Morocco’s economic freedom score is 59.2, making its economy the 97th freest in the 2022 Index. Morocco is ranked 6th among 14 countries in the Middle East and North Africa region, and its overall score is above the regional average but below the world average.

The past five years have been a period of slow growth for the economy of Morocco. Unfortunately, a trend of moderate growth in economic freedom during those five years has been broken. Weighed down by low scores for judicial effectiveness and fiscal health, Morocco has recorded a 2.3-point overall loss of economic freedom since 2017 and has slipped from the “Moderately Free” category into the “Mostly Unfree” category. Monetary freedom is a strong point, but government integrity is weak.

IMPACT OF COVID-19: As of December 1, 2021, 14,779 deaths had been attributed to the pandemic in Morocco, and the government’s response to the crisis ranked 22nd among the countries included in this Index in terms of its stringency. The economy contracted by 7.0 percent in 2020.

BACKGROUND: Morocco’s Alawite 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 he took steps after 2011 to increase the power and independence of the prime minister (currently Saadeddine Othmani) and provide greater civil liberties, King Mohammed VI remains chief executive and a key stabilizing influence. 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. A peace agreement with Israel announced in December 2020 has cleared the way for normalization of trade, investment, technological cooperation, and tourism between the two countries.
Property rights are recognized, but the land registration system is not fully transparent. Only about 30 percent of land is formally registered, primarily in urban areas. Tribes own more than one-third of the land. Corruption and extrajudicial influence have weakened judicial independence. Judges lack training in the resolution of commercial disputes. 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 31 percent. Other taxes include a value-added tax. The overall tax burden equals 27.8 percent of total domestic income. Government spending has amounted to 31.8 percent of total output (GDP) over the past three years, and budget deficits have averaged 5.2 percent of GDP. Public debt is equivalent to 76.1 percent of GDP.

A privatization program was relaunched in the 2019 budget, but the government still had a direct share in 225 state-owned enterprises in 2021. Regulatory reform moves at a slow pace. It is very difficult to fire an employee. The government subsidizes butane gas, fuel, sugar, and flour prices in addition to the agriculture sector.

Morocco has nine preferential trade agreements in force. The trade-weighted average tariff rate is 10.7 percent, and 49 non-tariff measures are in effect. Foreign investment is welcome, but sector restrictions continue, particularly in areas where the state maintains a monopoly. With financial intermediation gradually increasing, the competitive financial sector continues to grow and offers a range of financing options.