



## PRESS RELEASE

### BANK AL-MAGHRIB BOARD MEETING

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Rabat, December 17, 2024

1. The Board of Bank Al-Maghrib held its fourth quarterly meeting for the year 2024 on Tuesday, December 17.
2. During this meeting, the Board analyzed domestic and global economic developments, as well as the Bank's medium-term macroeconomic projections.
3. At the international level, the Board noted that the global economy remains overall resilient, but the outlook is surrounded by significant uncertainty, stemming mainly from geopolitical conflicts and tensions, as well as from the measures announced by the new U.S. administration and the consequences of their implementation. Regarding inflation, after the sharp deceleration recorded over the past two years, it continues to converge toward central bank targets, particularly in major advanced economies, though at an uneven pace.
4. At the national level, the Board first reviewed the new data available since its last meeting, particularly focusing on the data in the 2025 Finance Law and the 2025-2027 three-year fiscal plan, which show the government's determination to continue consolidating macroeconomic balances.
5. The Board then discussed the Bank's medium-term projections, which point to an improvement in the pace of non-agricultural activities, thanks in particular to the various large-scale projects launched or planned. On the other hand, agricultural production remains dependent on highly uncertain weather conditions.
6. In parallel, after the deceleration starting in the second quarter of 2023, inflation continues to evolve at low levels and is expected to end the year with an average of 1 percent, compared to 6.1 percent in 2023. It should remain moderate in the medium term, hovering around 2.4 percent in 2025 and 1.8 percent in 2026, according to Bank Al-Maghrib's projections. Similarly, its core component, which reflects the fundamental trend in prices, should continue to decelerate, decreasing from 5.6 percent in 2023 to 2.1 percent this year, then to 2 percent in 2025 and 1.8 percent in 2026. The Board also noted that inflation expectations remain well anchored. Indeed, the latest data from Bank Al-Maghrib's quarterly survey of financial sector experts indicate that they expect an average rate of 2.3 percent for the 8-quarter horizon and 2.4 percent for the 12-quarter horizon.
7. Regarding the transmission of its decisions, following the reduction of the key rate last June, lending rates registered a quarterly decline of 22 bps, including a 25 bps decrease for businesses and near-stability for individuals.

8. Given that inflation evolves at levels in line with the price stability objective and considering the high uncertainty surrounding the medium-term outlook particularly at the international level, the Board decided to reduce the key rate by 25 basis points to 2.50 percent. It will continue to closely monitor economic developments and will take its decisions, meeting by meeting, based on most up-to-date data available.
9. On the commodity markets, oil prices' downward trend should continue, particularly supported by non-OPEC+ supply and moderated global demand. The Brent crude price is expected to decline from an average of \$79.8 per barrel this year to \$74.5 in 2025, then to \$69.1 in 2026. With regard to Moroccan phosphate and its derivatives and according to *Commodities Research Unit* projections, the price of DAP should remain virtually stable in 2024 at \$586 per tonne, before gradually rising to \$613 by 2026, while the price of raw phosphate will decrease from \$223 per tonne in 2024 to \$187 in 2026. As for food products, after an average decline of 2.1 percent this year, the FAO index is expected to increase by 4.5 percent in 2025 and 1.2 percent in 2026.
10. Regarding the global economic outlook, it suggests a deceleration, primarily driven by the U.S. economy, which growth is expected to decline from 2.7 percent this year to an average of 1.7 percent in 2025 and 2026. In the euro area, growth should be limited to 0.8 percent, before improving to 1.3 percent over the next two years. In major emerging countries, the slowdown is set to continue in China, with real GDP growth forecast to decline from 5.2 percent in 2023 to 4.3 percent in 2026, while the Indian economy is expected to maintain its momentum with a growth rate close to 7 percent.
11. Under these conditions, inflation should continue its downward trend, albeit unevenly, declining at the international level from 4.8 percent in 2023 to 3.7 percent in 2024, and then to 3.2 percent in 2025 and 2026. In advanced economies, it would gradually decrease, reaching 2.6 percent in the United States and 2 percent in the euro area by 2025, but would accelerate in 2026 to 2.9 percent and 2.2 percent, respectively.
12. In this context, central banks' monetary policy easing trend continues in major advanced economies. Thus, the ECB, considering that the disinflation process in the euro area is on track, decided on December 12 to lower its key rates by 25 basis points (bps), marking the third consecutive reduction and the fourth since June. Similarly, the Fed, at its meeting of November 6-7, decided to cut the target range for the federal funds rate by 25 bps to [4.5-4.75 percent], the second consecutive cut following the 50 bps reduction in September.
13. At the national level, Bank Al-Maghrib's projections indicate that non-agricultural growth will remain virtually stable at around 3.5 percent in 2024, before improving to 3.6 percent in 2025 and 3.9 percent in 2026. Meanwhile, adversely affected by the unfavorable weather conditions that prevailed during the previous crop year, agricultural value-added is expected to decline by 4.6 percent this year, before progressing by 5.7 percent in 2025 and 3.6 percent in 2026, assuming cereal harvests of 50 million quintals, equivalent to the average of the past five years. Overall, national economic growth should be limited to 2.6 percent this year, after 3.4 percent in 2023, but would accelerate to 3.9 percent over the next two years.
14. Regarding foreign trade, after a quasi-stagnation in 2023, exports of goods are expected to gradually accelerate from 5.5 percent this year to 8.9 percent in 2026. This mainly reflects the continued momentum of sales in the automotive sector, which are expected

to reach MAD 200 billion in 2026, and the rebound in sales of phosphate and derivatives expected to be around 100 billion MAD the same year. Likewise, after a 2.9 percent decline, imports are set to rise by 4.6 percent in 2024, 7.9 percent in 2025, and 6 percent in 2026, mainly due to the expected increase in capital goods purchases associated with the implementation of numerous infrastructure projects. Meanwhile, with the fall in international oil prices, the energy bill should contract by 6.9 percent this year, stabilize in 2025 and decline by 4.1 percent in 2026, to nearly MAD 110 billion. Concurrently, travel receipts are expected to maintain their good performance, closing the year up by 9.1 percent and should continue to improve, to reach MAD 128 billion in 2026. Remittances are expected to increase by 4.3 percent at the end of this year, before rising at an annual rate between 3 percent and 3.5 percent to reach MAD 128 billion in 2026. Given these developments, the current account deficit should remain contained at the equivalent of 1 percent of GDP in 2024, and below 2 percent of GDP over the next two years. Regarding the financial account, foreign direct investment receipts are expected to improve from the equivalent of 2.7 percent of GDP in 2024 to 3.3 percent in 2026. Overall, and considering the Treasury's projected external financing, Bank Al-Maghrib's official reserve assets are set to strengthen gradually, reaching MAD 400.2 billion by the end of 2026, covering almost 5 months and 8 days of imports of goods and services.

15. As for monetary conditions, bank liquidity need is expected to further increase to MAD 192.3 billion in 2026, mainly driven by the growth of currency in circulation. Given the expected evolution of economic activity and the banking system's expectations, credit to the non-financial sector is set to accelerate gradually, rising from 3.8 percent in 2024 to 5.5 percent in 2026. As for the effective exchange rate, it should continue its slight appreciation in real terms, with a rate of 0.5 percent in 2024 and 0.3 percent in 2025, primarily owing to the appreciation of its nominal value, before decreasing by 0.6 percent in 2026.
16. With regard to public finances, budget execution for the first ten months of 2024 shows a 13.6 percent improvement in recurrent receipts, mainly driven by a notable performance in tax revenues. In parallel, total expenditure rose by 7.4 percent, primarily reflecting higher spending on goods and services and capital expenditure. In light of these developments, data from the 2025 Finance law and the three-year fiscal plan 2025-2027, as well as Bank Al-Maghrib's updated macroeconomic projections, the fiscal deficit, excluding proceeds from the sale of State holdings, should reach 4.5 percent of GDP in 2024, before gradually narrowing to 4.2 percent of GDP in 2025, and to 3.9 percent in 2026.
17. Finally, the Board approved the Bank's budget for the year 2025, validated the strategy of foreign exchange reserves management and the internal audit program, and set the dates of its ordinary meetings for the same year on March 18, June 24, September 23 and December 16.