RESEARCH REPORT

MACROECONOMY

JANUARY 2026

MOROCCO : 2026 FINANCE ACT

A reassuring level of revenues... even higher commitments

Attijari Global Research

EXECUTIVE SUMMARY

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This is an extremely rare situation that we are witnessing. For the Moroccan economy, the stars are aligning. The aggregates are quite attractive in this FY 2025, and the economic outlook is particularly promising. It is rare to observe a quasi-unanimous orientation of the indicators:

- In terms of growth, GDP shows an unprecedented increase of 5.0%, with very reassuring sectoral indicators such as Agriculture (dam filling rate of 42.5%), Industry (Capacity Utilization Rate of 79%), Tourism (nearly 19,8 million arrivals) as well as the energy bill (barrel price sustainably below 60 $/bbl).
- As regards to the budgetary situation, ordinary revenues have achieved over the past 4 years an average increase of nearly MAD +30 Bn, the subsidy expense no longer constitutes a burden (1.0% of GDP), and investment is reaching record levels. Finally, the fiscal deficit and indebtedness continue a downward trend.
- On the monetary front, inflation is expected to settle at 0.8% in 2025. Outstanding loans are accelerating their growth to +6.2%, while the non-performing loans ratio stood at 8.7% in November, stable compared with the previous year.
- To conclude, the business climate is quite favorable, with major breakthroughs on the diplomatic front, a renewed "Investment Grade" rating, and a successful demonstration of the country's ability to deliver large-scale projects and to organize major events in line with international standards.

In this report, we present a review of the main aggregates of the FA 2026. We highlight the evolution of public sector commitments in both operating and investment terms. Overall, we seek to show the extent to which this FA takes advantage of this particularly favorable environment.

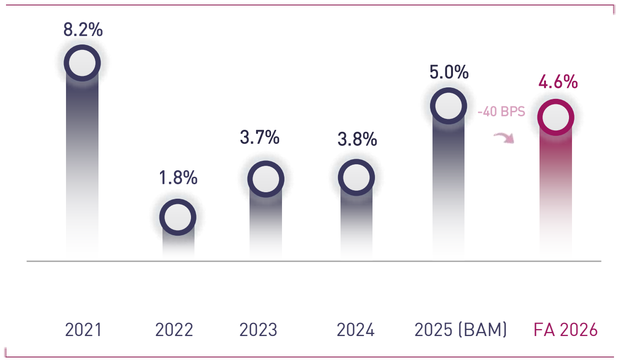
Sources: BAM, Ministry of Finance, HCP, AGR computations

A CONSERVATIVE GROWTH ASSUMPTION... SUPPORTED BY RAINFALL

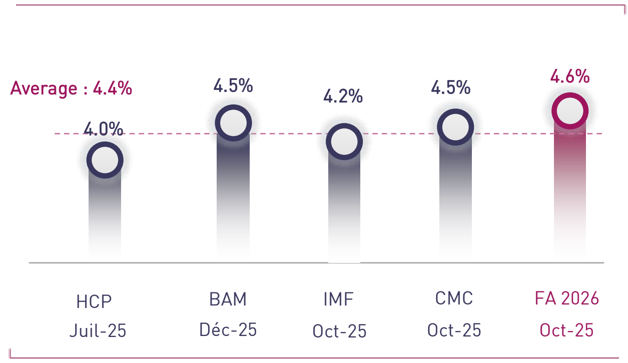
It was customary to challenge optimism regarding the growth assumption in the construction of the FA in Morocco. The main subject of debate was often the agricultural component, in which the Ministry of Finance projects a "normative" harvest based on an average of previous years' crop. Meanwhile, forecasts attempt to update these assumptions based on recent rainfall data, in a context of 7 consecutive years of drought.

In this year 2026, the scenario seems to be repeating itself but this time, Morocco is experiencing unprecedented rainfall levels, bringing the dam filling rate to 42.5% as at January 5th, with a volume of 7,123 MM^3, representing a year-on-year increase of 48.9%. All indications suggest that this year, cereal production could outperform the 70 million quintals assumption set out in the FA.

FIVE-YEAR GDP GROWTH (REAL BAM – FORECAST FA)



CONSENSUS ON GROWTH HYPOTHESIS 2026E



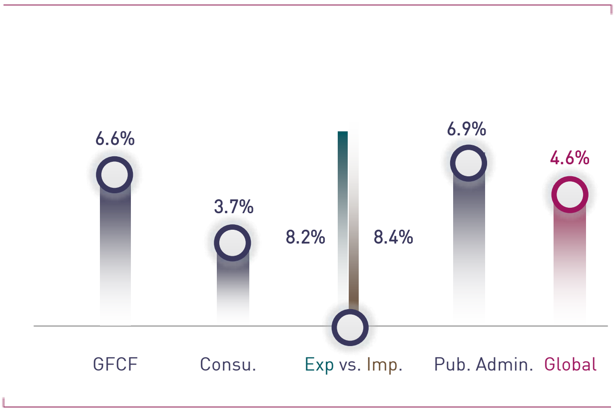
Thus, we believe that the FA 2026 growth assumption of +4.6%, although not deviating from the +4.4% consensus, is quite realistic, or even conservative in view of the favorable weather conditions for agriculture. Crop Value Added would therefore record an increase of +7.9%, while Non-Crop Value Added would grow by +4.0%.

On the Demand side, and in a context of continued major structuring projects, Gross Fixed Capital Formation would drive growth with an increase of +6.6%. Gross Investment is supported by the rebound in FDI of +40% in 2025 following +55% in 2024, by Equipment loans (+16.8% at the end of November), which is reflected in imports of Capital Goods (+16.7%).

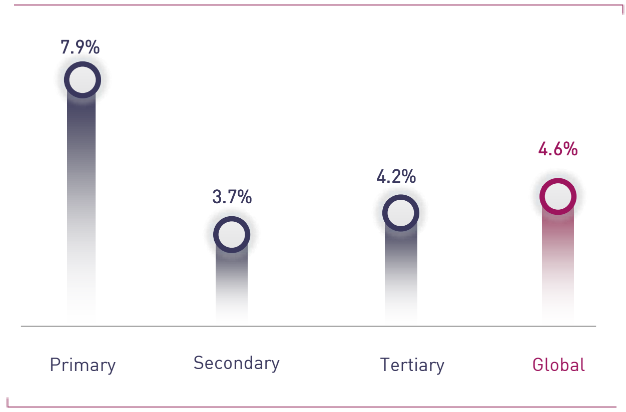
Household consumption would increase by +3.7%, taking into account very moderate inflation expected at +1.3% in 2026E after +0.8% in 2025A according to BAM, and a still favorable trend in workers remittances and in Consumer loans of +1.6% and +4.6% at the end of November, respectively.

Finally, the easing of the energy bill in connection with the expected downward trend in oil prices should be somewhat offset by the decline in Demand addressed to phosphates. Overall, External Demand is expected to slow slightly in 2026E to +2.3%.

GROWTH PROJECTION 2026E: DEMAND APPROACH



GROWTH PROJECTION 2026E: SECTORAL APPROACH



Furthermore, the Tertiary sector remains the leading contributor to economic growth due to its weight and its performance, which is marked by consistency. According to the assumptions of the FA 2026, Services are expected to post an increase of +4.2% after +4.1% in the FA 2025.

Sources: BAM, Ministry of Finance, Foreign Exchange Office, HCP, AGR computations

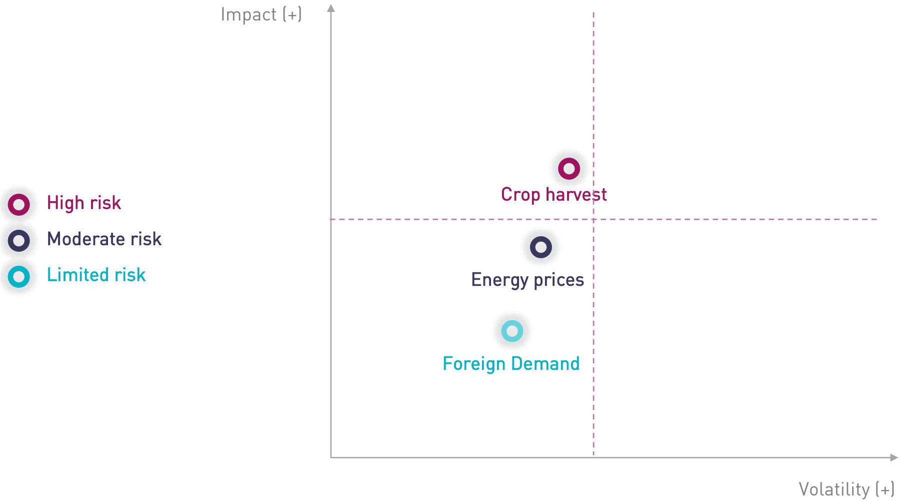
A CONSERVATIVE GROWTH ASSUMPTION... SUPPORTED BY RAINFALL (CONTINUED)

For this FY 2026, we consider that the growth assumption is quite realistic, or even conservative, due to the rainfall parameter as discussed above.

As for the remaining assumptions, we are comfortable with the likelihood of their materialization. This makes the projection of non-crop Value Added growth of +4.0% entirely plausible in our view. This projection takes into account the following assumption :

- An oil price of 65 $/bbl: Currently trading at a level below 58 $, the oil price is settling at low levels under the effect of weak Demand and a geopolitical context pointing to the continuation of excess supply;
- A EUR/USD parity of 1.17: Currently at 1.18, the median of forecasts established by AGR stands at 1.19. The narrowing of the interest rate differential between the United States and the Euro Area would explain the upward forecasts for EUR/USD over the short and medium terms;
- An increase in foreign Demand of +2.3% (+3.6% excluding phosphates): This acceleration in growth (compared with +1.8% in the 2025 FA) would be explained by the strengthening of Demand from the main partners, namely France and Spain.

RISK MATRIX RELATING TO THE IMPLEMENTATION OF THE FA 2026 GROWTH FORECAST



Overall, the Moroccan economy is expected to consolidate this new growth level close to the +5% threshold, confirming a momentum well above the long-term growth level, which stands at around +3.5%.

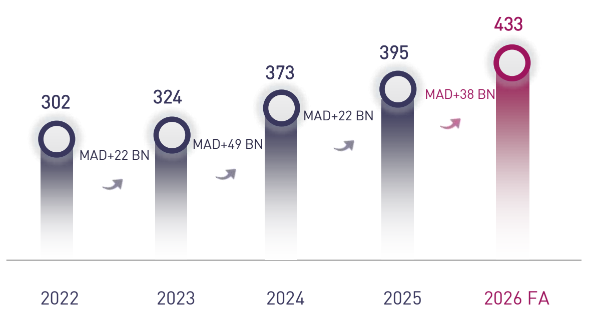
Sources: Foreign Exchange Office, HCP, AGR computations

REVENUES ARE REASSURING... WITH, NEVERTHELESS, A HIGH OPERATING COST

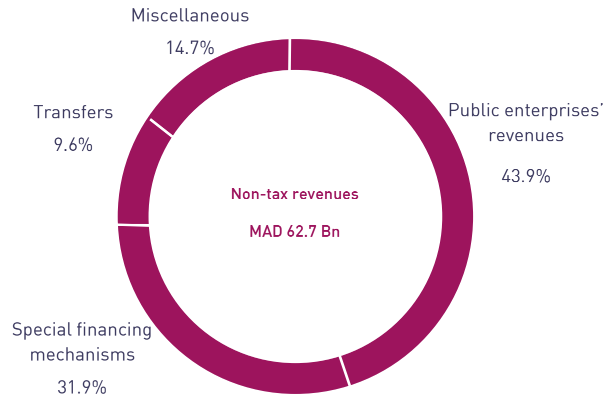
Strong and steady growth in revenues...

Since 2022, Ordinary revenues have continued to grow at a sustained pace, with an average annual increase superior to MAD +30 Bn. The FA 2026 carries this momentum forward and shows an increase of MAD +38 Bn in these revenues, to MAD 433 Bn. This trend remains broadly sound and is driven, at the level of Tax revenues, by (1) economic growth, (2) the gradual implementation of VAT, CIT and IT reforms, (3) the reduction of tax exemptions, which now represent only 2% of GDP, and (4) collection efforts carried out by the Tax Administration.

EVOLUTION OF ORDINARY REVENUES 2026 (MAD BN)



BREAKDOWN OF NON-TAX REVENUES 2026 (%)



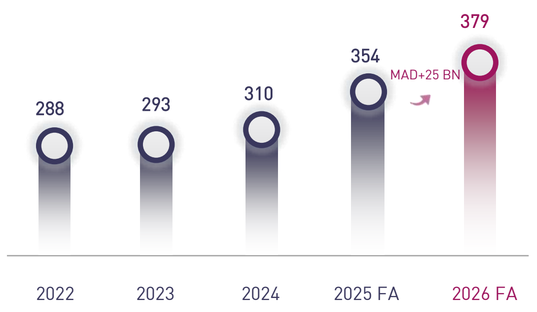
Conversely, Non-Tax revenues are down by MAD -9 Bn, while maintaining a solid level of MAD 63 Bn. Revenues from public enterprises and establishments predominate with a share of 44%, while financing mechanisms see their share decline to 32% from 49% in the previous year, i.e. a contribution of MAD 20 Bn compared with a budget of MAD 35 Bn a year earlier.

...With budgetary commitments which are just as high...

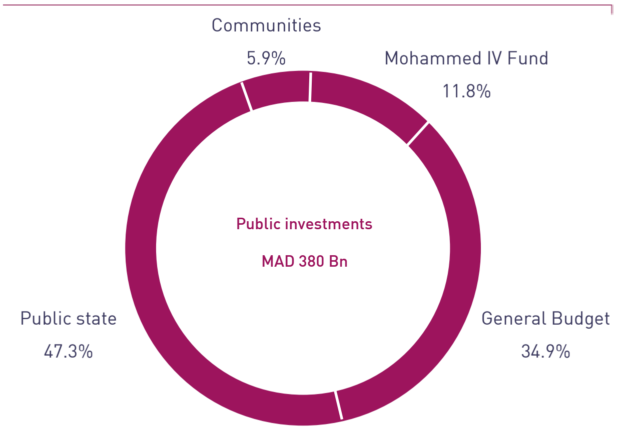
Operating expenditures are evolving at an equally rapid pace. On the one hand, the wage bill is increasing sharply by MAD +15 Bn to MAD 195 Bn, after a rise of MAD +13 Bn in 2024. This stems from enrollments (+37k) as well as salary increases, notably a +4% rise for civil servants and a net monthly increase of MAD 1,500 for teachers. The share of the Wage bill thus stands at 10.7% of GDP.

On the other hand, the Treasury continues to achieve savings on Subsidy expense. These decline by MAD -3 Bn to MAD 14 Bn, thus accounting for only 0.8% of GDP. This level is to be compared with the peak of 6.8% of GDP in 2012. This is explained by the decline in energy prices and an advanced process of dismantling the subsidy system. As a reminder, the new phase of dismantling the gas subsidy, scheduled for Jan-26, has been postponed.

EVOLUTION OF ORDINARY EXPENDITURE 2026 (MAD BN)



BREAKDOWN OF THE 2026 FA INVESTMENT BUDGET (%)



...and a genuine determination to maintain the pace of investment

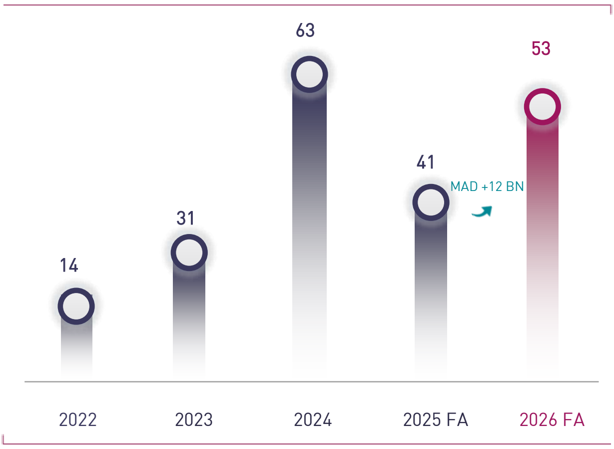
The increase in the public investment budget by MAD +40 Bn to MAD 380 Bn illustrates Morocco's unwavering commitment to pursuing its structuring projects. The bulk of these investments is carried by the general budget and the public enterprises. A significant share (60%) of these investments will take place in the three Regions of Casablanca-Settat, Rabat-Salé-Kénitra and Marrakech-Safi. In this respect, infrastructure, territorial development, water, and basic social services are expected to represent priority areas.

Sources: Ministry of Finance, AGR computations

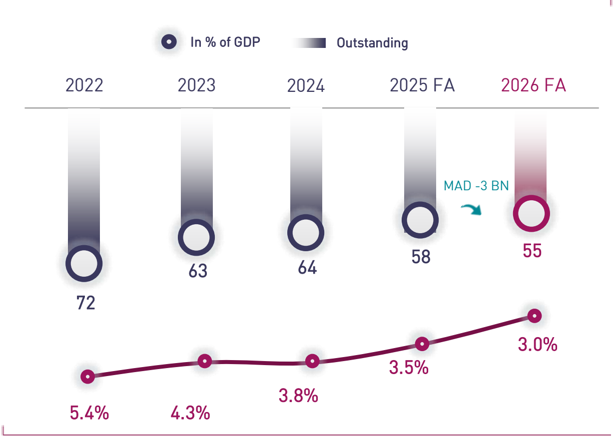
FISCAL BALANCES MAINTAINED

At this stage, it is important to assess the extent to which the significant increase in revenues contributes to the consolidation of budgetary balances. Previously, we observed that the operation of the public sector was becoming increasingly resource-consuming, while pursuing a proactive investment policy. That said, this is not at the expense of the budgetary balance, which is improving, albeit slightly, from one year to the next. Indeed, the ordinary balance is expected to increase by MAD +12 Bn in 2026E, which would allow to fund 46% of Treasury investment, compared with 39% under the FA 2025. Our conclusion is as follows: as long as revenues maintain this upward trend, the Treasury succeeds in meeting the dual challenge of satisfying growing operating and investment needs, while slightly consolidating fiscal balances.

EVOLUTION OF THE ORDINARY BALANCE (MAD BN)

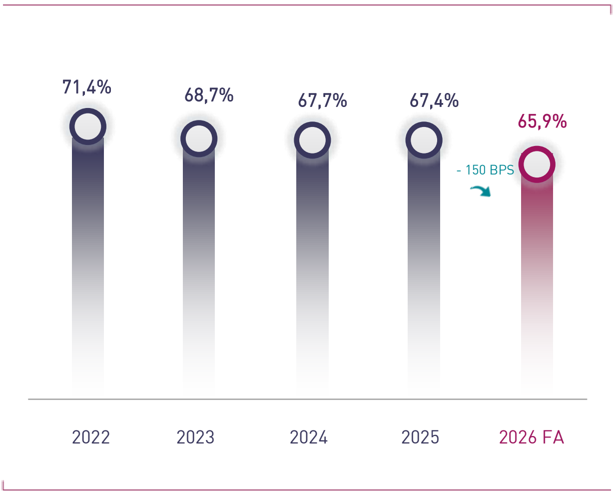


EVOLUTION OF THE FISCAL DEFICIT (MAD BN AND % OF GDP)

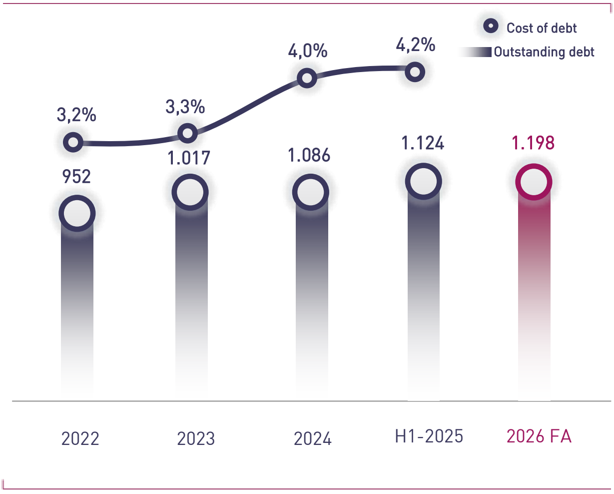


The fiscal deficit is expected to reach the target of 3% of GDP in 2026E. This performance stems more from the effect of GDP growth (denominator) than from a significant contraction of the budget balance. This configuration is entirely natural in an economy pursuing a quasi-expansionary fiscal policy.

TREASURY DEBT (% OF GDP)



OUTSTANDING TREASURY DEBT* (MAD BN) VS. COST (%)



After being almost stable in 2025, Treasury indebtedness is expected to decline by nearly -150 BPS to 65.9%. Morocco thus demonstrates its determination to maintain control over the outstanding debt, well below the 70% level, i.e. the debt tolerance threshold for emerging countries.

Despite this decline in the debt ratio, the Treasury is expected to contend with a combined increase in the outstanding amount and the unit cost of debt. This increase, which is fully in line with the global trend, is explained by the rise in the average cost of external debt and the increase in variable interest rates.

Sources: Ministry of finance, AGR computations

TAX PROVISIONS: A READING OF THE MAIN NEW DEVELOPMENTS*

As part of the implementation of the recommendations of the National Tax Conferences held in 2019, aimed at improving the tax system in Morocco, deep but gradual reforms have been introduced to the main components of taxation in Morocco, notably Corporate Tax (CT) in 2023, VAT in 2024, and then Income Tax (IT) in 2025, as detailed in our previous editions.

Following these "structural" reforms, which span the 2023–2026 period, the FA 2026 introduces a series of new measures aimed at reducing informality and fight against fraud, harmonizing the framework, and strengthening the sense of equity, without any significant change to the current system. Accordingly, we present below the main tax provisions, in their final version, summarized and commented.

Corporate Tax (CT)

Fields of application	New Layout	Comments
Withholding tax (WHT)	Cancellation of the 10% withholding tax on proceeds from the leasing and maintenance of vessels dedicated to international transport paid to non-resident persons	Strengthen the competitiveness of Moroccan players in the sector
Corporate Tax applied to Microfinance institutions	Replacement of the initial rate of 40% for 5 years by: -20% for small- or medium-sized operators ; -35% for operators whose profit exceeds MAD 100 Mn	Encourage Microfinance associations to transform into banks or finance companies

Social Solidarity Contribution

Fields of application	New Layout	Comments
Social Solidarity Contribution (SSC)	Extension of the SSC on profits for the FY 2026, 2027 and 2028 for companies and for individuals subject to IT whose annual profit is equal to or greater than MAD 1 Mn, according to the following proportional rates: - [MAD 1 Mn – MAD 5 Mn] subject to a 1.5% rate - [MAD 5 Mn – MAD 10 Mn] subject to a 2.5% rate - [MAD 10 Mn – MAD 40 Mn] subject to a 3.5% rate - +MAD 40 Mn: subject to a 5.0% rate	Stabilize tax revenues

Customs duties

Fields of application	New Layout	Comments
Customs duties	- Reduction of customs duties on smartphones from 17.5% to 2.5% - Reduction of customs duties on solar panels from 30% to 15%	- Strengthen purchasing power and faight against informality - Encourage the energy transition

* These provisions are presented for information purposes only, they are not contractual in nature. The publication of the implementing circular would allow a better interpretation of the new measures.

Sources: Ministry of finance, AGR Collection

TAX PROVISIONS: A READING OF THE MAIN NEW DEVELOPMENTS*

Income Tax

Fields of application	New Layout	Comments
Income from securities not registered in an account held with an authorized financial intermediary	- Payment of the tax due within 30 days following the disposal; - Annual summary declaration of transactions before April 1 of year n+1;	Strengthen tax compliance
Tax regime for employees holding CFC status except from credit institutions and insurance companies	Application of the specific 20% Income Tax (IT) rate for a period of 10 years starting from the date of taking up duties, on a continuous or discontinuous basis, without taking into account periods spent outside CFC.	Improve the competitiveness and attractiveness of the Casablanca finance City
Disposal of business goodwill by professionals subject to the Unified Professional Contribution (UPC)	At the end of their professional career, professionals benefit from a 50% allowance on the capital gain arising from the disposal of their business goodwill upon cessation of activity.	Ease the tax burden on taxpayers at the end of their professional career, in line with retirees
Reduction of the tax for family dependents	Increase in the annual amount of the Income Tax reduction for family dependents from MAD 500 to MAD 600 per dependent, with a ceiling of MAD 3,600	Improve the purchasing power of taxpayers
Exemption of retirement benefits paid by the private sector through the CIMR	Exemption of retirement pensions and life annuities paid by the CIMR to retirees from the private sector	Ensure tax equity

VAT

Fields of application	New Layout	Comments
Domestic and import VAT on fertilizers	Exemption of fertilizing materials and seed materials intended for agricultural use	Support farmers' purchasing power
Temporary VAT exemption on imports of cattle and camelids	Exemption for the FY 2026 from import VAT on domestic live animals, within a limit of 300k cattles and 10k camelids	Ensure a regular supply to the market

* These provisions are presented for information purposes only, they are not contractual in nature. The publication of the implementing circular would allow a better interpretation of the new measures.

Sources: Ministry of finance, AGR Collection

TAX PROVISIONS: A READING OF THE MAIN NEW DEVELOPMENTS*

Common measures

Fields of application	New Layout	Comments
Withholding tax (WHT) on real estate rental income	Extension of the 5% WHT to rental income paid to legal entities and to individuals subject to the "RNR" and "RNS" regime	Secure tax revenues
Distribution of income by Collective Investment Undertakings in Capital (CIUC)	Amounts distributed by CIUCs are not considered as equity income and are subject to Corporate Tax (CT) or Income Tax (IT)	Amounts distributed by CIUCs are not considered as equity income and are subject to Corporate Tax (CT) or Income Tax (IT)
Withholding tax (WHT)	The WHT regime relating to Corporate Tax (CT) and VAT is extended to legal entities and must also be withheld on behalf of the Treasury by credit institutions, insurance and reinsurance companies, depending on the beneficiaries (see tax administration reference document)	Secure tax revenues

Registration and Stamp Duties (RSD)

Fields of application	New Layout	Comments
Registration and Stamp Duties (RSD) on transactions without the possibility of tracking payment modalities	An additional 2% duty is applied to the registration of deeds with an amount exceeding MAD 300 K that do not mention an identified payment method	Fight against informality
Registration duty on public procurement contracts	- Obligation to complete the registration formality for deeds relating to the execution of works or services for Public Enterprises and Establishments (PEEs) and their subsidiaries - Application of a 0.1% registration duty	Promote transparency and tax equity
Group corporate restructuring operations	- Exemption from registration duties on the assumption of transferred liabilities - Application of a fixed duty of MAD 1,000 to current asset transfer operations	Encourage the restructuring of corporate groups
Registration duties on the transfer of shares or equity interests in real estate companies	- Reduction of registration duties from 6% to 5% on the transfer of shares or equity interests in real estate companies whose shares are not listed on the stock exchange	Harmonize with the common law regime applicable to transfers of real property

* These provisions are presented for information purposes only, they are not contractual in nature. The publication of the implementing circular would allow a better interpretation of the new measures.

Sources: Ministry of finance, AGR Collection

APPENDIX 1: DASHBOARD OF THE 2026 FA*

GDP Growth 4.6% -20 BPS / FA 2025	Ordinary Balance MAD 53 Bn MAD +12 Bn	Ordinary expenses MAD 379 Bn MAD +25 Bn	Ordinary revenue MAD 433 Bn MAD +38 Bn
Crop VA 7.9% +330 BPS / FA 2025	Global Investments MAD 380 Bn MAD +40 Bn	Goods & Services MAD 324 Bn MAD +30 Bn	Tax revenue MAD 367 Bn MAD +46 Bn
Non Crop VA 4.0% -60 BPS / FA 2025	Fiscal deficit MAD 55 Bn 3,5% of GDP/FA2025	Treasury Investment MAD 115 Bn MAD +10 Bn	Non-tax revenue MAD 63 Bn MAD -9 Bn
GDP Forecast MAD1,819 Bn MAD 1.646 Bn at 2025E	Funding needs MAD 48,7 Bn MAD -15 Bn / FA2025	Subsidy expense MAD 13,9 Bn MAD -3,3 Bn	Inflation (FA) 2.0% Maintained

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* Variations reported to the indicators of the 2025 FA

Sources: Economic and Financial Report, FA Body, AGR computations

APPENDIX 2: TABLE OF TREASURY REVENUE AND EXPENDITURE

(In MAD Bn)	2021	2022	2023	2024	2025 FA	2026 FA
Ordinary revenue	256	302	323	373	395	433
Tax revenue	215	249	263	300	320	367
Direct taxes	93	112	117	135	139	164
Non-direct taxes	96	106	110	126	138	160
Custom duties	12	14	16	18	21	19
Registration and stamp	16	18	20	22	22	24
Non-tax revenue	38	49	57	68	72	63
Others	4	4	4	5	4	4
Ordinary revenue	252	288	293	310	354	379
Goods and services	203	218	232	250	294	324
Wages	140	148	152	165	180	195
Other Goods and Services	63	70	80	8	114	129
Public Debt	27	29	31	34	43	42
Subsidy expense	22	42	30	25	17	14
Ordinary balance	3	14	31	63	41	53

(In MAD Bn)	2021	2022	2023	2024	LF 2025	LF 2026
Capital Expenditure	78	94	111	117	106	115

Sources: Economic and Financial Report, AGR computations

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