MOROCCO

ECONOMIC UPDATE

Cementing Growth: Digital Transformation as a Productivity Impulse

Summer 2026

PROSPERITY
Middle East and North Africa
THE WORLD BANK

Morocco Economic Update

Cementing Growth: Digital Transformation as a Productivity Impulse

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LIST OF ACRONYMS

BAM	Bank-Al-Maghrib
CI	Confidence Interval
CIT	Corporate Income Tax
CPI	Consumer Price Index
DAP	Diammonium Phosphate
EMBI	Emerging Market Bond Index
EMDES	Emergent Markets and Developing Countries
EMO	Enquete Sur La Main-D'oeuvre
ENO	Enquête Nationale Sur L'emploi
EP	Economic Policy
ERP	Enterprise Resource Planning
FAT	Firm-Level Adoption of Technology
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEP	Global Economic Prospects
GFC	Global Financial Crisis
GOM	Government of Morocco
HCP	High Commission of Planning
IFC	International Finance Corporation
IMF	International Monetary Fund
IRFS	Impulse Response Functions
KPI	Key Performance Indicators
MEF	Ministry of Economy And Finance
MENA	Middle East and North Africa
MNES	Multinational Enterprises
NDM	New Development Model
NPL	Non-Performing Loans
PIT	Professional Income Tax
POV	Poverty
SMES	Small And Medium-Sized Enterprises
SOE	State-Owned Enterprise
SOES	State-Owned Enterprises
VAR	Vector Autoregression
VAT	Value Added Tax
WB	World Bank

ACKNOWLEDGEMENTS

The Morocco Economic Monitor is a semiannual report from the World Bank economic team on recent economic developments and economic policies. This report presents our current outlook for Morocco. Its coverage ranges from macroeconomy, financial stability and private sector development, to human development. It is intended for a wide audience, including policy makers, business leaders, financial market participants, and the community of analysts and professionals engaged in Morocco.

The Morocco Economic Monitor is a product of the Middle East and North Africa (MENA) unit in the Economic Policy (EP) Global Practice of the World Bank Group. The report was prepared by Lahcen Bounader (Economist), Javier Diaz Cassou (Senior Economist), Amina Iraqi (Consultant), Xavier Cirera (Senior Economist) and Kyungmin Lee (Economist).

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EXECUTIVE SUMMARY

Morocco's economy is experiencing its strongest growth cycle in over a decade, with real GDP growth at 4.9 percent in 2025. The acceleration is broad-based spanning agriculture, tourism, mining, construction, and manufacturing, and is anchored by a powerful investment push linked to major infrastructure projects, including preparations for the 2030 FIFA World Cup. Inflation has remained remarkably subdued at 0.8 percent, underpinned by Bank Al-Maghrib's (BAM) measured and data-driven monetary policy. The fiscal position has continued to consolidate, with the budget deficit narrowing to 3.5 percent of GDP in 2025 driven by higher tax revenues and income from the "sale-and-lease back" of State assets, despite higher-than-budgeted public investment and transfers to SOEs. Central government debt stabilized near 67 percent of GDP. Morocco's external position remained overall adequate—with gross reserves covering approximately five to six months of imports and an overall stable real exchange rate—and S&P recently upgraded Morocco's sovereign rating to investment grade.

Growth is expected to reach 4.2 percent in 2026 amid heightened global uncertainty. This performance is attributed to agricultural recovery of 14 percent and non-agricultural growth of 3.1 percent, driven by FDI and public infrastructure spending. Absent the Middle East shock, growth could have approached 5 percent; the conflict is estimated to cut 0.8 percentage points off the baseline trajectory, primarily through elevated energy import costs and freight pressures. Over the medium term, real GDP growth is projected to stabilize at 4.0 percent in 2027 before recovering to 4.3 percent in 2028, as the transitory drag from elevated energy prices dissipates and non-agricultural activity regains momentum, supported by structural reform dividends. Critically, the composition of demand is expected to rebalance over this horizon, with the investment cycle gradually maturing and giving way to a broader private-sector-led expansion underpinned by declining inflation, improving real household incomes, and strengthening private consumption growth projected to reach 4.8 percent by 2028.

To cement this momentum, the special focus of this edition examines a critical dimension of the productivity challenge: the incomplete digital transformation. Drawing on the 2024 Firm-level Adoption of Technology (FAT) survey of 1,256 firms covering over 300 technologies, the analysis reveals that while Moroccan firms have broadly adopted basic digital tools, fewer than one in five integrate advanced technologies intensively into core business operations. This "incomplete digitalization" carries substantial economic costs: firms that move from mere adoption to intensive use achieve productivity gains of up to 70 percent and employment growth of 10 percent. Closing the digital gap to the level of comparator countries could raise aggregate productivity by 10–15 percent. Such a transformative gain would go a long way toward cementing economic growth.

RÉSUMÉ ANALYTIQUE

L'économie marocaine connaît son cycle de croissance le plus soutenu depuis plus d'une décennie, avec une croissance du PIB réel à 4,9 % en 2025. Cette accélération est généralisée et couvre l'agriculture, le tourisme, les mines, la construction et l'industrie manufacturière ; elle est ancrée par une forte dynamique d'investissement liée à de grands projets d'infrastructure, dont les préparatifs pour la Coupe du Monde de la FIFA 2030. L'inflation est restée remarquablement contenue à 0,8 %, soutenue par une politique monétaire de Bank Al-Maghrib (BAM) mesurée et fondée sur les données. La position budgétaire a continué de se consolider, le déficit budgétaire se réduisant à 3,5 % du PIB en 2025, et la dette de l'administration centrale se stabilisant aux alentours de 67 % du PIB. La position extérieure demeure confortable, les réserves brutes couvrant environ cinq à six mois d'importations, et S&P ayant récemment relevé la note souveraine du Maroc au niveau « *investment grade* ».

La croissance devrait atteindre 4,2 % en 2026, dans un contexte d'incertitude mondiale accrue. Cette performance est attribuée à une reprise agricole de 14 % et à une croissance non agricole de 3,1 %, portées par les Investissements Directs Etrangers (IDE) et les dépenses publiques d'infrastructure. En l'absence du choc au Moyen-Orient, la croissance aurait pu avoisiner 5 % ; le conflit aurait retranché 0,8 point de pourcentage à la trajectoire de référence, principalement en raison de la hausse des coûts d'importation d'énergie et des pressions sur le fret. À moyen terme, la croissance du PIB réel devrait se stabiliser à 4,0 % en 2027 avant de se redresser à 4,3 % en 2028, à mesure que l'effet de frein transitoire lié à la hausse des prix de l'énergie se dissipe et que l'activité non agricole retrouve de l'élan, soutenue par les dividendes des réformes structurelles. De manière décisive, la composition de la demande devrait se rééquilibrer sur cet horizon, le cycle d'investissement arrivant progressivement à maturité pour laisser place à une expansion plus large tirée par le secteur privé, portée par la baisse de l'inflation, l'amélioration des revenus réels des ménages et une croissance de la consommation privée projetée à 4,8 % d'ici 2028.

Dans ce contexte, le thème spécial de cette édition examine une dimension critique du défi de productivité : la transformation numérique incomplète. S'appuyant sur l'enquête 2024 sur l'adoption des technologies par les entreprises (FAT), portant sur 1 256 entreprises et couvrant plus de 300 technologies, l'analyse révèle que si les entreprises marocaines ont largement adopté les outils numériques de base, moins d'une sur cinq intègre de manière intensive des technologies avancées dans ses activités opérationnelles essentielles. Cette « numérisation incomplète » engendre des coûts économiques substantiels : les entreprises qui passent de la simple adoption à une utilisation intensive réalisent des gains de productivité pouvant atteindre 70 % et une croissance de l'emploi de 10 %. Combler le fossé numérique jusqu'au niveau des pays comparateurs pourrait accroître la productivité agrégée de 10 à 15 %. Un tel gain transformateur contribuerait grandement à consolider la dynamique observée.

ملخص تنفيذي

يشهد الاقتصاد المغربي أقوى دورة نمو له منذ أكثر من عقد، إذ يُقدَّر نمو الناتج المحلي الإجمالي الحقيقي بـ 4,9 بالمئة في عام 2025. ويتسم هذا التسارع بطابع شامل يمتد عبر قطاعات الزراعة والسياحة والتعدين والبناء والتصنيع، ويرتكز على دفعة استثمارية قوية مرتبطة بمشاريع البنية التحتية الكبرى، بما فيها الاستعدادات لاستضافة كأس العالم لكرة القدم 2030. وظل التضخم منخفضاً بشكل لافت عند 0,8 بالمئة، مدعوماً بالسياسة النقدية المحكمة والمستندة إلى البيانات التي ينتهجها بنك المغرب. واستمر تحسّن الأوضاع المالية العامة، إذ تقلّص عجز الميزانية إلى 3,5 بالمئة من الناتج المحلي الإجمالي في 2025، مع استقرار دين الحكومة المركزية في حدود 67 بالمئة من الناتج المحلي الإجمالي. كما يظل الوضع الخارجي مريحاً، مع احتياطيات إجمالية تغطي نحو خمسة إلى ستة أشهر من الواردات، فيما رفعت وكالة ستاندرد آند بورز مؤخراً التصنيف السيادي للمغرب إلى مستوى الدرجة الاستثمارية.

ومن المتوقع أن يبلغ النمو 4,2 بالمئة في 2026 في ظل تصاعد حدة عدم اليقين الصعيد على العالمي. ويُعزى هذا الأداء إلى تعافٍ زراعي بنسبة 14 بالمئة ونمو غير زراعي بنسبة 3,1 بالمئة، مدفوعَين بالاستثمار الأجنبي المباشر والإنفاق العام على البنية التحتية. وفي غياب الصدمة الناجمة عن الأوضاع في الشرق الأوسط، كان بإمكان النمو الاقتراب من 5 بالمئة؛ إذ يُقدَّر أن الصراع استقطع 0,8 نقطة مئوية من مسار النمو الأساسي، ويعود ذلك في المقام الأول إلى ارتفاع تكاليف استيراد الطاقة وضغوط الشحن. وعلى المدى المتوسط، يُتوقع أن يستقر نمو الناتج المحلي الإجمالي الحقيقي عند 4,0 بالمئة في 2027 قبل أن يتعافى إلى 4,3 بالمئة في 2028، مع تراجع الأثر المؤقت لارتفاع أسعار الطاقة واستعادة النشاط غير الزراعي لزخمه، مدعوماً بمكتسبات الإصلاحات الهيكلية. والأهم من ذلك أن تركيبة الطلب يُرتقب أن تُعاد موازنتها خلال هذا الأفق الزمني، إذ يبلغ دورة الاستثمار نضجها تدريجياً ليُفسح المجال لتوسع أوسع تقوده القطاع الخاص، مدعوماً بتراجع التضخم وتحسّن الدخل الحقيقي للأسر وتعزّز نمو الاستهلاك الخاص الذي يُتوقع أن يصل إلى 4,8 بالمئة بحلول 2028.

وفي هذا السياق، يتناول المحور الخاص لهذه الطبعة بُعداً جوهرياً من أبعاد تحدي الإنتاجية، ألا وهو التحول الرقمي غير المكتمل. واستناداً إلى مسح اعتماد التكنولوجيا على مستوى الشركات (FAT) لعام 2024، الذي شمل 1256 شركة وغطى أكثر من 300 تقنية، يكشف التحليل أنه وإن كانت الشركات المغربية قد تبنّت على نطاق واسع الأدوات الرقمية الأساسية، فإن أقل من واحدة من كل خمس شركات تدمج التقنيات المتقدمة بشكل مكثف في صميم عملياتها التجارية. ويُرتّب هذا «التحول الرقمي المنقوص» تكاليف اقتصادية جسيمة: إذ تحقق الشركات التي تنتقل من مجرد التبني إلى الاستخدام المكثف مكاسب في الإنتاجية تصل إلى 70 بالمئة ونمواً في التوظيف بنسبة 10 بالمئة. وقد يؤدي سدّ الفجوة الرقمية للوصول إلى مستوى الدول المقارنة إلى رفع الإنتاجية الإجمالية بنسبة 10 إلى 15 بالمئة. وسيُسهم مثل هذا المكسب التحويلي إسهاماً بالغاً في ترسيخ الزخم المُلاحظ.

1

RECENT ECONOMIC DEVELOPMENTS

Morocco's economy has been gaining momentum, with growth accelerating since 2023 and reaching its strongest pace in nearly a decade in 2025. This performance has been driven by strong agricultural rebound and resilient non-agriculture activities and a decisive push in public investment. The labor market is starting to reflect the broader growth momentum, with strong job creation recorded in 2025. A major methodological overhaul of Morocco's labor market statistics by the HCP, however, offers a more sobering picture of underlying structural conditions: participation rates that rank among the lowest in the world, driven overwhelmingly by the marginal integration of women into formal economic activity, and a large pool of discouraged workers who want employment but have given up searching. Yet the global environment has grown more adverse, compounding trade uncertainty with the Middle East conflict.

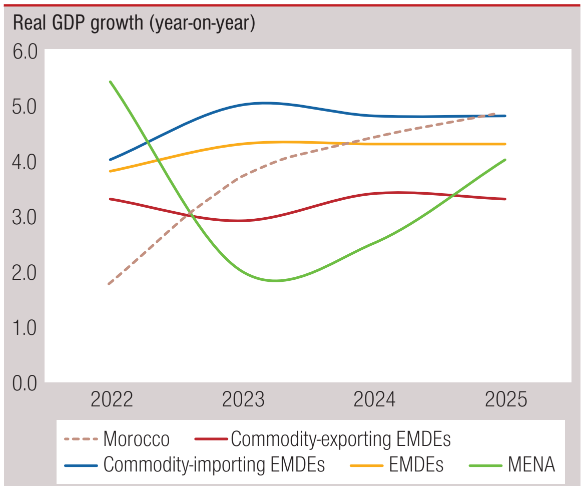
Morocco's Growing Economic Momentum

Macroeconomic performance has strengthened considerably, with real GDP growth reaching 4.9 percent in 2025 on the back of strong domestic demand, driven mainly by public investment. Inflation declined sharply to below 1 percent, the external position remains adequately buffered, and fiscal consolidation is steadily progressing. Nevertheless, risks stemming from contingent liabilities, SOEs, and elevated NPLs warrant careful attention.

Economic growth has accelerated markedly since 2022, now outpacing the MENA region and the average emerging and developing economy. Real GDP growth rose to 3.7 and 4.4 percent in 2023 and 2024, respectively, before reaching 4.9 percent in 2025—the highest rate of expansion in almost a decade. This places Morocco in a stronger position than most regional peers and, notably, than the average emerging market and developing economy, reversing past trends (Figure 1-1). The recent acceleration is primarily driven by the dynamism of non-agricultural GDP, which grew nearly 1 percentage point per year faster than in pre-pandemic years (Figure 1-2).

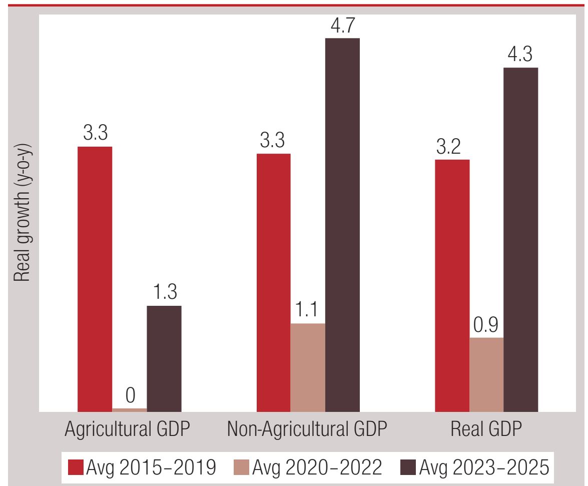
The growth acceleration in 2025 was broad-based on the supply side. Agricultural output recovered on the back of the base effect and slightly favorable precipitation, expanding to 8.2 percent after contracting by 5.7 percent in 2024. On the other hand,

FIGURE 1-1 • Steady growth momentum over 2023-2025, lifted Morocco above the regional average…



Source: GEP, 2026 and World bank Staff calculations.

FIGURE 1-2 • …supported by resilient non-agricultural dynamism and gradual agricultural rebound.

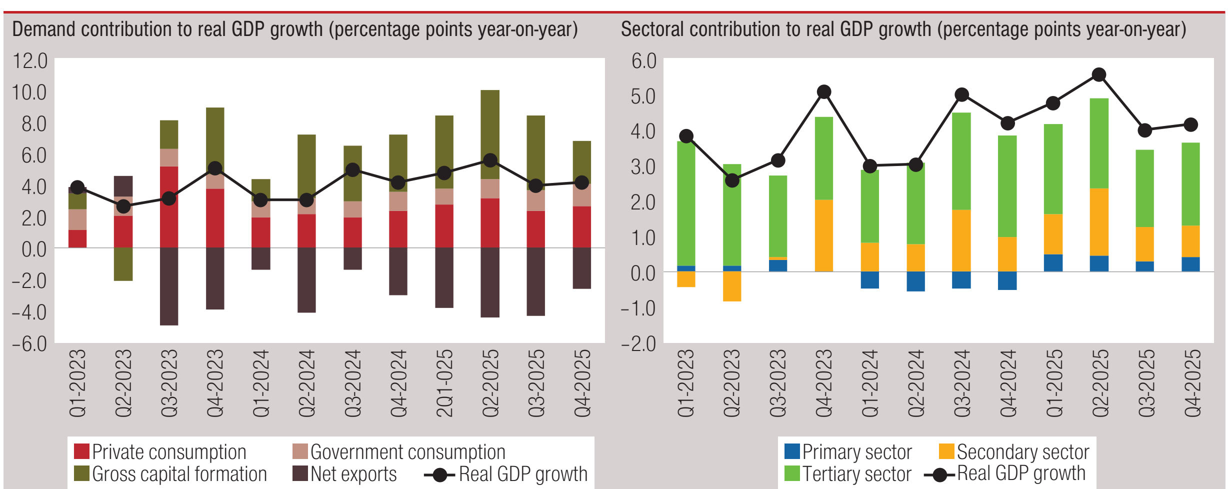


Source: HCP and World bank Staff calculations.

non-agricultural GDP expanded by 4.5 percent; following strong rebound of 5.6 percent in 2024, of which industry grew by 3.3 percent in 2025, while services expanded by and 4.3 percent, down from 5.6 percent in 2024, supported by the tourism boom and expanding financial and business services (Figure 1-3, right panel). On the sectoral level, tourism activities rose by 7 percent, mining expanded by 7.5 percent as phosphate and derivatives exports surged to 21 percent, construction growth reached 6.7 percent, driven by substantial infrastructure investments ahead of the 2030 FIFA World Cup, and manufacturing stagnated at 2 percent growth in 2025, reflecting structural transformation toward higher value-added production.

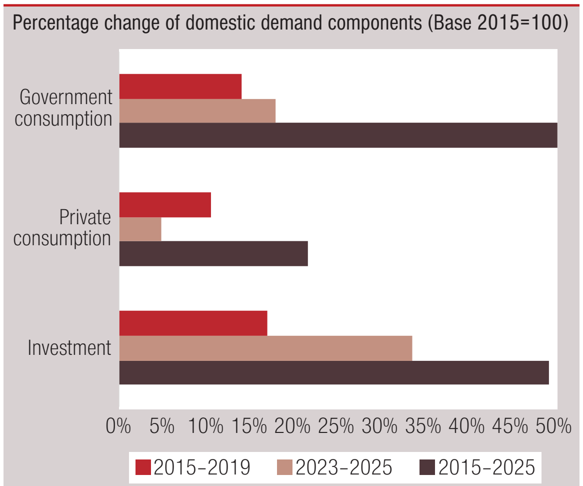
On the demand side, gross capital formation did the heavy lifting. Investment surged 16.3 percent in 2025, up from 14 percent in 2024, with large-scale public infrastructure projects the primary engine alongside a nascent recovery in private capital spending. Government consumption followed

FIGURE 1-3 • Domestic demand and supply-side gains drove growth, offsetting a negative contribution from external demand.



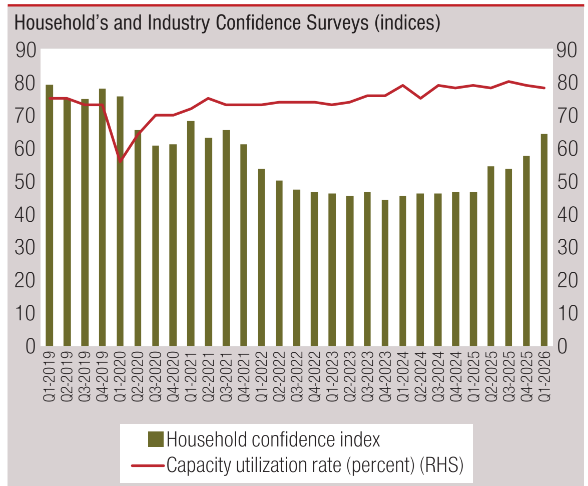
Source: HCP and World bank staff calculations.

FIGURE 1-4 • Investment-led demand expansion, while private consumption firmed up at moderate pace…



Source: HCP and World bank staff calculations.

FIGURE 1-5 • …consistent with gradual recovery of both household confidence and business.



Source: HCP and World bank staff calculations.

suit, expanding by 5.1 percent in 2025 (Figure 1-3, left panel), underpinned by social protection expansion (0.2 percent of GDP budget increase) and public service scale-up (about 0.7 percent of GDP budget increase in wages and use of goods and services). Together, public investment and consumption have grown consistently faster than nominal GDP since the pandemic. Private consumption normalized but remained supportive. After expanding to 4.7 percent in 2023, private consumption growth moderated to 3 percent in 2024 and to 1.2 percent in 2025 (Figure 1-3, left panel), despite the rapid disinflation process, and improving household confidence (Figure 1-5).

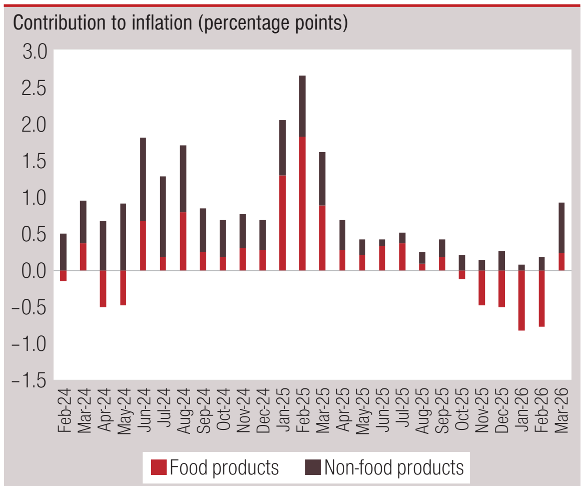
Inflation declined sharply over the past two years and remained well contained, with early signs of a reversal in 2026 amid the Middle East conflict. Headline CPI inflation fell from a peak of 10.1 percent in February 2023 to 0.9 percent in 2024 and 0.8 percent in 2025, with core inflation at 0.6 percent (Figure 1-7). The disinflationary trajectory was driven by the unwinding of global commodity price shocks—particularly the sharp decline in the contribution of food prices, which shifted from a major inflationary driver in early 2023 to near-zero or negative contributions by early 2024 (Figure 1-6)—as well as prudent monetary management and the normalization of agricultural supply conditions.

Bank Al-Maghrib (BAM) pursued a measured monetary easing cycle in response to the rapid disinflation. Beginning in June 2024, BAM implemented three consecutive rate cuts totaling 75 basis points, bringing the policy rate from 3.0 percent to 2.25 percent by March 2025. The easing cycle is currently on pause, with BAM adopting a data-dependent stance in light of global uncertainty and stronger-than-expected domestic activity. Compared with regional peers, Morocco's cumulative rate reduction has been moderate and well-calibrated to its lower inflation environment (Figures 1-8 and 1-9).

The dirham remained broadly stable under Morocco's managed flexible exchange rate regime. The nominal effective exchange rate (NEER) appreciated gradually through 2025, while the real effective exchange rate (REER) held broadly stable (Figure 1-11), reflecting lower inflation relative to trading partners. Exchange rate movements against the US dollar remained within the established policy corridor (Figure 1-10). This stability has been underpinned by BAM's prudent monetary management and comfortable reserve buffers.

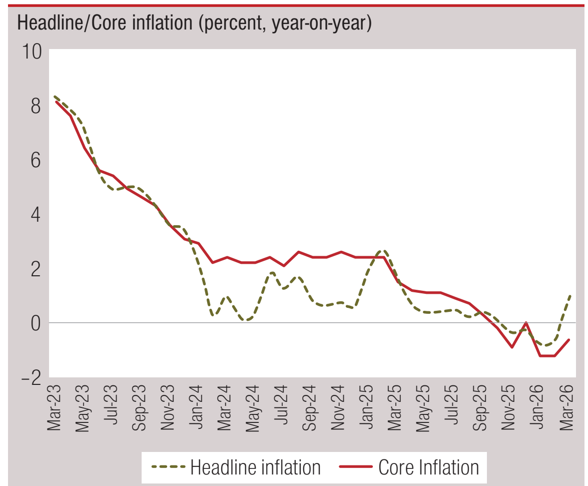
The banking system has demonstrated resilience, with ample capital, liquidity, and profits. BAM has continued to strengthen the regulatory and supervisory framework, advancing the adoption of Basel standards and enhancing bank resolution

FIGURE 1-6 • Both food and non-food prices are picking up….



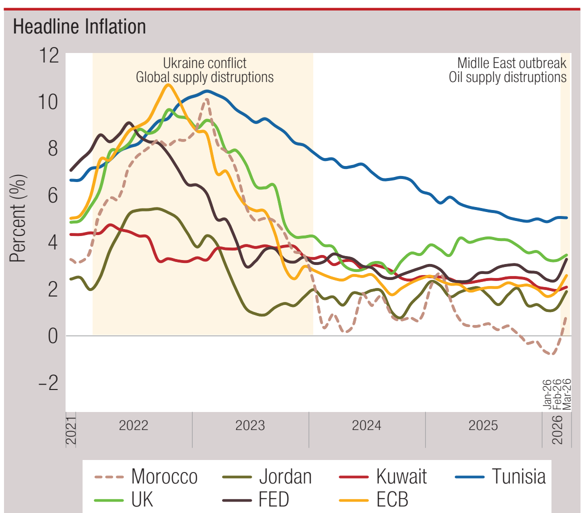
Source: HCP and World bank staff calculations.

FIGURE 1-7 • …pushing inflation higher, although it remains well contained.



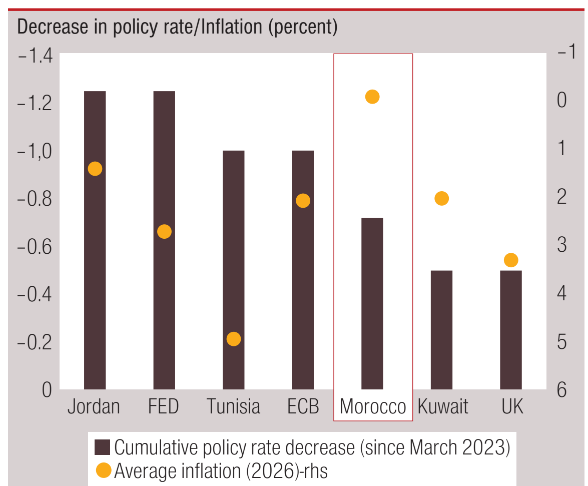
Source: HCP and World bank staff calculations.

FIGURE 1-8 • Morocco continues to record lower inflation than peer countries…



Source: Haver analytics and World Bank staff calculations.

FIGURE 1-9 • … and the policy stance has remained comparatively accommodative.

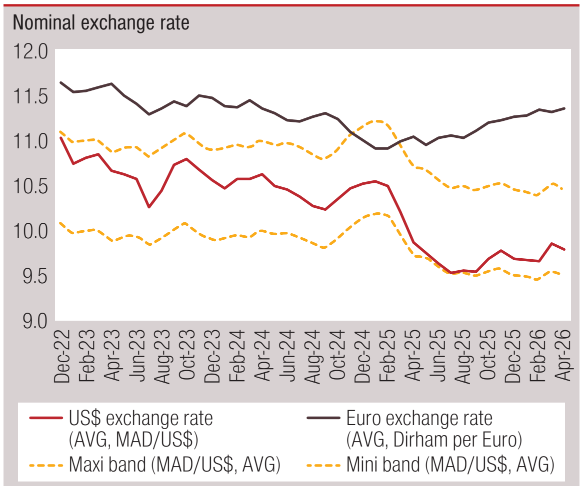


Source: Haver analytics and World Bank staff calculations.

mechanisms. S&P's recent positive banking outlook reflects broader confidence in the soundness of the banking sector. Despite this, some blind spots stand out. First, the rapid expansion of bank financing to public sector entities, channeled through SOEs and special purpose vehicles, risks obscuring true sovereign-linked exposures, complicating large-exposure monitoring, and potentially underestimating systemic concentration risk. Second, non-performing loans remained elevated at 8.9 percent of total credit in 2025. The draft law establishing the secondary NPL market is key in addressing this issue.

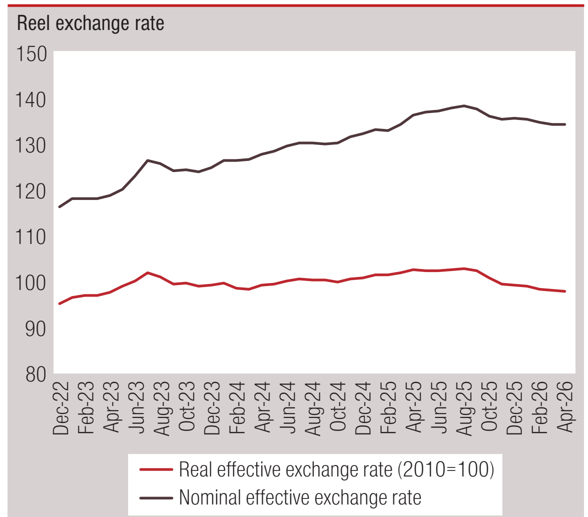
The aggregate fiscal position has improved markedly since the pandemic. The overall budget deficit narrowed from 7.1 percent of GDP in 2020 to 3.5 percent in 2025, and the primary deficit declined from 4.6 percent to 1.8 percent over the same period (Figure 1-13). Revenue performance was strong with total revenues reaching 30.1 percent of GDP in 2025, driven by windfalls from corporate income tax (CIT,

FIGURE 1-10 • The exchange rate remains stable, with the dirham operating under a managed peg.



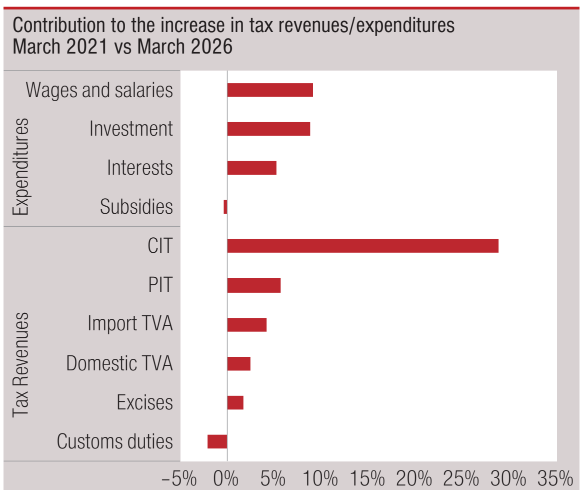
Source: BAM and World bank staff calculations.

FIGURE 1-11 • The NEER appreciated modestly, while the REER held steady.



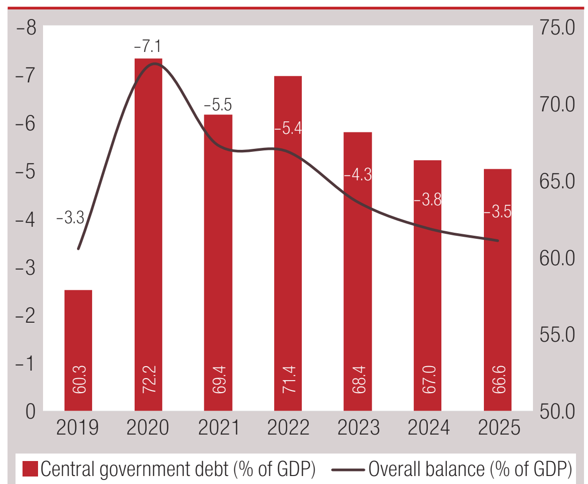
Source: BAM and World bank staff calculations.

FIGURE 1-12 • The tax reform is paying off, with revenue collection strengthening across most components...



Source: MEF and World bank staff calculations.

FIGURE 1-13 • ...narrowing the overall deficit and stabilizing central government debt.



Source: MEF and World bank staff calculations.

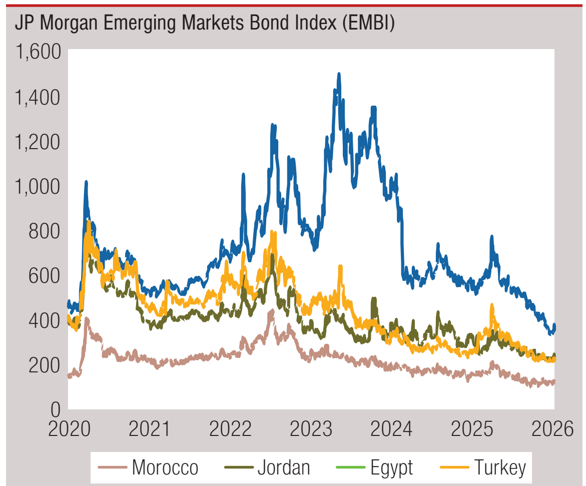
which has increased by approximately 130 percent since 2019), VAT, customs duties (+75 percent since 2019), and transfers from state-owned enterprises (Figure 1-12). Most of these gains are attributed to the steady pace of reforms implemented by the tax administration, including digitalization and tax withholding measures. In addition, the government continued to use "sale-and-leaseback" operations for state-owned real estate, which amounts to 2 percent of GDP in 2025. Spending exceeded budgeted amounts due to accelerated public investment (1.6 percent of GDP) and higher transfers to SOEs (0.6 percent of GDP), including railways, airlines, the utility company, and for farmer support.

Central government debt stabilized at 67 percent of GDP, down from a peak of above 70 percent in 2020. The debt dynamics are mainly driven by sustained growth and the entrenched fiscal consolidation, which amounted to about 0.7 percent of GDP between 2024 and 2025. Public debt continues to be skewed toward domestic sources, with domestic debt at 75.1 percent and external debt at 24.9 percent of the total stock. Key features of the debt profile include an extended maturity profile, with the average maturity of government debt standing at 8 years and 2 months, achieved through active exchange and buy-back operations; and favorable market access, where Eurobond issuances achieved competitive spreads amounting to 155 basis points for 4-year bonds and 215 basis points for 10-year bonds, reflecting strong investor confidence, reinforced by the S&P upgrade to investment grade (Figure 1-14).

Despite this progress, several fiscal risks warrant close monitoring. The persistent reliance on sale-and-leaseback operations and one-off SOE transfers could overstate the underlying fiscal position. The expanding portfolio of public-private partnerships and the financial performance of SOEs represent potential sources of contingent fiscal risk. Moreover, persistently high youth unemployment and the expansion of social protection programs could generate additional spending pressures that would put the consolidation path at risk.

Current account dynamics reflect the strength of domestic demand. On the export side, goods and services grew by a steady 8.0 percent in 2024 and 6.2 in 2025, with phosphate and aeronautics performing strongly. This was partly offset, however, by contractions in automotive, textile, and agricultural exports—reflecting softer demand in European markets and increased competition from Chinese Electric Vehicles (EVs). Import growth significantly outpaced exports, rising by 11.6 percent in 2024 and 13 percent in 2025, driven by the surge in capital goods and intermediate inputs associated with the scale of public investment. As a result, the trade deficit widened, and the current account deficit expanded from 1.2 percent of GDP in 2024 to 2.4 percent in 2025 (Figure 1-15). Record tourism receipts (7.1 percent of GDP in 2024 and 8.1 percent of GDP in 2025) provided a partial cushion, limiting the overall deterioration. On the financing side, FDI inflows strengthened considerably, increasing by 29 percent in 2025, with manufacturing accounting for the bulk of the total. Net FDI as a share of GDP recovered to approximately 1.8 percent in 2025, up from 0.7 percent in 2023, reflecting

FIGURE 1-14 • Sovereign spreads are comparatively low.

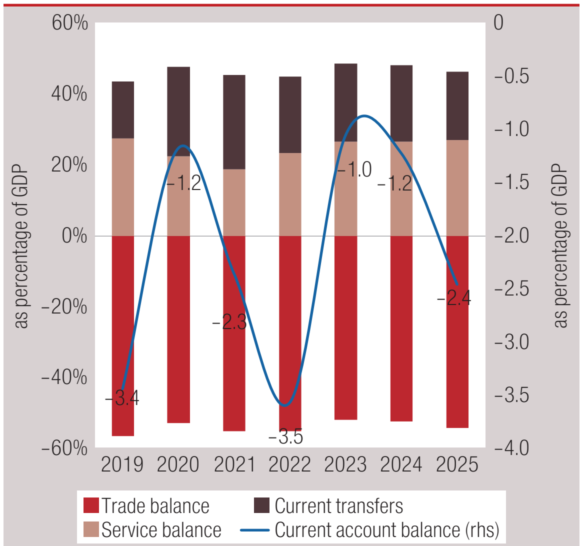


Source: JP Morgan and World bank staff calculations.

Morocco's growing attractiveness as a nearshoring destination for international firms. Morocco's terms of trade have exhibited significant volatility in recent years, primarily driven by fluctuations in global energy and food prices. After rebounding from 1.5 in 2019 to 3.10 in 2020—largely due to decreased import costs amid the COVID-19 pandemic—the terms of trade declined in 2021 (−1.18) and experienced a steep drop in 2022 (−8.26), as international energy and commodity prices surged. As these pressures eased, Morocco's terms of trade improved to 6.7 in 2023 and showed relative stabilization at 3.4 in 2024 and 4 in 2025. Overall, Morocco's terms of trade are largely shaped by energy and food import dynamics, while export price gains in phosphates provide only partial offsets.

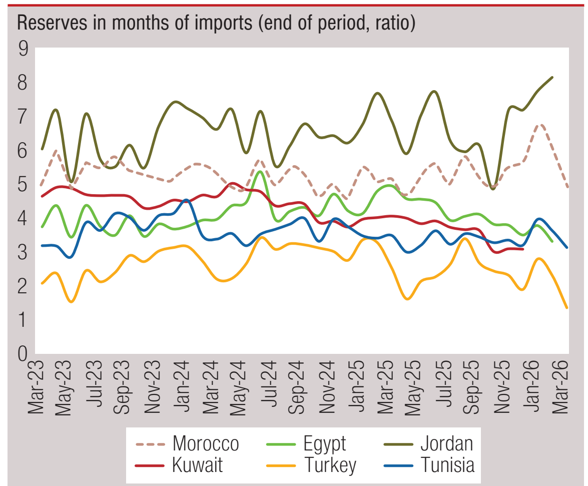
Morocco has adequate external buffer to absorb balance of payments pressures stemming from rising commodity prices. International reserves stood at an estimated USD 47 billion at end-2025, covering approximately 5.4 months of imports or around 134 percent of the IMF's adjusted ARA metric, below the 2020 peak of 7.5 months, but remaining at adequate levels despite the surge in import demand. At end-March 2026, reserves increased further to USD 49 billion (+23 percent year-on-year), continuing to provide a comfortable cushion equivalent to 5.6 months of import cover, broadly in line with the level recorded a year earlier (Figure 1-16). This

FIGURE 1-15 • Current account deficit widened…



Source: Exchange office and World bank staff calculations.

FIGURE 1-16 • …though reserves continue to provide an adequate external buffer.



Source: BKAM, Haver analytics and World bank staff calculations.

reserve position broadly supports Morocco's capacity to weather external shocks, although sustained pressure from elevated energy prices and widening trade imbalances could pose challenges.

More Jobs, but Lingering Fragilities: Morocco's Labor Market Under a New Lens

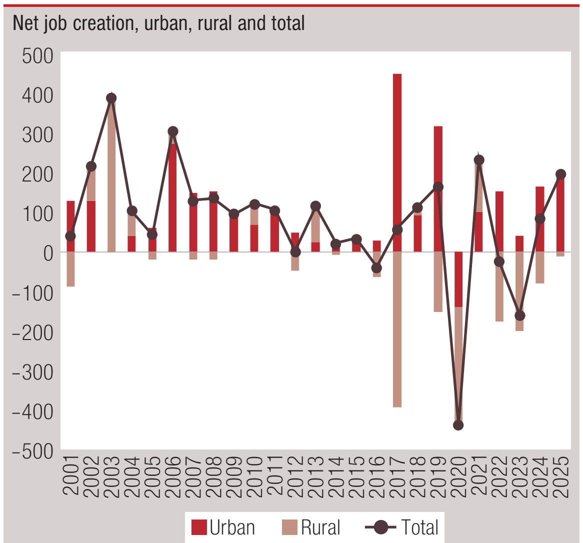
Net job creation more than doubled in 2025 relative to the prior year, broadly restoring the pre-pandemic employment base. However, a new survey methodology reveals a sobering picture of structural slack, with composite underutilization at 22.5 percent and female participation among the lowest globally. Addressing these challenges will require coordinated supply- and demand-side reforms, anchored in stronger productivity growth.

Buoyed by the ongoing growth acceleration, the Moroccan economy created jobs at a strong pace in 2025. Overall, net job creation reached close to 193,000 in 2025, more than twice the figure recorded in 2024. This helps compensate for the job losses sustained during the successive shocks of recent years. With this performance, 2025 posted the fourth highest number of net new jobs registered since 2001, suggesting that the ongoing economic acceleration and structural reforms started to yield some results (Figure 1-17).

After years of successive shocks, Morocco has largely recovered its pre-pandemic employment base, though the composition of that workforce looks markedly different—more urban, and with a greater share of wage workers. Active employed population reached 10.9 million at the end of 2025, compared to 11 million in 2019. Yet this aggregate figure obscures important structural shifts. Most notably, the long-running rural-to-urban transition has continued to reshape the employed population: the share working in agriculture fell by 5.4 percentage points between 2019 and 2025, from 42.8 to 37.5 percent, with a corresponding rise in the urban employed share from 57.2 to 62.5 percent—a continuation of a trend clearly discernible since the mid-2010s (Figure 1-18). The data also point to an improvement in the share of wage workers among the active employed population, which rose from 59.1 percent before the pandemic to 67.3 percent in 2025. This shift suggests that the labor market is gradually moving toward more structured forms of employment.

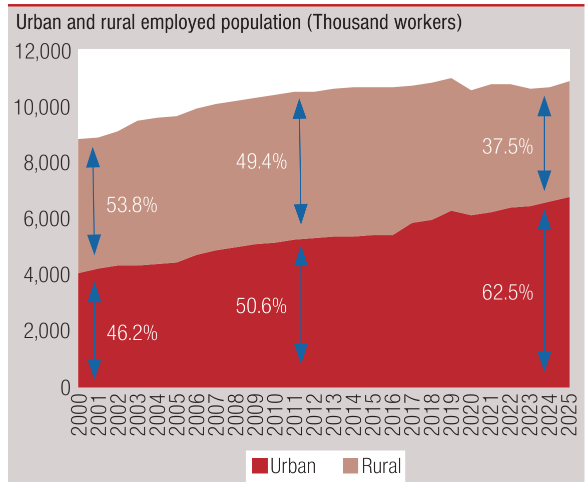
The High Commission for Planning (HCP) overhauled its labor market statistics in Q1 2026,

FIGURE 1-17 • Job creation has been robust in 2025…



Source: HCP and World bank staff calculations.

FIGURE 1-18 • … allowing total employment to return to pre-pandemic levels, albeit with a changed composition.



Source: HCP and World bank staff calculations.

bringing the survey methodology in line with international good practice and providing a more granular picture of labor market conditions. The new survey aligns with the latest International Labor Organization international standards, which redefine who counts as employed, unemployed, or outside the labor force altogether, distinctions that matter for policy design. As detailed in Box 1.1, the most important shift is the move away from a single unemployment rate toward a dashboard of indicators that together capture the full spectrum of labor market slack, from open unemployment to discouraged workers to those working fewer hours than they would like. The new survey also expands its coverage to better reflect today's labor market realities, including workers in the gig economy who are formally independent but economically dependent on a single employer or platform, a growing segment previously invisible in the data. An expanded sample size and improved data collection methods also allow for more reliable analysis at the regional and provincial level.

The new labor market statistics help gauge a defining structural challenge of Morocco's labor market: low participation rates, and particularly the limited integration of women into formal economic activity. The transition from ENE to EMO makes direct comparisons with prior periods unreliable, as the new figures reflect methodological reclassifications rather than genuine shifts in labor market behavior. The observed declines in the overall participation rate—from 43.5 to 41.8 percent—and in female participation—from 19.0 to 17.5 percent—do not signal a real retreat from the labor market, but rather the reclassification of discouraged workers and unpaid agricultural workers out of the labor force. If anything, this implies that participation was previously overstated. The new figures paint a more accurate but starker picture: at 41.8 percent, the overall participation rate sits roughly 20 percentage points below the global average of around 61 percent, and at the lower end even within the MENA region, which itself records some of the lowest rates globally. The gender dimension is the central driver of this deficit: at 17.5 percent, female participation is among the lowest in the world, with Morocco ranking 186th out of 195 countries on this indicator according to World Bank data, against a global average of around 51 percent.

The new survey also provides more visibility on a phenomenon that previous statistics could only partially capture: the weight of discouraged workers. In Q1-2026, the potential labor force—individuals who want to work but have stopped actively searching—stands at 884,000 people, the majority of them urban. The gap between the strict unemploy-

BOX 1-1: HCP NEW LABOR MARKET DATA: UPDATED SURVEY METHODOLOGY (FROM ENE TO EMO)

HCP introduced a new methodology for labor market statistics in Q1-2026, transitioning from the former *Enquête Nationale sur l'Emploi* **(ENE) to redesigned** *Enquête sur la Main-d'Oeuvre* **(EMO).** This box explains the main methodological changes and interprets the headline numbers being released.

Key methodological changes include

- **Strict unemployment concept: The key methodological shift is the adoption of a stricter unemployment definition.** Under the old ENE, discouraged workers who had stopped actively searching for a job could still be counted as unemployed. Under EMO, a person is classified as unemployed only if three conditions hold simultaneously: they have no paid work during the reference week, have actively searched for work in the past four weeks, and are available to start within two weeks. Those who want work but fall short of any of these criteria are now placed in a new intermediate category: the potential labor force (*main-d'œuvre potentielle*).
- **Narrower definition of employment: Only work performed in exchange for pay or profit now qualifies as employment.** Subsistence producers and unpaid workers are excluded from the employed population and reclassified into separate categories, which slightly compresses headline employment and participation figures.
- **A dashboard of underutilization indicators (SU1–SU4): Rather than relying on a single unemployment rate, EMO introduces four composite indicators that together provide a structural reading of labor market slack:**

Indicator	Definition	Rate (Q1 2026 in %)
SU1	Strict unemployment rate	10.8
SU2	SU1 + time-related underemployment	16.6
SU3	SU1 + potential labor force (discouraged + marginally attached)	17.1
SU4	SU1 + underemployment + potential labor force (full composite)	22.5

- **Improved sample design: The sample was expanded from 90,000 to 135,000 households per year (+50 percent), with a shift from three-stage to two-stage stratified sampling to reduce sampling variance.** A 2-2-2 rotation scheme was also introduced, enabling tracking of quarterly employment flows and, once sufficient data accumulate.

Comparison table: The 2025 ENE figures vs the Q1 2026 EMO release

Indicator	ENE (Old, 2025)	EMO (New, Q1 2026)
Unemployment rate (in %)	13.0	10.8 (SU1)
Labor force participation (in %)	43.5	41.8
Female participation (in %)	19.0	17.5
Underemployment (in%)	Not separately measured	5.8 (SU2-1 gap)
Incl. potential labor force (in %)	Counted as unemployed	SU3: 17.1
Composite underutilization (in %)	Not produced	SU4: 22.5
Sample size	~90,000 households	~135,000 households (+50%)

ment rate (10.8 percent) and the broader measure that includes this group (SU3, 17.1 percent) illustrates the true scale of labor market slack. For women and youth, the pressure is even more acute, with SU3 reaching 27.9 and 40.4 percent, respectively. A critical question is therefore why so many workers have become discouraged. As discussed in the recently published Morocco Growth and Jobs Report (World Bank, 2026), part of the answer lies in the difficult transition that youth and women face when entering the labor market. For the least educated, a key challenge is an insufficient level of basic competencies to perform in the mid-skilled occupations that are increasingly in demand. For the growing share of better-educated workers, the problem may be the reverse: a shortage of jobs offering wages commensurate with their qualifications, in the context of low and stagnant entry-level wages and pervasive informality. For women, these challenges are compounded by employer behavioral biases and structural constraints, including the lack of affordable quality childcare, safe and accessible public transportation, and family-friendly working conditions.

Addressing these challenges will require well-synchronized actions on both sides of the labor market. Supply-side measures to bring women and youth into employment through improved active labor market programs are necessary, but they risk falling short without equally decisive demand-side reforms to improve market efficiency and firm performance. Raising productivity will be critical to boost salaries and make work attractive enough to draw discouraged workers back into active job-seeking. Chapter 3 examines one important dimension of this productivity-enhancing agenda: technology adoption as a driver of firm-level productivity growth.

The Middle East Conflict Impacts on Morocco

Early indicators point to continued resilience in early 2026, with an exceptional agricultural season offsetting the nascent softness in industrial activity. Energy price pass-through has begun to reverse the disinflation trend, though underlying pressures remain contained. Structural analysis shows that Morocco's vulnerability to oil shocks has declined significantly since the 2014 landmark subsidy reform, reflecting improved resilience.

Early Signs of the Impact

High-frequency indicators suggest that the economy remained resilient in Q1 2026, underpinned by an exceptional agricultural season. Household confidence rose to 64.4 points, up 18 points from Q1 2025, consistent with firmer trajectory in private consumption growth supported by improving rural incomes and contained inflation. However, some indicators point to deceleration in industrial and construction-related activity, with cement sales declining by 11 percent (y-o-y) and capacity utilization falling by 1.2 percent between December and March, and tourist arrivals dipping modestly by 1.7 percent (y-o-y) at end-February before a strong come back in March with a 7 percent (y-o-y) growth. This industrial deceleration is being offset by an exceptional agricultural season as abundant and well-distributed rainfall—87 percent above seasonal norms—triggered a sharp rebound in agricultural output, with cereal production projected to more than double compared to the previous season. Morocco's exposure to Middle East geopolitical tensions has remained limited, channeled primarily through energy import costs and freight pressures (empirically illustrated below).

However, inflation dynamics in March 2026 underscore the economy's exposure to imported energy shocks, with the consumer price index rising 1.2 percent month-on-month. This is driven by a 1.9 percent increase in food prices and a 0.6 percent rise in non-food prices.[1] Notably, fuel prices surged 10.7 percent over the same period, reflecting the pass-through of elevated global energy costs. On an annual basis, headline inflation rose to 0.9 percent (y-o-y) in March (Figure 1-8), reversing the declining trend observed since early 2024, amid renewed price pressures linked to global supply disruptions following tensions in the Middle East. Core inflation edged up by 0.1 percent month-on-month and declined 0.6 percent year-on-year, suggesting that underlying demand pressures remain contained even as energy-driven cost shocks weigh on the price level.

The trade deficit widened sharply by 23.9 percent in Q1 2026, as import growth (+11.1 percent) substantially outpaced exports (+3.3 percent). The import surge was broad-based, driven by strong domestic demand across raw materials (+42.2 percent), equipment goods (+24.7 percent), and consumption products (+14.6 percent), further compounded by energy-related pressures linked to Middle East tensions. Export performance remained

[1] Empirical evidence (Morocco Economic Monitor, Winter 2022/34) shows that food inflation tends to have a disproportionate effect on households, with the highest incidence on the poor. Therefore, it is desirable to cushion against this impact by moving from blanket to targeted subsidies as well as prioritizing policies strengthening food security and prices affordability.

uneven, with gains in automotive (+12.1 percent) and aeronautics (+12.6 percent) offset by declines in phosphates (−7.4 percent) and textiles (−14.0 percent). Travel receipts (+23.5 percent) and remittances (+11.7 percent) helped cushion the impact on the current account, while a modest decline in net FDI (−8.3 percent), a development worth monitoring amid heightened global uncertainty.

Energy imports intensified markedly in Q1-2026, particularly towards the end of the quarter. While the overall energy bill rose by 1.1 percent—driven primarily by price effects—the sharpest pressures emerged in March, with a 48 percent surge between February and March alone. Gasoils and fuel-oils, which account for over half of total energy imports, were the main drivers, posting a 14.7 percent increase over the quarter and an 81 percent spike in March-February. Gas imports followed a similarly strained trajectory, declining by around 15 percent year-on-year amid fragmented sourcing conditions and a four-day supply disruption in March, with the steepest contraction recorded at end-quarter (−31 percent year-on-year).

The government is implementing a range of support measures to cushion the impact on households and the economy. The fiscal position improved at end-March 2026, with the overall budget balance recording a surplus driven by strong tax revenue performance, particularly from the corporate income tax (+26 percent). Buoyant revenues (+8 percent y-o-y) more than offset expenditure growth (+4 percent y-o-y), despite continued pressures from higher wages and salaries, investment spending, and debt service. This performance has continued through the start of Q2-2026, with tax revenues growing by 8.9 percent through end-April. This has allowed the government to allocate an additional MAD20 billion, covering the subsidies (MAD 8 billion), exceptional expenses and recapitalization of public enterprises (MAD 10 billion), and flood-related expenditures (MAD 2 billion), following up on the government announcement by mid-March to introduce targeted support measures to mitigate rising energy prices.[2] In addition, Morocco maintains a robust access to external financing with the availability of IMF's Flexible Credit Line, and the recent successful issuance of a 2.25 billion euro bond on international financial markets at very competitive spreads.

A Look Back at the History of Oil Shocks

As a net oil importer, Morocco is exposed to swings of global oil prices, affecting its entire macroeconomic fabric. From the 1970s shocks to the most recent commodity spikes during the 2008 GFC or the COVID-related price surge, each shock has affected inflation dynamics, fiscal balance, external position, and more importantly growth performance. Depicting these historical trends is essential to understand the current shock and its macro implications and to devise appropriate policy responses in such uncertain times.

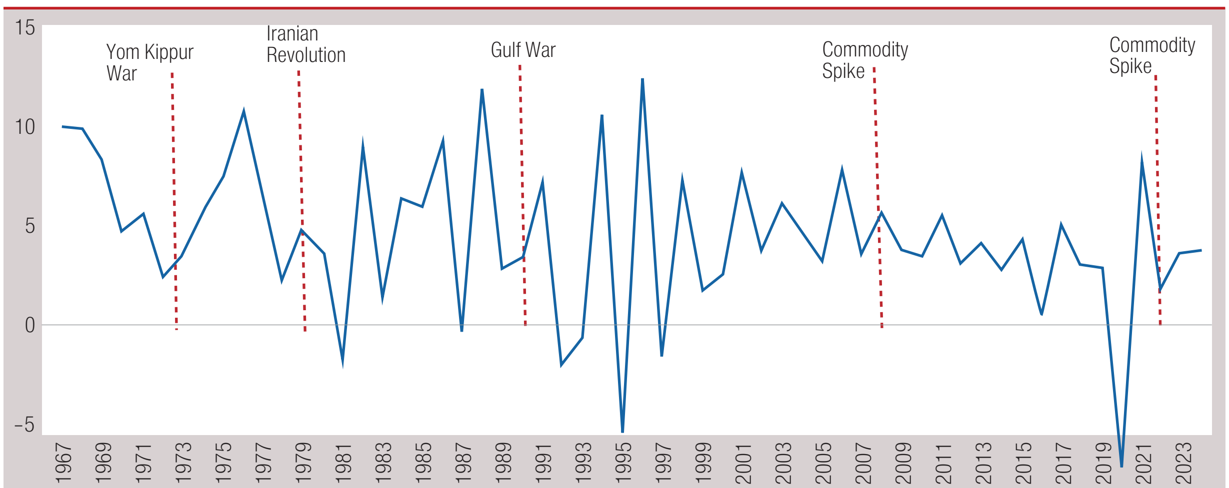
Historical episodes of inflation suggest a robust and recurring empirical relationship between global oil disruptions and domestic inflation. Figure 1-19 illustrates oil shock episodes and inflation, with the 1973 Yom Kippur war shock, quadrupling global oil prices, leading to a surge in headline inflation to 18 percent in 1974. This has resulted from a combination of direct energy cost pass-through, import price escalation across food and intermediate goods, and most likely a second-round wage-price spiral dynamics. However, the magnitude of this transmission evolved considerably over time, reflecting a changing policy environment. For instance, the Caisse de Compensation subsidy framework, while fiscally costly, shielded domestic prices from international commodity markets during the 1990s and 2000s, thereby attenuating inflationary pass-through. This is clearly illustrated by the subdued domestic price response to the 2007–2008 global commodity super-cycle relative to historical precedents. The post-2014 subsidy reform has partially restored this transmission channel, making inflation more sensitive to external energy price volatility, as illustrated by the 2021–2023 inflationary episode wherein the

[2] The early announcement was related to an amount up MAD 1.65 billion per month to maintain gas cylinder prices unchanged (MAD 600 million), stabilize electricity tariffs (MAD 400 million), and support road transport operators (MAD 648 million).

FIGURE 1-19 • Inflation

Source: World Bank.

FIGURE 1-20 • Real GDP

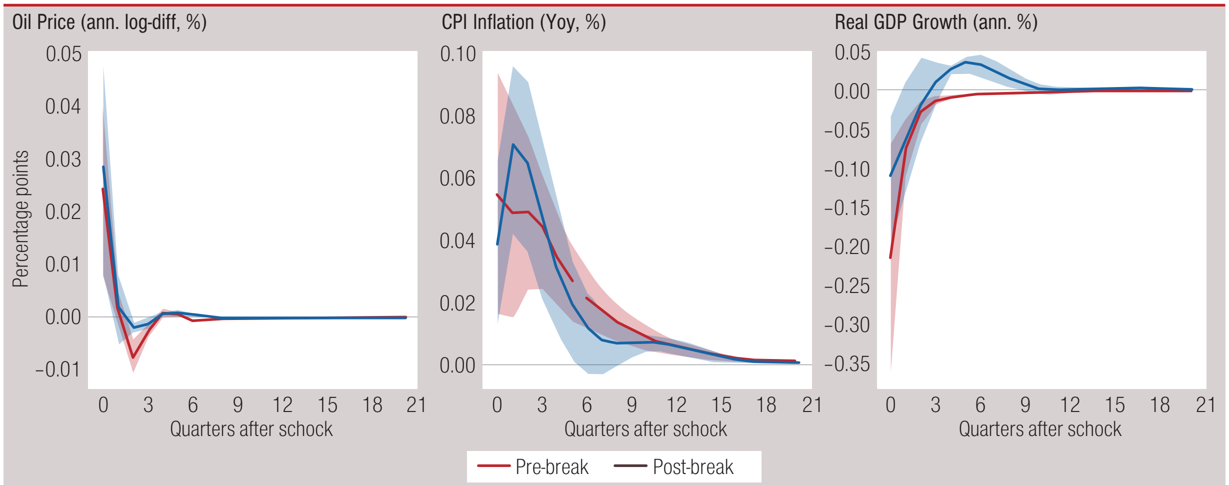


Source: World Bank.

confluence of post-pandemic supply disruptions and the geopolitical shock of the Russia-Ukraine conflict drove inflation back toward 6–7 percent. This indicates the structural dependence on the global oil market cycle and the evolving degree of transmission to the Moroccan economy.

Compared to the direct inflationary pass-through, the growth impact of oil shocks operates through several compounding mechanisms. The channels at work could include terms-of-trade deterioration, fiscal revenue compression, household real income erosion, and upstream cost pressures on energy-intensive productive sectors. In Figure 1-20, shock episodes of 1973, 1979, and 1990–1991 each contributed to growth deceleration, sometimes a recession, though the magnitude was frequently amplified or attenuated by concurrent domestic factors, most notably agricultural output variability driven by rainfall cycles. In addition, the predominance of gas-oils and fuel-oils as intermediate production inputs, accounting for 50 percent of the energy import bill, generating a significant compounding factor through external demand leakage. For instance, when global prices are soaring, elevated production costs across energy-intensive intermediate goods sectors (including chemicals, agri-food processing, and manufac-

FIGURE 1-21 • Impulse response functions to a 10% oil price shock



Source: FRED and World Bank. Staff calculation.

turing) erodes the competitiveness of exports and thereby affects growth outcomes.

Looking back at these historical episodes, it is difficult to assess the extent to which the current oil shock will affect the economy. Therefore, the next subsection outlines an analytical exercise depicting the changing nature of the effect of higher oil prices on Morocco.

The Evolving Impact of Oil Shocks on the Macroeconomic Landscape

To assess the macroeconomic impact of global oil price shocks on Morocco, this analysis relies on the empirical framework developed by Blanchard and Galí (2007), using a structural Vector Autoregression (VAR) model to isolate the component of macroeconomic fluctuations that is directly attributable to oil price disturbances, as opposed to domestic demand or monetary factors.[3]

The model is estimated on Moroccan quarterly data over two sub-samples starting from 1980 to 2025, separated by a structural break point during 2014, which corresponds to the government's landmark reform eliminating fuel subsidies. This policy shift has altered the pass-through mechanism from international oil prices to domestic fuel and energy prices. Prior to 2014, the subsidy system acted as a buffer, partially shielding households and firms from global price swings, albeit at significant fiscal cost. After the reform, domestic prices became more directly linked to world markets, but the accompanying macroeconomic stabilization and structural transformation of the economy changed how the economy absorbs these shocks.

The VAR model's impulse response functions provide a richer picture of how the transmission of oil shocks has evolved across the two sub-periods. On the inflation front, the pre-2014 estimates point to a sizeable and highly persistent response. A 10 percent oil price shock raised inflation by approximately 0.05 percentage points on impact, with the effect remaining statistically significant for up to 18–20 quarters. The protracted nature of this inflationary dynamic is consistent with a setting in which subsidies suppressed price signals. In the post-2014 period, the peak inflationary response is somewhat larger on impact (around 0.08 percentage points), reflecting the more direct pass-through of international prices to domestic fuel costs following the reform. Importantly, however, the shock dissipates considerably faster, returning to baseline within approximately 12 quarters. This pattern suggests that, paradoxically, greater price flexibility has been accompanied by better-anchored inflation expectations, likely reflecting strengthened monetary policy credibility in the reform period.

3 Detailed estimation results are provided in the Appendix.

The shift in the GDP growth response is more pronounced and carries significant macroeconomic implications. Prior to 2014, a 10 percent oil shock generated a sharp and immediate contraction in real GDP growth of more than 0.20 percentage points, with a gradual and protracted recovery extending over 6 to 9 quarters. This pattern reflects the vulnerability of an economy in which energy costs were partially offset through the budget. Such mechanism is insulating activity in the short run but generating fiscal pressures that clearly weighed on growth. In the post-2014 period, the contractionary impact is roughly halved, falling to approximately 0.11 percentage points. More strikingly, growth exhibits a discernible recovery overshoot, where GDP growth turns positive within four quarters and peaks briefly above baseline before converging. This rebound dynamic, absent from the pre-reform period, points to a more efficient adjustment mechanism, one in which price signals facilitate reallocation, and the fiscal savings from subsidy reform may have supported countercyclical capacity over the medium term.

These findings point to a meaningful structural improvement in Morocco's capacity to absorb external oil price disturbances since 2014. The reduction in oil-shock-driven macroeconomic volatility—particularly the more than halving of GDP growth variability—is consistent with the broader evidence of declining oil dependency. In addition, the 2014 subsidy reform likely constitutes an additional and quantitatively important channel: by eliminating a fiscal stabilizer that was both costly and distortionary, the reform enabled a more efficient domestic price adjustment while freeing budgetary resources that could support more targeted and countercyclical policy responses.

2

OUTLOOK AND RISKS

The Moroccan economy is expected to grow by 4.2 percent in 2026, or 0.8 percentage points slower than expected prior to the war in the Middle East. This forecast is predicated on a sustained war, with lingering disruptions to commodities supply chains.

Outlook

The outlook remains highly sensitive to the duration and intensity of the war in the Middle East, with the baseline scenario assuming that the disruptions will ease gradually in the second half of 2026. Against this backdrop, average commodity prices are projected to rise by approximately 22 percent in 2026, driven by the surge in energy prices. The central forecast of brent crude oil is around USD 94 per barrel in 2026, up 57 percent from USD 60 per barrel forecast earlier this year. Spillovers into agricultural input markets compound the commodity price outlook with average fertilizer prices projected to climb by 38 percent over the course of 2026, in addition to supply disruptions of urea and Diammonium phosphate (DAP) fertilizer exports from Gulf countries.

Despite these developments, growth is projected to sustain momentum in 2026. Real GDP growth is expected to hold at 4.2 percent in 2026, supported by a strong agricultural rebound of close to 14 percent following favorable precipitation in 2025, before normalizing to 4.0 percent over the medium term. Non-agricultural growth, however, is projected to decelerate to 3.1 percent in 2026, reflecting the dampening effects of the war in the Middle East on industrial activities and services,[4] before recovering in 2027 as external conditions normalize and structural reform dividends materialize. On the demand side, the investment cycle remains the principal near-term driver, where gross fixed capital formation is projected to expand by 11.2 percent in 2026. In the medium term, the composition of demand is expected to gradually

[4] OCP announced it will bring forward to Q2 2026 planned maintenances in some of its plants that could cut production capacity by up to 30 percent. It is worth noting that the expected lower production is due to the tight global supply of sulfur and ammonia which are key inputs for its phosphate fertilizers. The Middle East accounted for 52 percent of Morocco›s imports of sulfur last year. In addition, as mentioned in Chapter 1, textile and construction high frequency indicators are pointing to some vulnerabilities. Moreover, slower growth in Europe compounded by the effect of the Middle East war and soaring jet fuels would affect tourism and services.

rebalance toward private consumption, underpinned by declining inflation.

Inflation is projected to rise more sharply than previously envisaged, reflecting commodity price pressures. Headline inflation is forecast to increase to 2.4 percent in 2026, a significant acceleration from 0.8 percent in 2025, driven primarily by higher global fertilizer and energy prices associated with the war in the Middle East. The transitory nature of this impulse is expected to allow inflation to recede to 1.9 percent in 2027 and 1.7 percent in 2028, broadly consistent with the price stability objective of BAM. Risks to the inflation path are skewed to the upside in the near term, contingent on the trajectory of global commodity markets and the course of monetary policy actions.

Fiscal consolidation is expected to pause modestly before resuming. The budget deficit is projected to widen slightly to 3.8 percent of GDP in 2026, from 3.5 percent in 2025, owing to elevated social safety nets spending associated with the spillover from the war, as well as higher civil servant wages.[5] Consolidation is thereafter expected to resume, with the deficit declining to 3.5 percent in 2027 and 3.4 percent in 2028, anchored by continued revenue performance, with total revenues projected to rise from 27.5 percent of GDP in 2025 to 28.6 percent by 2028. Total expenditure is projected to stabilize around 32 percent of GDP over 2027–28. The primary deficit is expected to narrow to 1.3 percent of GDP by 2027 and remain there, though public debt is projected to tick up marginally to 67.8 percent of GDP in 2026 before declining gradually to 67.2 percent by 2028. The credibility of the consolidation path hinges on sustaining revenue performance without excessive dependence on non-recurring sources, such as sale-and-lease back operations, improving the quality of public investment, managing the fiscal implications of expanding social protection commitments, and closely monitoring contingent liabilities from PPPs and SOEs.

The external position is expected to deteriorate in the near term before correcting. The current account deficit is projected to widen sharply to 3.3 percent of GDP in 2026, from 2.4 percent in 2025, driven by the higher import bill from capital goods and energy, and only partially offset by tourism and remittance receipts. While higher fertilizer prices could provide some support to phosphate export revenues, capacity constraints are expected to limit the overall effect taking into consideration OCP's announcements in scaling back production during the second quarter of 2026. The deficit is projected to narrow to 2.3 percent of GDP in 2027 and 1.9 percent in 2028 as the investment cycle matures and the import intensity of growth moderates. International reserves are expected to remain adequate at around five months of import cover throughout the projection horizon, providing a meaningful buffer against external volatility.

Risks

Risks to the outlook are tilted to the downside. The war in the Middle East presents a sustained drag on economic activity and prices, and a further escalation could widen external and fiscal imbalances and impair investor confidence and the financing outlook. Climate variability represents the most persistent and recurrent vulnerability. Drought could undermine the agricultural recovery that underpins the 2026 growth projection and generate adverse spillovers to rural employment, food prices, and fiscal revenues. Externally, weaker-than-expected euro area growth would weigh on exports, remittances, and FDI; elevated global commodity prices could prove more persistent than assumed, amplifying both inflationary and fiscal pressures. Domestically, structural unemployment remains a central economic and social challenge. On the upside, Morocco's strategic positioning as a nearshoring destination for European supply chains, the catalytic potential of World Cup-related infrastructure, and the ongoing SOE reform agenda could unlock productivity gains and private sector dynamism that exceed the baseline assumptions.

5 We refer to the unbudgeted support to gas cylinders, transport professionals, and electricity, totaling MAD 1.6 billion per month.

TABLE 2-1 • Morocco selected economic indicators, FY22-FY29

				Prel.	Projected		
	2022	2023	2024	2025	2026	2027	2028
Real Economy	(annual percent change, unless otherwise indicated)						
Real GDP	1.8	3.8	4.4	4.9	4.2	4.0	4.3
Agricultural GDP	−11.3	1.5	−5.7	8.2	14	−5.0	2.3
Non-Agricultural GDP	3.5	4.0	5.6	4.5	3.1	5.0	4.5
Private consumption	0.1	4.7	2.9	1.2	4.2	4.3	4.8
Government consumption	2.6	6.8	8.0	5.1	6.0	5.7	5.5
Gross fixed capital formation	−4.0	2.4	11.8	14.4	11.2	9.7	6.9
Exports, goods and services	20.7	7.8	7.7	6.6	7.6	7.9	8.4
Imports, goods and services	8.8	9.5	12.0	9.0	10.9	10.5	9.3
Unemployment rate	11.8	13	13.3	13	....	....	...
Inflation (average CPI, in percent)	6.6	6.1	0.9	0.8	2.4	1.9	1.7
Fiscal accounts	(in percent of GDP,unless otherwise indicated)						
Expenditures	31.8	30.0	30.4	31.0	31.9	32.0	32.0
Revenues, including all grants	26.5	25.7	26.6	27.5	28.2	28.4	28.6
Budget balance	−5.4	−4.3	−3.8	−3.5	−3.8	−3.5	−3.4
Central government debt	71.4	68.4	67	66.6	67.8	67.4	67.2
Balance of payments	(in percent of GDP,unless otherwise indicated)						
Current account balance	−3.5	−1	−1.2	−2.4	−3.3	−2.3	−1.9
Imports, goods and services	56.2	50.6	49.7	50.9	55	55.2	54.8
Exports, goods and services	44.7	42.2	41.6	41.9	43.7	45.1	45.3
Net foreign direct investment	1.7	0.7	1.1	1.8	1.4	1.5	1.5
Gross official reserves (bln US$, eop)	32.3	36.3	37.1	41.5	44.6	45.7	47.4
In months of imports	5.4	5.4	5.1	5.4	5.2	5.5	5.7
Local currency per U.S. dollar (period average)	10.2	10.1	9.9	9.4	....	....	...
Memo items							
Nominal GDP (in billion dirhams)	1,334	1,486	1,615	1,720	1,797	1,905	2,021

Source: World Bank staff estimates and forecast; actual data from MEF, HCP and BAM.

3

TECHNOLOGY ADOPTION IN MOROCCAN FIRMS

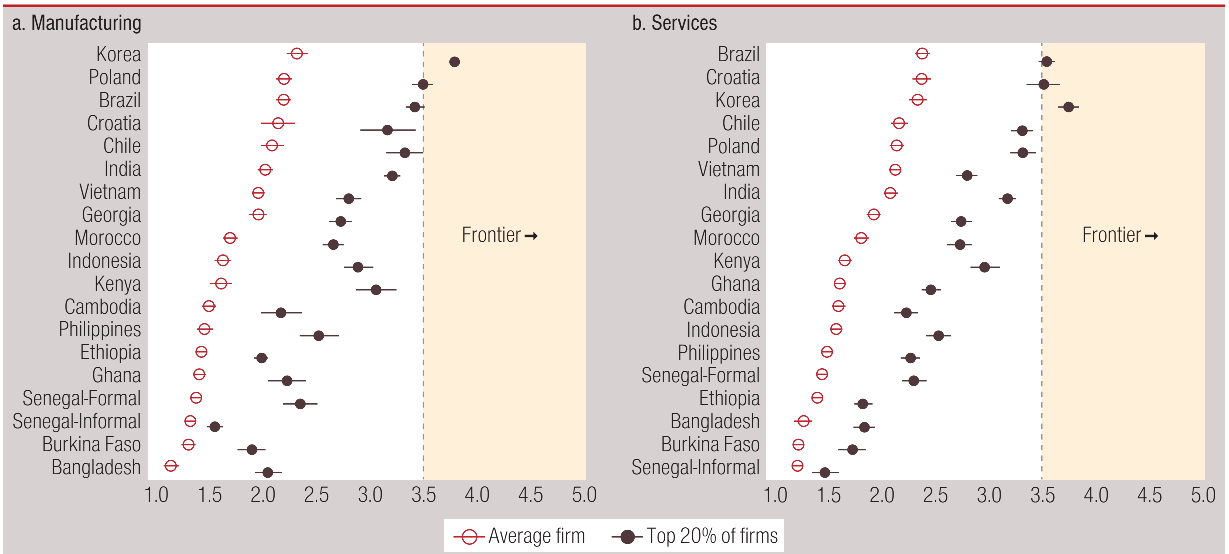
As highlighted in the 2024 World Development Report, global experience shows that while investment is essential for the initial take-off of lower-income economies, sustained progress at middle income levels largely depends on the adoption and diffusion of modern technologies and business practices from global leaders. This process not only boosts productivity and firms' competitiveness but also creates decent jobs and lays the groundwork for future innovation. Despite the important role of technology diffusion in development, there is limited evidence on how extensively Moroccan firms have adopted new technologies. This chapter draws on the recently completed Firm-level Adoption of Technology (FAT) survey to fill that gap, examining how Moroccan enterprises are adopting and utilizing 300 digital technologies across 60 business functions, analyzing links to productivity and job creation, identifying key constraints, and offering policy recommendations to accelerate progress in this critical area.[6]

Progress in Digitalization among Moroccan Firms

Despite recent improvements, Moroccan firms remain far from the digital frontier and continue to lag behind high-growth peers. Cross-country

[6] The Firm-level Adoption of Technology (FAT) survey, developed by Cirera et al. (2020) and implemented by the World Bank, provides a nationally representative dataset on technology adoption among formally registered firms in Morocco with 5 or more employees. Conducted in 2024, the survey covers 1,256 firms in manufacturing and services, stratified by size, region, and sector. It collects granular information on the adoption and use of over 300 technologies across more than 60 business functions, including both general and sector-specific processes. The FAT survey measures not only whether firms have adopted specific technologies (extensive margin), but also the degree to which these technologies are used in core operations (intensive margin), enabling a nuanced analysis of digital transformation, its drivers, and barriers in the Moroccan private sector.

FIGURE 3-1 • Morocco is at an intermediate stage of technology sophistication, but top firms are far from the frontier



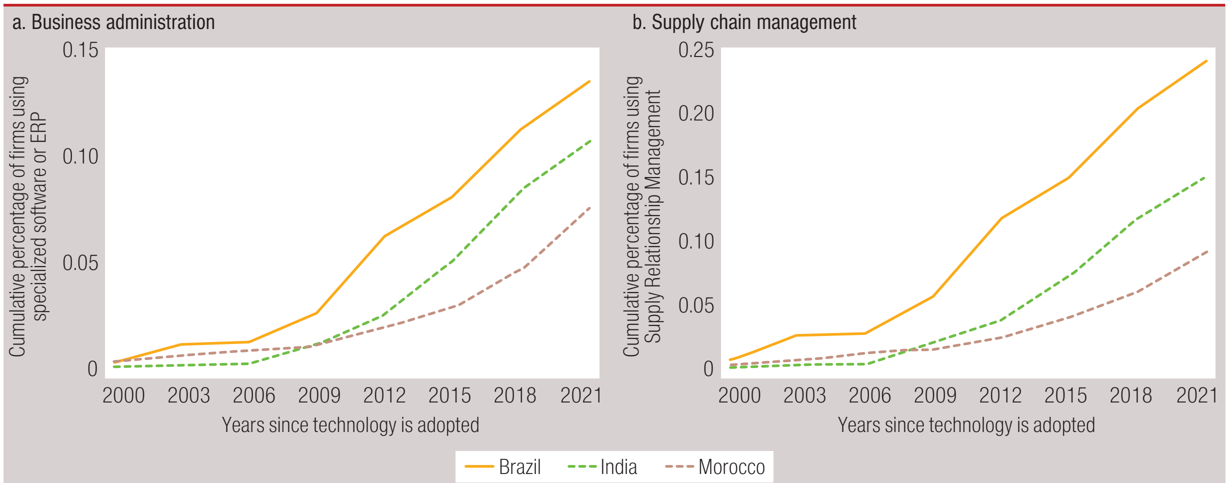
Source: FAT Survey.
Note: The figure plots for each country the average level of technology sophistication of firms and the top 20% of each country. Technology frontier refers to firms with an index equal to or higher than 3.5. Manufacturing includes firms in food processing, apparel, motor vehicles, pharmaceuticals, leather, and other manufacturing. Services relate to firms in land transport, health services, accommodation, and other services. All estimates are weighted by sampling weights.

comparisons from the FAT survey show that average firms' digitalization levels are close to the median among the 18 countries for which comparable information is available (Figure 3.1). This suggests that tangible progress has been achieved over the years. However, Moroccan firms remain at considerable distance from the technological frontier and rank below both India and Vietnam in terms of digitalization, the two high growth peers in this group of countries.

The gap between Moroccan firms and the technological frontier is especially pronounced among enterprises at higher levels of sophistication. When examining only the top 20 percent of firms by technology adoption, Morocco ranks 11th out of 19 in manufacturing and 10th in services (Figure 3.1). Quantile regression analysis further reveals that the distance to the frontier—represented by South Korea—increases with firm sophistication. This means that the most technologically advanced Moroccan firms are further behind their Korean counterparts in terms of digitalization than less sophisticated firms both in the manufacturing and the services sector, a result that contributes to explain weak private sector productivity growth. The convergence of technology sophistication toward the global frontier requires substantial advancement among the most sophisticated Moroccan firms, while trimming or upgrading among the bottom firms.

Technology adoption also varies considerably across sectors. Motor vehicles, accommodation, apparel, and other services exhibit technology sophistication levels above the national average, while iron and steel, food processing, leather, and wholesale and retail fall below the national median. It is worth noting, however, that variation in technology sophistication within sectors and size groups is even larger than variation between sectors, suggesting that firm-specific internal capabilities often matter more than the industry a firm belongs to. Among the external factors correlated with higher technology adoption, engagement with international markets stands out. Firms that export are significantly more likely to adopt advanced technologies, particularly at the extensive margin, reflecting the need to meet international quality standards and remain competitive in global markets. Similarly, interactions with multinational enterprises—whether as suppliers or buyers—are positively associated with technology sophistication, through channels such as technology transfer, knowledge spillovers, and the transmission of managerial know-how.

FIGURE 3-2 • The diffusion of advanced technologies is slower than in peer countries



Source: FAT Survey.
Note: he figure tracks the cumulative share of firms that had adopted advanced technologies—specifically specialized software and/or ERP systems for business administration—by each year shown. Countries included are Brazil, India, and Morocco.

The diffusion of advanced technologies occurs more slowly in Morocco than in peer countries. The FAT survey provides information about the year in which advanced technologies were adopted, allowing for the construction of technology adoption curves. These suggest that Moroccan firms are adopting advanced technologies significantly slower than in comparators, contributing to explain the distance to the frontier previously discussed (Figure 3.2).

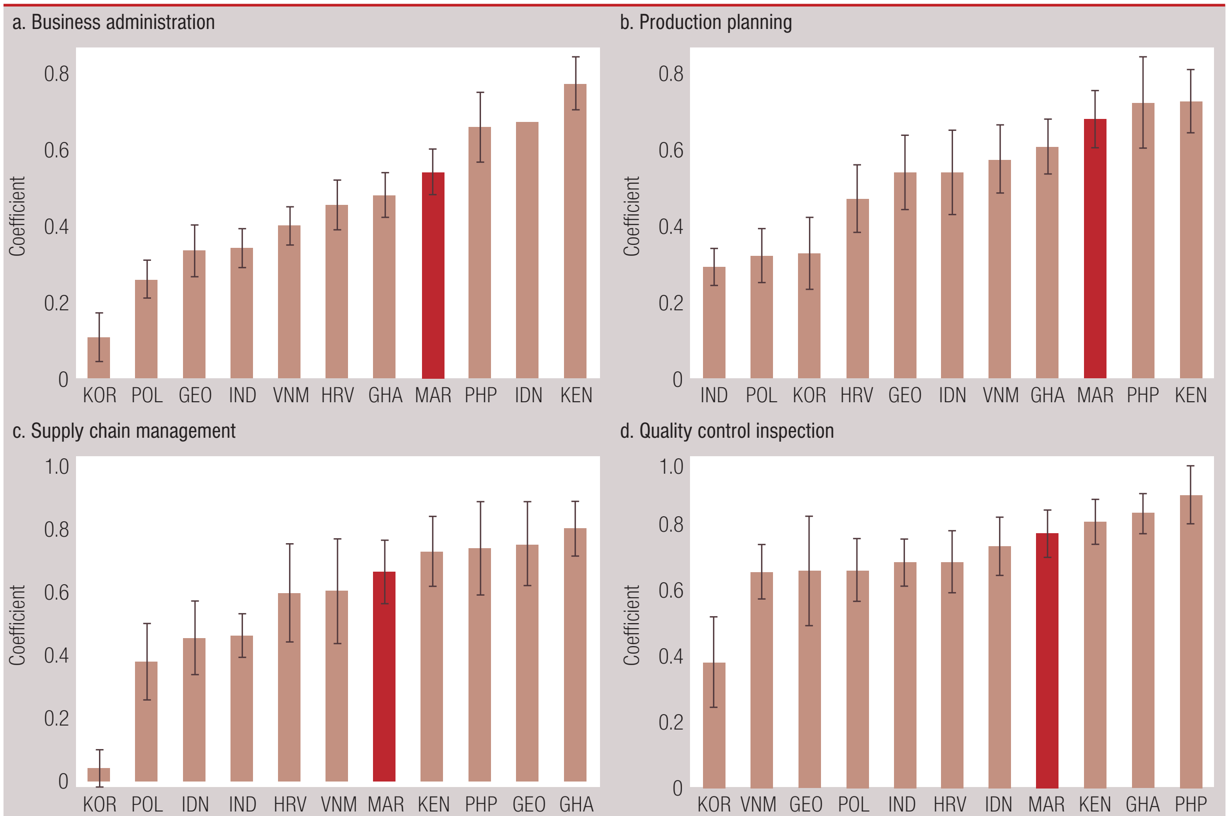
The adoption of advanced digital technologies among Moroccan firms remains limited. The FAT survey captures technologies along a sophistication ladder: at the basic end sit standard software or mobile apps; at the advanced end lie Enterprise Resource Planning (ERP) systems for business administration and production planning, Supplier Relationship Management (SRM) software for supply chain management, Customer Relationship Management (CRM) tools for marketing, Big Data analytics and AI-driven applications, and automated quality control systems using sensors or laser-based inspection. It is at this advanced tier that Moroccan firms fall furthest short: only 31 percent of establishments use specialized software, and just 8 percent rely on ERP systems for business administration.

Furthermore, the survey indicates that even when advanced technologies are adopted, they are seldom used intensively across core business functions, which hinders the realization of potential efficiency gains. Among firms that have adopted advanced technologies, less than half utilize them for business administration and supply chain management, about one-third for production planning, and fewer than one-fourth for quality control. This pattern of incomplete digitalization is more pronounced in Morocco than in India and Vietnam and most other peer countries for which data is available (see Figure 3.3).

Technology Adoption, Productivity and Employment

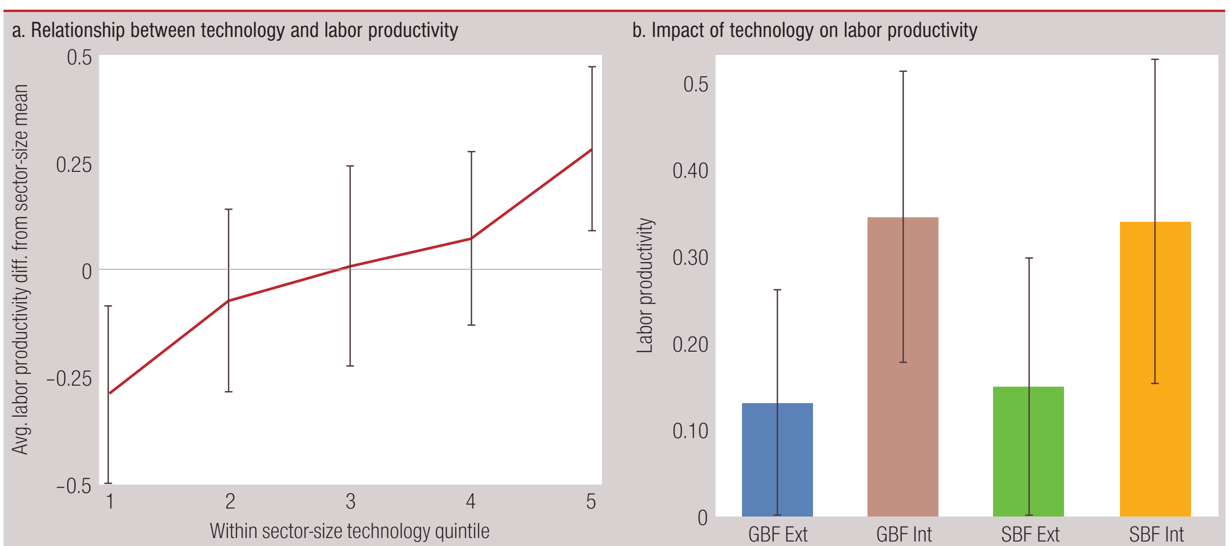
There is a strong and positive correlation between firms' technology sophistication and their labor productivity. After accounting for differences across sectors and firm size, enterprises in the highest quintile of technology sophistication are found to be 50 percent more productive than those in the lowest quintile (Figure 3.4a). The most substantial productivity gains stem not just from the adoption of new technologies, but from their intensive use. Indeed, firms that integrate digital technologies deeply into their core business operations experience a productivity increase of over 30 percent (Figure 3.4b). The impact is amplified for advanced digital technologies: firms that intensively use these tools in business administration and

FIGURE 3-3 • Incomplete digitalization in Morocco vs. peers



Source: FAT Survey.
Note: The figure shows, for each country, the share of firms that adopt advanced digital technologies but do not use them intensively across core business functions—namely business administration, production planning, supply chain management, and quality control. A higher share indicates a larger gap between adoption and effective use. Estimates are weighted by sampling weights.

FIGURE 3-4 • Technology sophistication and labor productivity



Source: FAT Survey.
Note: Figure 3.4a plots the average labor productivity (measured as the distance from the mean sector and size group) for each GBF intensive margin quintile. Figure 3.4b shows the coefficient and confident intervals from a regression of labor productivity on different technology adoption measures controlling firm characteristics. GBF = General business function; SBF = Sector-specific business function; Ext = Extensive margin; Int =Intensive margin.

production planning experience productivity gains of about 70 percent, while intensive use in supply chain management and quality control leads to productivity increases of nearly 50 percent. These findings highlight the importance of designing policies that not only facilitate access to digital technologies but also encourage firms to fully integrate and actively utilize these tools within their operations.

Firms with more advanced technologies experience higher employment growth and wages. A common concern about technological progress is that it may shift labor demand through the adoption of automation technologies that displace workers in repetitive tasks. However, technology can also be factor-augmenting, enabling firms to become more productive, thus expanding and creating new jobs. In the Moroccan context, the positive effect appears to dominate, as technology adoption is correlated with 7 percent higher employment growth at the firm level, while the intensive use of these technologies is associated with 10 percent higher employment growth. Data also suggests that technology adoption can also lead to better jobs, given that their intensive use is correlated with 27 percent higher wages (measured as labor cost per worker), suggesting a complementarity between advanced technologies and skilled labor. Overall, these findings suggest that digitalization, and especially how deeply new technologies are integrated into business processes, is associated with better labor market outcomes.

Key Constraints to Digitalization

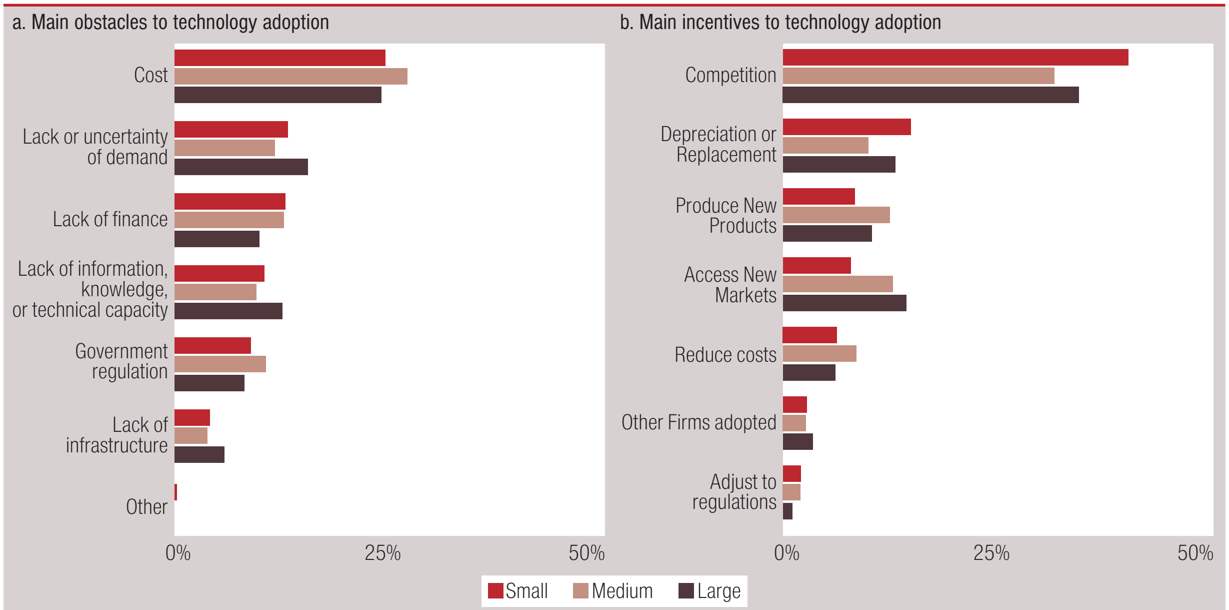
Why don't firms digitize more rapidly in Morocco? Previous sections have highlighted that, despite notable gaps in digitalization among Moroccan firms, the returns to adopting digital technologies are both positive and substantial. This raises the question of why Moroccan firms are not upgrading their technologies more quickly to seize these benefits. This section draws insights from the FAT survey and other complementary sources to explore this issue. It begins by examining managers' own perceptions and then discusses some internal and external factors (both within firms and in their broader environment) that may be constraining the pace of digitalization in Morocco.

Firms cite cost as the primary obstacle to the adoption of digital technologies, while competitive pressures are identified as the main incentive. Managers overwhelmingly report cost considerations as the most significant barrier to adopting new technologies. Notably, the intensity of this constraint varies by firm size, with medium-sized firms being particularly affected (see Figure 3.5a). In addition, lack of access to finance is a significant challenge for small and medium-sized enterprises, but is less pronounced for larger firms. On the incentives side, competitive pressures are especially prominent for smaller firms (see Figure 3.5b). As firms grow, the importance of accessing new markets increases, making it the second strongest incentive for larger enterprises, which are more likely to participate in export markets. This underscores the role of internationalization as a driver of technology adoption.

Overconfidence in technological capabilities, managerial practices, and skilled labor are prominent within-firm constraints to digitalization. The FAT survey enables a comparison between firms' self-assessed levels of technology adoption and their actual digital sophistication. Findings indicate that most Moroccan firms, especially those with lower digital sophistication, tend to overestimate their technological capabilities. This overconfidence reduces their incentives to pursue further upgrades. Additionally, the adoption of modern managerial practices, as measured by the use of key performance indicators (KPIs) and employee incentive schemes, is positively associated with technology adoption. Managerial human capital is also crucial: managers with sector-specific experience and a college degree are more likely to drive their firm's digitalization efforts. Similarly, the FAT survey finds that Moroccan firms with a larger share of college-educated workers are more likely to integrate digital tools into their operations, suggesting that building skilled labor is critical for accelerating the diffusion of advanced technologies.

Market competition and exposure to export markets and multinational enterprises are significantly correlated with technology adoption. As noted earlier, firms tend to report competition as a critical incentive to invest in technology. In fact, data from the FAT survey indicate that firms experiencing intermediate market competition (as proxied

FIGURE 3-5 • Firms' self-reported obstacles and incentives to digitize



Source: FAT Survey.
Note: The figure plots firms' subjective response to main obstacles and incentives to their technology adoption by firm size. Estimates are weighted by sampling weights. Small = 5–19 employees; Medium = 20–99 employees; Large = 100 or more.

by the price margin over cost markup) are more likely to invest in digitalization than firms facing low competition, a finding consistent with existing literature. Another important factor that appears to predict firms' level of technology adoption is their engagement in international markets and the presence of interactions with multinational enterprises (MNEs). This underscores the potential of policies that promote export readiness, attract foreign direct investment (FDI), and entrench technology transfer and strengthen linkages with global value chains to help local firms converge toward the global technology frontier. Conversely, while access to finance can facilitate technology adoption, it appears to be a less significant constraint. Firms that have obtained loans for purchasing or leasing technology tend to achieve higher levels of digital sophistication, but those whose loan applications were rejected do not differ significantly from firms that did not apply for a loan.

Policy Recommendations

Morocco has already made significant strides in advancing its digital transformation agenda, notably through the adoption of the Digital Morocco 2030 strategy, alongside efforts to promote offshoring, entrepreneurship, and broader technology adoption. These initiatives, which are supported by ongoing World Bank operations in the digital sector, are expected to generate meaningful gains in firm-level digitalization and innovation. Recognizing this strong policy momentum, the recommendations below are intended to complement and deepen existing efforts by focusing on the quality, intensity, and inclusiveness of technology adoption, particularly at the firm level, where substantial gaps remain.

Closing the digital productivity gap requires moving beyond supply-side incentives toward a more comprehensive policy framework that addresses the quality, depth, and sustainability of technology adoption at the firm level. This means that financing instruments such as tax incentives and hardware subsidies, while useful entry points, are insufficient on their own. Policy should shift decisively toward supporting the operational depth of technology use: subsidized technical assistance, hands-on training programs, and structured links between SMEs and digital solution providers that help firms move from mere ownership of tools to genuine transformation of business processes. At the same time, the persistent overconfidence among Moroccan managers, who often believe their firms are more digitally advanced than they are relative to international benchmarks, underscores the need for awareness campaigns that anchor local self-assessment against global frontier standards.

Structural factors, particularly management quality and workforce capabilities, must be addressed in parallel. The strong empirical link between the use of performance metrics, worker incentive schemes, and technology adoption suggests that digitalization programs should be co-designed with management modernization initiatives rather than treated as standalone technology interventions. Workforce upskilling is equally critical: since advanced digital tools tend to complement skilled labor, the returns to technology investment are substantially conditioned on the human capital available to deploy them. This calls for closer coordination between digitalization strategy and vocational training, tertiary education, and lifelong learning programs. Beyond the firm level, the competitive and international environment matters enormously—exposure to global value chains and multinational enterprises is among the strongest predictors of technological sophistication. Policies that reduce market entry barriers, promote export readiness, and attract quality foreign direct investment would therefore serve a dual function: improving competition as an incentive to upgrade and creating demonstration effects that diffuse frontier practices into the domestic economy.

Finally, there is room to strengthen the design and reach of government support programs. Awareness of public schemes remains low and participation skews heavily toward larger, better-connected enterprises, leaving the SMEs that most need assistance least served. A well-sequenced strategy would simultaneously work on two fronts: helping the most technologically advanced Moroccan firms close the gap with international peers such as Korea, and lifting the large mass of lagging firms off the bottom of the distribution. Narrowing this dual gap—between Morocco's frontier firms and the global frontier, and between the country's leading and lagging firms domestically—is the clearest path toward a digitalization dividend that is both economically significant and broadly shared.

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APPENDIX: VAR ESTIMATION RESULTS

SAMPLE: Q2-1986-Q1-2014 | INCLUDED OBSERVATIONS: 110 AFTER ADJUSTMENTS | STANDARD ERRORS IN ( ) & T-STATISTICS IN [ ]

	Oil Price Growth	CPI Inflation	Real GDP Growth
Oil Price(−1)	0.1660	−0.2387	−0.2797
	(0.0954)	(0.2289)	(0.8649)
	[1.740*]	[−1.043]	[−0.323]
Oil Price(−2)	−0.2664	0.2705	0.1565
	(0.0952)	(0.2285)	(0.8636)
	[−2.797***]	[1.184]	[0.181]
CPI Infl.(−1)	−0.0207	0.8698	−0.1220
	(0.0410)	(0.0984)	(0.3717)
	[−0.504]	[8.843***]	[−0.328]
CPI Infl.(−2)	0.0052	−0.0614	0.0230
	(0.0392)	(0.0941)	(0.3557)
	[0.134]	[−0.652]	[0.065]
GDP Growth(−1)	0.0057	−0.0315	0.2773
	(0.0109)	(0.0261)	(0.0985)
	[0.525]	[−1.210]	[2.815***]
GDP Growth(−2)	0.0010	−0.0058	0.0317
	(0.0109)	(0.0261)	(0.0988)
	[0.090]	[−0.223]	[0.321]
Constant	0.0358	0.6427	3.1082
	(0.0987)	(0.2369)	(0.8953)
	[0.363]	[2.713***]	[3.472***]
Model Fit Statistics			
R^2	0.0931	0.7118	0.0873

SAMPLE: Q2-1986-Q1-2014 | INCLUDED OBSERVATIONS: 110 AFTER ADJUSTMENTS | STANDARD ERRORS IN ( ) & T-STATISTICS IN [ ]

	Oil Price Growth	CPI Inflation	Real GDP Growth
Adj. R^2	0.0403	0.6950	0.0341
F-statistic	1.762	42.388	1.641
S.E. of equation	0.4933	1.1841	4.4743
Log likelihood	–	–	−573.390 (system)
AIC / BIC	–	–	2.293 / 2.809

SAMPLE: Q1-2014-Q3-2025 | INCLUDED OBSERVATIONS: 45 AFTER ADJUSTMENTS | STANDARD ERRORS IN ( ) & T-STATISTICS IN [ ]

	Oil Price Growth	CPI Inflation	Real GDP Growth
Oil Price(−1)	0.1008	0.3064	1.6408
	(0.1717)	(0.2365)	(0.8356)
	[0.587]	[1.296]	[1.964**]
Oil Price(−2)	0.1129	0.0058	0.8762
	(0.1636)	(0.2253)	(0.7961)
	[0.690]	[0.026]	[1.101]
CPI Infl.(−1)	−0.1608	1.2563	−0.8506
	(0.1015)	(0.1398)	(0.4940)
	[−1.584]	[8.987***]	[−1.722*]
CPI Infl.(−2)	0.1405	−0.3975	0.9469
	(0.1026)	(0.1413)	(0.4994)
	[1.369]	[−2.812***]	[1.896*]
GDP Growth(−1)	−0.0442	−0.1008	0.6203
	(0.0341)	(0.0469)	(0.1658)
	[−1.297]	[−2.147**]	[3.740***]
GDP Growth(−2)	0.0192	0.1257	−0.1527
	(0.0325)	(0.0448)	(0.1583)
	[0.592]	[2.805***]	[−0.964]
Constant	0.0897	0.2334	1.2917
	(0.1501)	(0.2068)	(0.7307)
	[0.597]	[1.129]	[1.768*]
Model Fit Statistics			
R^2	0.1095	0.8634	0.4905
Adj. R^2	−0.031	0.8418	0.4101
F-statistic	0.778	40.025	6.098
S.E. of equation	0.6104	0.8408	2.9712
Log likelihood	–	–	−203.090 (system)
AIC / BIC	–	–	1.446 / 2.289

SELECTED RECENT WORLD BANK PUBLICATIONS ON MOROCCO

Morocco Growth and Jobs Report-Morocco	April 2026	**GJR**
Morocco Country Private Sector Diagnostic	April 2026	**CPSD**
Strengthening Institutional Trust in Morocco Through Public Policy	November 2023	Maghreb Technical Note/Number 9
Morocco Country Climate and Development Report	October 2022	**CCDR**
Trends and Determinants of Female Labor Force Participation in Morocco: An Initial Exploratory Analysis	March 2021	Policy Research Working Paper
Female Labor Force Participation in Morocco: Constraints and Policy Actions	November 2023	World Bank Report
Tracking Economic Activity in Response to the COVID-19 Crisis Using Nighttime Lights – The Case of Morocco	February 2021	Policy Research Working Paper
Morocco's Jobs Landscape	March 2021	Publication
Once NEET, Always NEET? A Synthetic Panel Approach to Analyze the Moroccan Labor Market	May 2020	Policy Research Working Paper
Morocco Economic Update – Spring 2020	April 2020	Brief
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Polarization and Its Discontents: Morocco before and after the Arab Spring	Oct. 2019	Policy Research Working Paper
Doing Business 2020: Comparing Business Regulation in 190 Economies – Economy Profile of Morocco	Oct. 2019	**Doing Business**
Morocco Economic Update – Fall 2019	Oct. 2019	Brief
The Moroccan New Keynesian Phillips Curve: A Structural Econometric Analysis	Sept. 2019	Policy Research Working Paper
Lessons from Power Sector Reforms: The Case of Morocco	August 2019	Policy Research Working Paper
Leveraging Urbanization to Promote a New Growth Model While Reducing Territorial Disparities in Morocco: Urban and Regional Development Policy Note	June 2019	Publication
Morocco's Growth and Employment Prospects: Public Policies to Avoid the Middle-Income Trap	March 2019	Policy Research Working Paper

SUMMARY OF SPECIAL FOCUSES FROM THE LATEST MOROCCO ECONOMIC UPDATES

Winter 2025 MEU: “Prioritizing Reforms to Boost the Business Environment“

The new B-Ready dataset discussed in the special focus chapter can serve as a tool to prioritize the policies and reforms that have the greatest potential to close existing gaps between Morocco’s business climate and that of leading nations. Morocco has performed well overall in the first edition of the B-Ready, tending to outperform countries at a similar income level on the assessment of regulatory frameworks and public sentences, but not on operational efficiency, which is critical for public policies to have an impact on business dynamics. A frontier analysis with leading countries provides a more nuanced assessment, highlighting significant gaps that could be addressed with well targeted reforms. In the labor market, Morocco faces significant obstacles and costs to hire formally, contributing to a high prevalence of informality and creating a stark “insiders-outsiders” gap. In dispute resolution, substantial gaps exist in procedural certainty, the organizational structure of courts, and the digitization and transparency of processes, which are crucial for reducing uncertainty for companies and boosting investor confidence. In the area of insolvency, the main issues are related to the completion of the legal framework, the digitization of key services for liquidating struggling companies, and improving the timeliness and efficiency of reorganization proceedings.

Summer 2024 MEU: “Unlocking the Potential of the Private Sector to Spur Growth and Job Creation “

The Summer 2024 MEU provided an in-depth analysis of the evolving dynamics of the Moroccan private sector. It is based on the results of an analysis jointly conducted with the Moroccan Observatory of Small and Medium Enterprises (OMTPME) which exploits a comprehensive database on formal firms. The productivity performance of the private sector has been lackluster, primarily due to a worsening of allocative efficiency. Larger firms tend to exhibit a lower productivity than their smaller peers, suggesting that markets are not sufficiently rewarding more efficient and innovative firms. In addition, Moroccan SMEs struggle to grow, and the density of High Growth Firms remains very low. This is problematic feature of the private sector given that in other settings such firms have been shown to disproportionately contribute to job creation. Addressing the constraints facing the private sector would help overcome the disappointing job creation capacity that the Moroccan economy has exhibited in recent years.

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