ALGERIA

Table 1	2023
Population, million	45.6
GDP, current US$ billion	239.9
GDP per capita, current US$	5260.2
National poverty rate[a]	5.5
International poverty rate ($2.15)[a]	0.5
Lower middle-income poverty rate ($3.65)[a]	4.0
Gini index[a]	27.6
School enrollment, primary (% gross)[b]	108.8
Life expectancy at birth, years[b]	77.1
Total GHG emissions (mtCO2e)	286.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2011).
b/ WDI for School enrollment (2023); Life expectancy (2022).

Algeria's growth remained dynamic, and inflation decelerated in early 2024, amid OPEC quota reductions but resilient agricultural output, higher public spending, and strong investment. Declining oil and gas exports and revenues and higher public spending on wages, pension, and subsidies are expected to increase pressures on the fiscal and external balances. Continued modernization of the public sector, improvements to the business environment, and digitalization are critical to diversify the economy and promote more private sector investment and jobs.

Key conditions and challenges

Algeria's economy is driven by the oil and gas sector and public sector spending. Oil and natural gas accounted for 14 percent of GDP, 86 percent of exports, and 47 percent of budget revenues between 2019 and 2023.

Following the pandemic-induced recession in 2020, Algeria's economy recovered rapidly, and economic output surpassed its pre-pandemic level by 2022 helped by surging hydrocarbon prices and higher European demand for Algerian gas. The current account deficit turned into a surplus and the fiscal deficit narrowed in 2022, but they both started to deteriorate in 2023 amid declining global oil and gas prices, OPEC quota cuts, larger imports, and higher public spending.

Significant improvements in living standards, education, and health took place prior to the pandemic and inequality is relatively low, but estimated poverty remains high for Algeria's level of development. The government responded to high inflation in 2021-2023 and to persistent unemployment challenges by increasing public sector wages and pensions, introducing unemployment benefits, as well as expanding food subsidies.

Since the pandemic, the government has also adopted policies to boost export diversification, private investment, digitalization, and financial sector development. Over the past two years, the Algerian authorities notably enacted an Investment Law (2022), a Banking and Monetary Law (2023), and a law to ease access to land for investors (2023). Deepening these reforms is critical to renew Algeria's growth and jobs strategy towards a more private sector-led economic diversification model.

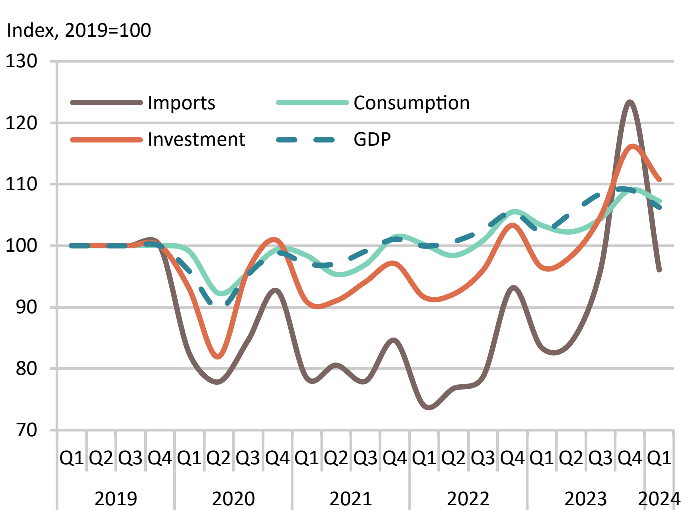
Recent developments

Economic activity remained robust in Q1-2024 (+3.8 percent y-o-y), as broad-based growth in the non-extractive sectors compensated for OPEC-mandated crude oil production cuts. Strong private consumption growth (+4.2 percent y-o-y) pulled the services sector (+ 4.3 percent y-o-y). Industrial growth was more moderate because the demand from stronger investment (+14.8 percent y-o-y) was largely met through imports.

Satellite data suggest that non-hydrocarbon growth remained robust in Q2-2024 and that agricultural output growth was stable as more rainfall in the Eastern regions compensated for a drier season in the West.

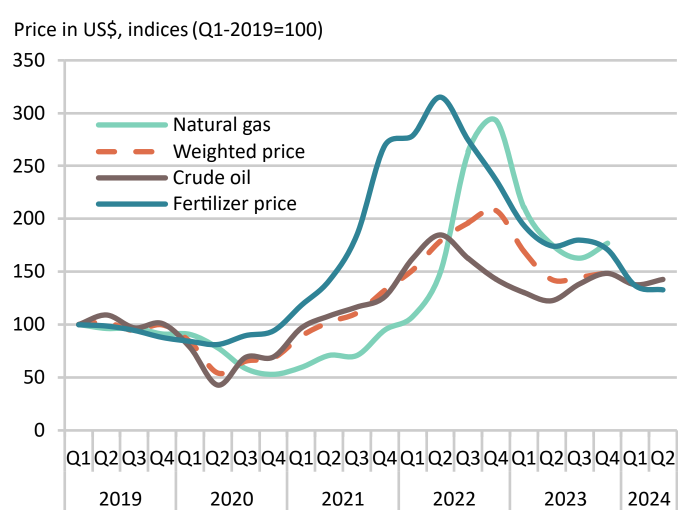
The trade surplus decreased from US$6.3 billion in H1-2023 (2.8 percent of 2023 GDP) to US$3.4 billion in H1-2024 (1.5 percent of 2023 GDP), as hydrocarbon prices and exports moderated, and imports continued to rebound. The higher imports were driven by machinery, equipment, and vehicles as investment grew and some car import restrictions were temporarily removed. The estimated current account

FIGURE 1 Algeria / Real GDP and selected components, indices (2019=100)



Sources: Algerian authorities and World Bank staff estimates.

FIGURE 2 Algeria / Hydrocarbon and fertilizer export prices



Sources: Algerian authorities and World Bank staff estimates.

was nearly balanced in H1-2024 down from a surplus of US$2.4 billion a year earlier. Official reserves as of end-2023 stood at 16 months of imports.

After reaching 5.2 percent of GDP in 2023, the budget deficit is expected to widen in 2024, driven by lower hydrocarbon revenues, higher public investment, and the third and last wave of public sector wage increases. Public debt remains relatively low and is almost completely domestically owned with long-term maturities and low interest rates.

Inflation decelerated to 4.1 percent over H1-2024, down from 9.3 percent in 2022 and 2023, driven by stabilizing fresh food prices, moderating import prices, and a stable exchange rate. As in many comparable countries, lower inflation—particularly in food prices—has likely improved household purchasing power, especially for the most vulnerable. Money supply growth decelerated through 2023 and H1-2024 while credit growth remained moderate. The Central Bank has kept its key interest rate unchanged at 3 percent since May 2020 and increased the reserve requirements slightly in April 2023.

Outlook

GDP growth is expected to moderate in 2024 driven by lower oil production in line with Algeria's OPEC quota and despite higher public spending. It would accelerate in 2025 as agricultural output fully recovers, non-hydrocarbon dynamism continues, and oil production rebounds.

The current account balance is expected to post a modest deficit in 2024 and widen in 2025-2026 due to moderating oil prices, and higher imports driven by investment.

After widening in 2024 due to lower hydrocarbon receipts, higher investment, and current spending, the budget deficit would stabilize in 2025 and narrow somewhat in 2026, in line with the consolidation plan in the medium-term budget framework. The public debt-to-GDP ratio would stabilize in 2024 as the government uses hydrocarbon savings to finance the deficit but then increase to 59 percent of GDP by 2026 as they are exhausted.

Hydrocarbon price and market fluctuations represent the most important risk for Algeria's macroeconomic prospects. Recent drought episodes and forest fires also underscore Algeria's vulnerability to climate change. Accelerating structural reforms to improve the business environment and diversify the economy are critical to spur more private sector-led growth and job creation. Though hard to quantify without data, such policies would likely reduce poverty and vulnerability, both estimated to be relatively high for the country's income level.

TABLE 2 Algeria / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	3.8	3.6	4.1	3.1	3.8	3.3
Private consumption	1.6	3.5	3.8	3.6	3.4	3.2
Government consumption	1.2	2.8	2.6	2.4	2.2	2.0
Gross fixed capital investment	0.4	2.6	8.4	7.0	5.8	5.2
Exports, goods and services	11.5	0.2	3.1	-2.8	2.5	1.2
Imports, goods and services	-4.5	-0.2	19.4	4.9	4.2	3.9
Real GDP growth, at constant factor prices	4.3	3.8	3.8	3.1	3.8	3.3
Agriculture	-2.2	5.2	2.8	2.7	3.0	2.6
Industry	10.3	2.9	3.6	2.5	4.1	3.4
Services	1.9	4.1	4.2	3.7	3.8	3.3
Inflation (consumer price index)	7.2	9.3	9.3	4.0	4.9	4.4
Current account balance (% of GDP)	-2.4	8.6	2.3	-1.2	-3.1	-4.2
Fiscal balance (% of GDP)	-6.3	-3.0	-5.2	-9.8	-9.9	-8.7
Revenues (% of GDP)	26.2	29.7	32.9	29.9	28.4	27.4
Debt (% of GDP)	55.2	48.1	49.2	49.5	55.2	58.9
Primary balance (% of GDP)	-5.7	-1.8	-3.9	-8.6	-8.6	-7.3
GHG emissions growth (mtCO2e)	3.1	2.3	2.6	2.1	2.7	2.4
Energy related GHG emissions (% of total)	52.9	54.0	55.1	56.1	57.1	58.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.