

ALGERIA



ECONOMIC UPDATE

Responding to Climate
Challenges and Supporting
Sustainable Development

Fall 2025



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Economic Update

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Middle East and North Africa Region

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LIST OF ACRONYMS

BoA	Bank of Algeria	LMICs	Low- and middle-income countries
CPI	Consumer Price Index	LNG	Liquefied natural gas
DZD	Algerian Dinar	M2	Aggregate money supply (banknotes, demand and term deposits)
EPE	Economic public enterprises	MENA	Middle East and North Africa
EPT	Algeria's administrative regions	MTEP	Million tonnes of oil equivalent
EU	European Union	NASA	National Aeronautics and Space Administration
FAO	Food and Agriculture Organization of the United Nations	ONS	National Office of Statistics
FDI	Foreign direct investment	OPEC	Organization of the Petroleum Exporting Countries
FRR	Revenue Regulation Fund	OPEC+	OPEC and non-OPEC partner countries
GDP	Gross domestic product	PPI	Producer Price Index
H1	First half of the year	US\$	United States Dollar
H2	Second half of the year	VA	Value added
IMF	International Monetary Fund	VAT	Value-Added Tax
JODI	Joint Organisations Data Initiative	WB	World Bank
Kb/d	Thousands of barrels per day		
Mb/j	Milliers de barils par jour		

ACKNOWLEDGEMENTS

This Algeria Economic Update reports on the main recent economic developments and policies. It places them in a global and longer-term context and assesses the implications of these developments for Algeria's economic prospects. The report is aimed at a wide audience, including policy-makers, business leaders, economic actors, and the community of analysts and professionals working in/on Algeria. The report is divided into three chapters. Chapter 1 presents macroeconomic developments in Algeria during 2024 and the first half of 2025, Chapter 2 describes the short- and medium-term outlook for the Algerian economy, and Chapter 3 examines the role of a changing climate and the global low-carbon transition in Algeria's economic development. **The deadline for data entry and finalization of the projections used in this report was November 23, 2025.**

The Algeria Economic Update is a product of the Middle East and North Africa (MENA) section of the World Bank Group's Economic Policy Global Practice. It was prepared by Amel Henider, Daniel Prinz, and Sabiha Tiguercha, under the direction of Jasmin Chakeri and Abdoulaye Sy. Box 1 on foreign direct investment was prepared by Michiel Van Acoleyen. Box 2 on tax administration reforms was prepared

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The findings, interpretations, and conclusions expressed in this report are those of World Bank staff and do not necessarily reflect the views of the Executive Board of the World Bank or the countries it represents. For more information on the World Bank and its activities in Algeria, including electronic copies of this publication, please visit <https://www.worldbank.org/en/country/algeria>. If you have any questions or comments about the content of this publication, please contact Daniel Prinz (dprinz@worldbank.org) and Jasmin Chakeri (jchakeri@worldbank.org).

EXECUTIVE SUMMARY

Robust non-hydrocarbon growth continued in H1-2025, and inflation decelerated, but external and fiscal pressures are significant

During H1-2025, non-extractive sectors and dynamic investment supported economic growth. Following expansions of 4.1 percent in 2023 and 3.7 percent in 2024, real GDP grew by 4.1 percent year-on-year in H1-2025, supported by dynamic non-hydrocarbon growth. Investment growth further accelerated, stimulating imports, and household consumption remained robust even as government consumption slowed. Satellite-based nightlights data suggest robust cross-cutting non-hydrocarbon growth through H1-2025. Non-hydrocarbon growth was broad-based, supported by resilient agricultural production and service sector growth stimulated by household spending, but hydrocarbon GDP contracted by 2.0 percent.

Inflation continued decelerating in the first nine months of 2025, driven by decreasing food prices. After reaching 9.3 percent in 2022 and 2023, inflation fell to 4.0 percent in 2024. The deceleration continued over the first nine months of 2025, and inflation reached 1.7 percent year-on-year, driven by decreasing food prices. The USD market premium further widened, rising from an estimated 67.7 percent in 2024 to 75.4 percent over the first nine months of 2025. Money supply growth decelerated and credit to the private sector remained robust over the same

period. The Bank of Algeria cut the policy interest rate from 3 to 2.75 percent and the reserve requirement from 3 to 2 percent at end-August 2025.

Decreasing hydrocarbon exports and expanding investment-driven imports exerted significant pressure on the external balance in H1-2025. After posting the first deficit in three years amid lower hydrocarbon production and exports following OPEC quota decreases in 2024, the current account deficit has expanded rapidly over H1-2025, reaching US\$ 10.5 billion, up from US\$ 2.9 billion (1.1 percent of GDP) in 2024 as hydrocarbon prices and export volumes declined further and imports expanded dynamically, stimulated by robust investment. Foreign exchange reserves stood at 15.0 months of imports at end-2024, down from 16.4 months a year earlier and would have contracted further in H1-2025.

The fiscal deficit widened significantly in 2024 as hydrocarbon revenues contracted. In 2024, the fiscal deficit widened from 5.5 percent of GDP in 2023 to 13.8 percent, as hydrocarbon revenues declined from 19.1 percent to 11.1 percent of GDP, reflecting lower export prices and volumes. Tax revenues decreased from 10.4 to 9.4 percent of GDP, and public expenditures remained stable at around 37 percent of GDP. The non-hydrocarbon budget deficit reached 24.8 percent of GDP. In the context of robust growth, the elevated overall deficit reflects an expansion of the structural deficit which is estimated to have reached 10.1 percent of GDP in 2024.

Growth is expected to remain robust, while external and fiscal imbalances would persist

Growth is expected to accelerate slightly in 2025, driven by resilient non-hydrocarbon activity. In the baseline scenario, GDP growth would accelerate slightly to 3.8 percent in 2025 as broad-based non-extractive growth continues. Private consumption would continue stimulating the service sector, agricultural output is expected to remain resilient, and investment would remain dynamic, driving the growth of imports. Non-hydrocarbon output growth is expected to slow somewhat but remain dynamic in 2026 and 2027. Hydrocarbon output is expected to track the slow recovery of OPEC quotas over the projection period.

External and fiscal imbalances are expected to persist amid relatively low hydrocarbon prices. With OPEC quotas only increasing slowly and hydrocarbon prices remaining relatively low in the baseline scenario, export growth would be outpaced by robust investment-driven imports, further widening the current account deficit. The significant current account deficit would lead to a reduction in foreign exchange reserves in the baseline. In the baseline scenario, absent stronger fiscal consolidation measures, the fiscal deficit would remain elevated over the projection period even as expenditures decrease slightly under the government's medium-term framework in 2027. With oil savings exhausted, fiscal deficits are expected to translate into expanding public debt.

Volatile hydrocarbon prices remain the key short-term risk, while climate change and global decarbonization efforts challenge the medium-term outlook and longer-term economic development

The return of the twin deficits underlines the Algerian economy's exposure to hydrocarbon prices fluctuations. Amid recent swings in hydrocarbon prices, fiscal and external balances have rapidly deteriorated, exposing the sensitivity of the macroeconomic framework to volatile global oil and natural gas markets. Elevated trade uncertainty and recent geopolitical tensions exacerbate the risks for the outlook.

A more robust macroeconomic framework, including improving domestic revenue mobilization, strengthening the management of hydrocarbon revenues, and introducing fiscal rules could reduce the economy's exposure to hydrocarbon market volatility.

Rising risks from climate change underline the importance of integrating climate considerations into Algeria's development strategy In the short term, growth remains closely linked to climatic conditions, which periodically cause droughts that affect agricultural production, food prices, and import requirements. Algeria is also facing higher temperatures and declining rainfall, causing increasing water scarcity. Effects will vary across regions, with the agricultural sector most impacted in the North-West and the highlands regions. These risks highlight the importance of designing appropriate adaptation policies to protect output, firms, and households.

Algeria's growth strategy also needs to account for global decarbonization efforts and other structural factors challenging its hydrocarbon-dependent economy. Three structural shifts are challenging Algeria's economic model that depends on hydrocarbons. First, as the use of clean and energy-saving technologies accelerates, the global demand for hydrocarbons is expected to slow, leading to structurally lower prices. Global oil demand is forecast to peak in 2030 and decrease thereafter. Second, the available global supply of oil continues to grow, also lowering global hydrocarbon prices. Third, Algeria's reserves are decreasing, and domestic demand is increasing, shrinking quantities available for export. While energy subsidy reform and new discoveries could slow down the pace of exhaustion of Algeria's reserves, increase remaining reserves, and boost quantities available for export, the country has exhausted over 60 percent of its proven reserves. In the short term, the EU's Carbon Border Adjustment Mechanism (CBAM) will notably impose additional duties on several carbon-intensive products imported in the EU starting in 2026. It will apply to Algeria's key non-hydrocarbon exports, including fertilizers, iron and steel, as well as cement, and is expected to have marked effects on Algerian exports. Taken together, these factors will pose a challenge to Algeria's economic model, as well as its external and fiscal balances, highlighting the importance of diversifying the economy and reducing its carbon intensity.



RÉSUMÉ ANALYTIQUE

La croissance robuste hors hydrocarbures s'est poursuivie au premier semestre 2025 et l'inflation a ralenti, mais les pressions extérieures et budgétaires demeurent importantes

Au premier semestre 2025, les secteurs hors hydrocarbures et la vigueur de l'investissement ont soutenu la croissance économique. Après des expansions de 4,1 % en 2023 et de 3,7 % en 2024, la croissance du PIB a progressé de 4,1 % en glissement annuel au premier semestre 2025, soutenu par la dynamique de la croissance hors hydrocarbures. La croissance de l'investissement s'est encore accélérée, stimulant les importations, tandis que la consommation des ménages est restée solide malgré un ralentissement de la consommation publique. Les données satellitaires basées sur les lumières nocturnes suggèrent une croissance robuste et généralisée des secteurs hors hydrocarbures au premier semestre 2025. Cette croissance a été généralisée, soutenue par une production agricole résiliente et une expansion du secteur des services portée par la demande des ménages, tandis que le PIB des hydrocarbures s'est contracté de 2,0 %.

L'inflation a continué de ralentir aux neuf premiers mois 2025, sous l'effet de la baisse des prix alimentaires. Après avoir atteint 9,3 % en 2022 et 2023, l'inflation est tombée à 4,0 % en 2024. Elle a poursuivi sa décélération aux neuf premiers mois 2025 pour s'établir à 1,7 % en glissement annuel, en

raison de la baisse des prix alimentaires. La prime du marché parallèle pour le dollar américain s'est encore creusée, passant d'une estimation de 67,7 % en 2024 à 75,4 % sur les neuf premiers mois de 2025. La croissance de la masse monétaire a ralenti et le crédit au secteur privé est resté solide sur la même période. La Banque d'Algérie a abaissé le taux directeur de 3 % à 2,75 % et le taux de réserve obligatoire de 3 % à 2 % fin août 2025.

La baisse des exportations d'hydrocarbures, conjuguée à l'augmentation des importations stimulée par l'investissement, a exercé une pression significative sur la balance extérieure au premier semestre 2025. L'Algérie a enregistré en 2024 son premier déficit courant en trois ans, en raison de la réduction de la production et des exportations d'hydrocarbures liée aux quotas de l'OPEP. Le déficit s'est fortement creusé au premier semestre 2025, atteignant 10,5 milliards USD, contre 2,9 milliards USD (1,1 % du PIB) en 2024, reflétant la baisse des prix et des volumes d'exportation d'hydrocarbures ainsi que la hausse dynamique des importations stimulée par l'investissement. Les réserves de change s'établissaient à 15,0 mois d'importations fin 2024, contre 16,4 mois un an plus tôt, et auraient encore diminué au premier semestre 2025.

Le déficit budgétaire s'est fortement creusé en 2024, les recettes d'hydrocarbures ayant reculé. En 2024, le déficit budgétaire est passé de 5,5 % du PIB en 2023 à 13,8 %, les recettes d'hydrocarbures ayant chuté de 19,1 % à 11,1 % du PIB, sous l'effet de la baisse des prix et des volumes d'exportation. Les

recettes fiscales ont diminué de 10,4 % à 9,4 % du PIB, tandis que les dépenses publiques sont restées stables à environ 37 % du PIB. Le déficit budgétaire hors hydrocarbures a atteint 24,8 % du PIB. Dans un contexte de forte croissance, l'ampleur du déficit global reflète l'élargissement du déficit structurel, estimé à 10,1 % du PIB en 2024.

La croissance devrait rester solide, mais les déséquilibres extérieurs et budgétaires persisteraient

La croissance devrait légèrement s'accélérer en 2025, portée par la résilience des activités hors hydrocarbures. Dans le scénario de référence, la croissance du PIB atteindrait 3,8 % en 2025, soutenue par la poursuite d'une croissance hors hydrocarbures étendue. La consommation privée continuerait de stimuler le secteur des services, la production agricole resterait résiliente et l'investissement demeurerait dynamique, entraînant la hausse des importations. La croissance hors hydrocarbures devrait légèrement ralentir mais rester soutenue en 2026 et 2027. La production d'hydrocarbures devrait suivre la reprise progressive des quotas de l'OPEP sur la période de projection.

Les déséquilibres extérieurs et budgétaires devraient persister dans un contexte de prix des hydrocarbures relativement faibles. Avec une augmentation lente des quotas de l'OPEP et des prix des hydrocarbures restant modérés dans le scénario de référence, la croissance des exportations serait dépassée par celle des importations stimulées par l'investissement, aggravant le déficit du compte courant. Ce déficit important se traduirait par une diminution des réserves de change dans le scénario de référence. En l'absence de mesures plus fortes de consolidation budgétaire, le déficit public demeurerait élevé sur la période de projection, même si les dépenses diminuent légèrement dans le cadre du cadre budgétaire à moyen terme du gouvernement en 2027. Les économies issues des recettes pétrolières étant épuisées, les déficits budgétaires devraient se traduire par une hausse de la dette publique.

Les prix volatils des hydrocarbures demeurent le principal risque à court terme, tandis que le changement climatique et les efforts mondiaux de décarbonation pèsent sur les perspectives à moyen et long terme

Le retour des déficits jumeaux souligne que l'économie algérienne est exposée aux fluctuations des prix des hydrocarbures. Dans un contexte de volatilité récente des prix, les équilibres budgétaire et extérieur se sont rapidement détériorés, révélant les limites du cadre macroéconomique face aux marchés mondiaux du pétrole et du gaz. L'incertitude commerciale accrue et les tensions géopolitiques récentes aggravent ces risques. Un cadre macroéconomique plus robuste, incluant une meilleure mobilisation des recettes domestiques, une gestion renforcée des revenus pétroliers et la mise en place de règles budgétaires, pourrait réduire l'exposition de l'économie à la volatilité des marchés des hydrocarbures.

L'augmentation des risques liés au changement climatique souligne l'importance d'intégrer les considérations climatiques dans la stratégie de développement de l'Algérie. À court terme, la croissance reste étroitement liée aux conditions climatiques, celles-ci générant périodiquement des épisodes de sécheresse qui affectent la production agricole, les prix alimentaires et les besoins d'importation. L'Algérie fait également face à une hausse des températures et à une diminution des précipitations, entraînant une raréfaction accrue des ressources en eau. Les effets varieront selon les régions, le secteur agricole étant particulièrement touché dans le Nord-Ouest et les Hautes Plaines. Ces risques mettent en évidence la nécessité d'élaborer des politiques d'adaptation appropriées pour protéger la production, les entreprises et les ménages.

La stratégie de croissance de l'Algérie devrait également tenir compte des efforts mondiaux de décarbonation et d'autres facteurs structurels pesant sur une économie dépendante des hydrocarbures. Trois évolutions structurelles majeures mettent au défi le modèle économique

algérien fondé sur les hydrocarbures. Premièrement, à mesure que l'adoption de technologies propres et économes en énergie s'accélère, la demande mondiale en hydrocarbures devrait ralentir, entraînant une baisse structurelle des prix. La demande mondiale de pétrole devrait atteindre un pic en 2030, puis diminuer. Deuxièmement, l'offre mondiale de pétrole continue d'augmenter, ce qui contribue également à la baisse des prix des hydrocarbures. Troisièmement, les réserves de l'Algérie diminuent tandis que la demande domestique augmente, réduisant les volumes disponibles à l'exportation. Si la réforme des subventions énergétiques et de nouvelles découvertes pouvaient ralentir le rythme d'épuisement des

réserves et accroître les volumes exportables, le pays a déjà exploité plus de 60 % de ses réserves prouvées. À court terme, le Mécanisme d'ajustement carbone aux frontières (MACF) de l'Union européenne imposera, à partir de 2026, des droits additionnels sur plusieurs produits à forte intensité carbone importés dans l'UE. Il s'appliquera aux principales exportations algériennes hors hydrocarbures, notamment les engrais, le fer, l'acier et le ciment, et devrait avoir un impact significatif sur les exportations du pays. Pris ensemble, ces facteurs poseront un défi majeur au modèle économique algérien, à ses équilibres extérieurs et budgétaires, et soulignent l'importance de diversifier l'économie tout en réduisant son intensité carbone.

ملخص تنفيذي

استمرّ النموّ قوياً خارج قطاع المحروقات خلال النصف الأول من عام 2025، في حين تباطأت وتيرة التضخّم، غير أنّ الضغوط الخارجيّة والماليّة لا تزال كبيرة.

خلال النصف الأول من عام 2025، ساهمت القطاعات خارج قطاع المحروقات والاستثمار القوي في دعم النموّ الاقتصادي. بعد نموّ بنسبة 4.1 في المائة سنة 2023 و3.7 في المائة سنة 2024، بلغ النموّ الحقيقي للناتج الداخلي الخام 4.1 في المائة سنوياً خلال النصف الأول من عام 2025، مدفوعاً بالنشاط القوي لقطاع خارج المحروقات. كما تسارع نموّ الاستثمار، مما حفّز الواردات، في حين ظلّ استهلاك الأسر قوياً رغم تباطؤ الاستهلاك العمومي. وتشير بيانات الأرقام الصناعيّة المعتمدة على الإضاءة الليلية إلى استمرار النموّ المتين والشامل في القطاعات خارج قطاع المحروقات خلال النصف الأول من عام 2025. وقد كان هذا النموّ واسع النطاق، مدعوماً بإنتاج زراعي صامد ونموّ في قطاع الخدمات مدفوع بطلب الأسر، في حين تقلص الناتج الداخلي الخام للمحروقات بنسبة 2.0 في المائة.

واصل التضخّم تباطؤه خلال الأشهر التسعة الأولى من عام 2025، مدفوعاً بتراجع أسعار المواد الغذائيّة. وبعد أن بلغ التضخّم 9.3 في المائة في العامين 2022 و2023، انخفض إلى 4.0 في المائة سنة 2024. واستمرت وتيرة التراجع في من عام 2025 ليصل التضخّم إلى 1.7 في المائة سنوياً، نتيجة تباطؤ أسعار المواد الغذائيّة، ولا سيّما الأغذية المصنّعة. وقد اتّسع هامش سعر الدولار الأمريكي في السوق الموازي، مرتفعاً من 67.7 في المائة في 2024 إلى 75.4 في المائة خلال الأشهر التسعة الأولى من عام 2025. كما تباطأ نموّ الكتلة النقديّة، بينما ظلّ الائتمان للقطاع الخاصّ متيناً خلال نفس الفترة. وحقّق بنك الجزائر سعر الفائدة الرئيسيّ من 3 إلى 2.75 في المائة، كما وخفض نسبة الاحتياطيّ الإلزاميّ من 3 إلى 2 في المائة في نهاية شهر أوت 2025.

أدى انخفاض صادرات المحروقات، إلى جانب تزايد الواردات المدفوعة بالاستثمار، إلى ضغط كبير في الميزان الخارجي خلال النصف الأول من عام 2025. وبعد تسجيل أول عجزٍ في ثلاث سنوات بسبب انخفاض إنتاج وتصدير المحروقات إثر تقليص حصص منظّمة أوبك سنة 2024، توسّع عجز الحساب الجاري بسرعة خلال النصف الأول من 2025

ليبلغ 10.5 مليار دولار أمريكي، مقارنةً بـ2.9 مليار دولار (1.1 في المائة من الناتج الداخلي الخام) في 2024، نتيجة انخفاض أسعار و أحجام صادرات المحروقات وارتفاع الواردات المدفوعة باستثمار قوي. بلغت احتياطات الصرف الأجنبي 15.0 شهراً من الواردات في نهاية 2024، مقابل 16.4 شهراً في العام السابق، ومن المرجّح أنّها تقلّصت أكثر خلال النصف الأول من 2025.

اتسع العجز المالي بشكل كبير في سنة 2024 مع تراجع إيرادات المحروقات. ففي سنة 2024، ارتفع عجز الميزانية من 5.5 في المائة من الناتج الداخلي الخام في 2023 إلى 13.8 في المائة، نتيجة انخفاض إيرادات المحروقات من 19.1 إلى 11.1 في المائة من الناتج، بفعل تراجع الأسعار والكميّات المصدّرة. وتراجعت الإيرادات الجبائيّة من 10.4 إلى 9.4 في المائة من الناتج، في حين ظلّت النفقات العموميّة مستقرة عند حوالي 37 في المائة من الناتج الداخلي الخام. وبلغ عجز الميزانية خارج إيرادات المحروقات 24.8 في المائة من الناتج الداخلي الخام. وفي سياق نموّ قويّ، يعكس العجز الإجماليّ المرتفع توسّع العجز الهيكلّي، الذي قُدّر بـ10.1 في المائة من الناتج الداخلي الخام في 2024.

من المتوقّع أن يظلّ النموّ قوياً، في حين تستمرّ الاضطرابات بالحسابات الخارجيّة والماليّة.

من المتوقّع أن يتسارع النموّ قليلاً في عام 2025 بفضل صمود القطاعات خارج قطاع المحروقات. ففي السيناريو المرجعي، يُتوقّع أن يبلغ نموّ الناتج الداخلي الخام 3.8 في المائة سنة 2025 مدعوماً باستمرار النمو واسع النطاق في القطاعات خارج قطاع المحروقات. من المتوقّع أن يستمر الاستهلاك الخاص في تحفيز قطاع الخدمات وأن يظل الإنتاج الزراعي قوياً، وأن يبقى الاستثمار نشطاً مؤدياً إلى ارتفاع الواردات. كما يُتوقّع أن يتباطأ النمو خارج قطاع المحروقات بشكل طفيف، لكنه سيظل قوياً في عامي 2026 و2027. ومن المتوقّع أن يتبع إنتاج المحروقات انتعاشاً تدريجياً لخصص منظّمة أوبك خلال فترة التوقعات.

كما من المتوقّع أن تستمر الاختلالات في الحسابات الخارجيّة والميزانية في ظلّ أسعار منخفضة نسبياً للمحروقات. مع الرفع التدريجي لخصص

مرتبطاً بالظروف المناخية التي تتسبب بشكل دوري في موجات جفافٍ تؤثر على الإنتاج الزراعي وأسعار المواد الغذائية واحتياجات الاستيراد. كما تواجه الجزائر ارتفاعاً في درجات الحرارة وتراجعاً في معدلات الأمطار، مما يزيد من ندرة المياه. وستختلف الآثار عبر المناطق، حيث سيكون القطاع الزراعي في الشمال الغربي والهضاب العليا الأكثر تأثراً. تسلب هذه المخاطر الضوء على ضرورة وضع سياسات تكييف مناسبة لحماية الإنتاج والشركات والأسر.

ينبغي أن تأخذ استراتيجية النمو في الجزائر بعين الاعتبار الجهود العالمية لإزالة الكربون والعوامل الهيكلية الأخرى التي تواجه الاقتصاد المعتمد على المحروقات. تواجه الجزائر ثلاث تحولاتٍ هيكلية رئيسية تُهدد نموذجها الاقتصادي القائم على المحروقات. أولاً، مع تسارع اعتماد التكنولوجيات النظيفة والمقتصد للطاقات، من المتوقع أن يتباطأ الطلب العالمي على المحروقات، ما سيؤدي إلى انخفاض هيكلي في الأسعار. ومن المنتظر أن يبلغ الطلب العالمي على النفط ذروته سنة 2030، ثم يبدأ بالانخفاض. ثانياً، يستمر العرض العالمي من النفط في الارتفاع، مما يضغط أكثر على الأسعار. ثالثاً، تتناقص احتياطات الجزائر في حين يتزايد الطلب الداخلي، ما يقلل من الكميات المخصصة للتصدير. في حين أن إصلاح دعم الطاقة واكتشافات الجديدة قد تبطئ من وتيرة استنفاد الاحتياطيات الجزائرية، وتزيد من الاحتياطيات المتبقية وتعزز من الكميات المتاحة للتصدير، فقد استنفد البلد أكثر من 60% من احتياطياته المؤكدة. وعلى المدى القصير، سيبدأ تطبيق آلية تعديل الكربون على الحدود للاتحاد الأوروبي سنة 2026، فإضافةً رسوماً إضافية على عددٍ من المنتجات كثيفة الكربون المصدرة إلى الاتحاد، مثل الأسمدة، والحديد، والصلب، والإسمنت، وهو ما سيؤثر بشكل ملحوظ على الصادرات الجزائرية. وبشكل عام، تمثل هذه العوامل تحدياً كبيراً للنموذج الاقتصادي الجزائري وتوازنه المالي والخارجي، وتؤكد أهمية تنويع الاقتصاد وتقليص كثافته الكربونية.

منظمة الأوبك وبقاء أسعار المحروقات، من المرجح أن تتفوق وتيرة نموّ الواردات المدفوعة بالاستثمار على نموّ الصادرات، مما سيزيد من عجز الحساب الجاري. هذا العجز الكبير قد يؤدي إلى انخفاض احتياطيات الصرف في السيناريو المرجعي. وفي غياب سياسات أقوى لضبط النفقات العمومية، سيبقى عجز الميزانية مرتفعاً خلال فترة التوقعات، رغم انخفاض طفيف في النفقات في إطار ميزانية متوسطة المدى للحكومة لسنة 2027. ومع استنفاد المدخرات الناتجة من عائدات النفط، من المرجح أن تتحوّل العجزات المالية إلى زيادة في الدين العمومي.

تظل أسعار المحروقات المتقلبة الخطر الرئيسي على المدى القصير، بينما تشكل جهود إزالة الكربون على الصعيد العالمي تحدياً للتوقعات على المدى المتوسط والتنمية الاقتصادية على المدى الطويل.

إن عودة العجز المزدوج يؤكد أن الاقتصاد الجزائري معرض لتقلبات أسعار المحروقات. فمع التقلبات الأخيرة في الأسواق العالمية للنفط والغاز، تدهورت الحسابات المالية والخارجية بسرعة، ما أظهر حساسية الإطار الاقتصادي الكلي لتقلبات الأسواق العالمية. كما تزيد حالة عدم اليقين التجاري والتوترات الجيوسياسية الحديثة من المخاطر المستقبلية. إن وجود إطار اقتصادي أقوى، يشمل تعزيز مستوى الإيرادات الداخلية، وتحسين إدارة عائدات النفط، ووضع قواعد مالية صارمة، من شأنه أن يحد من تعرض الاقتصاد لصدمة أسعار المحروقات.

تؤكد المخاطر المتزايدة لتغير المناخ أهمية إدماج الاعتبارات المناخية في استراتيجية التنمية الوطنية. فعلى المدى القصير، يبقى النمو



RECENT ECONOMIC DEVELOPMENTS

Robust Cross-Sectoral Non-Hydrocarbon Growth Continued in H1-2025, Supported by Dynamic Investment and Strong Private Consumption

Non-hydrocarbon GDP growth maintained strong momentum in H1-2025, supported by investment and private consumption. Following expansions of 4.3 percent in 2023 and 4.8 percent in 2024, non-hydrocarbon GDP grew by 5.4 percent year-on-year in H1-2025. Combined with a 2.0 percent contraction in hydrocarbon GDP, overall GDP grew by 4.1 percent year-on-year in H1-2025. This strong performance is underpinned primarily by the expansion of investment, which accelerated from 9.8 percent in 2024 to 13.2 percent year-on-year in H1-2025. Private consumption has also remained robust, growing by 4.4 percent year-on-year in Q1-2025, following a 3.9 percent expansion over the course of 2024. Demand generated by dynamic investment was largely met through imports, with import volumes increasing by 25.2 percent year-on-year in H1-2025, following a 11.9 percent rise over

2024. Export volumes contracted by 1.3 percent year-on-year, as declining hydrocarbon production weighed on hydrocarbon export volumes (down 2.0 percent year-on-year) and non-hydrocarbon exports increased only marginally amid a global slowdown and rising trade uncertainty (1.5 percent year-on-year including services). Satellite-based nightlights data also suggest robust cross-cutting non-hydrocarbon growth in H1-2025. Building on a strong momentum of structural reforms, including the 2022 Investment Law, the 2023 Monetary and Banking Law, the 2023 Economic Land Law, and efforts to dynamize the stock exchange, authorities have continued to adopt measures to boost investment and diversification. The recently adopted Mining Law allows foreign firms to own up to 80 percent of joint ventures, removing the previous 49/51 cap, simplifies procedures, and allows development in new areas¹ to reduce hydrocarbon reliance.

¹ Unexplored areas may be awarded to foreign companies with advanced technologies to carry out exploration operations, preceding the creation of a joint venture under Algerian law.

Demand generated by dynamic household consumption boosted services, and agricultural production remained resilient.

Household demand grew dynamically (+4.7 percent year-on-year), boosting service sectors such as hotels and restaurants (+7.1 percent year-on-year), retail trade (+8.9 percent year-on-year), and transport and communications (+8.3 percent year-on-year). Although no employment and unemployment data have yet been published for 2025, job creation is estimated to have risen in line with this sustained growth momentum. Following a modest increase in 2023 (+3.0 percent), agricultural production accelerated in 2024 (+5.3 percent) before recording a further expansion in the first quarter of 2025 (+6.1 percent year-on-year). Rainfall during the 2024–2025 season was generally below average, particularly in western wilayas, while the East and the humid to semi-humid coastal regions benefited from relatively better conditions and late-spring rains that improved 2025 cereal prospects.^{2,3} Authorities intensified the

rollout of the national irrigation program, including plans to expand irrigated land from 1.3 to 2 million hectares, with cereal-specific irrigation rising from 250,000 to 600,000 hectares.^{4,5} These measures, together with the distribution of subsidized certified seeds and fertilizers to reduce input costs, reinforced crop development relative to 2024, supported by the expansion of cultivated areas and the adoption of improved agricultural practices.

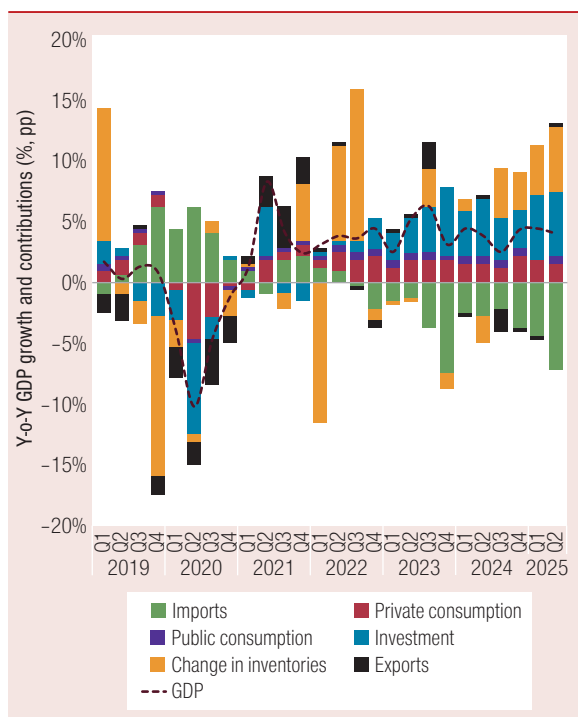
² USDA Foreign Agricultural Service, Algeria Grain and Feed Annual.(March 24, 2025)

³ FAO GIEWS. (June 24, 2025). GIEWS Country Brief: Algeria. Reports that abundant late-spring rainfall improved cereal production prospects in 2025, particularly in the East and coastal regions. Available at:

⁴ Algérie Presse Service (APS). (April 4, 2025).

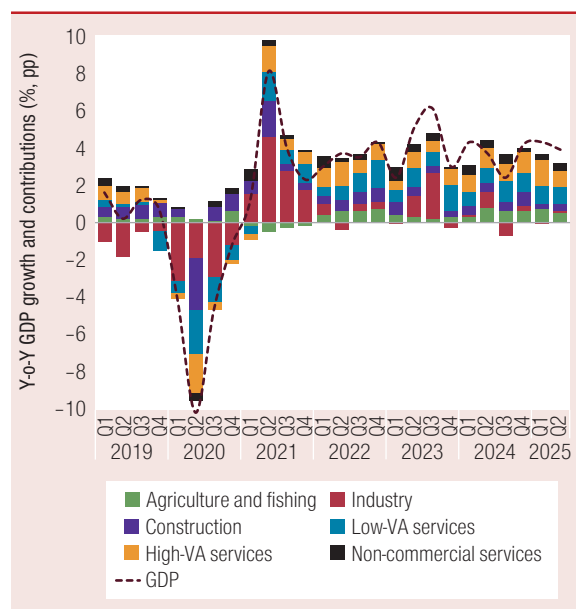
⁵ USDA Gain Report: Grain and Feed Annual – Algeria. Indicates the Ministry of Agriculture aims to expand irrigated agricultural land from 1.3 million to 2 million hectares, including an increase of cereal-specific irrigation from 250,000 to 600,000 hectares. (March 24, 2025)

FIGURE 1 • Robust investment stimulated imports...



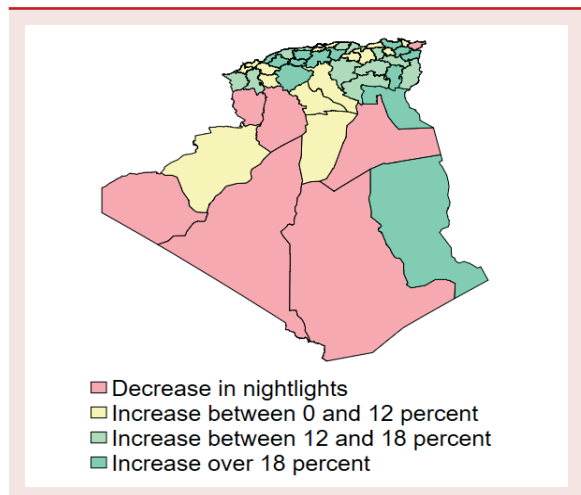
Source: National Office of Statistics (ONS).
 Note: Due to the lack of data on changes in inventory volumes, the volumes for this aggregate have been estimated using the investment deflator, which may result in the components not adding up to the total.

FIGURE 2 • ...while household consumption supported services and agricultural production remained resilient



Source: ONS.
 Note: Low-value-added (VA) services include trade, hotels and restaurants. High-VA services include transport and communications, finance, real estate, and business services. The figure does not show taxes on imports and taxes net of subsidies on products.

FIGURE 3 • Nightlights data suggest cross-regional dynamism during during the first nine months of 2025...



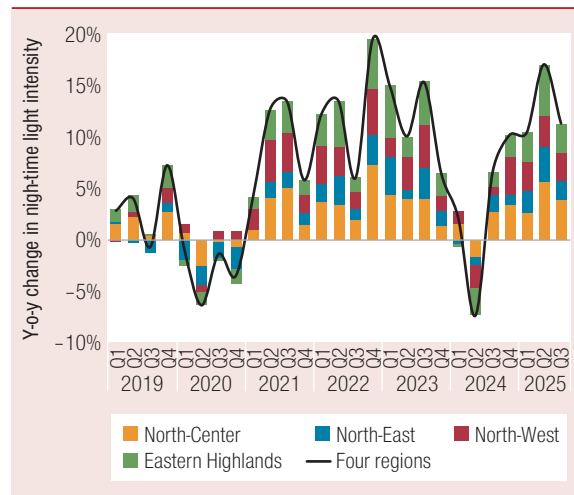
Source: World Bank staff estimates based on National Aeronautics and Space Administration (NASA) data.

Note: The map uses the administrative division into 48 wilayas.

Crude Oil Output Rose Slowly in H1-2025 and Gas Exports Declined, Weighing on Hydrocarbon Revenues

After a 6.9 percent contraction in 2024, crude oil output rose slowly in H1-2025, tracking OPEC quotas. After being reduced from 1,055 kb/d to 1,007 kb/d in November 2022, Algeria's crude oil production quota was lowered to 959 kb/d in May 2023 and to 908 kb/d in January 2024. As a result, crude oil production declined by 6.9 percent in 2024 compared to 2023, and by 10.5 percent relative to its 2022 peak. In April 2025, the first quota increases since September 2022 was implemented, bringing Algeria's required production to 911 kb/d. This initial adjustment has been followed by monthly increases, with Algeria's quota reaching 963 kb/d for October 2025. Tracking quotas, crude oil output increased by 0.9 percent year-on-year during H1-2025. Oil prices peaked in June 2022 at nearly US\$ 122.6 per barrel before following a downward trend, with the reference price for Algerian Sahara Blend decreasing to US\$ 82.6 in 2023, US\$ 80.7 in 2024, and US\$ 71.1 over H1-2025 as demand softened amid a global economic slowdown and heightened uncertainty and supply expanded with rising OPEC production quotas. Recent data also show

FIGURE 4 • ...with the North-Center region contributing the most to non-hydrocarbon growth



Source: World Bank staff estimates based on National Aeronautics and Space Administration (NASA) data.

Note: The regions correspond to the Territorial Programming Areas (EPT).

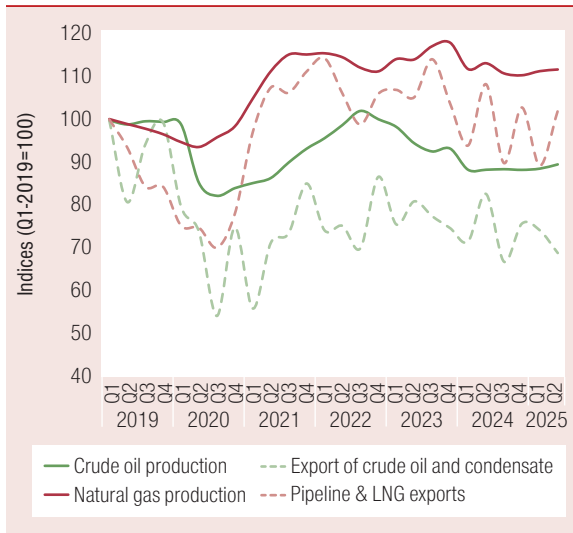
that domestic energy consumption is rapidly increasing amid dynamic economic growth.^{6,7}

Natural gas production is likely to have increased in H1-2025, even as exports are likely to have contracted. Natural gas production decreased from its 2023 peak by 6.2 percent in 2024 and exports contracted by 6.6 percent with both LNG (-14.3 percent) and pipeline (-2.7 percent) falling amid increasing domestic consumption, a mild winter in Europe, a movement towards renewables, and record high levels of end-of-heating-season storage in Europe. Gas production and export data have only been published for January, May, and June 2025 but not the intervening months. January 2025 data indicate expanding production (+5.9 percent year-on-year) and falling exports (-7.6 percent year-on-year), while May 2025 data suggest a contraction of production (-2.5 percent year-on-year) and further contracting exports (-9.1 percent year-on-year). Natural gas production rose by 5.0 percent year-on-year in June 2025, but gas exports fell by 5.6 percent year-on-year, with LNG exports dropping

⁶ Chambre Algéro-Allemande d'Industrie et de Commerce, Consommation d'énergie en Algérie pour 2024. (October 30, 2024)

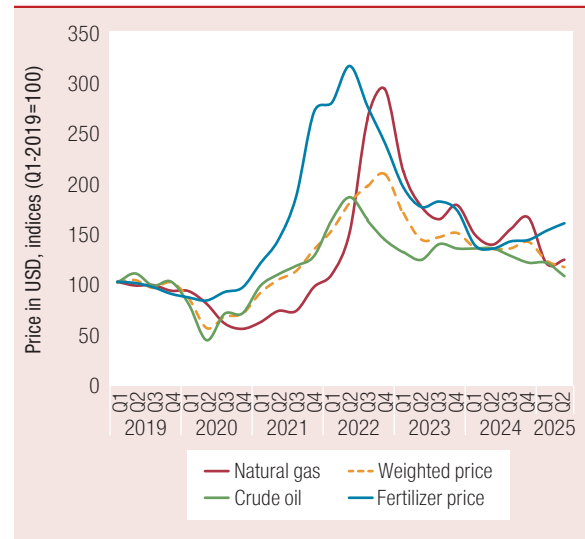
⁷ APS. (July 20, 2025).

FIGURE 5 • Oil production rose slowly with quota increases, while gas production and exports contracted...



Source: Joint Organizations Data Initiative (JODI) for gas, Bank of Algeria (BoA) for exports until 2024, OPEC for crude oil production, and WB estimates.
 Note: Gas data are presented as a four-quarter moving average. Estimates of crude oil and condensate exports are based on IMF PortWatch tanker tracking data. JODI data is only available for January and May 2025. The figures for February and March 2025 are estimated based on trends observed during the same period in 2024.

FIGURE 6 • ...and prices have remained at relatively low levels



Source: BoA, oilprice.com and WB for fertilizer prices.
 Note: The hydrocarbon price index uses the Bank of Algeria's dollar export values to weight each type of hydrocarbon. For the period H2-2025, the oil, gas, and weighted price indices are estimated using changes in oil quotas and prices, changes in JODI gas exports, and international gas prices. JODI data is only available for January and May 2025. The figures for February and March 2025 are estimated based on trends observed during the same period in 2024.

by 24.2 percent year-on-year. Algeria's market share in European gas imports stagnated at 13 percent, while overall European imports fell slightly during Q1-2025 (-2 percent year-on-year).⁸ To counter this negative trend, Sonatrach announced a US\$50 billion investment plan for 2024–2028, of which US\$36 billion is dedicated to gas production, aiming to boost capacity to 200 bcm annually by 2030.⁹ Despite these efforts, Algeria's exports remain under structural pressure from rising domestic demand, EU diversification towards renewables, and high European gas storage, limiting Algeria's ability to expand its market share.¹⁰

With both export prices and volumes decreasing, hydrocarbon export revenues continued to decline in Q1-2025, putting pressure on external balances. Overall, hydrocarbon export

volume contracted by 2.9 percent year-on-year in Q1-2025, which combined with a price decrease of 2.5 percent year-on-year resulted in a 5.3 percent year-on-year decline in the value of hydrocarbon exports. This contraction follows an 11.1 percent fall in hydrocarbon exports in 2024, which combined with falling non-hydrocarbon goods exports and rapidly increasing investment driven goods imports has continued to put pressure on external balances.

⁸ European Commission, Quarterly report on European gas markets Volume 18 Issue 1.
⁹ Energynews. Algeria Targets Annual Gas Production of 200 billion m³ by 2030. (March, 2025).
¹⁰ Royal Elcano Institute. Another round of Algerian gas for Europe. (March, 2025).

BOX 1 : TRENDS IN FOREIGN DIRECT INVESTMENT

Inward foreign direct investment (FDI) in Algeria has historically experienced significant volatility, reflecting both global economic cycles and domestic policy shifts. After peaking at around US\$2.58bn in 2011, inflows declined sharply during the oil price slump, even turning into a net outflow of approximately US\$580 million in 2015. From 2016 onward, FDI gradually recovered but remained modest compared to regional peers, constrained by restrictive investment regulations and a heavy reliance on hydrocarbons. This volatility has

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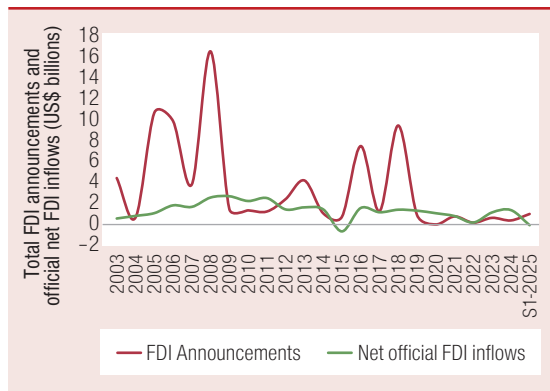
BOX 1 : TRENDS IN FOREIGN DIRECT INVESTMENT *(continued)*

been even more pronounced for FDI announcements, which primarily reflect intentions or plans by firms to invest. In 2016 and 2018, FDI announcements peaked at US\$7.3bn and US\$9.3bn, respectively, reflecting a small number of multi-billion-dollar announcements in the chemicals, transportation, and warehousing sectors.

Recent regulatory reforms aimed at attracting foreign investment are gradually showing results, together with a shift towards Chinese investors. In the first half of 2025, FDI announcements passed the threshold of US\$1bn, higher than any level observed since the Covid-19 pandemic. This is likely signaling a forthcoming growth in official FDI flows, which increased to US\$1.4bn in 2024 supported by high oil prices, an improved regulatory environment for foreign investors and increased investment in the country's hydrocarbons sector. China accounted for a third of FDI announcements over 2020–2025, a notable increase compared to a decade ago, when its share only stood at less than 2 percent. The role of Turkey and Qatar has remained relatively stable, while those of European firms decreased.

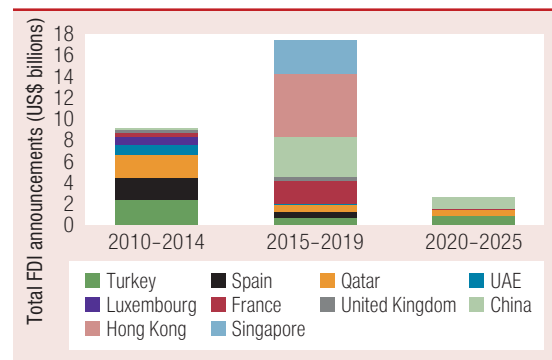
While chemicals, transport, and minerals accounted for the largest share of capital investment in the last decade, automotives outpaced these in terms of estimated job creation. Over the period 2010–2014, FDI announcements were mainly concentrated in metals (31.8 percent), real estate (22.1 percent) and textiles (14.8 percent). Over 2020–2025, these shifted to metals (28.4 percent), automotives (22.9 percent), and chemicals (16 percent), reflecting a trend towards manufacturing. In terms of job creation, notable differences stand out. Whereas chemicals attracted the largest share of capital investment since 2010 (US\$9bn), the associated jobs created were estimated at around 6,000, versus 22,000 for automotives, which only absorbed around US\$2.5bn, resulting in important differences in labor-intensity (0.7 jobs for US\$1 million invested for chemicals, versus 9 for automotives).

FIGURE 7 • FDI announcements are volatile...



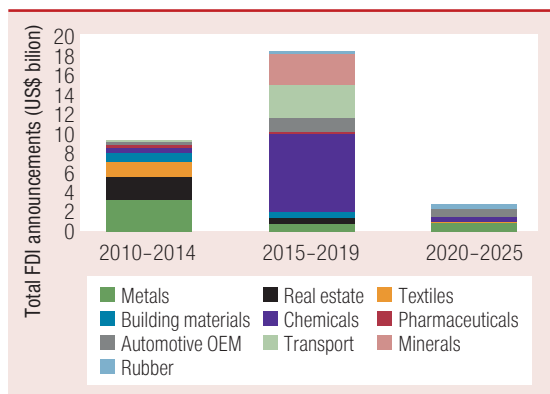
Source: FDI Markets, a service from Financial Times Ltd., and UNCTAD, calculations and analyses by International Finance Corporation (IFC).

FIGURE 8 • ...and China's share has increased recently



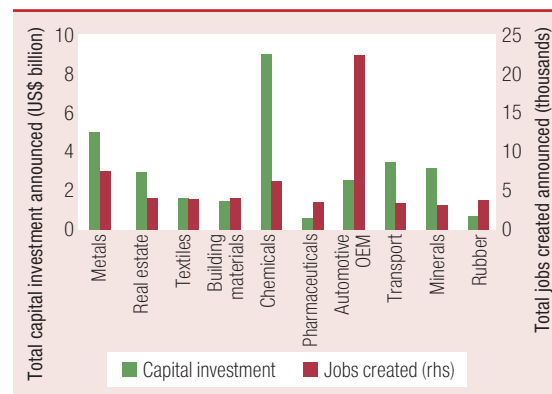
Source: FDI Markets, a service from Financial Times Ltd., and UNCTAD, calculations and analyses by IFC.

FIGURE 9 • FDI in manufacturing has been on the rise...



Source: FDI Markets, a service from the Financial Times Ltd., and UNCTAD, calculations and analyses by IFC.

FIGURE 10 • ...while the automotives industry has been a key job creator



Source: FDI Markets, a service from the Financial Times Ltd., and UNCTAD, calculations and analyses by IFC.

The Current Account Deficit Widened in H1-2025 as Investment-Driven Imports Expanded and Exports Contracted

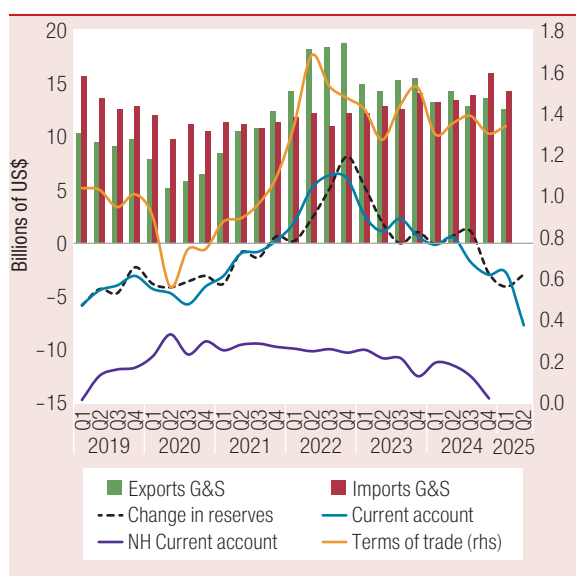
The current account balance widened in H1-2025 as exports contracted while investment-driven imports continued to expand. Following a surplus of 8.6 percent of GDP in 2022, its first in eight years, driven by elevated oil and gas prices,¹¹ the current account surplus moderated to 2.6 percent of GDP in 2023 as both hydrocarbon and non-hydrocarbon exports weakened while imports expanded, reflecting buoyant investment. The current account posted its first deficit (-1.1 percent) in three years in 2024, driven by a continued contraction of hydrocarbon and non-hydrocarbon exports and notably by the expansion of investment-driven imports. During H1-2025, the value of exports declined by 8.5 percent, driven by a 10 percent drop in hydrocarbon exports. Non-hydrocarbon exports increased by 11.8 percent year-on-year, while the value of imports increased by 24.8 percent year-on-year, supported by accelerating investment. Preliminary customs data indicate that this trend continued over Q2-2025. The current account deficit increased rapidly over H1-2025,

reaching US\$10.5 billion, up from US\$ 2.9 billion over 2024. After falling by the equivalent of 1.4 months of imports in 2024 to an estimated 15.0 months of imports at end-2024, foreign exchange reserves would have decreased during H1-2025.

Investment-driven imports, notably of machinery, accelerated, while export revenues contracted. Demand generated by robust investment growth was largely met through imports. Imports of goods rose by 24.8 percent in H1-2025, driven notably by machinery, transport equipment, and manufactured goods. On the export side, hydrocarbon revenues decreased with lower prices and export volumes, while non-hydrocarbon export volumes rose by 8.6 percent year-on-year in H1-2025, supported by a 3.0 percent year-on-year increase in export prices, resulting in an 11.8 percent year-on-year rise in their value. Data from the automatic identification system (AIS) tracking ships departing from and arriving to Algeria's ports suggest that during Q2-2025 imports continued to expand rapidly.

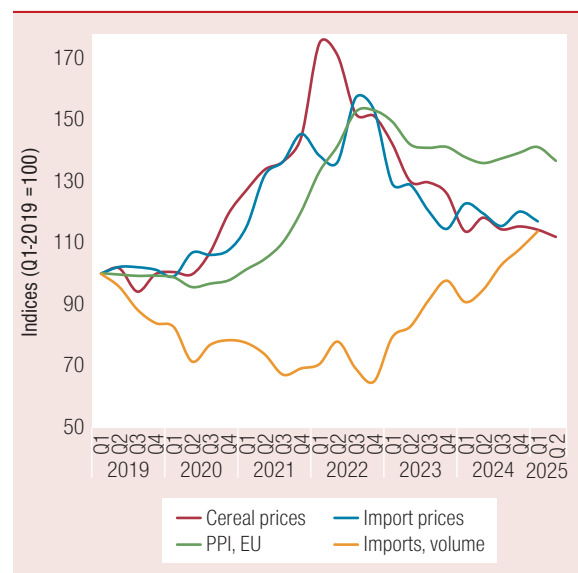
¹¹ The gap has widened between oil and gas prices, with natural gas prices rising sharply following the renegotiation of long-term contracts. Sonatrach will sign new agreements to revise gas export prices. L'expression (July 3, 2022)

FIGURE 11 • Robust investment growth has stimulated imports volumes...



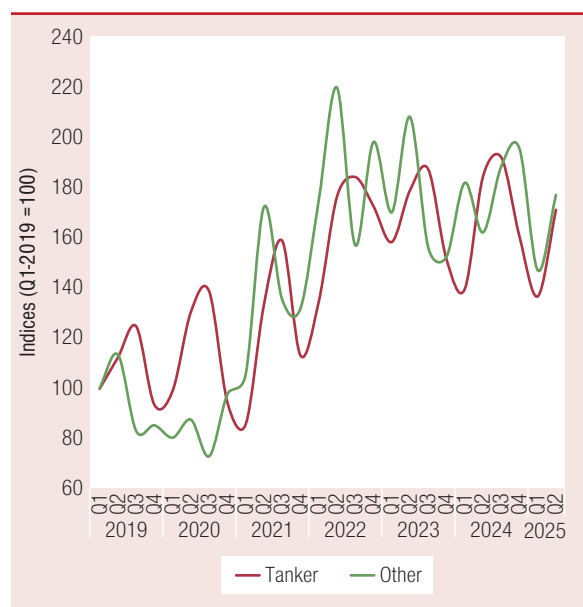
Source: BoA, International Monetary Fund (IMF), ONS, and WB estimates.
Note: Exports and imports for Q1-2025 are estimated using IMF growth rates. The current account balance for Q1-2025 was published by the Bank of Algeria, and Q2-2025 is calculated based on the Bank of Algeria's data for the first half of 2025.

FIGURE 12 • ...while prices eased slightly



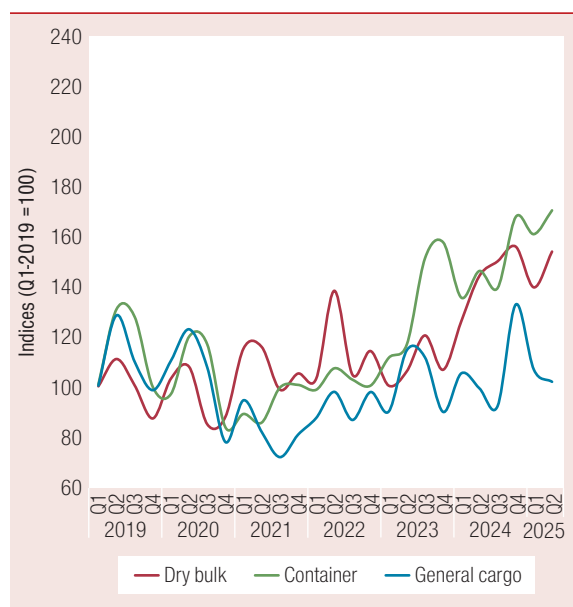
Source: ONS, Food and Agriculture Organization of the United Nations (FAO), Eurostat and World Bank estimates.
Note: PPI, EU = European Union Producer Price Index.

FIGURE 13 • Ship tracking data suggests that export volumes remain subdued...



Source: International Monetary Fund (IMF).

FIGURE 14 • ...while the expansion of imports has continued



Source: IMF.

The Fiscal Deficit Widened in 2024 as Hydrocarbon Revenues Contracted and Was Largely Financed by Oil Savings

The budget deficit widened sharply in 2024 due to the decline in hydrocarbon revenues. In 2023, the sharp increase in public spending was only partly offset by the increase in hydrocarbon revenues, and the budget deficit widened from 3.0 percent to

5.5 percent of GDP. In 2024, expenditures stabilized around 37 percent of GDP but hydrocarbon revenues fell sharply from 19.1 to 11.1 percent of GDP, and the fiscal deficit widened markedly to 13.8 percent of GDP, reaching its highest level since 2015. The non-hydrocarbon budget deficit stood at 24.8 percent of GDP. The estimated structural deficit reached 10 percent of GDP suggesting a potential weakness in the fiscal framework which remains sensitive to fluctuations in hydrocarbon prices.

BOX 2 : RECENT DIGITALIZATION AND MODERNIZATION EFFORTS IN TAX ADMINISTRATION

The Directorate General of Taxes (DGI) has started to significantly modernize its organization structure and management approach. To better serve taxpayers, the DGI established in the early 2000s, specialized and decentralized units segmented by taxpayer categories, namely the Directorate of Large Firms (DGE, Direction des Grandes Entreprises) for large taxpayers, the Tax Centers (CDI, Centres des Impôts) for medium-sized taxpayers, and the Local Tax Centers (CPI, Centre de Proximité des Impôts) for small taxpayers, marking a major shift away from its old structure based on tax types rather than size-specific specialization. In 2021, the DGI introduced a new central structure with divisions and departments tailored to its functions, followed by the adoption of a management model focused on efficiency and performance. The main goal is to advance planned reforms and align with international organizational and managerial standards.

The digitalization of tax administration has reached a major milestone with the introduction of the Jibaya'tic and Moussahama'tic systems. Since 2017, the DGI has progressively deployed its new information system, "Jibaya'tic", across the country, enabling taxpayers to meet their obligations online. In areas where CDIs and CPIs are not yet operational, taxpayers can use the Moussahama'tic platform to file declarations and make payments. These two flagship tools are complemented by additional digital platforms that simplify taxpayer services, including an online registration system, a platform for the purchase of vehicle tax stickers "Qassimatouka" and a platform for stamp duty

(continued on next page)

BOX 2 : RECENT DIGITALIZATION AND MODERNIZATION EFFORTS IN TAX ADMINISTRATION *(continued)*

payments “Tabioukom”. Beyond improving service quality for citizens in line with the national digital strategy, these initiatives also allow the DGI to reduce administrative costs and enhance tax collection.

Strengthening digitalization of tax administration operations including leverage of third-party data, e-invoicing, and advanced data analysis have the potential to further strengthen compliance, build trust, and guide policy. Information systems like Jibaya’tic are capable of generating valuable data flows that provide tax departments with advanced analytical tools, drawing on internal microdata and supported by the information that can be collected from various external sources. These tools support compliance monitoring, risk assessment, and evidence-based decision-making. Moreover, system interoperability and e-invoicing can enhance transparency and reduce compliance risks,¹ while automation improves efficiency in tax administration, simplifies the fulfillment of tax obligations, and reinforces taxpayer confidence.

The adoption of a new communication strategy has significantly advanced the use of mass media and modern information technologies. Building on the recommendations of the 2020 National Conference on Tax Reform and the updated mandates of the Directorate of Communication and Public Relations, the DGI has implemented a comprehensive communication approach designed to reach wider audiences. Mass media, particularly radio and television, are now being used for periodic information campaigns. The launch of a new website in 2024 has further provided a modern platform offering accessible tax information tailored to different categories of users. In parallel, the active use of social media channels such as Facebook and LinkedIn has streamlined the dissemination of information and strengthened engagement with the public. Complementary initiatives include regular consultations with professional associations, seminars on legislative and regulatory developments, and “open-door” events, all of which aim to foster transparency and trust.

Significant legislative and regulatory changes have also been introduced to enhance transparency and reduce compliance risks in key sectors and taxpayer segments. The 2023 Complementary Finance Law brought major changes to transfer pricing regulations, redefining the scope of firms concerned, tightening reporting requirements, and strengthening enforcement measures. Sectors particularly exposed to tax evasion and fraud, such as tobacco and precious metals, have also been specifically addressed. At the same time, international cooperation in tax matters has been reinforced. By joining the Global Forum on Transparency in 2021 and signing the Multilateral Instrument (MLI) for implementing tax treaty-related measures and the Multilateral Convention on Mutual Administrative Assistance in Tax Matters in 2024, the DGI reaffirmed its commitment to global and multilateral solutions. In this context, the Inclusive Framework can further support Algeria’s efforts to combat base erosion and profit shifting (BEPS).

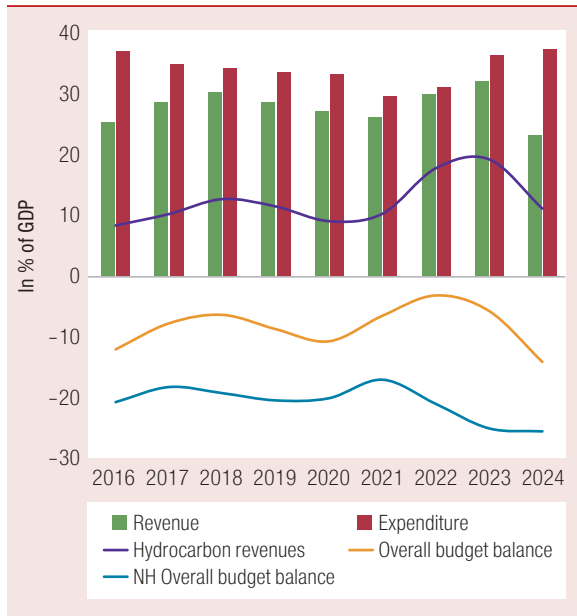
¹ Algeria does not yet have an electronic invoicing system.

Public debt increased only moderately in 2024 despite the size of the budget deficit, as the use of oil savings limited debt issuance. The public debt ratio increased slightly from 47.7 percent at end-2023 to 48.1 percent of GDP at end-2024, as previous surpluses from the Revenue Regulation Fund (FRR, *Fonds de régulation des recettes*) were used to cover the majority of financing needs, for a total amount of 2,660 billion dinars (US\$ 20 billion) or 7.4 percent of GDP. Public debt is nearly fully domestically held at low effective interest rates and long-term maturities, a large share having been financed by the Bank of Algeria as part of the 2017-19 monetary financing program and the 2021-22 special refinancing program. The effective rate on public debt stood at 2.5 percent, i.e. a negative real effective rate. Nevertheless, high levels of non-market-oriented domestic debt crowd out financing for the private sector.

Driven by Declining Food Prices, Inflation Continued to Ease over the First Nine Months of 2025

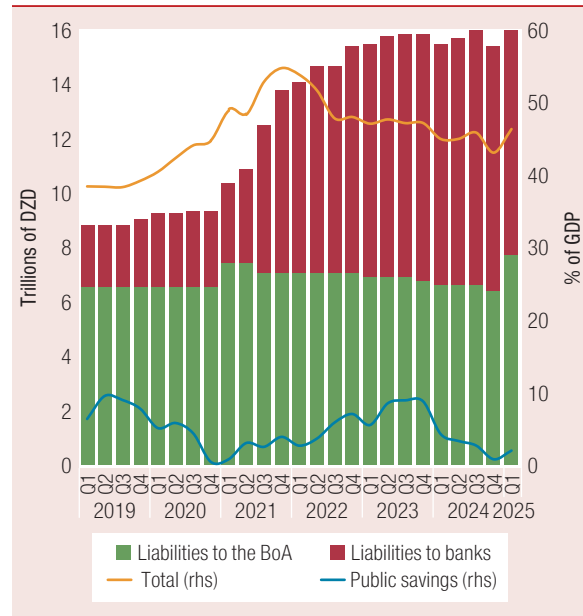
The decline in fresh food prices continued to support the deceleration of inflation over the first nine months of 2025, with headline inflation reaching 1.7 percent year-on-year. Inflation started picking up in 2021 (7.2 percent), accelerated in 2022 (9.3 percent), and stabilized in 2023 (9.3 percent) before easing markedly in 2024 (4.0 percent). Food price inflation eased from 13.3 percent in 2023 to 3.3 percent in 2024, improving household purchasing power, particularly among low-income categories as food represents over half of expenditures among the bottom 40 percent of the population. Inflation continued to ease through the first nine months of 2025, reaching 1.7 percent year-on-year. Food prices fell by 1.7 percent year-on-year.

FIGURE 15 • The budget deficit widened significantly in 2024 as hydrocarbon revenues contracted...



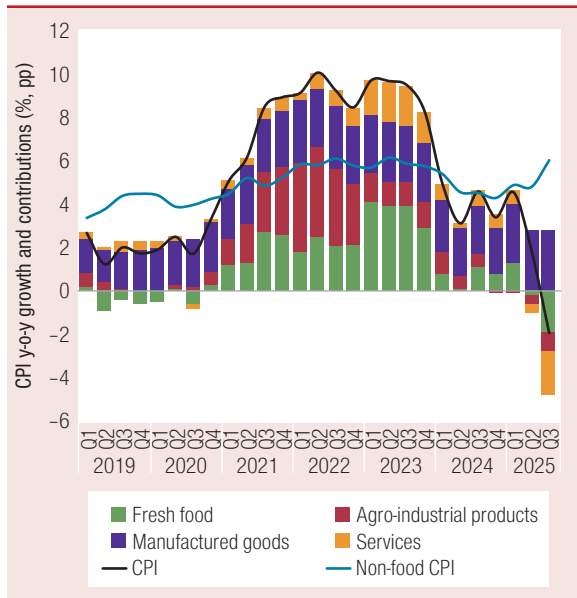
Source: Ministry of Finance, ONS and WB estimates.

FIGURE 16 • ...but was financed from oil savings, and public debt increased only moderately



Source: IMF and WB.

FIGURE 17 • Inflation continued to ease over the first nine months of 2025



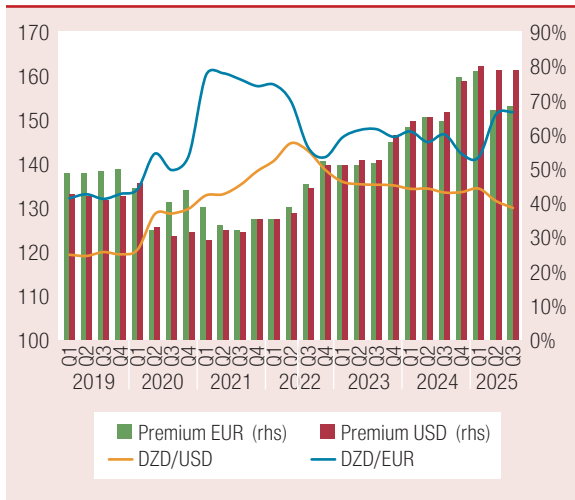
Source: ONS and WB estimates.

The real effective exchange rate slightly depreciated over the first nine months of 2025,

although the informal market premium widened further. After over a decade of exchange rate depreciation, the Bank of Algeria supported a 6.6 percent appreciation of the dinar against the U.S. dollar between July and December 2022 to ease imported inflation, before maintaining the stability of the official rate since early 2023. During the first nine months of 2025, the dinar appreciated slightly against the dollar from 136 DZD/US\$ at end-2024 to 130 DZD/US\$ at end-September, but depreciated against the euro, from 140 DZD/euro at end-2024 to 152 DZD/euro at end-September, resulting in a slight depreciation the real effective exchange rate (REER). Meanwhile, the informal market exchange rate weakened further, with the estimated premium for the U.S. dollar rising from 67.7 percent in 2024 to 75.4 percent over the first nine months of 2025.

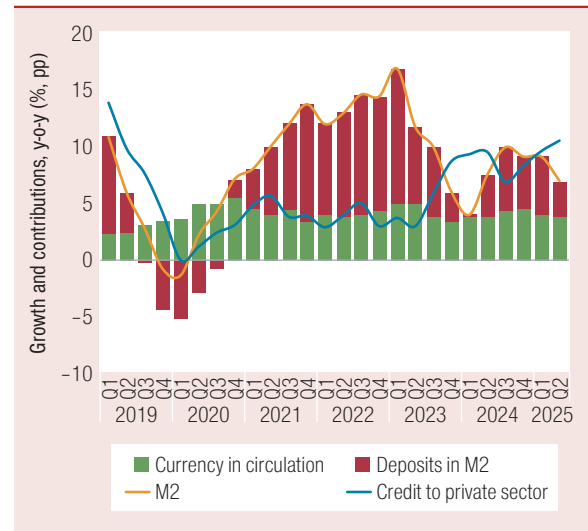
The policy interest rate was lowered for the first time in five years. The Bank of Algeria decreased the policy interest rate from 3 to 2.75 percent at end-August, the first rate change since May 2020. The reserve requirement was also decreased from 3 to 2 percent. Money supply growth decelerated, while credit growth remained robust (+5.4 percent) in H1-2025.

FIGURE 18 • Official exchange rates remained stable but parallel market premiums widened



Source: <https://www.investing.com> and WB estimates.

FIGURE 19 • Credit growth to the private sector accelerated



Source: IMF and WB estimates.

OUTLOOK AND RISKS

Robust Non-Hydrocarbon Expansion Would Continue in 2025 and 2026

In 2025 growth would accelerate slightly driven by non-hydrocarbon sectors. In the baseline scenario, GDP growth would reach 3.8 percent in 2025, supported by the dynamism of non-hydrocarbon sectors (+4.0 percent), and hydrocarbon output growth would restart (+2.5 percent) in line with OPEC quota increases started in April 2025. Investment growth would remain dynamic as robust private investment is expected to compensate for the consolidation of public capital expenditures. The demand generated would largely be met through imports, which would outpace the growth of exports even as hydrocarbon exports start to recover. Private consumption growth would remain robust amid public sector wage increases and a positive employment outlook, stimulating service sectors. Agricultural production would remain resilient as weather and satellite crop growth data suggest that yields would be weaker in the western, but stronger in the central, and particularly in the northeastern regions.

Growth would remain robust, albeit slow slightly, in 2026 and 2027, supported by the

dynamism of non-hydrocarbon sectors and the recovery of hydrocarbon production. A continued recovery of OPEC quotas is expected through 2026 before the stabilization of output in 2027, even as oil prices are expected to remain relatively low in the baseline scenario. In the medium term, the strategic partnerships already signed for the exploration and development of new gas fields are expected to support export capacity, although their impact would materialize only beyond the immediate horizon. Government expenditures would slow, particularly in 2027 as fiscal consolidation takes hold based on the government's medium-term framework, contributing to slower consumption and investment growth.

Fiscal and External Deficits Would Remain Elevated Amid Relatively Low Hydrocarbon Prices

The current account deficit would widen over the projection period and foreign exchange reserves would continue to decline. In the baseline scenario, hydrocarbon prices would remain relatively low over the projection period, partially offset by the recovery of

OPEC quotas through 2026. The current account deficit is consequently expected to deteriorate, as investment-driven imports outpace hydrocarbon exports. Thus,

in the absence of a more pronounced slowdown in imports or an increase in hydrocarbon prices, foreign exchange reserves would erode significantly.

BOX 3 : PERFORMANCE-BASED BUDGETING IN ALGERIA

Performance-based budgeting (PBB) is a core pillar of public financial management (PFM) reform. The reform seeks to ensure more efficient resource allocation, clearer articulation of government priorities, and sustained transparency and accountability throughout the budget cycle. It represents a shift from an input-focused culture to a results-based approach, built around the following elements: (i) budgets are organized around public policy programs with pre-defined results that are measured at the end of the fiscal period; (ii) resources are allocated based on expected performance and the capacity to achieve agreed objectives; and (iii) managers are required to report on results achieved, thereby strengthening transparency and accountability. Amid growing fiscal constraints, a gradual reform trajectory is already underway in several countries in the Middle East and North Africa (MENA) region—such as Jordan, Mauritania, and Tunisia—where historically centralized, input-oriented budget systems are beginning to incorporate performance logic. These countries are establishing program-based budgeting frameworks that link resources to results, with the objective of enhancing the efficiency, transparency, and credibility of public spending.

Over the past few years, Algeria has made steady progress in modernizing public financial management, with a focus on program performance in line with the principles of the 2018 Organic Budget Law (LOLF). The development of practical guidance, dissemination of methodological notes, and provision of methodological and technical support to line ministries have facilitated the adoption of new performance-based practices. Since the LOLF came into effect in 2023, this reform momentum has translated into the gradual setting of clear objectives, the definition of results indicators, and the establishment of program monitoring and evaluation tools—strengthening managerial accountability and transparency in the use of public funds.

In 2024 and then in 2025, the budget orientation notes progressively and explicitly introduced the concept of performance by linking programs to their intended objectives and results. This evolution signals a shift toward a results-based approach, where budget planning, monitoring, and evaluation are structured around performance, thereby strengthening responsibility and transparency in the use of public resources. The framing document for the preparation of the draft Finance Law and State budget for 2026 (available on the official DGB website) emphasized the need to apply the performance-based approach, through budget documents, at both the strategic and operational levels. In this regard, guidance and tools have been shared. Additional efforts are still needed in applying the performance-based approach, particularly in strengthening capacities, supporting the relevant stakeholders, and managing change.

Program effectiveness assessment now occupies a central place, as evidenced by the increasing emphasis on the budget documents annexed to Budget Law. In 2025, the Ministry of Finance highlighted essential tools that play a key role in the continuous improvement of budget information quality—anchored in forward-looking targets and performance indicators for program portfolios and individual programs. The enrichment of budget documents—such as the Priorities and Planning Report and the Ministerial Performance Report—through analytical tables and tracking elements for sectoral managers' commitments enhances coherence between programs' strategic objectives and expected results. This approach aligns fully with the spirit of LOLF, fostering modern, open public management oriented toward socio-economic impact and improved service delivery.

The reform of the Ministry of Finance's organizational structure, initiated in 2021 and 2024, has integrated the program concept and strengthened coherence across directorates and services. This reorganization was a critical step in operationalizing the LOLF. Clarifying responsibilities and optimizing internal processes laid the groundwork for a more modern and transparent budget management system.

The fiscal deficit would narrow slightly in 2025 and remain elevated in 2026 and 2027. In 2025, the fiscal deficit would narrow slightly due to a significant dividend payment by the Bank of Algeria, despite a small decrease in hydrocarbon revenues and a small increase in expenditures relative to GDP. Amid relatively low prices projected in the baseline, even as OPEC quotas slowly recover, hydrocarbon revenues would remain stable in 2026 and 2027. In 2026, absent significant fiscal consolidation or a recovery of hydrocarbon prices, the deficit would

expand as the elevated Bank of Algeria dividends of 2025 are expected to be a one-off transfer. In 2027, a moderate fiscal consolidation effort projected under the government's medium-term framework would contribute to a slightly moderating, albeit still elevated fiscal deficit. As hydrocarbon savings were exhausted to finance the deficit in 2024, elevated fiscal deficits would translate into rapidly accumulating public debt, which would reach 71.2 percent of GDP by 2027. Nearly all debt remains domestically held at long-term maturities and low interest rates.

BOX 4 : THE SIMPLIFIED TURNOVER TAX REGIME

Introduced in 2007, the Simplified Turnover Tax (Impôt Forfaitaire Unique, IFU) streamlines the taxation of individuals and entities with annual turnover under DZD 8 million (approximately US\$ 60,000). Covering both the personal income tax and the value-added tax, IFU lowers compliance costs and expands the tax base. The tax is applied at a flat rate of 5 percent on goods and 12 percent on services, with a minimum payment of DZD 30,000,¹ self-employed entrepreneurs benefit from a 0.5% rate. If a taxpayer exceeds the turnover threshold for two successive years, it must shift to the standard regime. Without evasion and under-reporting, the IFU can create high effective tax rates on profits, which may encourage informality.

The regime has seen frequent reforms, with thresholds changing from DZD 3 million in 2007 to DZD 30 million in 2015, then to DZD 8 million in 2022. Since 2016, the IFU has used self-assessment, allowing taxpayers to calculate and declare their liability. The 2025 Budget Law excludes several activities from the IFU regardless of turnover, requires net income declaration on Form G n° 12 Bis, and raises the minimum tax from DZD 10,000 to DZD 30,000 (excluding self-employed entrepreneurs). From January 1, 2026, a new contractual procedure for IFU will apply, aiming to improve transparency, expand the tax base, and modernize the system.

The IFU covers many taxpayers but generates little revenue, highlighting its limited effectiveness. While it helps formalize some small businesses, it is low-yield and raises concerns about efficiency, equity, and economic distortion. Limited monitoring of reported turnover and low compliance costs make the IFU attractive, but evasion and under-reporting are likely to be significant. Frequent changes to the design and administration of the regime have resulted in uncertainty for the taxpayers without improving tax collection.

Reforms should balance simplification and fairness. The design of simplified regimes for small taxpayers remains a challenge in many countries and informality remains an important development challenge.² International experience suggests that simplifying tax design and reducing compliance costs, supported by administration measures targeting informal sectors such as e-invoicing and e-receipts, are more effective than punitive measures or amnesties.

¹ The 2025 Budget Law raised the minimum tax from DZD 10,000 to DZD 30,000, while self-employed entrepreneurs retain the DZD 10,000 threshold. The adjustment aims to align the tax floor with the minimum level of social security contributions.

² Hoy, Christopher Alexander; De Gouvea Scot de Arruda, Thiago; Oguso, Alex; Custers, Anna; Zalo, Daniel; Doino, Ruggero; Karver, Jonathan George; Pillai, Nicolas Orgeira. Trade-offs in the Design of Simplified Tax Regimes: Evidence from Sub-Saharan Africa. World Bank Policy Research Working Paper 10909.

Volatile Hydrocarbon Prices and Rising Geopolitical Tensions Represent Important Risks for the Outlook

The return of the twin deficits underlines the Algerian economy's exposure to hydrocarbon prices fluctuations. Amid recent swings in hydrocarbon prices, fiscal and external balances have rapidly deteriorated, exposing the sensitivity of the macroeconomic framework to volatile global oil and natural gas markets. Fiscal and external balances are projected to remain elevated in the baseline, leading to projected significant increases in debt and declining reserves. A downward deviation in hydrocarbon prices from the projection underpinning the baseline scenario would represent significant challenge, particularly concerning foreign exchange reserves. Elevated trade uncertainty and recent geopolitical tensions exacerbate the risks for the outlook.

A more robust macroeconomic framework could reduce the economy's exposure to global hydrocarbon market volatility. Improving domestic revenue mobilization through tax policy and administration measures, including the continued modernization and digitalization of tax administration (see Box 2) could help reduce dependence on hydrocarbon revenues. Strengthening medium-term expenditure planning, improving the management of fluctuating revenues from oil and natural gas, and introducing fiscal rules could help increase the ability of fiscal policy to stabilize output¹² over the economic cycle and reduce the exposure to hydrocarbon market volatility.

The success of Algeria's economic transformation will hinge on its ability to diversify the economy and stimulate private sector-led

¹² Algeria Economic Update Fall 2023: Continuing the Diversification Effort.

growth. Achieving a successful transformation will require accelerating private sector-driven job creation and ensuring inclusive and sustainable development. Diversification will demand fiscal discipline, stronger governance and performance of

state-owned enterprises, and a more attractive environment for foreign investment. These reforms could unlock the potential of promising sectors, support the expansion of domestic firms, and boost non-hydrocarbon exports.



RESPONDING TO A CHANGING CLIMATE FOR SUSTAINABLE DEVELOPMENT

Risks From Climate Change Underline the Importance of a Climate-Informed Development Strategy

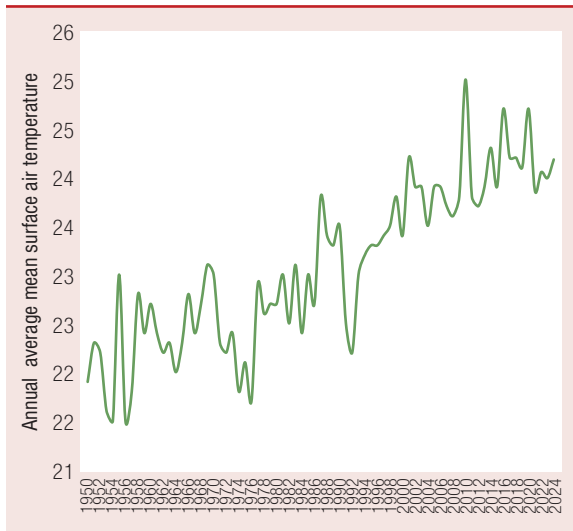
Rising risks from climate change, in particular higher temperatures, and lower rainfall, underline the importance of integrating climate considerations into Algeria's development strategy. In the short term, growth remains sensitive to droughts, which affect agricultural production, food prices, and the country's import needs. Yet Algeria is facing structurally increasing temperatures and declining rainfall, causing increasing water scarcity. The annual average mean surface air temperature was stable until 1980, reaching 23.1 degrees, but rising to 23.2 degrees in the 1990s, 23.9 degrees in the 2000s, and 24.2 degrees in the 2010s. Extreme temperatures, measured as deviations from the average, have become much more common. Averaging 87 mm annually between 2005–2009 and 90 mm between 2010–2014, rainfall declined to 80 mm between 2015–2019 and 60 between 2020–2024, driving down crops' water satisfaction, despite considerable efforts undertaken by the government to address potential water shortages, including through

seawater desalination and wastewater treatment. The effects of climate change will vary across regions, with the agricultural sector and agricultural workers being the most impacted in the North-West and the highlands regions, for instance.

Climate risks highlight the importance of designing appropriate adaptation policies to protect output, firms, and households. Expanding climate-resilient agriculture and water management through modern irrigation, wastewater reuse, and drought-resistant crops would help protect output. Regional adaptation strategies could combine agricultural support with social protection and insurance mechanisms. Strengthening data systems, including early-warning tools, could help guide timely responses to droughts and extreme heat. Like in other sectors, fostering innovation and private sector development of appropriate technologies would help strengthen the structural resilience and help unlock productivity growth.

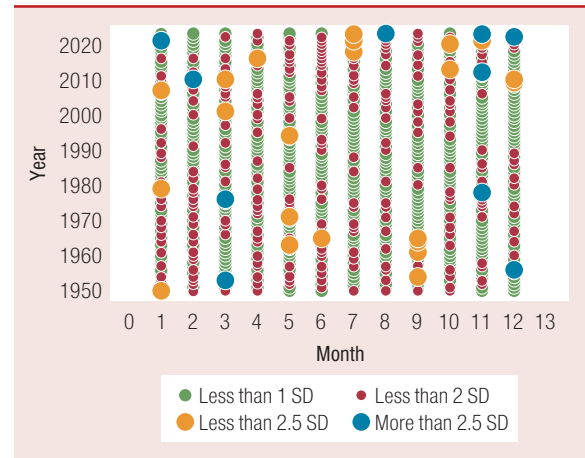
A changing climate also entails additional risks, such as rising sea levels, more frequent floods or forest fires, which require climate-informed adaptation strategies. Floods, earthquakes and forest fires are estimated to have

FIGURE 20 • Average temperatures have increased significantly over recent decades in Algeria...



Source: World Bank Climate Change Knowledge Portal For Development Practitioners and Policy Makers (WB-CCKP)

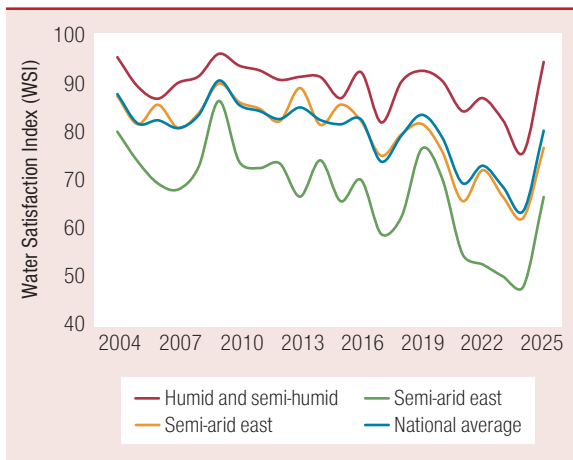
FIGURE 21 • ...and extreme temperatures have become much more common recently



Source: WB-CCKP

Note: Figure shows the change in event intensity of maximum of daily Max-Temperature between 1951 and 2020. Each bubble represents climate extremes in the form of standard deviations (SD) away from the monthly mean determined over the current climatology of 1991–2020.

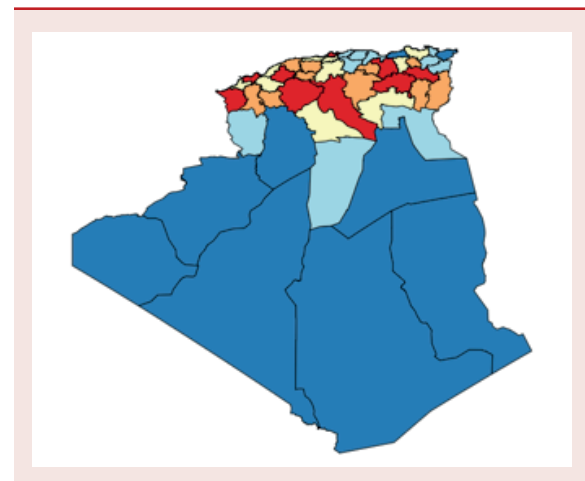
FIGURE 22 • Lower rainfall caused the water satisfaction of plants to decrease...



Source: ASAP.

Note: Water satisfaction for each year is considered between Q4 of the previous year and Q2 of the index year. For example, data for 2024 is for Q4-2023, Q1-2024, and Q2-2024.

FIGURE 23 • ...and exposure to droughts affects northern population the most



Source: Balasubramanian, C., Baquie, S., and Fuchs, A. (2025).

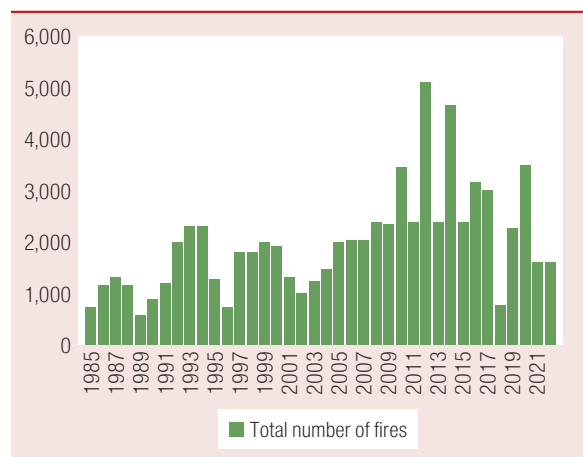
Note: The figure shows quintiles of the level of exposure.

cost the government DZD 545 billion over the last 15 years, with 70 percent of the expenditures going to flood-related activities. The Algeria Risk Management Diagnostic of the World Bank and the National Delegation for Major Risks (DNRM) indicates that potential losses from disasters could cost 0.7 percent of GDP on average in coming years, twice as much as the average historical cost of disasters. Rapidly growing,

populated urban areas of Northern Algeria are particularly exposed to natural hazards and future costs appear larger than historical spending on disasters.

Adapting infrastructure, expanding disaster risk financing, and incorporating climate considerations in the fiscal framework could help Algeria's economy adapt to growing climate risks. Investment in resilient infrastructure, protection of at-

FIGURE 24 • The number of forest fires has increased...



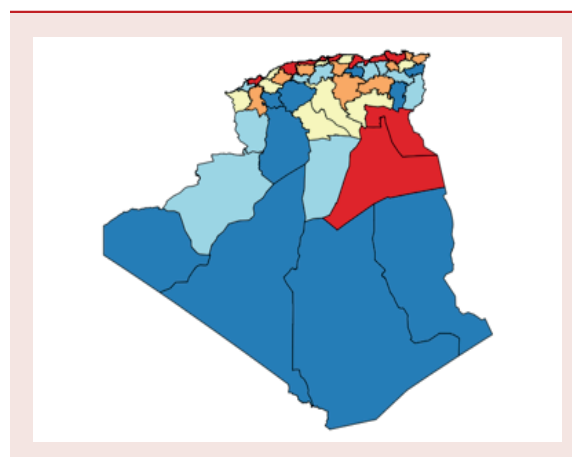
Source : World Bank (2023).

risk areas, and strengthening disaster preparedness are priorities for adaptation. Following the earthquake of May 21, 2003, Algeria established a system for covering natural disaster risks through the national insurance and reinsurance market. The risks covered include earthquakes, floods and mudslides, storms and strong winds, as well as landslides. The further expansion of disaster risk financing instruments and strengthening the private market for insurance products, ideally supported by a public reinsurance program could reduce risk exposure and support faster recovery after shocks. As the government looks to strengthen the overall fiscal framework, incorporating climate considerations, including associated contingent liabilities could help better assess and manage fiscal risks.

Algeria’s Growth Strategy Also Needs to be Cognizant of Global Decarbonization Efforts

The global use of hydrocarbons is likely to fall with the global climate transition, lowering demand for Algeria’s hydrocarbon exports. As the use of clean and energy-saving technologies accelerates, the global demand for hydrocarbons is expected to slow, particularly in the advanced economies of Europe that are Algeria’s main export partners. Global

FIGURE 25 • ...while floods also present a risk, particularly in Northern regions



Source: Balasubramanian, C., Baquie, S., and Fuchs, A. (2025).
 Note: The figure shows quintiles of the level of exposure.

oil and gas demand are forecast to peak by 2030¹³ and decrease thereafter, while the available supply of oil continues to grow, including in non-OPEC producer countries. Global hydrocarbon prices are likely to become structurally lower, posing a challenge to Algeria’s economic model, as well as its external and fiscal balances, with hydrocarbon still representing over 90 percent of Algeria’s product exports.

European decarbonization is expected to have a particularly strong effect on Algeria’s non-hydrocarbon exports. European countries’ Carbon Border Adjustment Mechanism (CBAM) will notably impose additional duties on several carbon-intensive products imported in the EU unless they are appropriately taxed before export. Starting in 2026, CBAM will apply to cement, iron and steel, aluminum, fertilizers, electricity, and hydrogen. Given that Algeria’s non-hydrocarbon exports are concentrated in fertilizers, iron and steel, as well as cement, the mechanism is expected to have marked effects on Algerian exports.

Greening existing industries, fuel subsidy reform, and the introduction of carbon taxation, and the development of the green energy sector would be priority policies. Greening carbon-inten-

¹³ International Energy Agency (2024). World Energy Outlook 2024. <https://www.iea.org/reports/world-energy-outlook-2024>

sive industries such as fertilizers, iron and steel, and cement will be critical to maintaining access to European markets under the Carbon Border Adjustment Mechanism. This could be supported by investments in cleaner production technologies while distortive fuel subsidies that lower the cost of energy-intensive production could be phased out. The costs of CBAM for Algeria's exports could be reduced by the development of carbon taxation in Algeria, which would also improve domestic revenue mobilization and expand fiscal space. Algeria also has significant potential in solar and wind energy, as well as the development of green hydrogen exports to Europe.

Adopting climate mitigation strategies would contribute to addressing climate change, and yield benefits for the Algerian population.

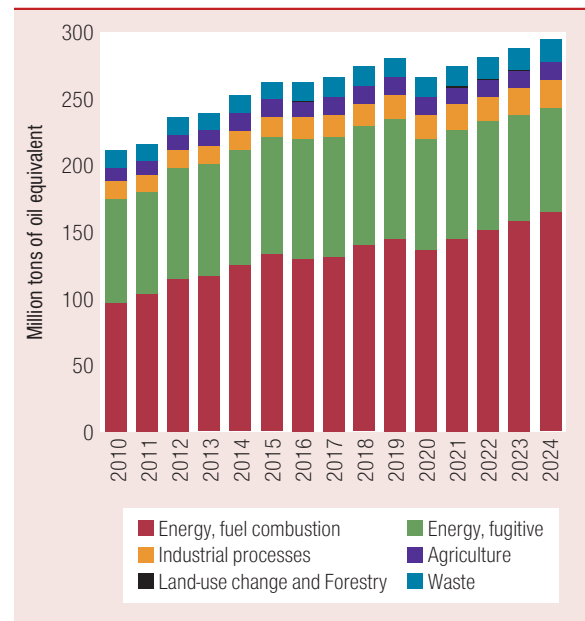
Algeria's CO₂ emissions per capita average 6.4 tons of CO₂ equivalent between 2013 and 2023, which is more than those of other North African countries, but considerably less than those of hydrocarbon producers in the region. Fuel combustion represents most emissions, but fugitive emissions, most notably from gas flaring during crude oil extraction, also contribute significantly. Algeria has made efforts to reduce its emissions and reduced flaring intensity since 2020, achieving a substantial reduction by 2023 (see box 5). Integrating climate mitigation concerns in its economic development strategy would enable Algeria to contribute to the global reduction in greenhouse gas emissions, but also contribute to lowering local air pollution, and generating health and productivity benefits to the Algerian population.

FIGURE 26 • Algeria's emissions are above those of North African countries but below other MENA oil producers...



Source: Our World in Data, WB staff estimates

FIGURE 27 • ...despite significant increases tracking robust economic growth



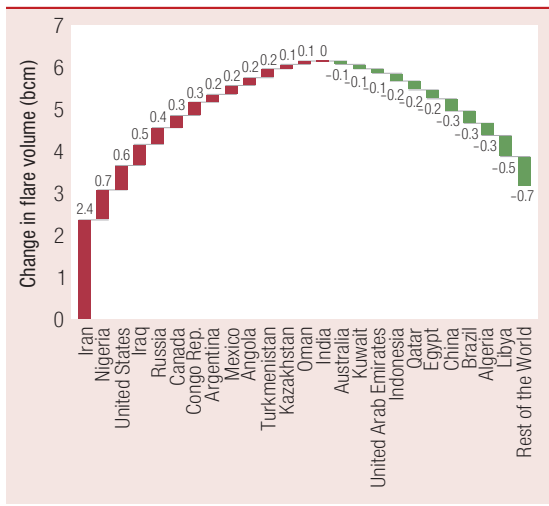
Source: Our World in Data, WB staff estimates.

BOX 5 : GAS FLARING REDUCTION IN ALGERIA

Gas flaring is the process of burning off excess natural gas that is released during the extraction of oil or natural gas. This usually happens at oil wells, natural gas production sites, and refineries. The practice is used primarily for safety reasons or when the gas cannot be easily captured, processed, or transported. During the extraction of crude oil, natural gas often emerges as a byproduct. In cases where the gas cannot be economically captured or stored, it is burned off. Flaring is done to prevent the buildup of gas, which could create explosive or hazardous conditions, and it also serves to control the pressure of gas within oil wells. Although flaring helps to mitigate immediate safety risks, it has significant environmental consequences as the burning of gas releases carbon dioxide (CO₂) and other pollutants into the atmosphere, contributing to greenhouse gas emissions and climate change. It also wastes valuable energy resources. In recent years, there has been a push to reduce flaring through better infrastructure for capturing and using the gas. Some countries have strict regulations to limit or eliminate flaring, encouraging companies to find ways to use the gas rather than burn it off.

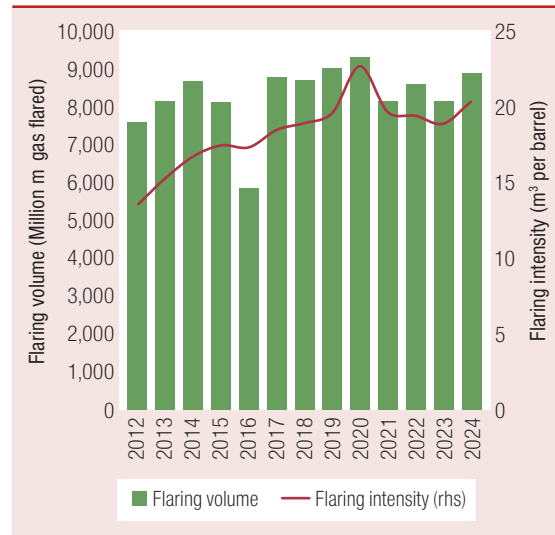
While gas flaring increased globally in 2023, promising reductions were achieved in Algeria. Flaring was reduced by 5 percent and flaring intensity decreased by 3 percent which means that Algeria was the global leader in flaring reduction in 2023. Since 2020, Sonatrach has implemented several flare gas recovery projects in Hassi Messaoud, the largest oil field in the country. In 2023, Sonatrach committed to projects in other fields, including at the Tiguentourine, Ohanet, and Tin-Fouye-Tabankort regions, which are anticipated to lead to further reductions in flare volumes.

FIGURE 28 • In 2024, Algeria recorded the world's second-largest reduction in gas flaring...



Source: World Bank Global Flaring and Methane Reduction Partnership.

FIGURE 29 • ...resulting from both lower output and lower flaring intensity



Source: World Bank Global Flaring and Methane Reduction Partnership.

TABLE OF INDICATORS

	2021	2022	2023	2024	2025f	2026f	2027f
Output and prices	(In percent, unless otherwise indicated)						
Real GDP	3.8	3.6	4.1	3.7	3.8	3.5	3.3
Non-hydrocarbon	2.5	4.4	4.3	4.8	4.0	3.6	3.5
Hydrocarbon	17.1	-0.2	3.6	-1.3	2.5	3.2	2.0
Real GDP per capita	2.1	2.0	2.6	2.3	2.4	2.2	2.1
Consumer price index (period average)	7.2	9.3	9.3	4.0	2.8	3.4	3.7
GDP (in billions of USD)	186.2	225.6	247.9	269.3	281.2	298.6	316.3
GDP per capita (Real 2015 USD)	4456.7	4544.5	4660.4	4765.7	4881.9	4991.7	5095.7
Crude oil production (thousand barrels per day)	908.4	1016.2	977.1	909.8	934.2	990.5	1007.0
Natural gas production (billions of m3)	102.8	99.2	104.9	98.4	101.1	103.1	105.0
External sector	(In percent of GDP, unless otherwise indicated)						
Current account	-2.4	8.6	2.6	-1.1	-6.0	-7.8	-8.3
Trade balance	-1.3	10.0	3.4	-0.5	-5.4	-7.2	-7.7
Exports of goods and services	22.5	30.7	24.0	19.8	17.3	16.1	16.1
Hydrocarbon exports	18.5	26.2	19.8	17.0	14.2	12.9	13.1
Nonhydrocarbon exports	4.0	4.5	4.2	2.8	3.1	3.2	3.1
Imports of goods and services	23.8	20.7	20.6	20.2	22.7	23.3	23.8
Gross official reserves (months of imports)	12.3	15.7	16.4	15.0			
Exchange rate (Algerian dinar per USD; period average)	135.1	142.0	135.8	134.1	131.9	132.5	136.3
Sahara Blend export price (USD/barrel)	72.3	103.8	83.5	81.7			
Central Government Finance	(In percent of GDP, unless otherwise indicated)						
Government revenue and grants	26.2	29.7	31.9	23.0	24.6	23.3	22.9
Hydrocarbon revenue ¹	10.4	17.7	19.1	11.1	10.3	10.7	10.2
Non-hydrocarbon revenue	15.9	12.1	12.8	11.9	14.2	12.6	12.6
Expenditures	32.5	32.7	37.4	36.8	37.7	36.9	34.8
Current expenditures	21.9	24.9	27.5	27.5	28.6	28.1	26.5
Capital expenditures	7.7	6.1	8.6	9.2	8.1	7.6	7.0
Special Account Balance and Treasury Interventions	3.0	1.7	1.3	0.1	1.0	1.2	1.3
Overall budget balance ²	-6.3	-3.0	-5.5	-13.8	-13.1	-13.6	-12.0
Primary overall budget balance ³	-5.7	-1.8	-4.3	-12.7	-10.4	-12.7	-10.8
Non-hydrocarbon overall budget balance	-16.7	-20.6	-24.6	-24.8	-23.4	-24.3	-22.2
Total central Government debt	55.2	48.1	47.7	48.1	58.0	66.2	71.2
Domestic debt	54.6	47.6	47.3	47.8	57.8	66.1	71.1
External debt	0.6	0.4	0.4	0.3	0.2	0.2	0.1

¹ Includes dividends from Sonatrach and hydrocarbon revenues transferred to the oil savings fund.

² Includes special account balance and Treasury interventions.

³ The primary overall budget balance excludes dividends from the Bank of Algeria.

Note: Forecast as of September 11, 2025.

ANNEX 1: RECENT SPECIAL SECTIONS OF THE ALGERIA ECONOMIC UPDATE

Spring 2025: “Accelerating Productivity Gains for Diversified and Resilient Growth”

The analysis of productivity trends in the different sectors offers avenues for reflection to accelerate the structural transformation of the Algerian economy. The public spending-led growth model led to important economic and social achievements in the 2000s, before slowing down in the last decade as the pace of spending growth became unsustainable. In doing so, this growth model has steered employment to low-value-added sectors, including non-commercial services and construction. In addition, a comparative analysis of Algerian productivity suggests a heterogeneous performance, with strong momentum in the agricultural sector contrasting with limited gains in the manufacturing sector. Thus, the acceleration of growth could be achieved by increasing productivity gains in the manufacturing and services sectors, on the one hand, and a gradual reallocation of employment to high-value-added sectors on the other, combined with a gradual rebalancing of public spending. Such an economic transformation calls for targeted cross-cutting and sectoral policies to support growth and jobs in the private sector, while equipping workers with the necessary skills.

Fall 2024: “Towards a Holistic Framework to Support Exports”

Exports of non-hydrocarbon goods accounted for 2 percent of GDP in 2023, after tripling since 2017. These exports are concentrated in a limited number of products, such as fertilisers, steel products and cement, as well as in a few partner markets. A significant part of these exports is based on subsidized inputs. Algeria’s geographical proximity to the European Union is a logistical advantage for the development of new outlets. The productivity of public and private companies, trade policies, the business climate and the exchange rate influence export performance. Access to international markets is also linked to the evolution of environmental standards, in particular the Carbon Border Adjustment Mechanism (CBAM) set up by the European Union. These factors make it possible to identify the margins for action to support the growth of non-hydrocarbon exports.

Spring 2024: “Tracking Economic Developments with Alternative Data Sources”

New developments in big data research enable immediate monitoring of economic trends at disaggregated

geographical levels. Satellite data are available with a short lag and are highly disaggregated across time and space. By estimating the relationship between these alternative data and national accounts over the past years, they can help produce timely and geographically disaggregated output estimates. Nightlights data reliably estimate hydrocarbon and nonhydrocarbon GDP. Satellite-based weather and vegetation data can be used to estimate agricultural production. Data on vessels and their cargo arriving and departing from ports capture imports and exports in a timely manner.

Fall 2023: “Analysis of Algeria’s Public Finances”

Algeria's public finances have been highly responsive to oil and gas prices over the past two decades, with their fall leading to increases in the budget deficit. After a large budget surplus between 2000 and 2008, it turned into a small budget deficit after the fall in oil prices during the 2009 recession, which widened after the collapse of oil prices in 2014-2015. The funds accumulated in the Revenue Regulation Fund were almost depleted in 2017, which coincided with a sharp increase in public debt under the 2017-2019 monetary financing program, amounting to 32 percent of 2019 GDP, and the 2021-2022 special refinancing program. In 2022, public debt levels fell for the first time in a decade, as oil and gas prices rose and the budget deficit narrowed significantly.

Fall 2022: “Estimating Economic Activity from Nightlights Data”

Night-time lighting data is now a commonly used tool to assess economic activity. Since 2012, satellite data have been available daily and are publicly available on the Group on Earth Observations website. For Algeria, the empirical link between night lighting data and economic activity is strong, both for oil production (geolocated by gas flaring sites), gas production, and non-hydrocarbon activity. The strong correlation between night-time lighting and non-hydrocarbon activity makes it possible to use these data to estimate the recent level of economic activity, and to produce spatialized estimates, in terms

of the level and dynamics of activity, useful in the context of sectoral or local development analyses.

Fall 2022: “Estimation of the Fiscal Multipliers in Algeria”

The marked increase in public spending in 2022 raises the question of its effects on economic activity. The propensity of public spending to support economic activity and generate additional economic activity is captured by the public expenditure multiplier. An analysis conducted on Algerian quarterly data since 2000 finds a weak multiplier effect of Algerian public spending on GDP, in particular caused by the effect of an increase on the deterioration of the trade balance, resulting from its impact on imports. The knock-on effect of spending on private consumption is observed but it is limited, while the analysis finds a more marked effect of public spending on the construction sector and non-market services seem.

Spring 2022: “Does Algeria Benefit from Rising Gas Prices?”

The export prices of the Algerian natural gas price follow a distinct dynamic from the reference gas prices on international markets. Thus, while the reference price of Henry Hub gas gained nearly 50 percent between Q2 and Q3-2021, the export price of Algerian natural gas increased by only 0.5 percent over the same period. Indeed, these prices are established contractually, sometimes over the long term, and on the basis of bilateral negotiations with buyers. In addition, an econometric modelling exercise has established that the export price of Algerian natural gas is characterized by high inertia, as well as a delayed peg to the price of oil. The model presented explains 88 percent of the variation in the price of exported natural gas.

Spring 2022: “The Impact of Macroeconomic Factors on Inflation in Algeria”

Inflation is on the rise in 2021 and 2022, both globally and in Algeria, but the underlying causes vary by

country. In Algeria, the price increase that began in 2021 was driven by the rise in food products. In addition, a modelling of the consumer price index since 2009 shows that it is characterized by strong short-term inertia but that the depreciation of the dinar, the increase in the price of imported products, the increase in public spending and the increase in the currency in circulation explain more than 40 percent of the variation in the CPI after 2 years. In addition, the importance of these factors varies according to the categories of goods and services, reflecting in particular the intensity of imports of these products and the characteristics of the Algerian market both in terms of production and distribution.

Fall 2021: “Evolution of Non-Monetary Poverty and Inequality in Algeria”

The multidimensional poverty indicator improved in Algeria between 2013 and 2019, reflecting progress in all its dimensions: education, health and living conditions. Although Algeria performs well in the MENA region, and despite notable improvements, multidimensional poverty varies considerably across regions and between rural and urban areas. The North-Central and North-East regions face lower levels of deprivation than the rest of the country, while the Central Highlands region faces a higher level of deprivation. The most vulnerable regions saw faster improvement between 2013 and 2019, showing convergence with richer regions. Health and education have become more important dimensions of deprivation, highlighting the political priorities for Algeria’s human development.

Fall 2021: “Resilience of Algeria to Climate and Natural Disaster Risks”

Algeria is exposed to a range of climatic and geological risks, particularly in urban areas, which are experiencing rapid population growth and account for a significant share of economic activity. Floods are the most frequent disasters in Algeria, but the largest economic losses have been caused by earthquakes.

Algeria has a modern legal framework for disaster risk management (DRM), a clear framework for emergency response decision-making, and recognizes the importance of protecting strategic infrastructure and critical sectors. Serious risk reduction efforts have been made, especially in emergency response management and reconstruction, to the detriment of prevention. In addition, information sharing is not systematic, leading to inconsistencies, particularly in disaster prevention, and the enforcement of GRC legislation can be improved. Significant efforts are still needed for the global and cross-sectoral reduction and management of climate and disaster risks.

Spring 2021: “Effects of COVID-19 on Inequality in the MENA Region and Algeria”

Survey results from the Middle East and North Africa (MENA) region confirm that the poorest people are reporting a greater proportion of their living conditions since the start of the COVID-19 crisis. Despite the lack of recent data on household well-being in Algeria, the characteristics of vulnerable individuals suggest that inequality has also increased. They are more at risk of contracting COVID-19 or losing their jobs during the pandemic, have less adequate social protection, and are likely to be disproportionately affected by ongoing macroeconomic and fiscal adjustments. A sustainable and inclusive recovery will therefore require providing the most vulnerable with the opportunity to recover what they have lost.

Spring 2021: “Towards an Equitable Reform of the Algerian Health System”

The consequences of the COVID-19 pandemic have shown the need for a fair reform of the Algerian health system. Although officially the number of cases and deaths remains low, the pandemic has highlighted the limitations of the health system. A double burden of communicable and non-communicable diseases, as well as limited resources, suggest a need to strengthen it. Although it receives significant public financial support

and requires relatively little individual expenditure, and although life expectancy and control of noncommunicable diseases are comparable to peer countries, health outcomes still lag behind those of middle-high income countries, particularly in terms of equity in maternal and

child health conditions. A need for physical and human resources, and a better distribution of health coverage, represent major challenges. Finally, the decline in public funding and health system capacity poses risks to the resilience of the health system.

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