MOROCCO

Morocco’s economic freedom score is 63.3, making its economy the 78th freest in the 2020 Index. Its overall score has increased by 0.4 point, reflecting an improved score for property rights. Morocco is ranked 7th among 14 countries in the Middle East and North Africa region, and its overall score is slightly higher than the regional and world averages.

The Moroccan economy is in the moderately free category for the sixth year in a row. GDP growth during that time has been solid.

Three Index areas in particular are holding back economic freedom in Morocco. The first is the lack of government integrity; additional efforts are needed to fight corruption relentlessly. Closely related is the need to make the judicial system more reliable and transparent. Third is the need to address rigidities in the labor market to improve productivity. The government’s top economic policy priority, which should have a positive impact, is to respond to public disquiet about corruption and inequality.

ECONOMIC FREEDOM SCORE

63.3 ▲ UP 0.4 POINT

WORLD AVERAGE
61.6

REGIONAL AVERAGE
61.8 (MIDDLE EAST/NORTH AFRICA REGION)

HISTORICAL INDEX SCORE CHANGE (SINCE 1995): +0.5

RECENT FREEDOM TREND

QUICK FACTS

POPULATION:
35.2 million

UNEMPLOYMENT:
9.0%

GDP (PPP):
$314.6 billion
3.1% growth in 2018
5-year compound annual growth 3.1%
$8,933 per capita

INFLATION (CPI):
1.9%

FDI INFLOW:
$3.6 billion

PUBLIC DEBT:
65.2% 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. Although King Mohammed VI took steps after 2011 to increase the power and independence of the prime minister (currently Saadeddine Othmani) and provide greater civil liberties, the king retains significant power as chief executive and remains a key stabilizing influence. 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 phosphate-rich Western Sahara since 1991, but peace talks have been deadlocked since 2008.
The World Bank’s *Doing Business* rating of Morocco for “Registering Property” improved in 2019 after the government made property registration easier by increasing the transparency of the land registry/cadaster and streamlining administrative procedures. The court system is not independent of the monarch, and the courts are regularly used to punish opponents of the government. Corruption is rife in state institutions and the economy.

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 21.8 percent of total domestic income. Government spending has amounted to 30.1 percent of the country’s output (GDP) over the past three years, and budget deficits have averaged 3.9 percent of GDP. Public debt is equivalent to 65.2 percent of GDP.

Morocco has improved its business environment, but remaining challenges include inefficient government bureaucracy, weak intellectual property rights, and slow regulatory reform. Resolution of insolvency improved last year. Rigid labor regulations discourage a more dynamic labor market. Many university graduates are unprepared to succeed in the job market. The cost of government butane gas, fuel, sugar, and flour subsidies has increased.

The total value of exports and imports of goods and services equals 87.1 percent of GDP. The average applied tariff rate is 3.2 percent, and 42 nontariff measures are in force. Foreign investment is welcome, but sector restrictions continue, particularly in areas in which the state maintains a monopoly. The financial system is fairly well developed, and financial intermediation is gradually increasing. Credit costs remain relatively high.