

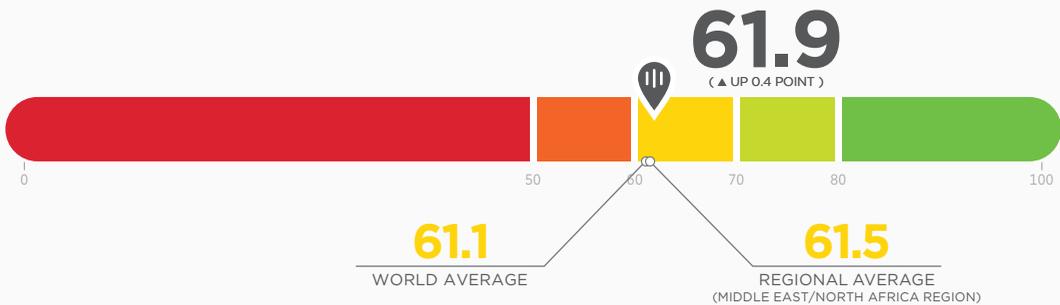
MOROCCO

Morocco's economic freedom score is 61.9, making its economy the 86th freest in the 2018 *Index*. Its overall score has increased by 0.4 point, with improved scores for the **fiscal health** and **government integrity** indicators offsetting declines in **investment freedom** and **trade freedom**. Morocco is ranked 7th among 14 countries in the Middle East and North Africa region, and its overall score is above the regional and world averages.

Low labor costs and proximity to Europe have helped Morocco build a diversified and market-oriented economy. The government is taking additional fiscal and external consolidation measures to boost growth and improve private-sector competitiveness by strengthening public finances and introducing a more flexible exchange-rate regime. A large part of the labor force remains marginalized by inflexible labor laws, and the government has yet to confront other long-standing challenges that require deeper reforms, particularly in connection with the rule of law.



ECONOMIC FREEDOM SCORE

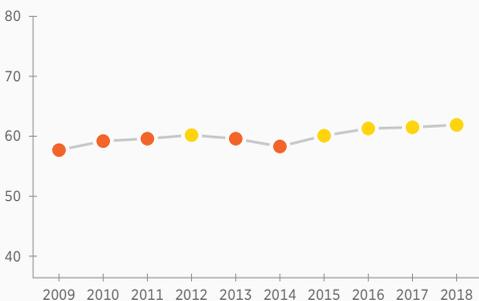


NOTABLE SUCCESSES:
Monetary Stability and Trade Freedom

CONCERNS:
Labor Freedom, Rule of Law, and Fiscal Health

OVERALL SCORE CHANGE SINCE 2014:
+3.6

FREEDOM TREND



QUICK FACTS

POPULATION:
33.8 million

GDP (PPP):
\$281.8 billion
1.5% growth in 2016
5-year compound annual growth 3.2%
\$8,330 per capita

UNEMPLOYMENT:
10.0%

INFLATION (CPI):
1.6%

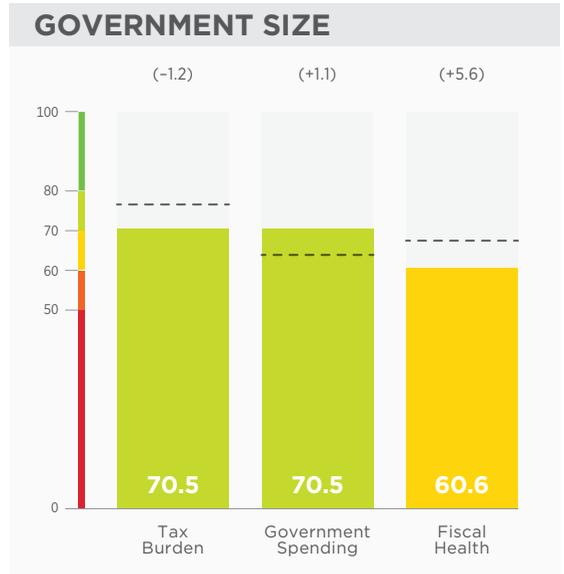
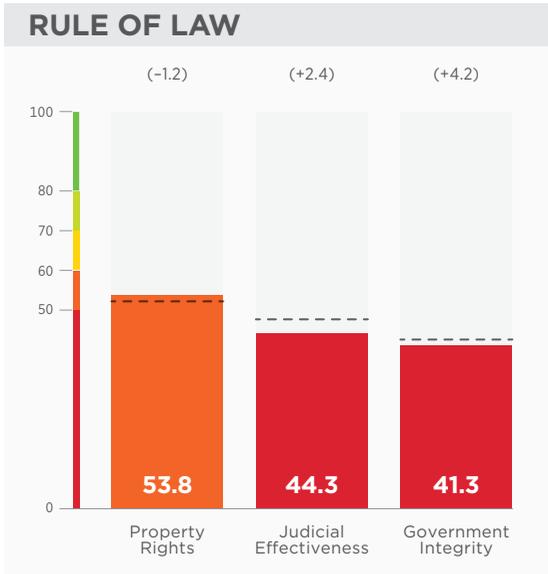
FDI INFLOW:
\$2.3 billion

PUBLIC DEBT:
64.7% of GDP

2016 data unless otherwise noted. Data compiled as of September 2017

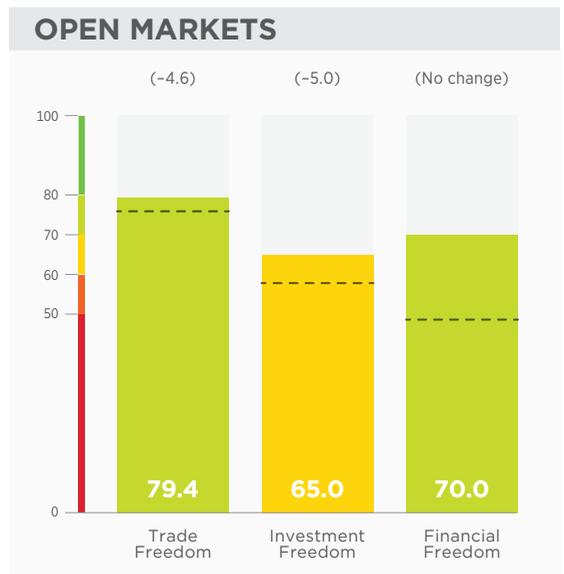
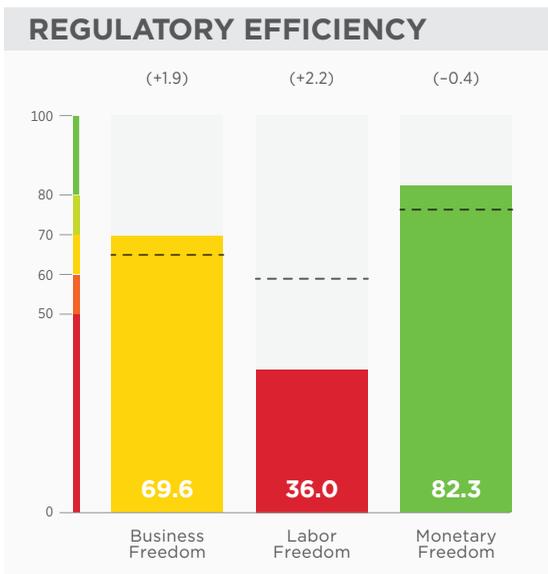
BACKGROUND: Morocco's Alaouite royal family dates from the 17th century. A constitutional monarchy with an elected parliament, Morocco has been a key Western ally in the fight against Islamist terrorism. Following popular protests in 2011, King Mohammed VI authorized a commission that proposed constitutional amendments, which were approved by referendum, to increase the prime minister's power and independence and provide greater civil liberties. The king retains significant power as chief executive. In addition to a large tourism industry and a growing manufacturing sector, a nascent aeronautics industry has attracted foreign investment. The United Nations has monitored a cease-fire between Morocco and the Western Sahara guerrilla Polisario Front since 1991 and conducts ongoing negotiations on the status of that territory.

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Morocco has streamlined the process for registration and transfer of property, but rates of land titling and land rights registration are still low. Corruption and extrajudicial influence have weakened judicial independence. Corruption is a serious problem in the executive branch, including the police, and in the legislative and judicial branches. Officials can engage in corrupt practices with impunity.

The top individual income tax rate is 38 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and gift taxes. The overall tax burden equals 24.6 percent of total domestic income. Over the past three years, government spending has amounted to 31.4 percent of total output (GDP), and budget deficits have averaged 4.4 percent of GDP. Public debt is equivalent to 64.7 percent of GDP.



Morocco made the procedures for setting up and registering a private business easier again in 2016, but it made dealing with construction permits more difficult. The labor market lacks dynamism, and firing a worker is usually costly. Although the government has eliminated fuel subsidies, it has maintained subsidies on basic goods such as flour and sugar in an attempt to preserve social stability.

Trade is significant for Morocco's economy; the combined value of exports and imports equals 80 percent of GDP. The average applied tariff rate is 2.8 percent. Nontariff barriers impede trade. Government openness to foreign investment is above average. The financial market, dominated by a competitive and growing banking sector, is fairly well developed in comparison to other economies in the region.