MOROCCO

Morocco’s economic freedom score is 62.9, making its economy the 75th freest in the 2019 Index. Its overall score has increased by 1.0 point, with improvements in fiscal health, property rights, and judicial effectiveness outpacing lower scores for government integrity, labor freedom, and trade freedom. Morocco is ranked 6th 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 to build a diversified and market-oriented economy. The government is taking additional fiscal 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 ensuring the evenhanded rule of law.

**ECONOMIC FREEDOM SCORE**

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
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<tbody>
<tr>
<td>61.5</td>
<td>61.9</td>
<td>62.9</td>
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**WORLD AVERAGE** 60.8  
**REGIONAL AVERAGE** (MIDDLE EAST/NORTH AFRICA REGION) 61.3

**RELATIVE STRENGTHS:** Monetary Freedom and Trade Freedom

**HISTORICAL INDEX SCORE CHANGE (SINCE 1995):** +0.1

**CONCERNS:** Labor Freedom and Government Integrity

**FREEDOM TREND**

<table>
<thead>
<tr>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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<tbody>
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<td>60.1</td>
<td>61.3</td>
<td>61.5</td>
<td>61.9</td>
<td>62.9</td>
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</tbody>
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**QUICK FACTS**

- **POPULATION:** 34.9 million
- **GDP (PPP):** $298.6 billion  
  4.2% growth in 2017  
  5-year compound annual growth 3.4%  
  $8,567 per capita
- **UNEMPLOYMENT:** 9.3%
- **INFLATION (CPI):** 0.8%
- **FDI INFLOW:** $2.7 billion
- **PUBLIC DEBT:** 64.4% of GDP

**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, later 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 Polisario Front in the resource-rich and phosphate-rich Western Sahara since 1991, but peace talks have been deadlocked since 2008.
The rates of land titling and land rights registration are low, and the World Bank’s 2018 *Doing Business* survey reported that the government has made property registration more expensive. The judiciary is not independent of the palace, and the courts are regularly used to punish opponents of the government. Officials engage in corrupt practices with impunity, and anticorruption laws are not implemented effectively.

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 20.9 percent of total domestic income. Over the past three years, government spending has amounted to 30.2 percent of the country’s output (GDP), and budget deficits have averaged 3.9 percent of GDP. Public debt is equivalent to 64.4 percent of GDP.

Procedures for setting up and registering a private business have been streamlined in recent years. The process of launching a company has become easier with reduced registration fees. Despite some improvement, labor market rigidity continues to discourage dynamic employment growth. The government is determined to continue phasing out subsidies for butane gas, fuel, sugar, and flour but will increase targeted subsidies.

The combined value of exports and imports is equal to 83.5 percent of GDP. The average applied tariff rate is 3.8 percent. As of June 30, 2018, according to the WTO, Morocco had 38 nontariff measures in force. Foreign and domestic investors are generally treated equally under the law. The financial sector is competitive and offers a range of financing options. The Casablanca Stock Exchange does not restrict foreign participation.