

# Algeria

## Country Report

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### Country Snapshot

#### Government

Head of State	President Abdelaziz BOUTEFLIKA (since April 1999)
Ruling political coalition	National Liberation Front (socialist political party 208 seats) and National Rally for Democracy (68 seats)
Main opposition parties	Green Algeria Alliance (49 seats)
Elections	Next presidential elections are due in April 2019.

#### Demographics and social indicators

Population	39.5 million (CIA 2015 est.)
Main Language	Arabic (official), French; Berber dialects
Life expect. at birth	76.59 years old (CIA, est. 2015)
Literacy %(adults>15)	80.2% (CIA 2015 est.)
Urban population	70.7% (CIA 2015)

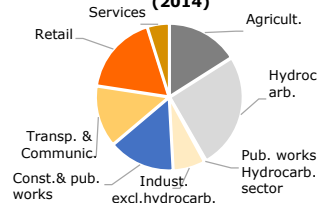
#### Economic structure

GDP in USD	USD 172.3 mil milhões (Est.2015)
GDP per capita	USD 4318.1 (Est. 2015)

#### GVA structure (% of the nominal GDP)

Agricult.	16.0%
Hydrocarb.	25.7%
Pub. works Hydrocarb. sector	0.4%
Indust. excl.hydrocarb.	7.1%
Const.& pub. works	14.7%
Transp. & Communic.	13.6%
Retail	17.7%
Services	4.8%

#### Nominal GVA by Sector (2014)



	1980-89	1990-99	2000-09	2010-14
Real GDP growth*	2.3%	1.5%	3.9%	3.3%

\* Average growth rates from the WEO (IMF)

#### Trade Structure - Main partners by destination/origin

Exports		Imports	
	% of total		% of total
Spain	17.4%	China	16.0%
Italy	16.3%	France	10.5%
France	13.0%	Italy	9.4%
United Kingdom	7.6%	Spain	7.6%
Netherlands	6.0%	Germany	6.6%

Source: Office National des Statistiques Algérie (2015)

#### Trade structure - Top product groups

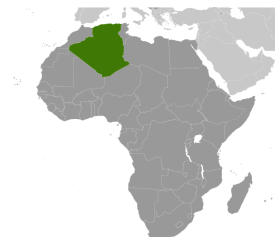
Exports		Imports	
	% total		% total
Hydrocarbons	94.5%	Machin&Transp.Equip.	36.7%
Intermediate goods	4.5%	Intermediate goods	17.4%
Food and live animals	0.6%	Food and live animals	16.3%
Mining industry	0.3%	Non-food consumption	11.3%
Machin&Transp.Equip.	0.1%	Energy & lubricants	7.9%

Source: Office National des Statistiques Algérie (2013)

#### Key Macroeconomic Indicators

	Source	2012	2013	2014	2015 E	2016 P	2017 P
GDP (real % change)	IMF	3.3%	2.8%	3.8%	3.7%	3.4%	2.9%
Real hydrocarbon GDP (% change)	IIF	-3.4%	-5.5%	-0.6%	2.4%	2.7%	2.2%
Real non hydrocarbon GDP (% change)	IIF	7.2%	7.1%	5.6%	4.4%	3.2%	3.0%
Nominal USD bn	IMF	209.0	209.7	213.5	172.3	166.0	173.9
Nominal in bn of Local Currency (dirhams)	IMF	16,208.7	16,643.8	17,205.1	17,352.4	17,553.4	19,306.3
CPI (% change, anual avg.)	IMF	8.9%	3.3%	2.9%	4.8%	4.3%	4.0%
Unemployment rate	IMF	11.0%	9.8%	10.6%	11.3%	11.6%	12.1%
Trade balance (USD bn)	IIF	20.2	9.7	0.3	-16.8	-10.6	-6.2
Exports of Goods (USD bn)	IIF	71.7	64.7	60.0	33.1	27.5	31.8
Imports of Goods (USD bn)	IIF	51.6	55.0	59.7	49.9	38.1	38.0
Services, net (USD bn)	IIF	-7.1	-7.0	-8.2	-7.6	-5.7	-5.5
Current account balance (% GDP)	IIF	5.9%	0.5%	-4.4%	-14.7%	-11.1%	-7.2%
Fiscal balance (% of GDP)	IMF	-4.4%	-0.4%	-7.3%	-15.3%	-14.6%	-11.6%
Public Debt (% of GDP)	IMF	9.5%	7.7%	8.0%	8.7%	14.9%	24.4%
External Debt (millions USD)	IIF	2,839.0	2,767.5	2,529.3	2,696.3	6,300.8	10,454.8
External Debt (% GDP)	IIF	1.4%	1.3%	1.2%	1.6%	4.2%	7.0%
USD/Din (period average)							
International Reserves (USD million)	IIF	191,297.0	194,712.0	179,618.0	144,677.0	132,944.8	127,816.0
Months imports goods and services	IIF	32.6	31.6	27.1	25.9	30.0	28.8

Sources: IMF, IIF.



#### Country Rating

	Rating	Last change	Outlook
S&P	-	-	-
Moody's	-	-	-
Fitch	-	-	-

#### Business Development Indicators

Last update

<b>Global Competitiveness Index</b>	2015-16
Ranking 87 (out of 140 countries)	↓
<b>Ease of Doing Business</b>	2016
Ranking 163 (out of 189 countries)	↓
<b>Human Development Index</b>	2015
Ranking 83 (out of 188 countries)	↑
<b>Corruption Perception Index (Transparency.org)</b>	2015
Ranking 88 (out of 168)	↑

#### General assessment

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>Political stability, but activity of radical Islamic groups and tensions in border regions in the east and south have increased.</li> <li>Solid external position, despite recent slippage in current account.</li> <li>Large oil and gas reserves.</li> </ul>	<ul style="list-style-type: none"> <li>High dependence on hydrocarbon sector and public spending.</li> <li>Very low economic diversification.</li> <li>Bureaucracy, problematic economic climate and fragile financial system</li> </ul>

#### Outlook and Risks

- Economic growth is still significantly dependent on the hydrocarbon sector. Excluding oil and gas, the pace of expansion should be around 3.6% in 2016.
- The unemployment rate has increased to 11.3% in 2015 and expectations are that this rate continues to grow.
- Internal and external imbalances are worsening, stressing the need of structural reforms that promote the diversification of the economy and reduce the weight of the public sector in the economy.

### An economy highly dependent of the hydrocarbon sector

According to data available in the CIA factbook, Algeria has the 10th-largest reserves of natural gas in the world and the 16th-largest reserves of crude oil. The proven reserves of crude oil and natural gas amount to 12.2 billion barrel and to 4.505 trillion of cubic meters, respectively. Indeed, the Algerian economy remains highly dependent of the hydrocarbon sector and on the public sector. According to last available data, the hydrocarbon sector accounts for 35% of GDP and the public sector accounts for around 40% of GDP (public activity in the hydrocarbon sector weights near 90% of total output in the sector).

### Economic growth slowed down in 2015

Last year, GDP expanded 3.7%, 0.1 percentage points (p.p.) less than in 2014, still benefitting from the growth of the oil sector, which had been contracting for 9 years in a row. According to the IMF, the economy will grow 3.4% in 2016, driven mainly by investments in the oil sector. The slower pace of GDP growth is the result of the fiscal consolidation policies aimed to the non-oil sector. The IMF sees the performance of the economy on the medium term dependent on the ability of the government to proceed with this fiscal consolidation process, together with structural reforms. Regarding the budget front, the Fund stresses the need to limit expenditure growth on wages and to reduce subsidies. The latter represented 13.6% of GDP in public expenditure, more than half of this to energy consumption subsidies. As for the structural reforms, the recommendation is that the Algerian authorities should be focused on decreasing the weight of the public sector on the economy, improving the business environment and increasing the openness of the Algerian economy. This last objective should be achieved, among other measures, by creating conditions to ease the attraction of FDI (it represents only 1% of the GDP). At a political level, it is worth to take notice of the constitutional revision enacted in February 2016, which aims to further consolidate the democratic regime, by setting a 2-term limit in the presidency, and promoting the development of a market economy. The IMF highlighted, in particular, explicit goals regarding the fight to corruption and the diversification of the economy.

### Budget deficit widened in 2015

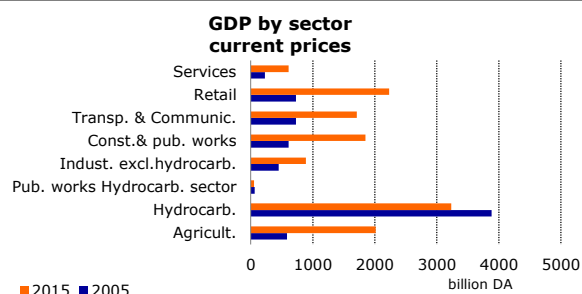
Given the weight of the oil sector in economic activity, the lower oil prices scenario has brought a deterioration of the external and public accounts. In 2015, the budget deficit worsened significantly to 15.3% of the GDP (7.3% in 2014). This result was caused by a 30% fall in fiscal revenues of the hydrocarbon sector, while government expenditure increased 10.2%, due to higher capital expenses. In 2016, predictions point to an improvement of the budget deficit, taking into account the Executive's focus on the need for fiscal consolidation, both through expenditure decreases and rising revenues. The IMF expects these measures to contribute for a decrease in the non-oil sector deficit from 37.8% of the deficit in 2015 towards 29.9% in 2016.

### Reserves ensure a solid external position

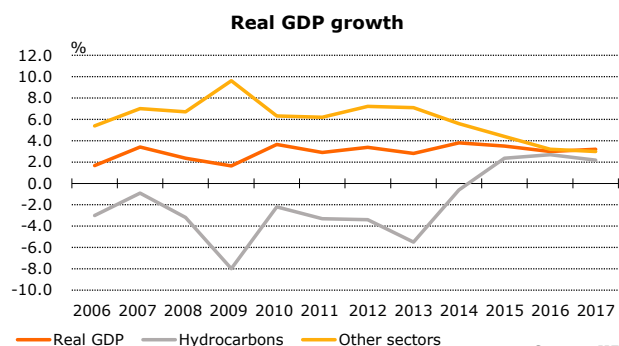
The current account deficit worsened significantly in 2015, amounting to 14.7% of the GDP, 10.3 percentage points higher than in 2014. This performance reflects the deficit position of the trade balance, at -9.7% of the GDP in 2015 (it had posted a small surplus of 0.1% in 2014). This, in turn, was driven by a 45% tumble in goods exports, and in particular, a 25% drop in hydrocarbon exports due to lower oil prices. Imports fell 16% in the same period. The IMF expects the current account deficit to improve in 2016 towards 11.1% of the GDP, in line with the less negative news coming from the evolution of oil prices. Another helpful fact results from the action of the Algerian government to restrict imports, namely by forbidding credit concession for the purchase of imported goods and a ban on imports of locally produced goods, measures which should lead to an improvement of the external imbalances. Despite this worsening of the current account, the external financial position of the country remains solid, with the level of foreign international reserves decreasing from USD 179.6 billion in 2014 to USD 149.7 in 2015, which still accounts for 25.9 months of imports. External debt was at 1.6% of the GDP in 2015 and should increase to 4.2% in 2016.

### Inflation and unemployment in 2015

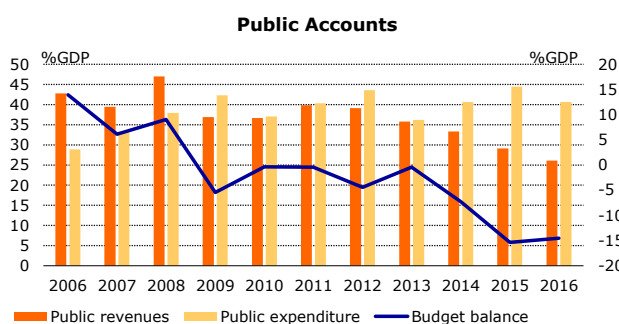
In 2015, inflation accelerated to 4.8%, mostly due to the effect of the depreciation of the dinar in the prices of imported goods. A trend of increased pace of price changes was kept until May 2016, when the CPI yoy change reached 6.1% (result of currency depreciation and rising electricity prices). The unemployment rate was 11.3% in 2015, and it is expected to enlarge further to 11.6% in 2016, mainly affecting the younger population. People under 25 represent 46% of Algerians and the youth unemployment rate is around 30%.



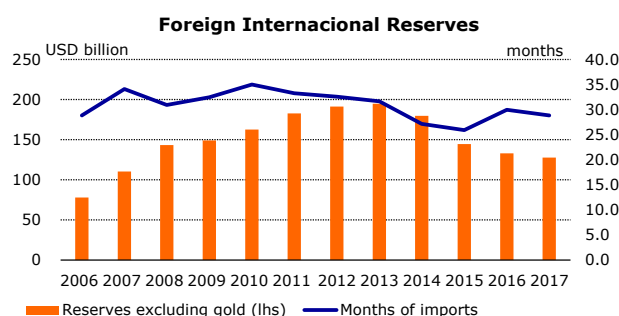
Source: Algerian Central Bank, BPI calc.



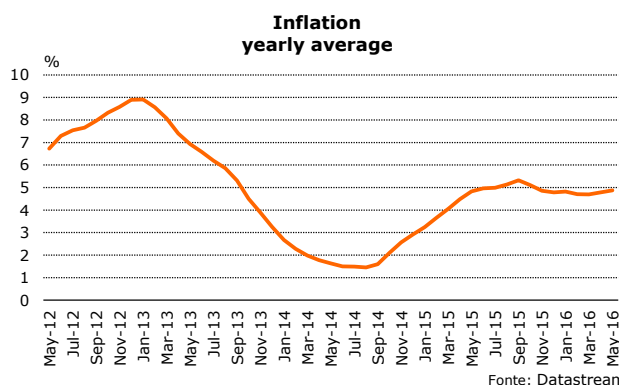
Source: IIF



Source: FMI



Source: IIF



Fonte: Datastream