

Kingdom of Morocco

Rating report

Rating rationale

Good record of macro-economic stability and sound economic institutions: Morocco's sound economic institutions, including a sophisticated central bank, fiscal administration and debt management office compared to peers, support macro-economic stability and effective policymaking. Inflation dynamics have been on par with that of advanced economies since the cost-of-living crisis.

Strong market access and funding flexibility: Morocco has historically benefitted from good access to capital markets at favourable borrowing rates. Extensive ties with multilateral and bilateral official lenders and a large domestic investor base underpin funding flexibility.

Sustained structural reform momentum: Morocco has a history of implementing needed structural reforms, with support from international organisations like the IMF and the World Bank, with tangible results in economic liberalisation and improved social systems. Reform momentum under the New Development Model is critical to address Morocco's economic diversification, employment and social challenges and bolster its credit fundamentals longer term.

Rating challenges include: i) a low growth potential despite moderate wealth levels and modest economic diversification; ii) elevated public debt coupled with rising spending pressures and high contingent liabilities; and iii) social risks due to poor employment prospects and high income 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	Morocco	1/3	BB+
Public finance risk	20%	bb+			2/3	
External economic risk	10%	ccc			2/3	
Financial stability risk	10%	bb-			1/3	
ESG risk	Environmental factors	5%	[+0]	[-1]	1/3	
	Social factors	7.5%			0	
	Governance factors	12.5%	b-			
Sovereign Quantitative Model	b+				+3	
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

Lead Analyst

Thomas Gillet

+33 186 261 874

t.gillet@scoperatings.com

Team Leader

Alvise Lennkh-Yunus

+49 69 6677389-85

a.lennkh@scoperatings.com

Credit strengths and challenges

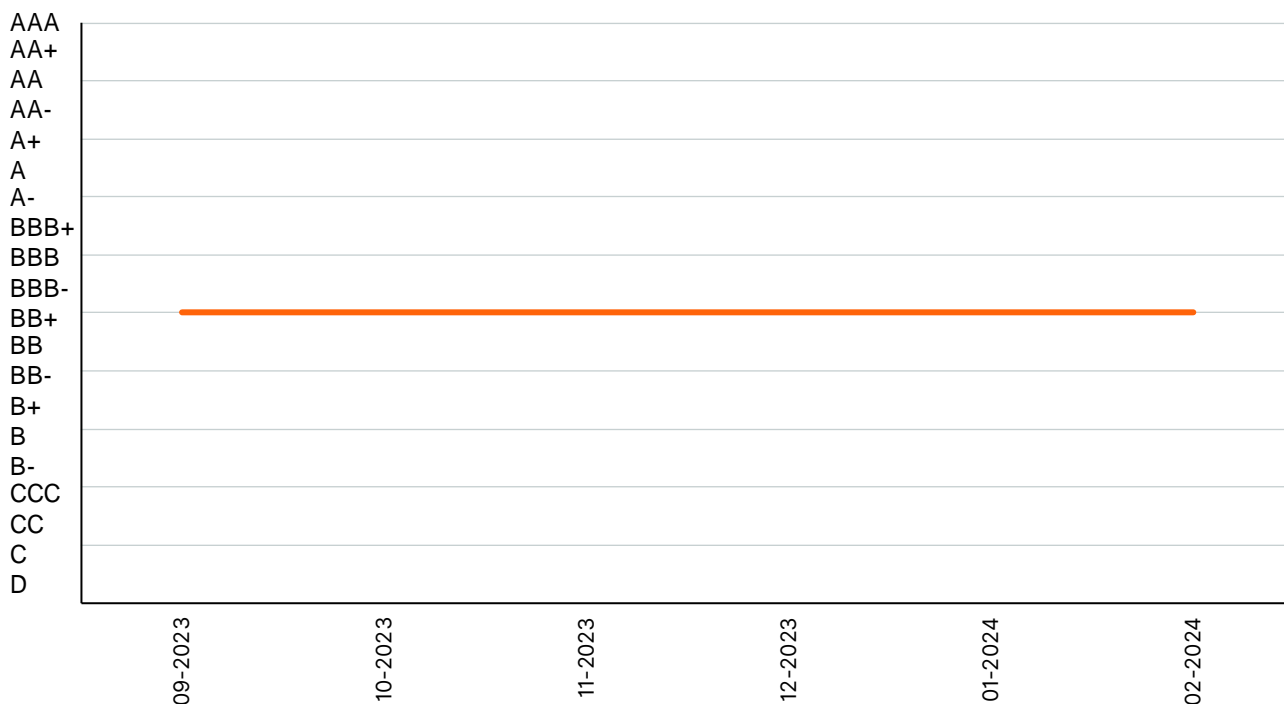
Credit strengths	Credit challenges
<ul style="list-style-type: none"> • Good record of macro-economic stability and sound economic institutions • Strong market access and funding flexibility • Solid structural reform momentum 	<ul style="list-style-type: none"> • Low growth potential, wealth levels and economic diversification • Elevated public debt, rising spending pressures and high contingent liabilities • Social risks, weak employment dynamics

Outlook and rating triggers

The Stable Outlook reflects Scope’s view that risks to the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> • Structural reforms progress materially and set the stage for more inclusive, resilient, and sustainable economic growth • Tangible progress on the government’s fiscal strategy and budgetary consolidation plans, for instance via a widening of the tax base or elimination of subsidies • Governance quality improves substantially thanks to institutional reforms 	<ul style="list-style-type: none"> • Public finances deteriorate, for instance due to a rising interest burden, overly loose fiscal policy, or the crystallisation of contingent liabilities • External position deteriorates, for instance due to weakening reserve holdings or balance of payment pressures • Social and/or geopolitical tensions worsen, affecting policy credibility, and/or institutional and macro-economic stability

Figure 2: Rating history¹



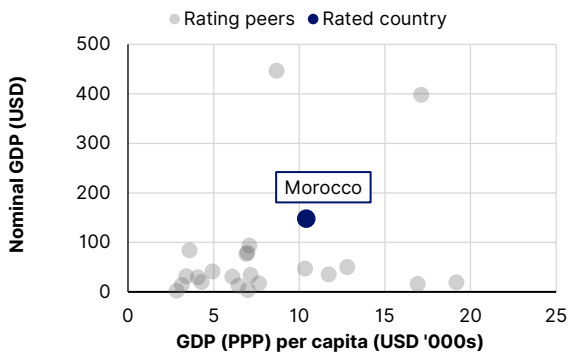
¹Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

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

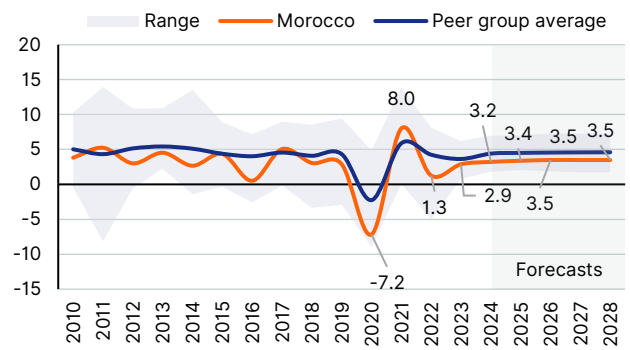
SQM* indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb-	Growth potential and outlook	Neutral	0	Moderate growth potential; rising investment and structural reforms support long-term growth
	Monetary policy framework	Strong	+1/3	Sophisticated central bank vis-à-vis peers with good record of inflation control; gradual transition to inflation targeting
	Macroeconomic stability and sustainability	Neutral	0	Gradual expansion of higher value-added sectors balanced by labour market challenges, including youth unemployment

Figure 3: Nominal GDP and GDP per capita



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

Figure 4: Real GDP growth, %



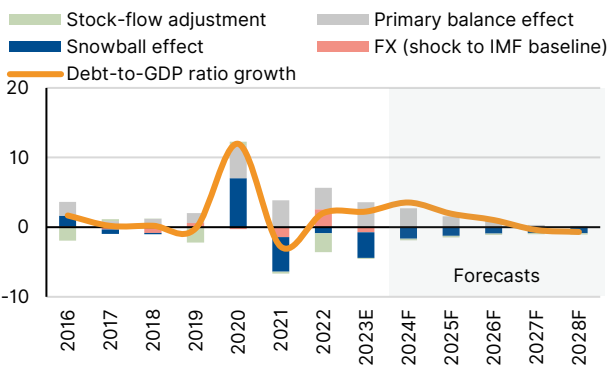
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

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

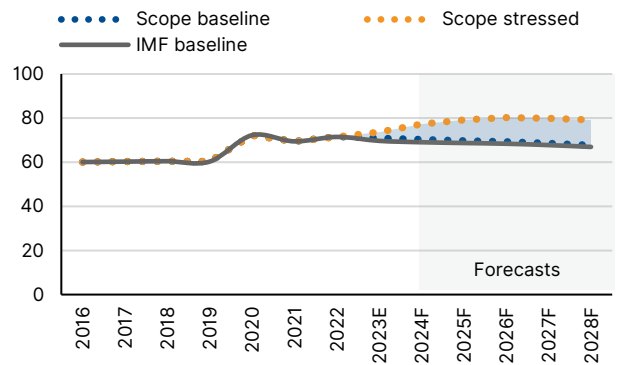
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb+	Fiscal policy framework	Strong	+1/3	Sophisticated fiscal administration with enhanced public financial management frameworks; well-designed medium-term fiscal strategy
	Long-term debt trajectory	Neutral	0	Elevated public debt mitigated by relatively good revenue mobilisation, moderate interest burden; debt-to-GDP to stabilise
	Debt profile and market access	Strong	+1/3	Strong market access and funding flexibility relative to peers; favourable debt profile and pro-active 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

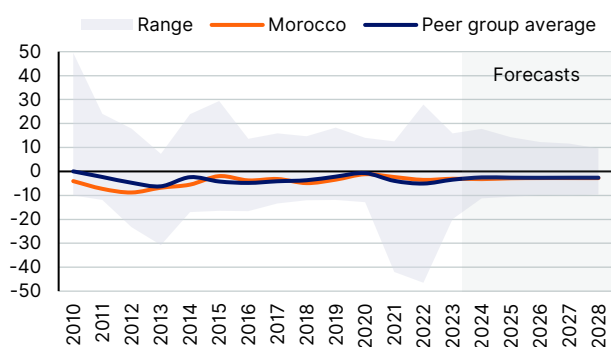
*Sovereign Quantitative Model.

External economic risk

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

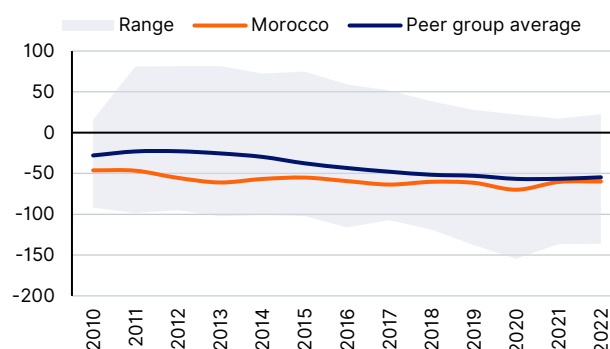
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
CCC	Current account resilience	Neutral	0	Consistent current account deficits mostly funded through foreign direct investment; exports are concentrated in a few key sectors
	External debt structure	Strong	+1/3	External debt structure is favourable; low share of short-term and foreign-currency debt
	Resilience to short-term external shocks	Strong	+1/3	Resilience to short-term shocks is underpinned by good reserve coverage and gradual transition to a floating exchange rate regime

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

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



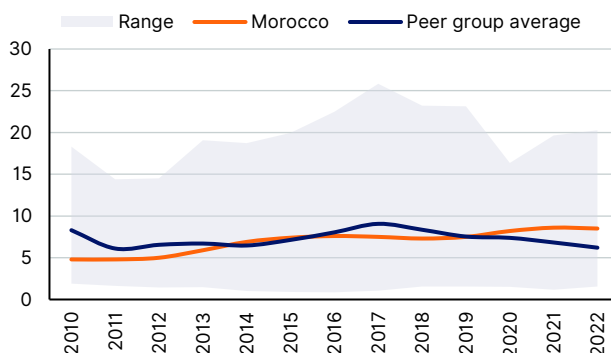
Source: IMF, Scope Ratings

Financial stability risk

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

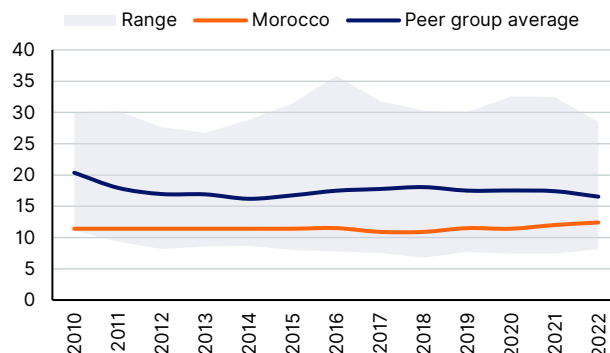
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb-	Banking sector performance	Neutral	0	Well-developed banking sector with adequate capitalisation and moderate asset quality
	Financial sector oversight and governance	Strong	+1/3	Strengthened oversight framework increasingly in line with international supervisory standards
	Financial imbalances	Neutral	0	Elevated but declining private debt levels; real estate sector vulnerabilities are contained

Figure 9: Non-performing loans, % of total loans



Source: World Bank (WB), Scope Ratings

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



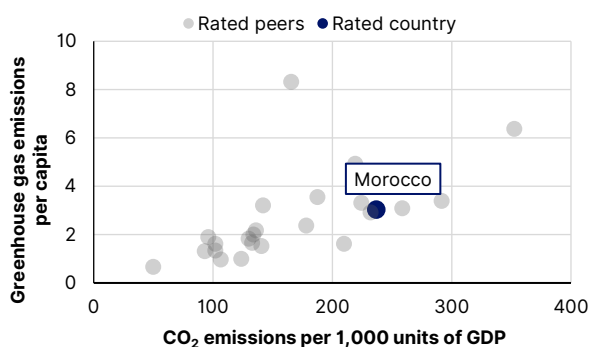
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

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

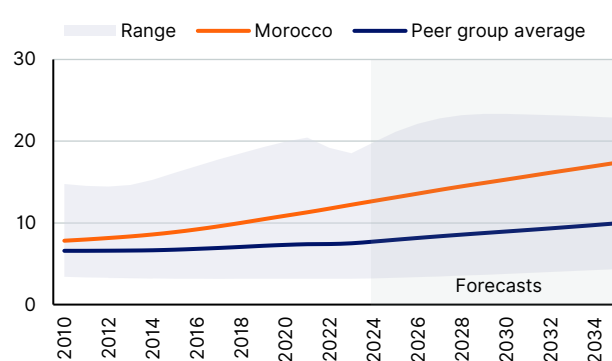
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb-	Environmental factors	Strong	+1/3	Ambitious climate plans and policies help reduce transition and natural disasters relative to peers
	Social factors	Neutral	0	Better education, healthcare, poverty levels than peers; labour market bottlenecks, inequalities and social discontent are challenges
	Governance factors	Strong	+1/3	Better governance quality, political stability than peers; moderate geopolitical tensions

Figure 11: CO₂ emissions per GDP, mtCO₂e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

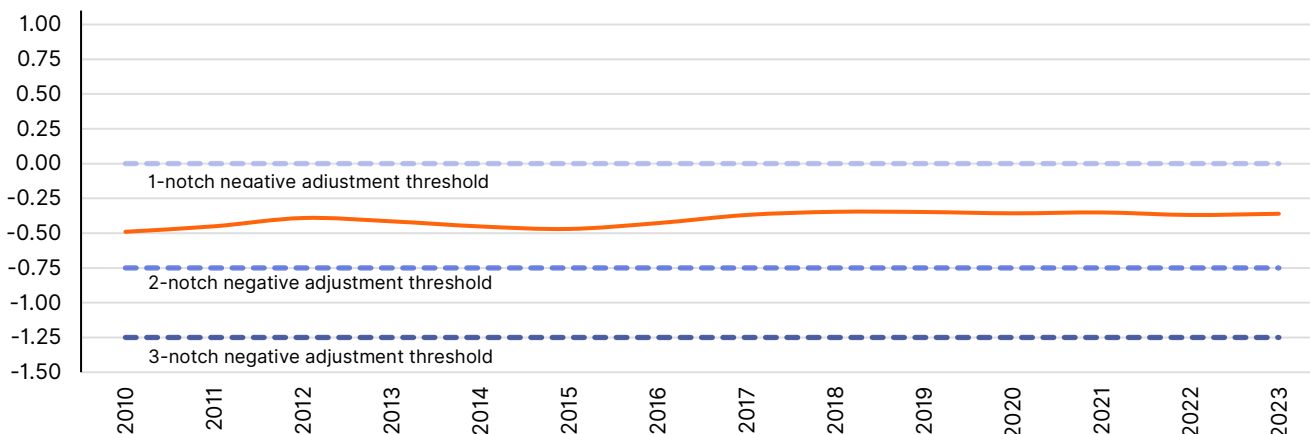
Figure 13: IMF SDR basket and Scope reserve-currency adjustment

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 14: WB Political Stability & Absence of Violence/Terrorism index, Morocco, 3-year moving average



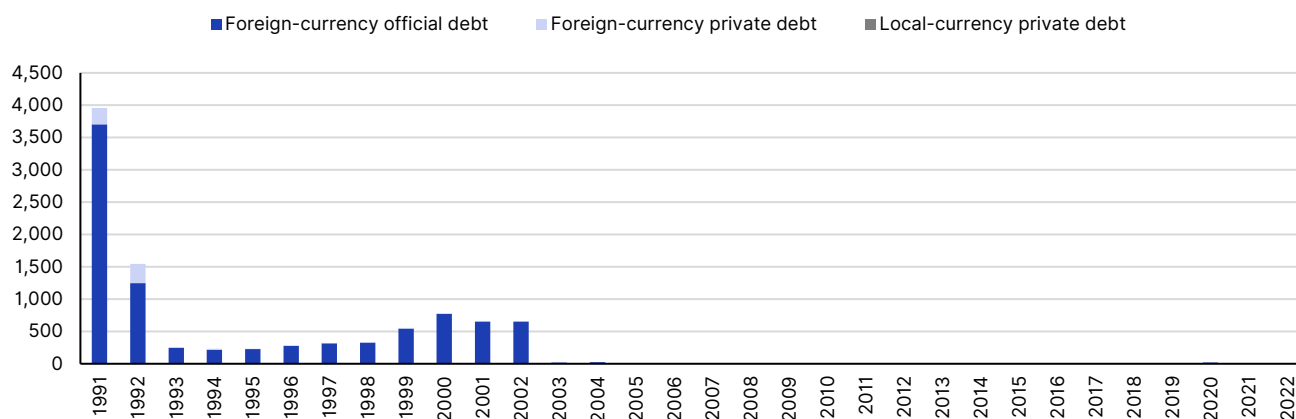
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix I. Sovereign default history

Figure 15: 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 II. 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

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

Appendix III. Economic development and default indicators

IMF Development Classification	Emerging market and developing economy
5y USD CDS spread (bp) as of 22 February 2024	101.6

Appendix IV. 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	2018	2019	2020	2021	2022	2023
Domestic Economic	GDP per capita (PPP), USD '000s	IMF	8.6	8.9	8.3	9.2	9.9	10.4
	Nominal GDP, USD bn	IMF	127.3	128.9	121.4	141.8	130.9	147.3
	Real growth, %	IMF	3.1	2.9	-7.2	8.0	1.3	2.4
	CPI inflation, %	IMF	1.6	0.2	0.7	1.4	6.6	6.3
	Unemployment rate, %	WB	9.2	9.2	11.1	10.5	10.5	-
Public Finance	Public debt, % of GDP	IMF	60.5	60.3	72.2	69.5	71.5	69.7
	Net interest payment, % of government revenue	IMF	9.3	8.9	9.3	8.4	8.0	9.0
	Primary balance, % of GDP	IMF	-1.2	-1.4	-4.6	-3.9	-3.1	-2.4
External Economic	Current-account balance, % of GDP	IMF	-4.9	-3.4	-1.2	-2.3	-3.5	-3.1
	Total reserves, months of imports	IMF	5.0	5.6	8.9	6.8	5.1	-
	NIIP, % of GDP	IMF	-60.2	-61.5	-69.9	-60.4	-59.8	-
Financial Stability	NPL ratio, % of total loans	IMF	7.3	7.5	8.2	8.6	8.5	-
	Tier 1 ratio, % of risk-weighted assets	IMF	10.9	11.5	11.4	12	12.4	-
	Credit to the private sector, % of GDP	WB	79.0	81.5	91.0	86.6	88.0	-
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	221.5	237.3	240.5	250.0	236.9	-
	Income share of bottom 50%, %	WID	13.0	13.0	13.0	13.0	13.0	-
	Labour-force participation rate, %	WB	48.5	48.6	46.6	48.7	-	-
	Old-age dependency ratio, %	UN	10.0	10.4	10.9	11.3	11.8	12.2
	Composite governance indicators*	WB	-0.4	-0.3	-0.3	-0.3	-0.3	-
	Political stability, index	WB	-0.3	-0.3	-0.4	-0.4	-0.3	-

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

Scope Ratings GmbH

Lennéstraße 5
D-10785 Berlin
[scoperatings.com](https://www.scoperatings.com)

Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

in
Bloomberg: RESP SCOP
[Scope contacts](#)

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