rating, which it lost during the **Covid-19** pandemic.

### Trade deficit narrows by 12% as energy prices ease...

The **Office des Changes (OE)** published a report on 1 April indicating that Morocco's trade deficit continued to narrow in February as the economy recovered from consecutive shocks that sent the value of imports soaring over the past three years.<sup>10</sup> The OE reports that in the first two months of 2024, Morocco's trade deficit declined by 12%, settling at MAD 41 billion (\$4 billion), down from MAD 47.6 billion (\$4.6 billion) a year earlier while the value of Morocco's imported goods declined by 1.4%, totalling MAD 115.5 billion (\$11.4 billion).<sup>11</sup> This drop has been attributed to a decline in the energy bill, food imports, and raw materials.<sup>12</sup>

Despite national energy consumption increasing by 8%, the value of energy imports fell by 11% as a result of falling prices of petroleum gas and other hydrocarbon supplies.<sup>13</sup> Similarly, Morocco's food imports decreased by 4% due to decreased corn imports.<sup>14</sup> The decrease was offset by increased wheat supplies. On the other hand, Morocco's exports increased by 6.1% to reach MAD 73.7 billion (\$7.2 billion), up from MAD 69.4 billion (\$6.8 billion) a year earlier.<sup>15</sup> The OE's report indicates that the surge in exports is primarily due to the positive performance of Morocco's major industries, including automaking, aeronautics and phosphate.<sup>16</sup>

While the trade deficit decline is a positive development, the historic drought impacting the region may worsen matters, forcing more imports of foodstuffs. Agriculture, fisheries, rural development, and water and forests minister **Mohamed Sadiki** said on 17 April that the country will lose a significant 20% of its crop yield and reduced cultivated areas this year due to drought.<sup>17</sup> Local farm lobby group **Comader**'s chairman **Rachid Benali** also said on 4 March that Morocco will have to increase its wheat imports to make up for an expected smaller crop as the country faces another biting drought (*See ARC Briefing Morocco Mar 2024*).<sup>18</sup> Benali highlighted that Morocco, which is often cited as being among the most vulnerable countries to climate change in the **Mediterranean** basin, suffered from a lack of rainfall during its autumn months, impacting harvests.<sup>19</sup> The series of harsh droughts in recent years have not only negatively impacted local supplies but led to job losses that increased the country's unemployment rate to 13% in 2023 (*See ARC briefing Morocco Feb 2024*). The **African Development Bank (AfDB)** on 24 March also reiterated concerns over water scarcity in Morocco, noting it will continue to impact all sectors, including industry and tourism.<sup>20</sup> 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, will negatively impact Morocco's budget and may necessitate a revision of the budget.

<sup>8</sup> Standard and Poor's, 29 Mar 2024

<sup>9</sup> Standard and Poor's, 29 Mar 2024

<sup>10</sup> Office des Changes, 1 Apr 2024

<sup>11</sup> Le360, 1 Apr 2024; Office des Changes, 1 Apr 2024

<sup>12</sup> Morocco World News, 2 Apr 2024; Office des Changes, 1 Apr 2024

<sup>13</sup> Morocco World News, 2 Apr 2024; Office des Changes, 1 Apr 2024

<sup>14</sup> Office des Changes, 1 Apr 2024

<sup>15</sup> Le360, 1 Apr 2024; Office des Changes, 1 Apr 2024

<sup>16</sup> Office des Changes, 1 Apr 2024

<sup>17</sup> Middle East Monitor, 17 Apr 2024

<sup>18</sup> Comader, 4 Mar 2024

<sup>19</sup> Comader, 4 Mar 2024

<sup>20</sup> Morocco World News, 24 Mar 2024

## Over 80% of households report slipping living standards in 2024...

The **Le Haut Commissariat au Plan (HCP)** (high commission of planning) released the results of a national survey on 19 April, with 82% of households reporting that their living standards have declined over the past 12 months.<sup>21</sup> Only 13% of respondents in HCP's survey reported that their living standards had remained unchanged and 4.4% revealed that they had improved.<sup>22</sup> However, despite their declining living standards, Moroccan household's overall confidence in the economic outlook improved – according to the HCP's **Household Confidence Index**, confidence in the economic outlook saw incremental growth, moving up from 44 points in the fourth quarter of 2023 to 35 points in the first quarter of 2024 (a ranking closer to 100 represents worsening views).<sup>23</sup> Other key survey results include:

- Nearly 60% of households expect living standards to decline even further in the next 12 months and 33% expect them to remain the same. Only 9.6% of Moroccans were confident that living standards would improve over the same period;
- An overwhelming 83% said they expect the unemployment rate, which currently sits at 12%, to increase even further within the next 12 months;
- In terms of household consumerism trends, 80% see this year as unfavourable for buying durable goods;
- 55% consider their income insufficient to cover their expenses and a further 42% have reported going into debt or resorting to their savings and only 1.8% report being able to save a portion of their monthly income;
- 56% report that their finances have worsened over the past 12 months, compared to only 3.5% who reported an improvement.<sup>24</sup>

The results of HCP's survey echo those of **Bayt**, the largest job recruitment website in the **Middle East**, which published a poll on 25 July 2023 indicating that up to 71% of Moroccans are willing to move to another sector or field if it would enable them to emigrate, as they were not satisfied with their lives in Morocco (*See ARC Briefing Morocco Jul 2023*).<sup>25</sup> Bayt also revealed that the percentage of Moroccan youth willing to emigrate is the highest in the **Middle East and North Africa (MENA)** region, as young Moroccans see better opportunities abroad to get wealthier and bolster their capabilities and professional qualifications.<sup>26</sup> The desire to emigrate is not limited to young Moroccans but also includes established engineers, technicians and doctors. Ultimately, HCP and Bayt's national surveys indicate that while the Moroccan economy is improving, as noted by the IMF and S&P reviews (see above), most Moroccans are still continuing to struggle under severe economic pressures.

## Royal Air Maroc to quadruple fleet by 2030...

National carrier **Royal Air Maroc (RAM)** CEO **Abdelhamid Addou** on 18 April unveiled ambitious plans to quadruple its fleet size by 2030 as it expands to meet growing travel demand.<sup>27</sup> With a current fleet of 52 aircraft, RAM which is already one of Africa's largest airlines, is aiming to reach nearly 200 aircraft by the end of the decade.<sup>28</sup> Addou made the revelation about the RAM's expansion initiative days after the carrier issued a tender on 15 April to buy several planes as the airline opens new routes and braces for an increasing demand by tourists in Morocco destination.<sup>29</sup> Addou also stressed the importance of fleet development to accommodate increasing demand and the need for a diverse range of aircraft, including short-haul, medium-haul and long-haul planes.<sup>30</sup>

<sup>21</sup> Le Haut Commissariat au Plan, 19 Apr 2024

<sup>22</sup> Le Haut Commissariat au Plan, 19 Apr 2024

<sup>23</sup> Morocco World News, 20 Apr 2024

<sup>24</sup> Le Haut Commissariat au Plan, 19 Apr 2024

<sup>25</sup> Middle East Monitor, 3 Aug 2023

<sup>26</sup> Middle East Monitor, 3 Aug 2023

<sup>27</sup> Reuters, 19 Apr 2024

<sup>28</sup> Simply Flying, 20 Apr 2024; Middle East Monitor, 19 Apr 2024

<sup>29</sup> Reuters, 19 Apr 2024; Middle East Monitor, 19 Apr 2024

<sup>30</sup> Reuters, 19 Apr 2024

The main motivation behind RAM's ambitious expansion plans is Morocco's flourishing tourism industry and its impending hosting of the 2025 **African Cup of Nations (AFCON)** and co-hosting of the 2030 FIFA World Cup with **Portugal** and **Spain**. Moroccan officials plan to boost the number of tourists by at least one million annually through 2030, bringing the total to 26 million compared to 2023's record-breaking 14.5 million.<sup>31</sup>

To achieve that 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 10 million.<sup>32</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>33</sup> The government's plans are very ambitious, but it has proven it has the political will and commitment to meet them. With additional capital infusion and a growing fleet, RAM also seems poised to accelerate its growth trajectory and realise its ambitious vision for the future.

## Planner

20-31 May 2024 (**Morocco**) **Africa Lion** military drills

2026 (**Morocco**) General election

## Chronology

22 Apr 2024 **Rabat (Morocco)** *Morocco World News*. Morocco's **National Council for Human Rights** hosts a meeting on torture prevention at its headquarters in Rabat;

16 Apr 2024 **Rabat (Morocco)** *Middle East Monitor*. **BlueBird Aero Systems**, an **Israeli** company specialising in the design and production of Tactical Unmanned Aerial Systems (UAS), is set to establish a drone production facility in Morocco;

16 Apr 2024 **Rabat (Morocco)** *North Africa Post*. Interior minister **Abdelouafi Laftit** meets with his **Belgian** counterpart, **Annelies Verlinden**, to discuss strengthening bilateral cooperation and a strategic partnership in migration, terrorism and crime;

14 Apr 2024 **Rabat (Morocco)** *Morocco World News*. **Belgium** reiterates its positive position on Morocco's autonomy plan for the **Western Sahara**, describing it as a good basis to end the dispute over the territory;

12 Apr 2024 **Rabat (Morocco)** *Morocco World News*. Interior ministry in collaboration with the industry and trade ministry announce the approval of an official logo for legal cannabis products destined for export, signifying the country's debut in the global cannabis market;

10 Apr 2024 **Rabat (Morocco)** *North Africa Post*. Foreign affairs minister **Nasser Bourita** meets with his **French** counterpart **Stephane Séjourné** to discuss bilateral cooperation;

9 Apr 2024 **Rabat (Morocco)** *Morocco World News*. **European Union (EU)** high representative for foreign policy, **Josep Borrell**, reiterates during the **New Economy Forum** in **Belgium** the importance of maintaining good ties with Morocco;

<sup>31</sup> Bloomberg, 27 Feb 2024

<sup>32</sup> Bloomberg, 27 Feb 2024

<sup>33</sup> Bloomberg, 27 Feb 2024

8 Apr 2024 **Rabat (Morocco)** *Mining Weekly*. **Fortescue Energy**, a subsidiary of **Australia**-headquartered **Fortescue**, signs a joint venture with state-owned **OCP Group** to supply green hydrogen, ammonia and fertilisers to Morocco, **Europe** and other international markets;

7 Apr 2024 **Rabat (Morocco)** *Morocco World News*. Prime minister **Aziz Akhannouch** represents King **Mohammed VI** at the ceremony commemorating the 30th anniversary of the **Rwandan** genocide;

5 Apr 2024 **Rabat (Morocco)** *Morocco World News*. Morocco and over 20 other countries vote yes for a resolution adopted by the **United Nations Human Rights Council (UNRC)**, calling for **Israel** to be held accountable for possible war crimes in **Gaza**;

3 Apr 2024 **Rabat (Morocco)** *Middle East Monitor*. In preparation for the 2030 **FIFA World Cup**, Morocco is set to make history with the construction of the **Grand Stade de Casablanca**, a proposed stadium that would be the largest football stadium in the world with an envisioned capacity of 115,000 spectators;

1 Apr 2024 **Rabat (Morocco)** *Morocco World News*. **High Commission of Planning** reports that economic growth reached 4.1% in the fourth quarter of 2023, compared to 0.7% in the same period in 2022;

1 Apr 2024 **Rabat (Morocco)** *North Africa Post*. Industry minister **Ryad Mezzour** says production capacity of the automotive sector will increase to 1.5 million cars by 2026;

29 Mar 2024 **Algiers (Algeria)** *Morocco World News*. According to a study carried out by Morocco's **Economic, Social, and Environmental Council**, a significant 70% of Moroccans voiced their support for permanently banning begging within the country;

27 Mar 2024 **Algiers (Algeria)** *Morocco World News*. Foreign affairs minister **Ahmed Attaf** says the issue regarding the alleged expropriation of **Algerian** properties in Morocco has been resolved following an "appropriate decision" made by Morocco;

24 Mar 2024 **Rabat (Morocco)** *Morocco World News*. **African Development Bank (AfDB)** reiterates concerns over water scarcity in Morocco, noting it will continue to impact all sectors including industry and tourism;

19 Mar 2024 **Rabat (Morocco)** *Morocco World News*. **Nigeria National Petroleum Company Limited (NNPCL)** CEO **Mele Kyari** says the final investment decision for the \$25-billion **Nigeria-Morocco Gas Pipeline (NMGP)** will be made by the end of 2024;

### About Africa Risk Consulting:

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