

Kingdom of Morocco

Rating report

Rating rationale

Sound economic institutions and a track record of macro-economic stability. Morocco’s sound economic institutions, including a sophisticated monetary framework, fiscal administration and debt-management practices compared against those of sovereign peers, support macro-economic stability and effective policy making. This has underpinned the capacity to face recent crises and supported a comparatively smooth disinflationary process in recent years.

Strong funding flexibility and a favourable sovereign debt structure. Morocco benefits from good access to the capital markets at favourable borrowing rates and maintains extensive linkages with multi-lateral and bilateral official creditors alongside a significant domestic investor base. This has anchored funding flexibility. In addition, the sovereign benefits from a long average government debt maturity alongside conservative debt-management practices.

Sustained reform momentum to yield long-run economic and social dividends. Morocco holds a strong track record of adopting structural reforms, including via the constructive coordination with international financial institutions. Such reforms have seen the economy liberalise and bolstered social-protection systems. Nevertheless, continued progress around the execution of reforms, such as under the envisioned New Development Model, is crucial for enhancing economic diversification, tackling socio-economic challenges, structurally boosting tax mobilisation, and ultimately enhancing sovereign credit fundamentals.

Rating challenges: i) moderate wealth levels and economic diversification; ii) elevated public debt coupled with rising spending pressures alongside elevated contingent liabilities; and iii) elevated social risks, considering weak labour-market outcomes and high socio-economic and regional inequalities.

Figure 1: Morocco’s sovereign-rating drivers

| Risk pillars | Quantitative | | Reserve currency* | Political risk** | Qualitative*** | Final rating | |
|-------------------------------------|-----------------------|-------------------|-------------------|------------------|----------------|--------------|-----|
| | Weight | Indicative rating | Notches | Notches | Notches | | |
| Domestic economic risk | 35% | bb+ | MAD [+0] | Morocco [-1] | 1/3 | BB+ | |
| Public finance risk | 20% | bbb- | | | 2/3 | | |
| External economic risk | 10% | ccc | | | 1/3 | | |
| Financial stability risk | 10% | bb | | | 0 | | |
| ESG risk | Environmental factors | 5% | | | bb+ | | 0 |
| | Social factors | 7.5% | | | bbb+ | | 0 |
| | Governance factors | 12.5% | | | b- | | 1/3 |
| Sovereign Quantitative Model | bb- | | | +2 | | | |
| Additional considerations | | | | 0 | | | |

*The reserve-currency quantitative adjustment applies to currencies in the IMF’s Special Drawing Rights (SDR) basket.

**The political-risk quantitative adjustment is based on the World Bank’s Political Stability & Absence of Violence/Terrorism index.

***The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope’s [Sovereign Rating Methodology](#). Source: Scope Ratings.

Foreign currency

Long-term issuer rating/Outlook

BB+/Stable

Senior unsecured debt

BB+/Stable

Short-term issuer rating/Outlook

S-3/Stable

Local currency

Long-term issuer rating/Outlook

BB+/Stable

Senior unsecured debt

BB+/Stable

Short-term issuer rating/Outlook

S-3/Stable

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Credit strengths and challenges

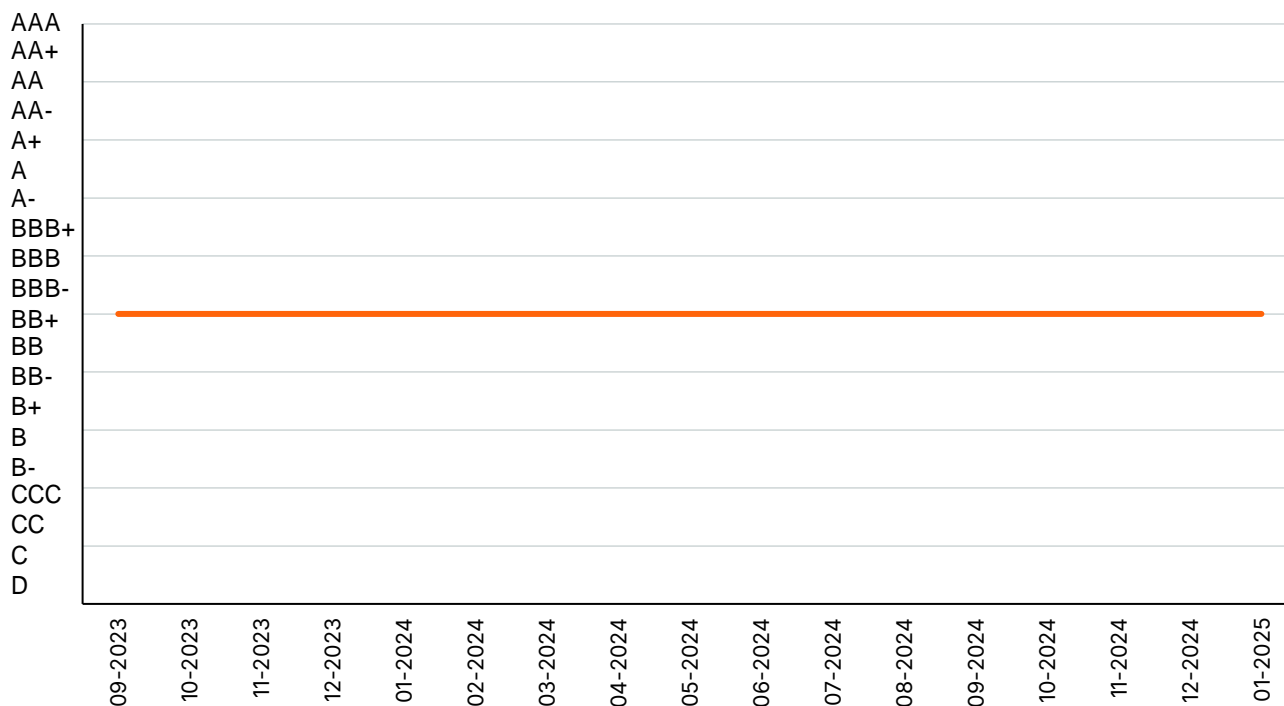
| Credit strengths | Credit challenges |
|---|---|
| <ul style="list-style-type: none"> A strong track record of maintaining macro-economic stability and sound economic institutions Strong sovereign market access and funding flexibility Structural reforms | <ul style="list-style-type: none"> Low wealth levels and economic diversification Elevated public debt, rising spending pressures alongside elevated contingent liabilities Social risks, weak employment outturns |

Outlook and rating triggers

The Stable Outlook represents our view that risks for the ratings remain balanced.

| Positive rating-change drivers | Negative rating-change drivers |
|--|--|
| <ul style="list-style-type: none"> An improved fiscal outlook, for example, via the widening of the tax base and the elimination of subsidies supporting budgetary consolidation External-sector resilience improves, for instance via continued progress in the transition towards a flexible exchange rate An improved growth outlook, for instance from the adoption of structural reforms | <ul style="list-style-type: none"> Public finances worsen, for instance due to a rising interest burden, overly loose budgetary policies and/or the crystallisation of contingent liabilities The external position weakens, as an example due to weakening official reserves or balance-of-payment pressures Social and/or geopolitical tensions worsen, affecting the credibility of policy making or impacting political and/or macro-economic stability |

Figure 2: Rating history



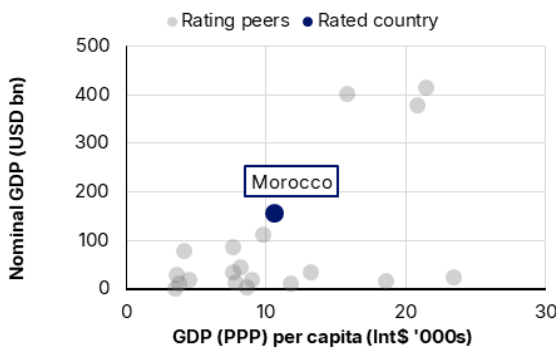
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of Morocco's Domestic Economic Risk

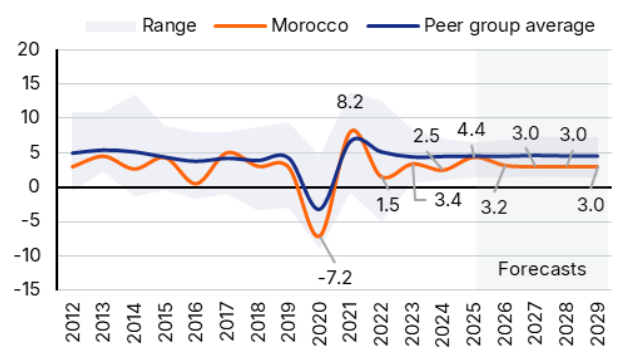
| SQM ¹ indicative rating | Analytical component | Assessment | Notch adjustment | Rationale |
|------------------------------------|--|------------|------------------|--|
| bb+ | Growth potential and outlook | Neutral | 0 | Moderate growth potential; investments and structural reforms support long-run growth |
| | Monetary policy framework | Strong | +1/3 | A strong central bank compared against those of sovereign peers; Bank Al-Maghrib has a good track record of managing inflation; a gradual transition to inflation targeting and a flexible exchange rate |
| | Macroeconomic stability and sustainability | Neutral | 0 | The gradual development of higher value-added sectors; labour-market challenges, including elevated youth unemployment; a modern record of macro-economic stability |

Figure 3: Nominal GDP and GDP per capita (2024E)



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



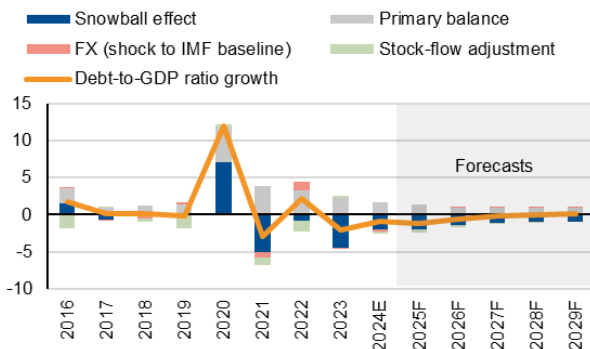
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of Morocco's Public Finance Risk

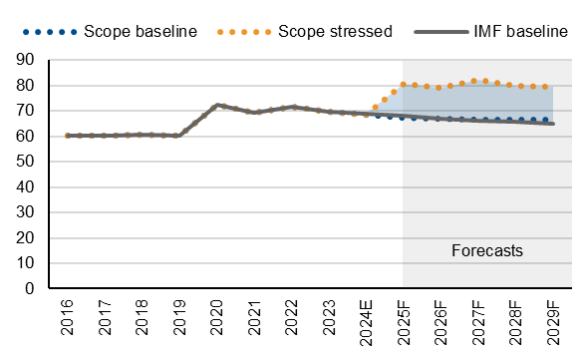
| SQM indicative rating | Analytical component | Assessment | Notch adjustment | Rationale |
|-----------------------|--------------------------------|------------|------------------|--|
| bbb- | Fiscal policy framework | Strong | +1/3 | Strengthened public financial management frameworks; a well-designed medium-run budgetary strategy |
| | Long-term debt trajectory | Neutral | 0 | Comparatively elevated public debt partially mitigated by the strong affordability of this debt; public debt ratio stable under the baseline scenario, which presents contingent risks under stressed economic scenarios |
| | Debt profile and market access | Strong | +1/3 | Strong market access and funding flexibility; favourable sovereign debt structure and a proactive debt-management strategy |

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

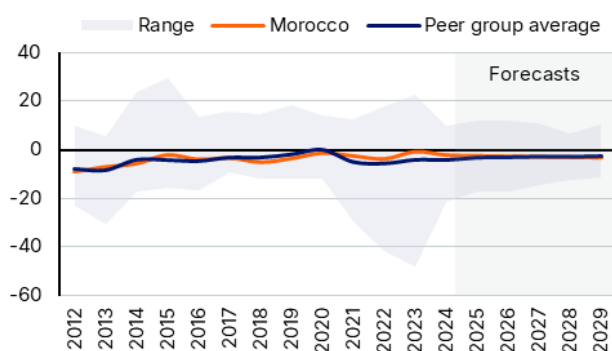
¹ Sovereign Quantitative Model

External economic risk

Overview of Scope's assessments of Morocco's External Economic Risk

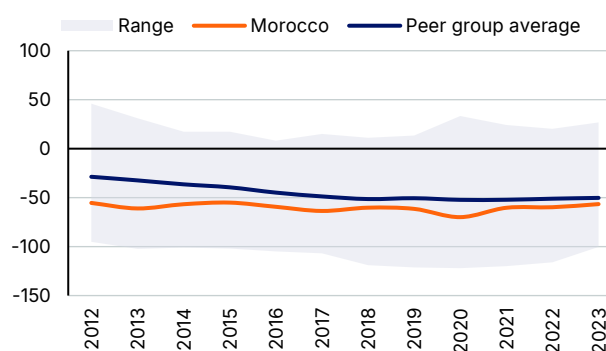
| SQM indicative rating | Analytical component | Assessment | Notch adjustment | Rationale |
|-----------------------|--|------------|------------------|--|
| CCC | Current account resilience | Neutral | 0 | Persistent current-account deficits significantly financed through inward foreign direct investments; exports concentrated only in a few strategic sectors |
| | External debt structure | Strong | +1/3 | A low share of external debt having a short-term maturity; three-quarters of external public debt represents official-sector loans on concessional lending terms |
| | Resilience to short-term external shocks | Neutral | 0 | The resilience to short-term external shocks is supported by good reserves adequacy and the gradual transition to a floating exchange rate |

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



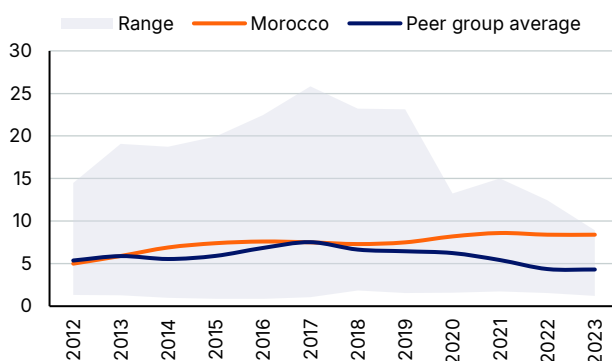
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of Morocco's Financial Stability Risk

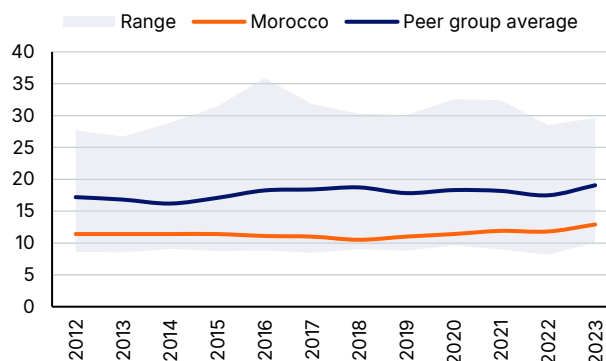
| SQM indicative rating | Analytical component | Assessment | Notch adjustment | Rationale |
|-----------------------|---|------------|------------------|--|
| bb | Banking sector performance | Neutral | 0 | A comparatively advanced banking system; adequate capitalisation but meaningful NPLs |
| | Financial sector oversight and governance | Neutral | 0 | Strengthened financial-system oversight; financial governance in line with that of sovereign peers |
| | Financial imbalances | Neutral | 0 | Moderate levels of private debt; real-estate sector vulnerabilities are contained |

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



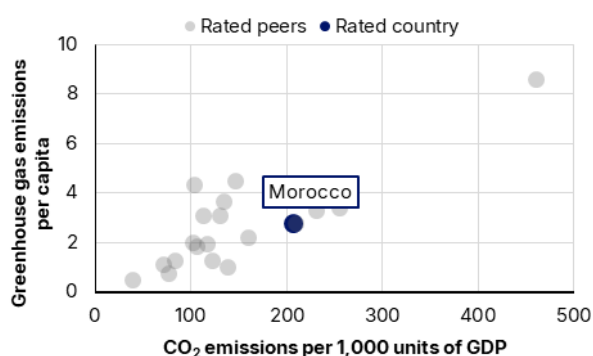
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of Morocco's ESG Risk

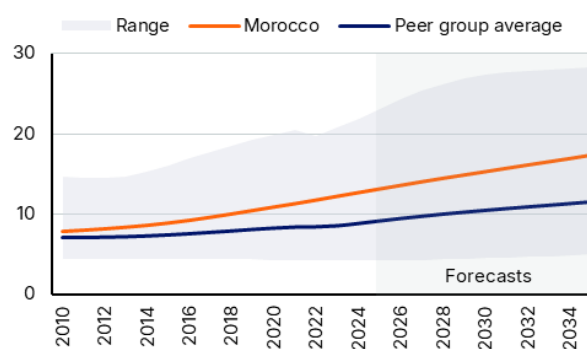
| SQM indicative rating | Analytical component | Assessment | Notch adjustment | Rationale |
|-----------------------|-----------------------|------------|------------------|--|
| bb- | Environmental factors | Neutral | 0 | Ambitious plans for fostering the green transition and supporting climate-change adaptation; vulnerabilities to physical risks (such as to water stresses) |
| | Social factors | Neutral | 0 | Better education, healthcare and poverty outcomes than those of sovereign peers; weak labour-market indicators and material economic inequalities |
| | Governance factors | Strong | +1/3 | Better governance and political stability than that of many sovereign peers; moderate exposures to geopolitical risk |

Figure 11: CO₂ emissions per GDP, mtCO₂e (2023)



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

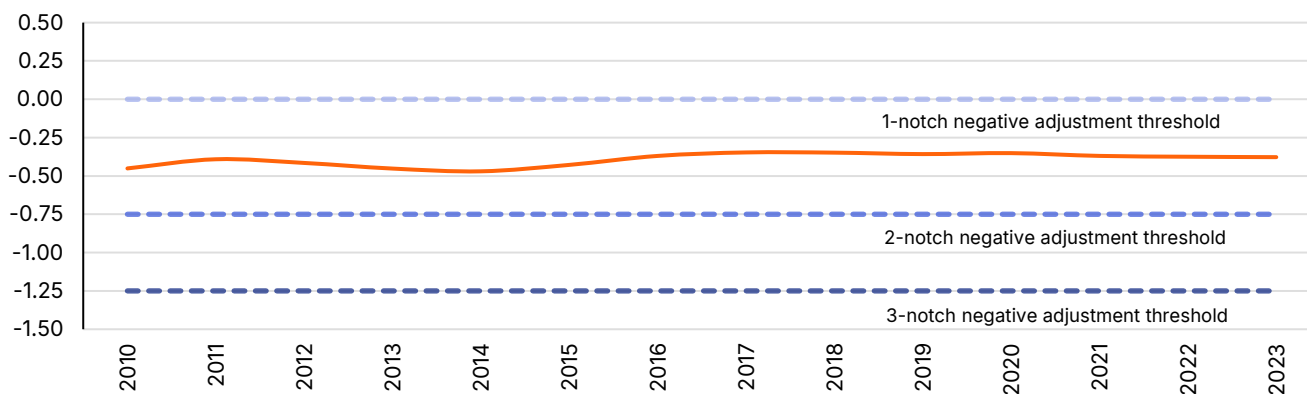
IMF SDR basket and Scope reserve-currency adjustment

| Currency | U.S. dollar | Euro | Chinese yuan | Japanese yen | Pound sterling | Other |
|------------------------------|-------------|------|--------------|--------------|----------------|-------|
| IMF SDR basket weights, % | 43.4 | 29.3 | 12.3 | 7.6 | 7.4 | 0.0 |
| Positive adjustment, notches | 3 | 1 | 1 | 1 | 1 | 0 |

Source: IMF, Scope Ratings

Political-risk adjustment

Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Morocco, three-year moving average



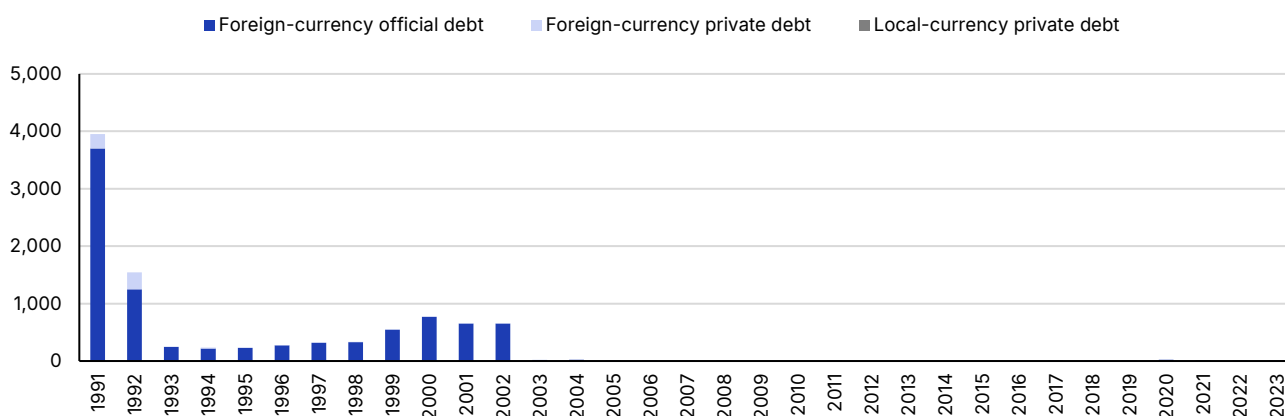
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the credit rating from additional considerations.

Appendix 1. Sovereign default history

Sovereign default history, USD m



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).
 Source: [Bank of Canada-Bank of England Sovereign Default Database](#), Scope Ratings.

Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

| Peer group* |
|--------------|
| Egypt |
| South Africa |

*Select publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix 3. Economic development and default indicators

| | |
|---|--|
| IMF Development Classification | Emerging market and developing economy |
| 5y USD CDS spread (bps) as of 17 January 2025 | 97.7 |

Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

| Pillar | Core variable | Source | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E |
|---------------------|---|--------|-------|-------|-------|-------|-------|-------|
| Domestic Economic | GDP per capita (PPP), Int\$ '000s | IMF | 8.3 | 8.0 | 8.9 | 9.6 | 10.2 | 10.6 |
| | Nominal GDP, USD bn | IMF | 129 | 121 | 142 | 131 | 144 | 157 |
| | Real growth, % | IMF | 2.9 | -7.2 | 8.2 | 1.5 | 3.4 | 2.8 |
| | CPI inflation, % | IMF | 0.2 | 0.7 | 1.4 | 6.6 | 6.1 | 1.7 |
| | Unemployment rate, % | WB | 9.2 | 11.2 | 10.5 | 9.5 | 9.1 | - |
| Public Finance | Public debt, % of GDP | IMF | 60.3 | 72.2 | 69.4 | 71.5 | 69.5 | 68.7 |
| | Net interest payments, % of government revenue | IMF | 8.9 | 9.3 | 8.4 | 7.5 | 7.5 | 8.2 |
| | Primary balance, % of GDP | IMF | -1.4 | -4.6 | -3.9 | -3.2 | -2.3 | -1.9 |
| External Economic | Current-account balance, % of GDP | IMF | -3.4 | -1.2 | -2.3 | -3.6 | -0.6 | -2.0 |
| | Total reserves, months of imports | WB | 5.6 | 8.9 | 6.8 | 5.1 | - | - |
| | NIIP, % of GDP | IMF | -61.5 | -69.9 | -60.4 | -59.8 | - | - |
| Financial Stability | NPL ratio, % of total loans | IMF | 7.5 | 8.2 | 8.6 | 8.4 | 8.4 | - |
| | Tier 1 ratio, % of risk-weighted assets | IMF | 11.0 | 11.4 | 11.9 | 11.8 | 12.9 | - |
| | Credit to the private sector, % of GDP | WB | 81.5 | 90.9 | 86.2 | 87.7 | 83.4 | - |
| ESG | CO ₂ per EUR 1,000 of GDP, mtCO ₂ e | EC | 223.0 | 225.9 | 226.4 | 214.9 | 207.0 | - |
| | Income share of bottom 50%, % | WID | 13.6 | 13.6 | 13.6 | 13.6 | - | - |
| | Labour-force participation rate, % | WB | 49.3 | 47.9 | 48.7 | 47.7 | - | - |
| | Old-age dependency ratio, % | UN | 10.4 | 10.9 | 11.3 | 11.8 | 12.2 | 12.7 |
| | Composite governance indicators* | WB | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | - |
| | Political stability, index | WB | -0.3 | -0.4 | -0.4 | -0.4 | -0.4 | -0.4 |

*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

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Applied methodologies

[Sovereign Rating Methodology](#), January 2024

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