

# ALGERIA



# ECONOMIC UPDATE

Accelerating  
Productivity Gains  
for Diversified  
and Resilient  
Growth

Spring 2025



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# Algeria Economic Update

Accelerating Productivity Gains For  
Diversified And Resilient Growth

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Middle East and North Africa Region

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1818 H Street NW  
Washington DC 20433  
Telephone: 202-473-1000  
Internet: [www.worldbank.org](http://www.worldbank.org)

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# LIST OF ACRONYMS

AADL	National Agency for Housing Improvement and Development	LNG	Liquefied natural gas
AAPI	Algerian Investment Promotion Agency	LPG	Liquefied petroleum gas
AfCFTA	African Continental Free Trade Area	SMMEEI	Steel, metallurgical, mechanical, electrical and electronic industries
BdA	Bank of Algeria	M2	Aggregate money supply (banknotes, demand and term deposits)
CPI	Consumer Price Index	MENA	Middle East and North Africa
DZD	Algerian Dinar	MTEP	Million tonnes of oil equivalent
EPT	Algeria's administrative regions	NASA	National Aeronautics and Space Administration
EU	European Union	OECD	Organisation for Economic Co-operation and Development
EUR	Euro	ONS	National Office of Statistics
FAO	Food and Agriculture Organization of the United Nations	OPEC	Organization of the Petroleum Exporting Countries
FDI	Foreign direct investment	OPEC+	OPEC and non-OPEC partner countries
FGAR	Credit Guarantee Fund for Small and Medium-Sized Enterprises	PNDAR	National Agricultural and Rural Development Program
FRR	Revenue Regulation Fund	PPI	Producer Price Index
GDP	Gross domestic product	PLF2025	2025 Finance Bill
H1	First half of the year	SOE	State-owned enterprise
H2	Second half of the year	US\$	United States Dollar
IMF	International Monetary Fund	VA	Value added
ILO	International Labor Organization	VAT	Value-Added Tax
IP	Imports of products	WB	World Bank
JODI	Joint Organisations Data Initiative		
Kb/d	Thousands of barrels per day		
LF 2025	2025 Finance Act		
LMICs	Low- and middle-income countries		



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**T**his 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 policymakers, 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, Chapter 2 describes the short- and medium-term outlook for the Algerian economy, and Chapter 3 examines the productivity levers needed for sustainable diversification of the economy. **The deadline for data entry and finalization of the projections used in this report was May 29, 2025.**

The Algeria Economic Update Report 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 Cyril Desponts,

Amel Henider, Daniel Prinz and Sabiha Tiguercha, under the direction of Eric Le Borgne and Abdoulaye Sy. The team thanks Ahmadou Moustapha Ndiaye (Division Director for the Maghreb and Malta) and Kamel Braham (Resident Representative for Algeria) for their valuable comments during the review of this report. The World Bank team is particularly grateful to the Ministry of Finance of Algeria for its comments on the content of the report prior to its publication.

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.banque-mondiale.org/fr/country/algeria>. If you have any questions or comments about the content of this publication, please contact Cyril Desponts ([cdesponts@worldbank.org](mailto:cdesponts@worldbank.org)) and Eric Le Borgne ([eleborgne@worldbank.org](mailto:eleborgne@worldbank.org)).



# EXECUTIVE SUMMARY

**A**lgeria's economic growth remained robust in 2024 but is expected to slow moderately in 2025. Strong investment momentum and robust growth in household consumption, both fueled by government spending, supported manufacturing and services activity, while agricultural production accelerated. However, growth in domestic demand boosted imports, which, combined with lower hydrocarbon production and exports, weighed on growth. Overall, non-hydrocarbon GDP grew at a pace of 4.8 percent, offsetting the 1.4 percent contraction in GDP from hydrocarbons. Real GDP growth is projected at 3.3 percent in 2025, driven by the rebound in growth in the hydrocarbon sectors (+1.6 percent), boosted by the recovery of OPEC production quotas and gas production. Non-hydrocarbon growth is expected to slow (+3.6 percent), driven by the expected consolidation of public spending, which would be more marked for investment. Agricultural production is expected to remain robust despite limited rainfall, offsetting the slowdown in industry and services.

**After two years of surpluses, the current account balance returned to deficit in 2024.** The contraction in exports (-10.2 percent) combined with the increase in imports (+9.7 percent), particularly food, equipment and vehicles, generated a current account deficit of 1.7 percent of GDP. The fall in oil prices in 2025 would lead to a widening of this deficit (6.6 percent of GDP) and, with a moderate slowdown in imports, a drop in foreign exchange reserves.

**The budget deficit widened in 2024 and is expected to persist in 2025.** The budget deficit

widened, to 13.9 percent of GDP in 2024—its highest level since 2015—with the continued increase in public spending (+9.0 percent, after a 63.3 percent increase between 2021 and 2023) now reinforced by the fall in hydrocarbon revenues (-31.1 percent). The budget deficit is expected to reach 14.5 percent of GDP in 2025, before decreasing, as the decline in hydrocarbon revenues is cushioned by the rationalization of spending. Public debt increased only moderately in 2024, reaching 48.5 percent of GDP, with the use of the remaining US\$ 19.9 billion (or 7.4 percent of GDP) in the Revenue Regulation Fund (FRR) providing the majority of the financing of the deficit. However, the significant financing needs, coupled with the depletion of the FRR, would lead to a significant increase in public debt from 2025 onwards.

**Inflation slowed significantly in 2024.** Consumer price index growth fell from 9.3 percent in 2023 to 4.0 percent in 2024, driven by the disinflation of fresh agricultural products, helped by the authorization of meat imports, agricultural dynamism, exchange rate stability, and slowing monetary growth, despite a monetary policy that remained accommodative and dynamic credit growth to the private sector.

**In a global economy under pressure, it is essential to accelerate the effort to diversify the Algerian economy and reduce dependence on hydrocarbon exports.** The exceptional uncertainty associated with developments in trade and the global economy, reinforced by geopolitical ones, threatens oil and gas prices, which are still expected to account for 79 percent of export earnings and 43 percent of

fiscal revenues in 2025. In this context, the diversification of the economy, in particular through the increase of private investment, national and international, and productivity gains, is urgent, in order to diversify external and tax revenues, and to commit the Algerian economy to a resilient growth trajectory, less dependent on public spending. In light of the weight of the financing of fiscal deficits in national savings, and the risks they pose to monetary stability, a consolidation of public finances would support growth. Given the high level of spending from an international perspective, this rebalancing would depend in particular on an improvement in the quality of spending, informed by spending reviews and increased prioritization of investments.

**The analysis of productivity trends in different sectors offers avenues for reflection to accelerate the structural transformation of the Algerian economy.** The public-spending-led growth

model resulted in 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, a growth acceleration 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.



# RÉSUMÉ ANALYTIQUE

**L**a croissance économique de l'Algérie est demeurée robuste en 2024, mais devrait ralentir modérément en 2025. La forte dynamique de l'investissement et une croissance robuste de la consommation des ménages, toutes deux alimentées par la dépense publique, ont soutenu l'activité manufacturière et des services, tandis que la production agricole s'accélérait. La croissance de la demande intérieure a cependant stimulé les importations qui, combinées à la baisse de la production et des exportations des hydrocarbures, ont lesté la croissance. Somme toute, le PIB hors-hydrocarbures a cru à un rythme de 4,8 %, compensant la contraction de 1,4 % du PIB des hydrocarbures. La croissance du PIB réel est projetée à 3,3 % en 2025, portée par le rebond de la croissance de la production des hydrocarbures (+1,6 %), stimulé par celui des quotas de production de l'OPEP et de la production gazière. La croissance hors-hydrocarbures ralentirait (+3,6 %), du fait de la consolidation attendue des dépenses publiques, plus marquée pour l'investissement. La production agricole demeurerait robuste malgré une pluviométrie limitée, compensant le ralentissement dans l'industrie et les services.

**Après deux années d'excédents, la balance du compte courant est redevenue déficitaire en 2024.** La contraction des exportations (-10,2 %) s'est combinée à la hausse des importations (+9,7 %), notamment alimentaires, d'équipement et de véhicules, pour générer un déficit du compte courant à hauteur de 1,7 % du PIB. La baisse des prix du pétrole en 2025 entraînerait un creusement de ce déficit

(6,6 % du PIB) et, avec un ralentissement modéré de l'importation, une baisse dans les réserves de change.

**Le déficit budgétaire s'est creusé en 2024 et devrait persister en 2025.** Le déficit budgétaire s'est creusé, atteignant 13,9 % du PIB en 2024 – soit son niveau le plus élevé depuis 2015 – la hausse continue des dépenses publiques (+9,0 %, après une hausse de 63,3 % entre 2021 et 2023) étant désormais renforcée par la chute des recettes des hydrocarbures (-31,1 %). Le déficit budgétaire atteindrait 14,5 % du PIB en 2025, avant de se résorber, la baisse des recettes d'hydrocarbures étant amortie par la rationalisation des dépenses. La dette publique n'a augmenté que modérément en 2024, atteignant 48,5 % du PIB, l'utilisation du reliquat du Fonds de Régulation des Recettes (FRR), à hauteur de 19,9 milliards USD (soit 7,4 % du PIB) assurant la majorité du financement du déficit. Toutefois, les besoins importants de financement, couplés à l'épuisement du FRR, amèneraient la dette publique à augmenter sensiblement à partir de 2025.

**L'inflation a nettement ralenti en 2024.** La croissance de l'indice des prix à la consommation a chuté de 9,3 % en 2023 à 4,0 % en 2024, principalement en raison de la désinflation des produits agricoles frais, elle-même soutenue par l'autorisation de l'importation de viande, le dynamisme agricole, la stabilité du taux de change et le ralentissement de la croissance monétaire, malgré une politique monétaire demeurée accommodante et une croissance dynamique du crédit au secteur privé.

**Dans une économie mondiale sous pression, il est essentiel d'accélérer l'effort de diversification de l'économie algérienne et de réduction de la dépendance aux exportations d'hydrocarbures.** Les incertitudes exceptionnelles associées aux évolutions du commerce et de l'économie mondiale, renforcées par celles géopolitiques, menacent les prix du pétrole et du gaz, qui représenteraient toujours 79 % des recettes d'exportation et 43 % des recettes budgétaires en 2025. Dans ce contexte, la diversification de l'économie notamment à travers l'augmentation de l'investissement privé, national et international, et les gains de productivité est pressante, afin de diversifier les recettes externes et fiscales, et d'engager l'économie algérienne sur une trajectoire de croissance résiliente, moins tributaire de la dépense publique. Compte tenu du poids du financement des déficits budgétaires dans l'épargne nationale, et les risques qu'ils font peser sur la stabilité monétaire, un rééquilibrage des finances publiques soutiendrait la croissance. Au vu du niveau élevé de dépenses dans une perspective internationale, ce rééquilibrage serait notamment tributaire d'une amélioration de la qualité de la dépense, informée par des revues des dépenses et une priorisation accrue des investissements.

**L'analyse des tendances de productivité dans les différents secteurs offre des pistes de réflexion pour accélérer la transformation structurelle de l'économie algérienne.** Le modèle de croissance tiré par la dépense publique a été le fer de lance d'importantes réalisations économiques et sociales dans les années 2000, avant un ralentissement durant la dernière décennie alors que le rythme de croissance des dépenses devenait insoutenable. Ce faisant, ce modèle de croissance a orienté l'emploi dans des secteurs à faible valeur ajoutée, notamment les services non commerciaux et la construction. Par ailleurs, une analyse comparative de la productivité algérienne suggère une performance hétérogène, la forte dynamique dans le secteur agricole contrastant avec des gains limités dans le secteur manufacturier. Ainsi, l'accélération de la croissance pourrait être réalisée grâce, d'une part, à des gains accrus de productivité dans les secteurs manufacturiers et des services, et, d'autre part, à une réallocation graduelle de l'emploi vers les secteurs à haute valeur ajoutée, qui irait de pair avec un rééquilibrage progressif des dépenses publiques. Une telle transformation de l'économie appelle des politiques transversales et sectorielles ciblées pour soutenir la croissance et l'emploi dans le secteur privé, tout en outillant les travailleurs avec les compétences nécessaires.

## ملخص تنفيذي

**ظ**ل النمو الاقتصادي في الجزائر قوياً في عام 2024، لكنه من المتوقع أن يتباطأ قليلاً في عام 2025. وقد ساهم كل من الاستثمار النشط وزيادة استهلاك الأسر، المدعومين بالإنفاق الحكومي، في تعزيز النشاط في قطاعي الصناعة والخدمات، بينما تسارع نمو الإنتاج الزراعي. ومع ذلك، فإن نمو الطلب المحلي قد حفز الواردات، والتي، إلى جانب انخفاض انتاج وتصدير المحروقات، قد قيّدت وتيرة النمو. إجمالاً، سجّل الناتج المحلي الإجمالي خارج المحروقات نمواً بنسبة 4.8٪، مما أسهم في تعويض التقلص المُقدَّر بـ 1.4٪ في الناتج المحلي الإجمالي للمحروقات. من المتوقع أن يكون نمو الناتج المحلي الإجمالي الحقيقي بنسبة 3.3٪ في عام 2025، مدفوعاً بانتعاش نمو قطاع المحروقات (1.6٪)، محفزاً بزيادة حصص الإنتاج من أوبك وزيادة الإنتاج الغازي. من المتوقع أن تشهد نسبة النمو خارج قطاع المحروقات تباطؤاً لتبلغ 3.6٪، نتيجة لسياسة ضبط النفقات العمومية، لا سيما ما يتعلق منها بنفقات الاستثمار. من المتوقع أن يظل الإنتاج الزراعي قوياً رغم قلة هطول الأمطار، مما يعوّض التباطؤ في قطاعي الصناعة والخدمات.

بعد عامين من تحقيق فوائض في الحساب الجاري، عاد هذا الأخير إلى تسجيل عجز خلال سنة 2024. وقد اقترب تراجع الصادرات بنسبة 10.2٪ بارتفاع الواردات بنسبة 9.7٪، لاسيما من المواد الغذائية، ومعدات التجهيز، والمركبات، مما أدى إلى تسجيل عجز في الحساب الجاري بلغ 1.7٪ من الناتج المحلي الإجمالي. ومن المتوقع أن يؤدي انخفاض أسعار النفط في عام 2025 إلى تفاقم هذا العجز ليبلغ 6.6٪ من الناتج المحلي الإجمالي، كما سيؤدي، إلى جانب تباطؤ نسبي في وتيرة الواردات، إلى تراجع في احتياطات الصرف الاجنبي.

سجّل عجز الميزانية تفاقماً في عام 2024، ومن المرتقب أن يستمر خلال سنة 2025. حيث بلغ هذا العجز نسبة 13.9٪ من الناتج المحلي الإجمالي في عام 2024، وهو أعلى مستوى يُسجّل منذ 2015-، نتيجة الزيادة المستمرة في النفقات العمومية (9.0٪)، بعد ارتفاع بـ 63.3٪ ما بين 2021 و2023)، والتي تزامنت هذه المرة مع تراجع كبير في إيرادات المحروقات بنسبة 37.5٪. ومن المتوقع أن يصل عجز الميزانية إلى 14.5٪ من الناتج المحلي الإجمالي في عام 2025، قبل أن يبدأ في التراجع، حيث سيتم التخفيف من أثر انخفاض إيرادات المحروقات عبر ترشيد النفقات العمومية.

أما الدين العمومي، فقد شهد ارتفاعاً طفيفاً خلال عام 2024 ليبلغ 48.5٪ من الناتج المحلي الإجمالي، بفضل اللجوء إلى استعمال ما تبقى من موارد صندوق ضبط الإيرادات، الذي ساهم بما يعادل 19.9 مليار دولار أمريكي (أي ما يقارب 7.4٪ من الناتج المحلي الإجمالي) في تمويل الجزء الأكبر من العجز. غير أن احتياجات التمويل المرتفعة، مقرونة بنفاد موارد صندوق ضبط الإيرادات، من شأنها أن تؤدي إلى زيادة محسوسة في مستوى الدين العمومي ابتداء من سنة 2025.

عرفت معدلات التضخم تباطؤاً واضحاً خلال عام 2024. فقد تراجعت وتيرة نمو مؤشر أسعار المستهلك من 9.3٪ في عام 2023 إلى 4.0٪ في عام 2024، مدفوعاً بانخفاض التضخم على المنتجات الزراعية الطازجة، وذلك بفضل السماح باستيراد اللحوم، والنشاط القوي للقطاع الزراعي، استقرار سعر الصرف، إضافة إلى تباطؤ وتيرة نمو عرض النقد، رغم استمرار سياسة نقدية متساهلة ونمو قوي في الائتمان للقطاع الخاص.

في ظل الضغوطات التي يتعرض لها الاقتصاد العالمي، أصبح من الضروري تسريع وتيرة تنويع الاقتصاد الجزائري وتقليل الاعتماد على صادرات المحروقات. إذ تشكل حالة عدم اليقين الغير المسبوقة المحيطة بتطورات التجارة والاقتصاد العالمي، والتي زادت التوترات الجيوسياسية تعقيداً، خطراً على أسعار النفط والغاز التي لا تزال تمثل حوالي 79٪ من عائدات التصدير و43٪ من إيرادات الميزانية في عام 2025. في هذا السياق، فإن تنويع الاقتصاد يعتبر امراً عاجلاً، لا سيما من خلال تعزيز الاستثمارات الخاصة، المحلية والأجنبية، وتحقيق مكاسب في الإنتاجية، بهدف تنويع مصادر الإيرادات الخارجية والمحلية، ووضع الاقتصاد الوطني على مسار نمو مستدام أقل اعتماداً على الإنفاق العمومي. وبالنظر إلى الأثر الناجم عن تمويل العجوزات المالية على الادخارات الوطنية، والمخاطر التي تتبعها على الاستقرار النقدي، فإن ترشيد الانفاق العام سيدعم النمو. نظراً لارتفاع مستوى الإنفاق من منظور دولي، فإن إعادة التوازن هذه سوف تعتمد بشكل خاص على تحسين جودة الإنفاق، استناداً إلى مراجعات الإنفاق وزيادة تحديد أولويات الاستثمارات.

إن تحليل مسارات الإنتاجية في مختلف القطاعات يُتيح سبلاً للتفكير في كيفية تسريع وتيرة التحول الهيكلي للاقتصاد الجزائري. فقد شكّل نموذج النمو القائم على الإنفاق العمومي أداة لتحقيق

وبذلك، يمكن تحقيق تسارع في النمو الاقتصادي من خلال تحسين مستويات الإنتاجية في قطاعي الصناعة والخدمات، إلى جانب إعادة توزيع تدريجية للعمالة نحو القطاعات ذات القيمة المضافة العالية، في تزامن مع إعادة توازن تدريجية للإنفاق العمومي. ويتطلب هذا التحول الهيكلي للاقتصاد تبني سياسات شاملة وقطاعية دقيقة، تهدف إلى دعم النمو وفرص العمل في القطاع الخاص، مع تمكين اليد العاملة من المهارات اللازمة لذلك.

منجزات اقتصادية واجتماعية كبرى منذ بداية هذا القرن، قبل أن يشهد تباطؤاً خلال العقد الماضي، مع بلوغ وتيرة نمو الإنفاق مستويات غير مستدامة. وقد أدى هذا النموذج إلى توجيه سوق العمل نحو قطاعات منخفضة القيمة المضافة، لاسيما في الخدمات الغير التجارية وقطاع البناء. من جهة أخرى، تشير المقارنة بين مستويات الإنتاجية في الجزائر إلى أداء متباين، حيث تُظهر الديناميكية القوية في القطاع الزراعي تبايناً مع المكاسب المحدودة في القطاع الصناعي التحويلي.



# RECENT ECONOMIC DEVELOPMENTS

## Non-Hydrocarbon GDP Growth Remained Robust in 2024

### Non-hydrocarbon GDP growth remained robust in 2024, supported by dynamic investment.

Non-hydrocarbon GDP grew by 4.8 percent in 2024, driven by strong investment growth (9.5 percent in 2024, compared to 9.9 percent in 2023), despite a slowdown in the second half of the year. Private consumption remained dynamic (+4.0 percent), supported by continued growth in current public spending, particularly on wages. Net exports contributed negatively to growth, as robust investment drove a significant growth in import volumes (+12.0 percent), especially capital goods, while exports declined (-2.9 percent). Satellite-based nightlights data suggest stronger growth in parts of the Center and South in 2024, as well as continued momentum in Q1-2025.

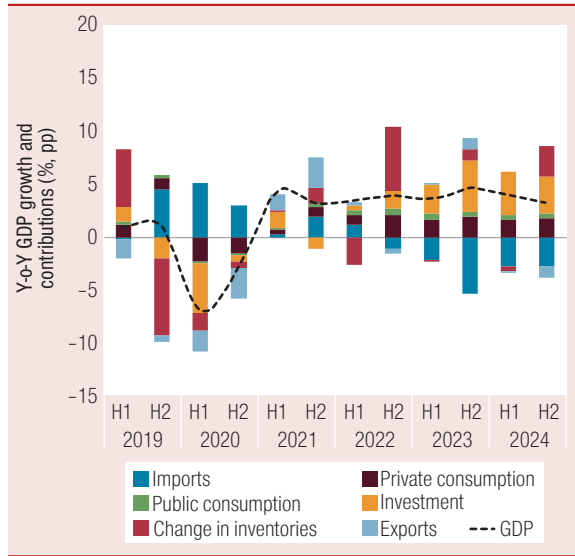
**Stronger domestic demand supported manufacturing, trade, and hospitality services, while agricultural output accelerated.** The increase in investment led to a strong recovery in manufacturing activity (+4.8 percent), including dynamic growth in

the mining and construction materials sectors (notably cement and bricks), while export-oriented sectors, particularly chemical industries, metallurgy, and the manufacturing of machinery and equipment, experienced a slowdown. Consumption growth supported low-value-added services (trade, hospitality, and restaurants), which are more responsive to household demand than high-value-added services (transport and communications, business services, real estate, and finance).<sup>1</sup> Agricultural production accelerated in 2024 (+5.1 percent), driven notably by a better-than-expected cereal season, which supported domestic supply and helped ease inflationary pressures. The unemployment rate fell to 9.7 percent by end-2024, down from 11.4 percent in 2019, mainly due to strong public sector recruitment.<sup>2</sup>

<sup>1</sup> See Chapter 3 for estimates of productivity by sector.

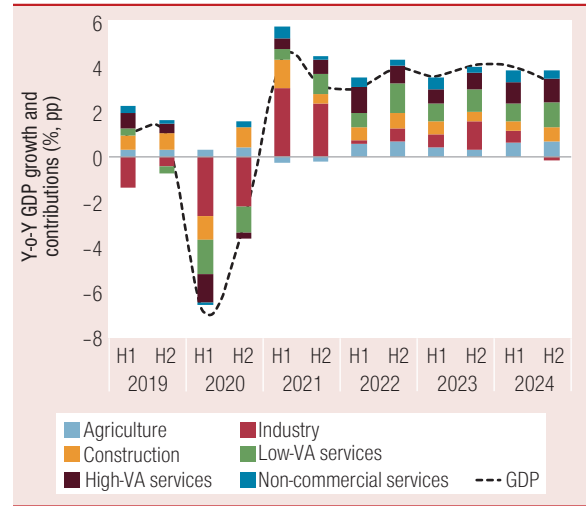
<sup>2</sup> Press release by the ONS (February 2025). Note that no survey on employment and unemployment has been published since 2019.

**FIGURE 1 • Strong investment growth stimulated imports...**



Source: National Office of Statistics (ONS).

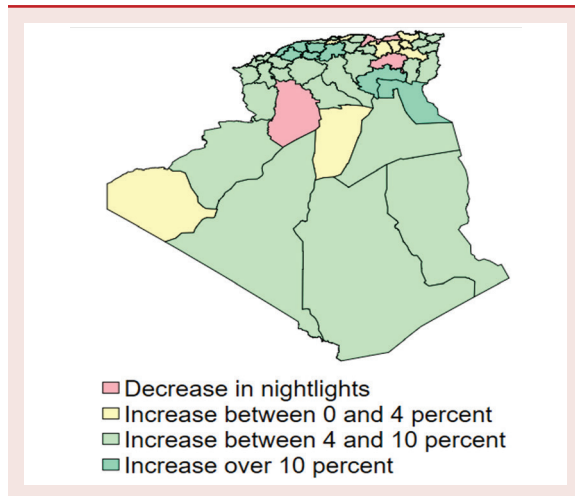
**FIGURE 2 • ...while household consumption supported commercial services**



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 (see Chapter 3).

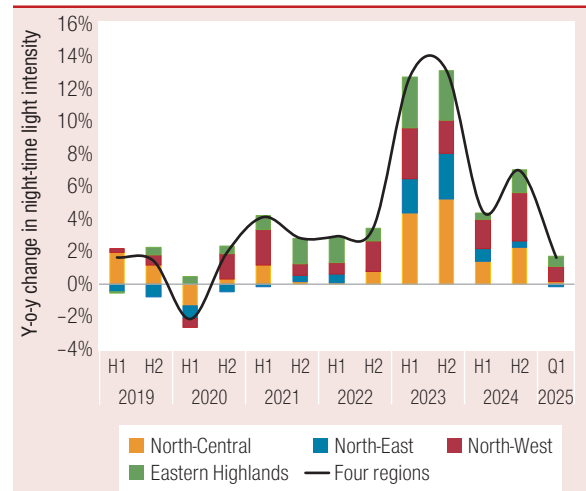
**FIGURE 3 • Nighttime lights data suggest heterogeneous growth in 2024...**



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

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

**FIGURE 4 • ...with the North-Central region contributing 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).

## Oil and Gas Production Contracted in 2024, Weighing on Hydrocarbon Exports

The voluntary reduction of quotas in January 2024 under the OPEC+ agreements has led to a contraction in hydrocarbon production and exports.

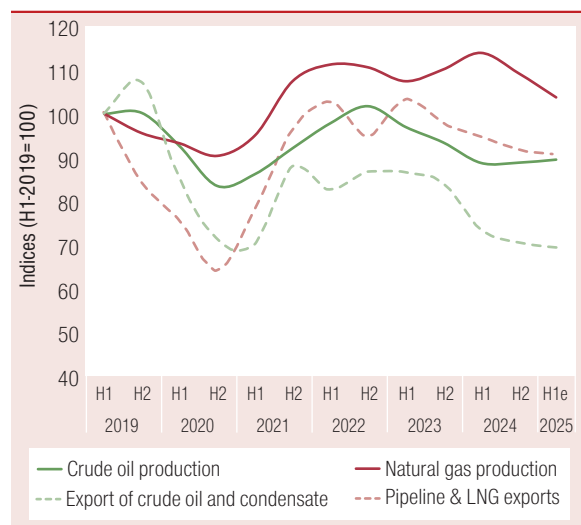
After being reduced from 1,055 kb/d to 1,007 kb/d in November 2022, Algeria's crude oil production quota was lowered to 977 kb/d in 2023 and to 907 kb/d in 2024. As a result, crude oil production declined by 6.9 percent in 2024 compared to 2023, and by 10.5 percent relative to its 2022 peak. Rising domestic demand for both crude oil and refined products constrained

exportable volumes, as confirmed by vessel tracking data from tankers departing Algeria.<sup>3</sup> On the natural gas side, production declined by 6.2 percent in 2024, after a marked increase in 2023. Pipeline exports edged down, partly due to lower demand from major European partners such as France and Spain,<sup>4</sup> and LNG exports fell more sharply (-14.3 percent). GDP in the hydrocarbon sector contracted by 1.4 percent in 2024 and hydrocarbon export volumes fell by 3 percent in 2024,<sup>5</sup> weighing on overall growth.

**Hydrocarbon export revenues declined sharply in 2024, reflecting lower export volumes and falling export prices.** The reference price for Algerian crude oil decreased from US\$103.8 per barrel in 2022 to US\$83.6 in 2023 and stabilized at US\$81.7 in 2024. With the share of higher-value LNG declining in Algeria's total gas exports, average gas export prices fell despite the global upward trend in gas prices between 2023 and 2024. These dynamics led to a 7.4 percent drop in average hydrocarbon export prices in 2024, and a sharp decline in hydrocarbon export revenues (-10.4 percent).

<sup>3</sup> International Monetary Fund (IMF), PortWatch data. This data also suggests a continued decline in exports in Q1-2025.

**FIGURE 5 • Crude oil and natural gas production slowed in 2024...**



Source: Joint Organizations Data Initiative (JODI) for gas, Bank of Algeria (BoA) for exports until Q1-2024, 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.

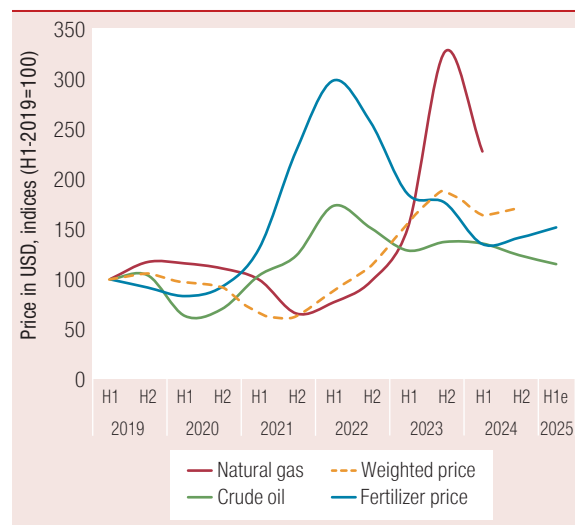
## The Current Account Fell Below Balance in 2024 and Foreign Exchange Reserves Declined

**The current account balance has fallen below balance after two years of surplus, due to a combination of weaker exports and a sustained recovery in imports.** After a record surplus in 2022 (8.6 percent of GDP) driven by higher hydrocarbon prices, the current account balance contracted in 2023 (2.6 percent of GDP) under the combined effect of lower exports of goods and services and higher import volumes. In 2024, the continued contraction in the value of exports of goods and services (-10.2 percent), combined with the increase in the value of imports (+9.7 percent), led to a reversal of the current account balance, posting a deficit of 1.7 percent of GDP. The decline in hydrocarbon exports was exacerbated by the sharp decline in non-hydrocarbon goods exports (-24.2 percent), due both to the cross-cutting fall in prices (-6.7 percent)

<sup>4</sup> European Commission, 2025.

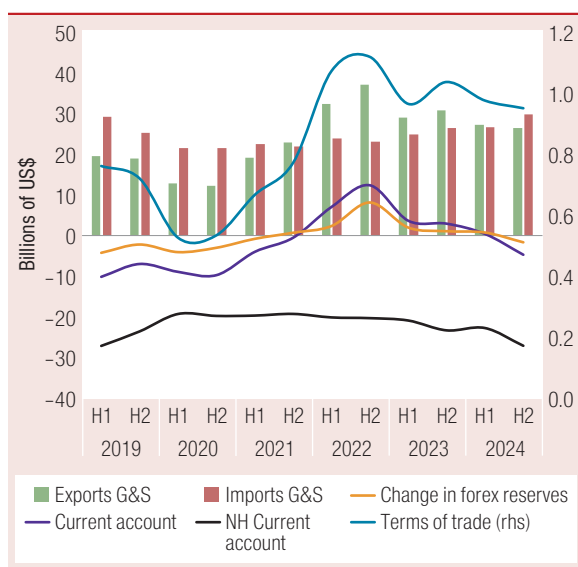
<sup>5</sup> The moderate decline in hydrocarbon exports contrasts with the sharper decline in exports of oil, natural gas and LNG, suggesting that the latter was partly offset by the export of other types of hydrocarbons (e.g., condensate, liquefied petroleum gas).

**FIGURE 6 • ...and export prices for hydrocarbons have declined**



Source: BoA, oilprice.com and WB for fertilizer prices.  
Note: The hydrocarbon price index uses dollar export values from the Bank of Algeria to weight each hydrocarbon type. For H2-2024, the index is estimated using unit value indices (UVIs).

**FIGURE 7 • The current account posted its first deficit in three years...**



Source: BoA, International Monetary Fund (IMF), ONS and WB estimates. Estimates for H2 2024 will be updated prior to publication.

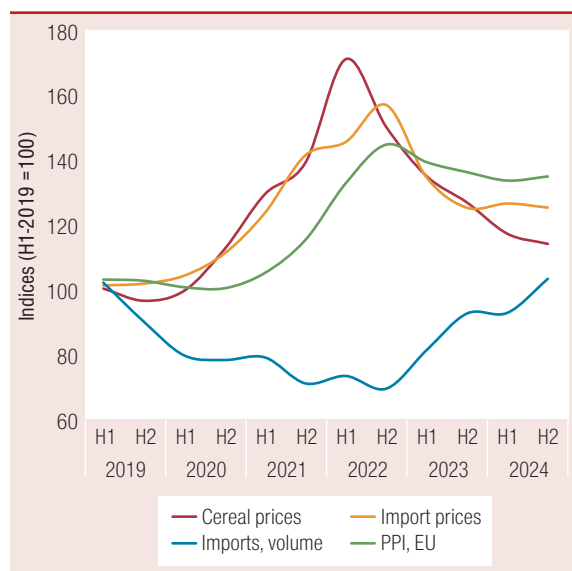
against a backdrop of low world prices for fertilizers, metals, and manufactured products, and to the marked contraction in export volumes (-21.3 percent).<sup>6</sup> Foreign exchange reserves fell by the equivalent of 1.6 months of imports in 2024, reaching US\$ 63.6 billion at the end of 2024, or an estimated 13.6 months of imports.

**Imports of goods and services rose 9.7 percent in 2024, driven by a sharp increase in import volumes.** The increase in import volumes reached 13.1 percent in 2024, which offset the moderate decline in import prices (-3.1 percent). The annual value of imports increased the most for machinery and transport equipment (+22.7 percent), followed by that of food products (+8.8 percent) and that of manufactured goods (+6.2 percent), against a backdrop of strong increase in import volumes, reaching +19.1 percent, +16.7 percent, and +14.0 percent respectively in these three categories in 2024. This increase was notably cushioned by the fall in prices of food products and manufactured products.

## The Budget Deficit Widened in 2024 and Was Mainly Financed by Oil Savings

**The budget deficit widened sharply in 2024, due to the combined effect of the marked increase in**

**FIGURE 8 • ...although import prices have eased**



Source: ONS, Food and Agriculture Organization of the United Nations (FAO), Eurostat and World Bank estimates.

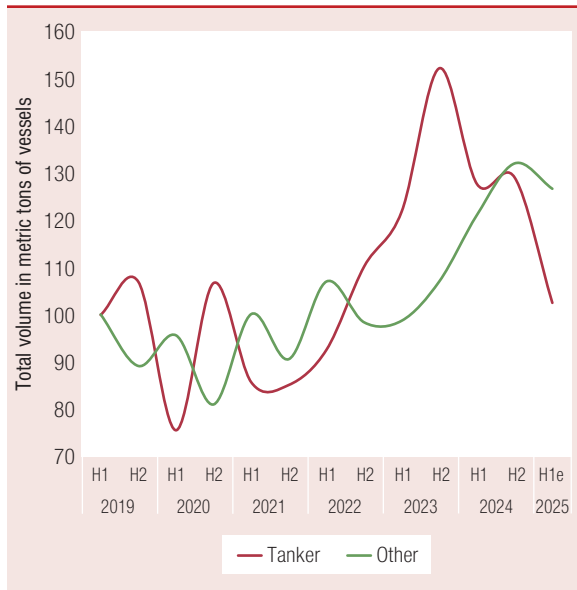
Note: PPI, EU = European Union Producer Price Index.

**spending and the decline in hydrocarbon revenues.** In 2022 and 2023, the sharp increase in public spending (63.3 percent between 2021 and 2023) was financed by the increase in hydrocarbon revenues, and the budget deficit narrowed to 3.0 percent and 5.5 percent of GDP. In 2024, expenditures, particularly wage and investment spending, continued to grow at a steady pace (+9.0 percent). On the one hand, the wage bill increased by 9.4 percent, due notably to the implementation of the last tranche of the three-year civil service salary increase program. On the other hand, the marked increase in investment was linked to the continuation of projects in progress, and the start of new projects, particularly in the housing sector.<sup>7</sup> As the increase in spending combined with a sharp decline in hydrocarbon revenues (-31.1 percent), and a moderate recovery in tax revenues, the overall budget deficit has widened sharply to 13.9 percent of GDP in 2024, compared to 5.5 percent in 2023.

<sup>6</sup> The contraction of DA 173 billion was driven by that of exports of manufactured goods (-106.6 billion DA) and chemicals (-51.1 billion DA).

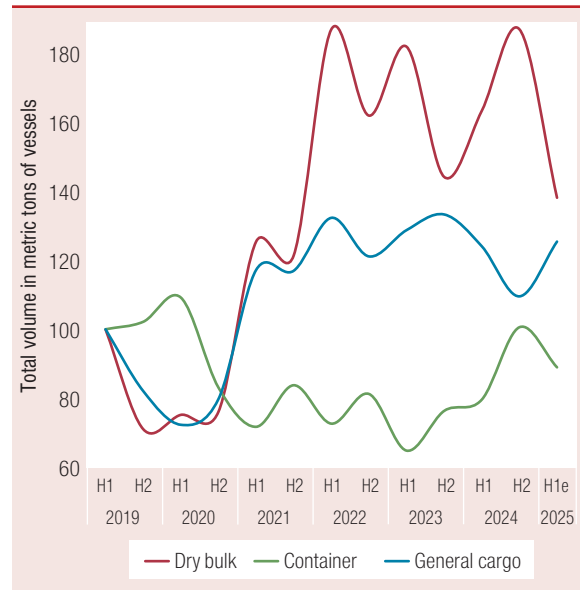
<sup>7</sup> Half of the commitment authorisation for the new program in 2024 (excluding "miscellaneous") is attributable to housing (51.1%), as well as public works (12.4%), hydraulics (7.8%), and education (7.5%).

**FIGURE 9 • Oil export volumes fell in 2024...**



Source: IMF.  
Note: Q2-2025 is estimated using Q1-2025 year-on-year change.

**FIGURE 10 • ...while import volumes increased**



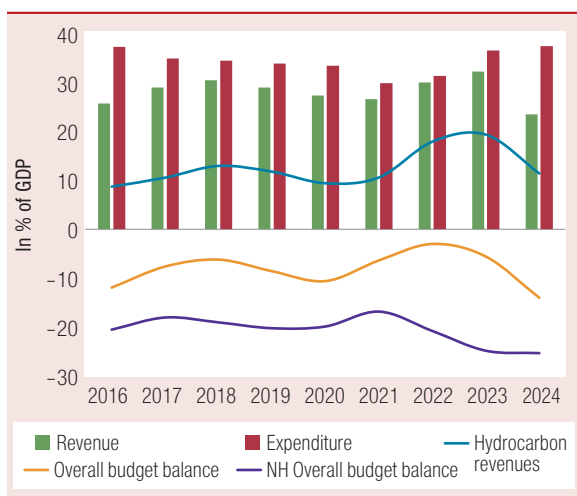
Source: IMF.  
Note: Q2-2025 is estimated using Q1-2025 year-on-year change.

**Public debt has increased only moderately despite the size of the budget deficit, as the use of oil savings limited debt issuance.** The public debt ratio increased slightly to 48.5 percent of GDP at the end of 2024, compared to 47.7 percent at the end of 2023, as previous surpluses from the Revenue Regulation Fund (FRR) were used to cover the majority of financing needs, for a total amount of 2.6 trillion dinars (US\$ 19.9 billion) or 7.4 per-

cent of GDP. Public debt remains almost exclusively domestically held and issued under favorable financial conditions. Indeed, in 2024, the effective rate on public debt stood at 2.5 percent, i.e. a negative real effective rate<sup>8</sup> due in particular to the large share issued by the Bank of Algeria at very low rates under

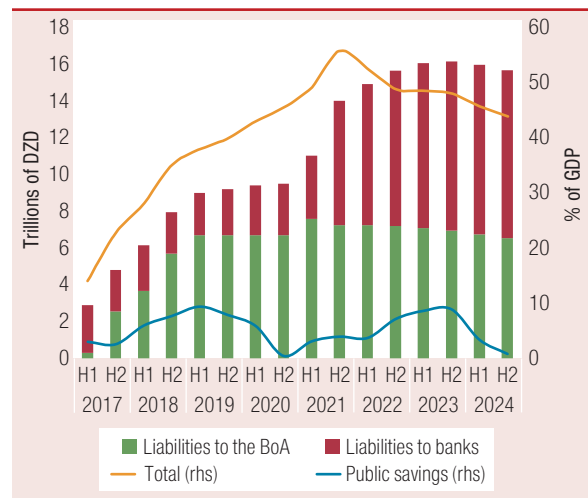
<sup>8</sup> Over the past ten years, the GDP deflator was 4.7 percent on average.

**FIGURE 11 • The sharp increase in expenditure and the contraction in revenues have widened the budget deficit...**



Source: Ministry of Finance, ONS and WB estimates.

**FIGURE 12 • ...which was financed by the depletion of oil savings**



Source: IMF and WB.  
Note: On the right-hand axis, public debt is related to GDP over two semesters.

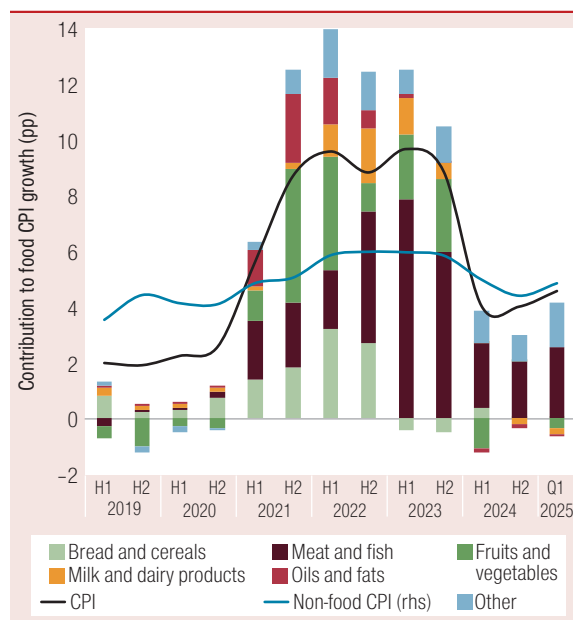
the 2017–2019 monetary financing program and the 2021–2022 special refinancing program.

## Inflation Fell Sharply in 2024, Notably in Food-Related Categories

**Inflation slowed significantly in 2024, due to a combination of supply and demand factors.** After high annual inflation in 2023 (9.3 percent), the Algerian economy experienced strong disinflation in 2024 (4.0 percent),<sup>9</sup> driven by the slowdown in food prices (3.3 percent). This dynamic has extended to the entire consumption basket, reflecting an overall easing of inflationary pressures. The slowdown in the inflation of fruit, vegetable and meat prices was made possible notably by the strong performance of the agricultural sector in 2024, and by the reopening of meat imports at the end of 2023. The relative stability of the exchange rate also contributed to the stability of imported prices, while the slowdown in money supply growth moderated the effect of increased government spending on the demand side. The slowdown in inflation, particularly for food, coupled with the increase in public transfer spending and dynamic non-hydrocarbon growth, had a positive impact on the purchasing power of households, especially the most vulnerable.

**Monetary policy remained accommodative in 2024, while credit growth to the private sector accelerated.** The policy rate has been maintained at 3 percent since April 2020, while the reserve requirement rate has remained at 3 percent since its reduction in April 2023. This stance kept real interest

**FIGURE 13 • Inflation has slowed significantly, led by fresh food prices**

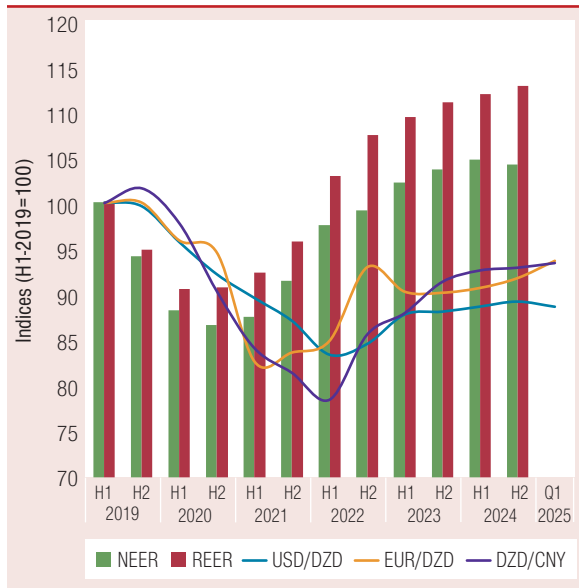


Source: ONS and WB estimates. The histogram shows the growth of the food CPI, broken down by product group.

rates negative, given inflation of 4.0 percent over the year. Money supply growth decelerated in 2024, with M2 growth limited to 7.4 percent y-o-y in the first half of the year and 9.2 percent y-o-y in the second, partly explained by the decline in revenues from hydrocarbon exports. At the same time, credit to the private sector continued to grow at a steady pace, at 9.2 percent y-o-y in H1 and 8.4 percent y-o-y in H2-2024, extending the momentum observed in H2-2023.

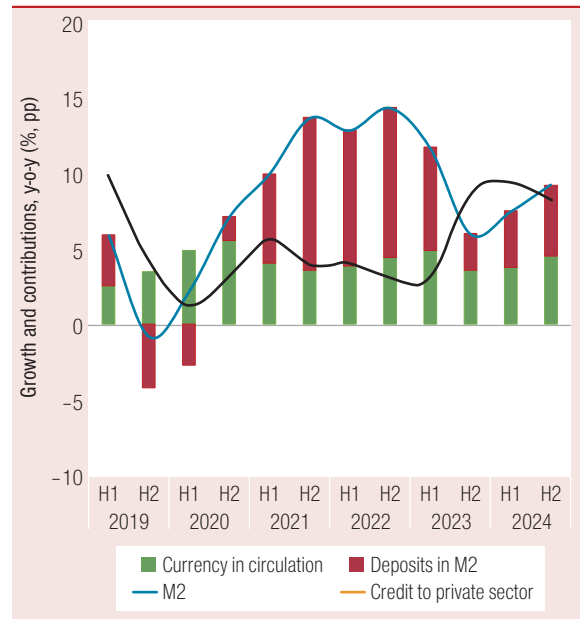
<sup>9</sup> Inflation for the city of Algiers.

**FIGURE 14** • The exchange rate against the dollar has remained stable, but effective rates have appreciated



Source: ONS, IMF and WB estimates.

**FIGURE 15** • Credit growth to the private sector has accelerated



Source: ONS and WB estimates.





# OUTLOOK AND RISKS

## **GDP Growth Is Expected to Be Driven by the Strength of the Non-Hydrocarbon Sector**

**Growth is expected to slow moderately in 2025, with the expected consolidation of public spending partially offset by a rebound in hydrocarbon exports.** In the baseline scenario, real GDP growth is projected at 3.3 percent in 2025, driven by slowing non-hydrocarbon growth (+3.6 percent) and a rebound in the hydrocarbon sector (+1.6 percent). Hydrocarbon production and exports would increase due to the increase in production quotas decided in April 2025. The anticipated slowdown in the pace of growth in current expenditure would be accompanied by a contraction in public investment in a context of lower oil prices in the first half of 2025, with the price of Sahara Blend recording an average decline of 13.8 percent year-on-year over the first four months of the year. This consolidation is expected to be accompanied by a modest slowdown in private consumption growth, but also by a more pronounced investment deceleration, despite the good performance of private investment. This would lead to slower import growth, which—combined with the recovery in exports—would allow net

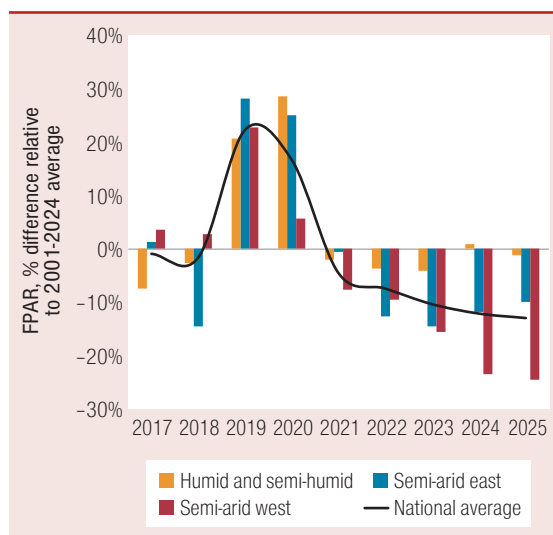
exports to contribute positively to growth. Agricultural production is expected to remain strong and offset the slowdown in industrial production and services, despite the lack of recovery in rainfall<sup>10</sup> and crop development that remains below historical trends for the fifth consecutive year, particularly in western Algeria. Growth is expected to remain moderate by 2026–2027, due to the continuation of the slowdown in domestic demand, partly offset by the slowdown in imports, and by the rebound in hydrocarbon production and exports.

## **Pressure on External and Fiscal Balances Is Expected to Increase, Reflecting the Downward Trend in Hydrocarbon Prices**

**The current account deficit is expected to widen in 2025 and foreign exchange reserves are expected to continue to decline.** In the baseline scenario, hydrocarbon prices would decline significantly in 2025, before resuming a slightly upward trend,

<sup>10</sup> According to satellite data, it improved in 2024–2025 in humid and semi-humid coastal areas, stabilized in the semi-arid east, and deteriorated in the semi-arid west.

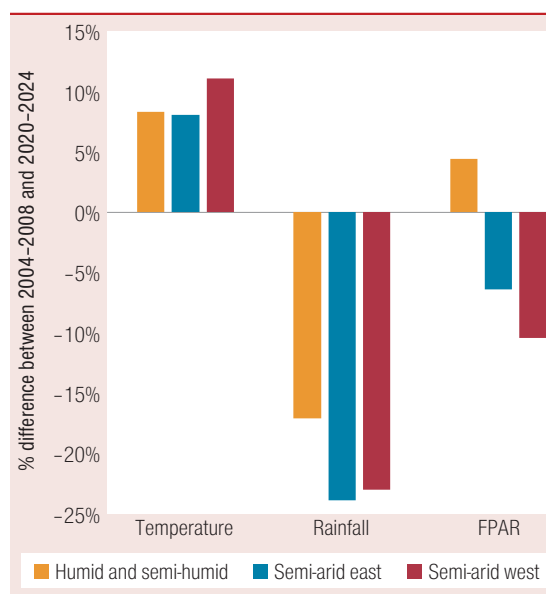
**FIGURE 16 • Crop development remains modest, particularly in the West...**



Source: ONS, ILO and WB estimates.

Note: The FPAR is a composite indicator of satellite data on crop development.

**FIGURE 17 • ...in line with the declining trend in precipitation**



Source: ONS, ILO and WB estimates.

weighed down by uncertainties related to trade and global growth in addition to geopolitical ones. In 2025, this would only be partially offset by a recovery in hydrocarbon export volumes as OPEC production quotas would be gradually increased, and by slower growth in imports. In this context, the current account is expected to continue to deteriorate in 2025, increasing pressure on foreign exchange reserves, before a slight improvement in 2026 and 2027. Thus, in the absence of a more pronounced slowdown in imports or foreign capital inflows, foreign exchange reserves would continue their downward trend.

**The budget deficit is expected to widen in 2025, generating significant financing needs.** The fiscal deficit is projected to widen to 14.5 percent in 2025, despite the planned consolidation of current spending under the medium-term fiscal plan, and the assumption of a contraction in investment spending to absorb the recent decline in oil prices. With the depletion of the savings accumulated in the FRR, the deficit will generate significant financing issues, as the financing gap is significantly higher than the usual amounts of Treasury bond issuances, with the exception of the 2017–2019 monetary financing programs and the 2021–2022 special refinancing program. Financing the deficit is expected to lead to a sharp increase

in public debt. Although the debt is almost entirely domestically held, denominated in domestic currency, long-term, and with negative real interest rates, its increase implies a significant transfer of resources to the government and limits the availability of credit to the private sector. At the end of 2024, net credit to the Treasury represented 37 percent of bank credit.

## Global Uncertainty Poses Risks to Macroeconomic Balances

**Hydrocarbon prices remain the main risk to fiscal and external balances, underscoring the importance of gradual fiscal consolidation.** Algeria's non-hydrocarbon deficits—18.6 percent of GDP for the current account, 25.1 percent of GDP for the budget in 2024<sup>11</sup>—reflect the vulnerability of the twin deficits to fluctuations in oil prices. These will be subject to significant uncertainties in a context of trade tensions with effects on global demand, particularly from China, weighing on oil prices. In addition, there are geopolitical

<sup>11</sup> These ratios are calculated by excluding hydrocarbon revenues from the respective totals (export revenues in the case of the current account, and fiscal revenues in the case of the budget balance).

## BOX 1: THE 2025 BUDGET LAW

**The Finance Law for 2025 (LF 2025) revises the budget deficit upwards compared to the Finance Law for 2024, mainly due to an increase in expenditure.** The 2025 Finance Act provides for a 9.9 percent increase in expenditure compared to the 2024 Finance Law, while budget revenues are expected to fall by 6.4 percent over the same period. This dynamic leads to an increase in the budget deficit until 2026, before a reduction expected in 2027. The economic framework adopted is based on assumptions of GDP growth of 4.5 percent in 2025 and 2026 and 3.7 percent in 2027, with a more marked increase in non-hydrocarbon GDP, of 5.1 percent on average. The benchmark price of oil is maintained at \$60 per barrel for the period 2025–2027.

**The 2025 Finance Act includes several measures to support economic activity and investment.** In particular, it provides for the issuance of sovereign sukuk, exempt from income tax, tax advantages specific to the regions of the South and to research and innovation expenditure. Start-ups and incubators benefit from exemptions from registration fees, while electronic payment terminals are exempt from VAT and customs duties. The capital of the National Investment Fund has been strengthened, and the Credit Guarantee Fund for Small and Medium-Sized Enterprises (*Fonds de garantie des crédits aux petites et moyennes entreprises* or FGAR) has been extended to all loans. The law also finances the interest on loans for rent-to-own housing, offers allowances for beneficiaries of the National Agency for Housing Improvement and Development (*Agence nationale de l'amélioration et du développement du logement* or AADL 3) program and facilitates access to consumer credit. Finally, it extends certain tax exemptions for food imports and applies a reduced customs rate for livestock and fresh meat. It suggests a gradual reform of the subsidy system in order to make it more targeted.

uncertainties, particularly with regard to the situation in the Middle East. This context calls for a prudent fiscal strategy, based on a gradual rebalancing and a reduction in dependence on hydrocarbon revenues.

**Accelerating private sector investment and productivity gains in the non-hydrocarbon sectors remain priorities.** The risks associated with global hydrocarbon prices reinforce the importance of accelerating diversification by encouraging private sector investment, both domestic and international. Promoting productivity gains in the economy would also make it possible to embark on a dynamic growth and job creation trajectory that is less dependent on public spending, the latter encouraging employment in less productive sectors, such as construction or public administration. These productivity gains would be particularly strong in the manufacturing and domestic services sectors, which have recorded productivity gains below the international average (see Chapter 3). Key reforms—such as restructuring state-owned enterprises (SOEs), which are less productive than private sector firms, improving the business environment,

and opening up to international investment to benefit from productivity spillovers and technology transfers from foreign companies,<sup>12</sup> would contribute to these objectives.

**The continuation and deepening of ongoing reform efforts should support the economic transition.** Recent legislative reforms—the 2022 investment law, the 2023 monetary and banking and economic land laws, the formal accession to the African Continental Free Trade Area (AfCFTA), and the investment facilitation measures of the Algerian Investment Promotion Agency (AAPI) such as the establishment of a one-stop shop for investors and the online search for economic land—are part of this transformation dynamic. Strengthening these efforts is key, including by ensuring that these arrangements translate into an effective improvement in the business environment. Improving the quality of economic data will also be an important lever to support reforms, while reducing uncertainty.

<sup>12</sup> See World Development Report, 2024.





# ACCELERATING PRODUCTIVITY GAINS TO DIVERSIFY THE ALGERIAN ECONOMY

## Public Spending, Which Drove Growth in the 2000s, Has Slowed Down over the Last Decade

**Algeria's model of state-led development resulted in important economic and social achievements during the 2000s.** The Algerian public sector includes the public administration, a network of SOEs that account for nearly 40 percent of activity, a public banking sector that accounts for 85 percent of credit to the economy, and an important social protection sector. Notably, public spending maintains high levels of employment and public investment, made possible by hydrocarbon export revenues representing nearly 60 percent of budget revenues between 2000 and 2023. This spending boosted growth in the 2000s, and Algeria has made significant social gains and managed to maintain low levels of inequality.

**The decline in revenues after 2014 constrained public spending, contributing to the slowdown in growth and job creation.** Non-hydrocarbon GDP growth remained above 6 percent per year between 2000 and 2014, before halving between 2015 and 2019, weighed down by a major fiscal consolidation effort that followed the fall in global hydrocarbon prices in 2014–2015. Job creation, which reached 3.2 million jobs in 2004–2013, fell to less than 1 million jobs in 2014–2023.<sup>13</sup>

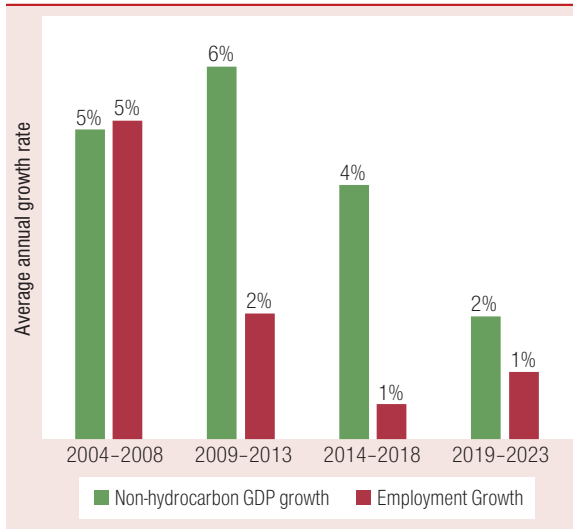
**Over the past two decades, economic growth has been supported by capital accumulation and the entry of new workers into the labor market, with a smaller contribution from productivity improvements.** In the 2000s, public investment was the engine of growth and the contribution of capital accumulation to growth was significant, before slowing down after 2008. Similarly, labor force participation increased and unemployment fell in the 2000s, generating a strong labor contribution to growth, before a slowdown under the backdrop of moderating labor force participation and a slight rise in unemployment, accompanying the slowdown in job creation. At the same time, total factor productivity had a limited contribution in 2004–2013, then a negative contribution during the decade 2014–2023.

## Productivity Gains Have Been Heterogeneous, Driven by Agriculture and Construction

**Labor productivity varies significantly by sector of activity but remains lower for the public sector.** Measures of labor productivity like the value added

<sup>13</sup> The analysis uses ILO data from 2020 onwards, due to the absence of available ONS series beyond 2019.

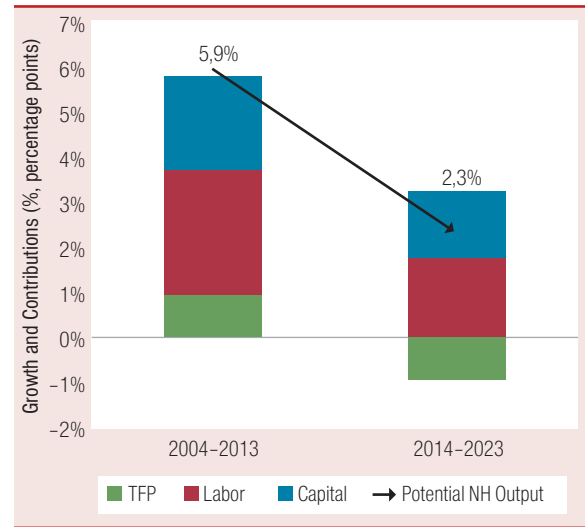
**FIGURE 18** • Over the past decade, growth and job creation have slowed...



Source: ONS, ILO, WB estimates.

Note: The analysis uses ILO data from 2020 onwards, due to the unavailability of ONS series beyond 2019.

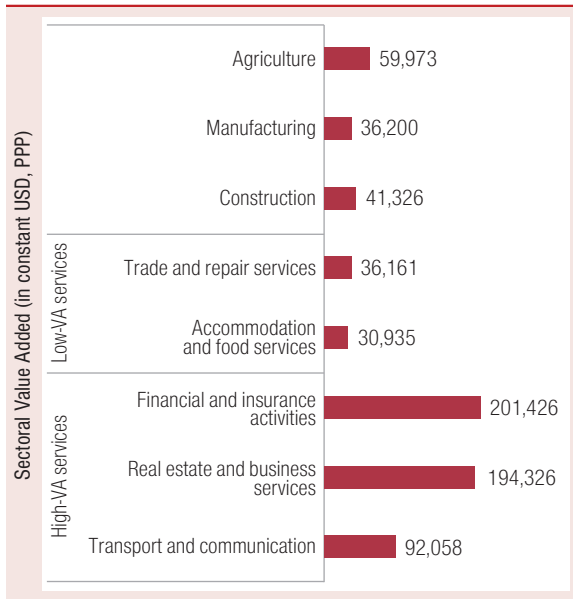
**FIGURE 19** • ...while the contribution of productivity to potential GDP has been limited



Source: ONS, ILO, WB estimates.

Note: TFP = total factor productivity.

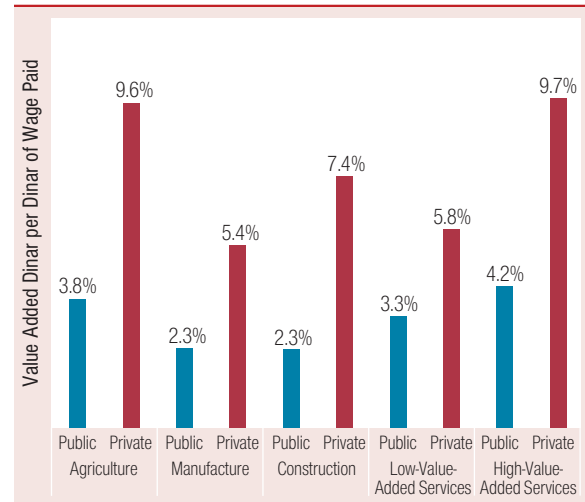
**FIGURE 20** • Labor productivity by sector of activity is heterogeneous...



Source: ONS, ILO, WB estimates.

Note: Here, labor productivity is measured as VA per worker, in constant dollars and in purchasing power parity (PPP).

**FIGURE 21** • ...and limited by that of SOEs, particularly in manufacturing



Source: ONS, WB estimates.

Note: High-VA services exclude the financial sector, for which the public/private distinction does not exist in the national accounts. Data for the manufacturing sector are not rebased to exclude hydrocarbon processing. Productivity is measured per dinar of wages paid, not per worker as shown in Figure 20, in the absence of employment data disaggregated between the public and private sectors. Thus, this measure reflects the difference in value added, but also in wages, between sectors.

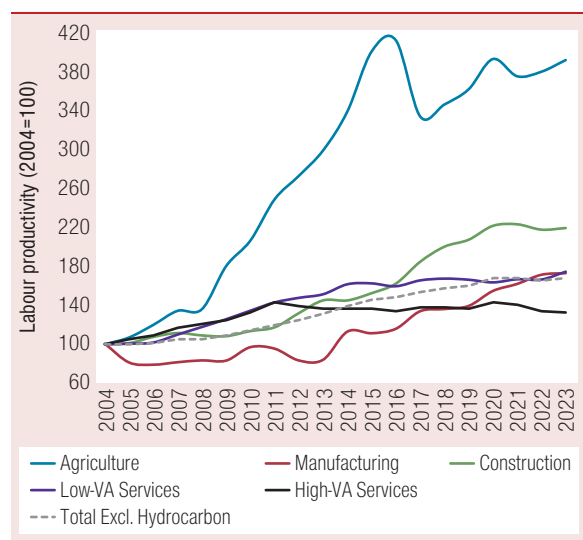
(VA) per worker in each sector can be estimated for Algeria.<sup>14</sup> The productivity of high-VA services such as transport and communications, finance and insurance, real estate and business services is two to three times higher than in the rest of the sectors, and in

<sup>14</sup> The International Standard Industrial Classification, or ISIC, has been adopted by the ONS. This makes it possible to link value-added (VA) data with sector-specific employment data, which the International Labor Organization (ILO) estimates on the basis of data published by the

particular trade, hotel and restaurant services<sup>15</sup> as is also the case internationally. However, agricultural productivity is higher than that of the construction sector, which in turn is higher than that of the manufacturing sector, contrasting with international trends (see below). ONS data indicate that Algerian productivity is particularly weighed down by that of SOEs, mainly in the manufacturing sector, where SOEs account for 34 percent of production, compared to 18 percent in high-VA services, 16 percent in the construction sector, and 7 percent in low-VA services.

**An analysis of productivity trends shows heterogeneous productivity gains over the last twenty years.** For two decades, Algeria has experienced very strong growth in its agricultural productivity, particularly marked between 2008 and 2018, which corresponds to the years of implementation of the National Agricultural and Rural Development Program (PNDAR), after 2009.<sup>16</sup> Similarly, productivity gains in the construction sector have been high, while productivity gains in the manufacturing and services sectors have been more limited, particularly in high-VA services. In addition, overall productivity has been weighed down by productivity in the hydrocarbon sector, due to a combination of the growing share of production consumed domestically and at subsidized prices, and lower prices on international markets. Overall, productivity gains were supported by

**FIGURE 22 • Productivity gains have been stronger in agriculture and construction...**



Source: ONS, ILO and WB estimates.

faster VA increases than employment gains in most sectors, including construction and services, while in the agricultural sector, the increase was also accompanied by a sharp contraction in employment.

## The Growth Model Driven by Public Spending Has Guided the Structure of Employment, Weighing on Productivity

**Growth driven by public spending has been accompanied by a concentration of employment growth in non-commercial services and construction.**

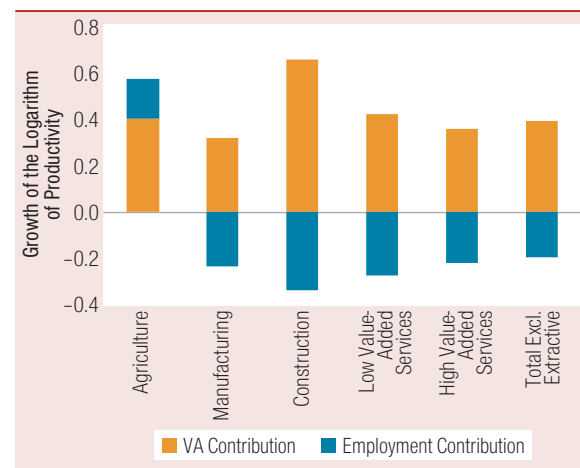
Between 2004 and 2013, of the 3.7 million jobs created outside the agricultural sector, those in the non-commercial services and construction sectors accounted for nearly two-thirds of the total, 1.6 million and 1.1 million,

ONS. These indicators are now directly comparable internationally.

<sup>15</sup> Non-commercial services (public administration, education, health, and other community and domestic services) are not presented here.

<sup>16</sup> The PNDAR is a strategic government initiative to revitalize agricultural production (FAO, 2013). This policy involved substantial public investment—about DZD 200 to 300 billion per year—to support mechanization, irrigation, and rural infrastructure development.

**FIGURE 23 • ...and reinforced by the decline in employment in the agricultural sector**



Source: ONS, ILO and WB estimates.

Note: Relative contributions of VA and employment to productivity growth between 2004 and 2023, using a logarithmic decomposition. Employment growth contributes negatively to productivity growth.

respectively.<sup>17</sup> The rest were in low-VA services (19 percent) and the manufacturing sector (14 percent), compared to 4 percent for high-VA services. In the following decade, during the fiscal consolidation effort, employment growth declined to 0.9 million, but it is well known that the sector that contributed the most to employment growth was the high-VA services sector (30 percent), where job creation almost doubled, from 134,000 in 2004–2013 to 255,000 in 2014–2023. Among resource-rich countries whose economies and level of development are comparable to Algeria's, the concentration of job creation in domestic services (combining non-commercial and low-VA services) and construction is also visible. However, these have more marked employment growth in high-VA services and, unlike Algeria since 2010, have seen growth in agricultural and manufacturing employment.

**In doing so, employment has shifted to low-productivity sectors, affecting overall productivity.** As the non-commercial services, low-VA services and construction sectors have lower labor productivity than that of the agricultural sector or high-VA services, the reorientation of employment towards these sectors has constrained Algerian productivity growth. Between 2003 and 2023, the share of these three sectors in employment increased from 58 percent to

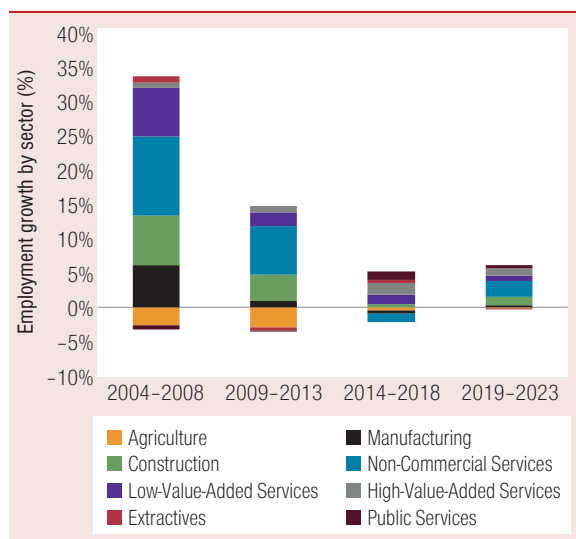
69 percent, while that of agricultural employment fell by more than half, and the share of manufacturing and high-VA services employment stagnated.

## International Comparison Offers Avenues for Accelerating Productivity and Diversifying the Algerian Economy

**From an international perspective, the potential for productivity growth is highest in the manufacturing and services sectors.** In the agricultural sector, productivity growth was more than twice as fast in Algeria as in low- and middle-income countries (LMICs) between 2003 and 2023, which explains why the sector's productivity is comparatively higher than in these countries. This is also true for the productivity of the construction sector, which is also twice as fast as in LMICs. Conversely, productivity growth in the low-VA manufacturing and services sectors has been significantly more limited than in LMICs, which explains why these sectors are comparatively less

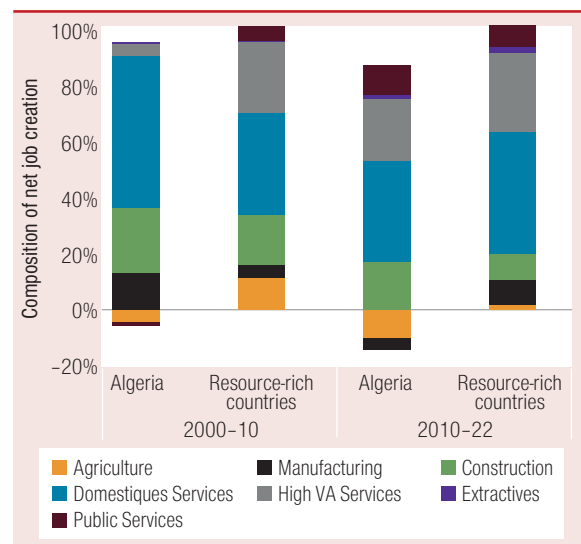
<sup>17</sup> The former reacts directly to hiring in the public sector, while the latter is driven by the public capital budget.

**FIGURE 24 • In Algeria, employment growth was concentrated in non-commercial services and construction...**



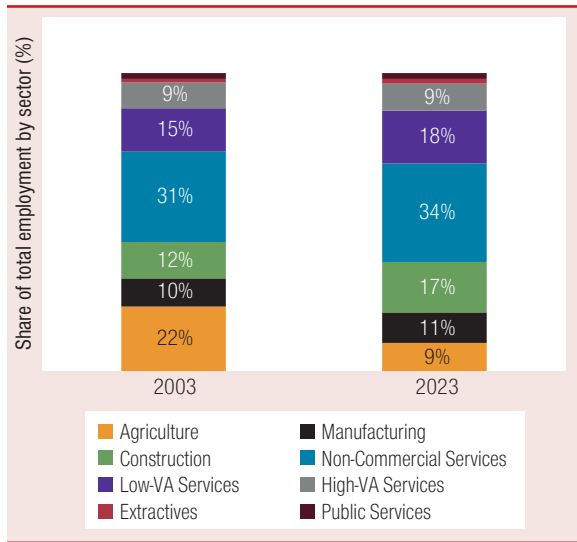
Source: ILO, ONS and WB estimates.  
Note: The analysis uses ILO data from 2020 onwards, due to the unavailability of ONS series beyond 2019.

**FIGURE 25 • ...even more so than in other resource-rich countries**



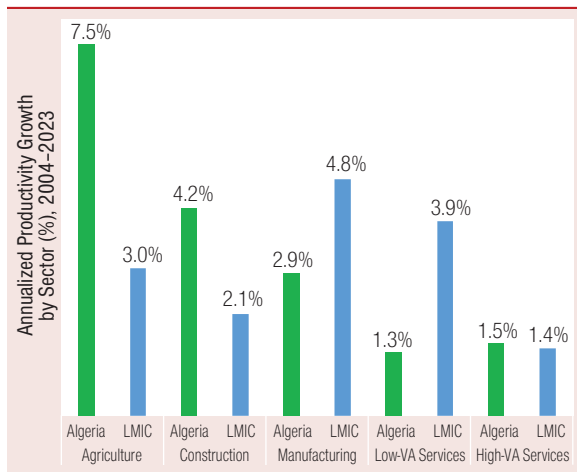
Source: ILO and WB estimates.  
Note: The resource-rich countries used are Angola, Azerbaijan, Ecuador, Iran, Iraq, Kazakhstan and Uzbekistan. Domestic services include non-commercial services and low-VA services.

**FIGURE 26** • Algerian employment has gradually become concentrated in low-cost sectors...



Source: ILO.

**FIGURE 28** • In an international comparison, productivity performance is mixed...



Source: ONS, ILO, and WB estimates.

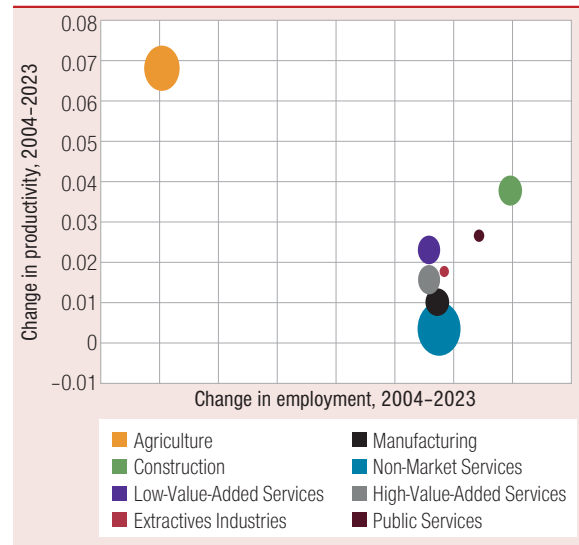
Note: Domestic services here include low-VA services and non-commercial services, depending on data availability.

productive—and therefore have greater potential for catch-up and growth.

**Finally, the reallocation of employment towards high-VA sectors would allow productivity gains and a more sustainable growth trajectory.**

Compared to similar countries, but with a higher GDP per capita, Algerian employment is concentrated in low-productivity sectors, with double the share of employment in the construction sector, and nearly 7 percentage points

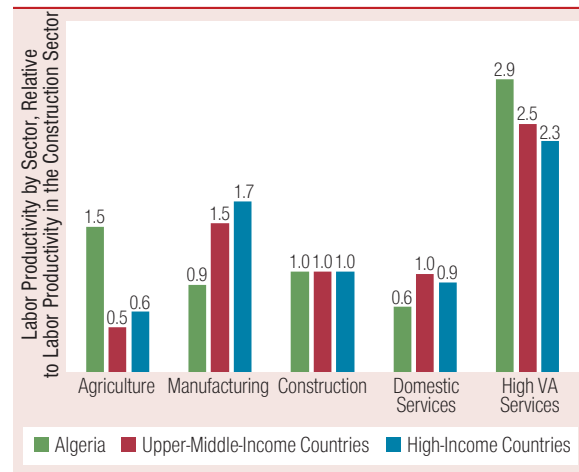
**FIGURE 27** • ...being disconnected from variations in productivity



Source: ONS, ILO, and WB estimates.

Note: The size of the bubbles corresponds to the number of jobs in the sector.

**FIGURE 29** • ...which partly explains the relative differences in sectoral productivity



Source: ONS, ILO, and WB estimates.

Note: Domestic services here include VA-based services and non-commercial services, depending on the availability of data.

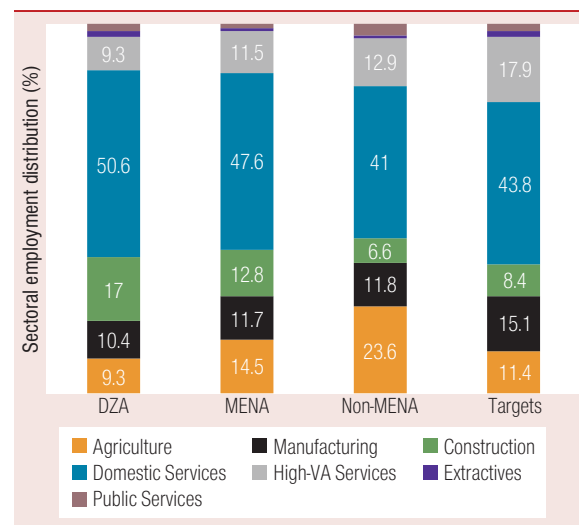
more in domestic services. In a context where the growth of public expenditure on the wage bill and investment can no longer be the engine of growth, this employment structure is bound to evolve. Conversely, Algeria has half as much employment in high-VA services, a third less in the manufacturing sector, and 2 percentage points less in the agricultural sector, even though the latter is comparatively more productive in Algeria. A gradual reallocation of employment to these sectors

would support a growth trajectory that is less dependent on public spending and therefore more sustainable.

**All in all, comparative analysis offers avenues for reflection to accelerate the growth and diversification of the Algerian economy.** In the agricultural sector, expanded production would make it possible to take advantage of comparatively high productivity, while enhancing food security. In the manufacturing sector, an increase in output is expected to go hand in hand with a marked acceleration in productivity, especially in SOEs. The low-productivity construction and non-commercial services sectors, are expected to account for a smaller share of employment, in line with the announced budgetary consolidation efforts. Productivity growth in low-VA services also appears to be a priority, while the expansion of the high-VA services sector would lead to major productivity gains and would be accompanied by the creation of skilled and well-paid jobs. Such a structural transformation of the economy would require targeted cross-cutting and sectoral policies to support growth and job creation in the private sector, while equipping Algerian workers with the necessary skills. The experience of countries that have

undergone dynamic growth and sustained structural transformation could inform Algeria's efforts.

**FIGURE 30 • The employment structure of peer countries suggests avenues for structural transformation**



Source: ILO and WB estimates.

Note: Low VA services here include non-commercial services. The comparator countries in the MENA region used are Egypt, Iraq, Jordan, Morocco and Tunisia. Non-MENA comparator countries include Uzbekistan, Ecuador, Peru, Ghana, Vietnam and Colombia. The selected target countries are Chile, Kazakhstan, Malaysia, Poland, Romania and Turkey.

## BOX 2: THE GROWTH TRAJECTORY OF THREE HIGH-PERFORMING COUNTRIES

**The experience of countries that have experienced growth dynamics and sustained structural transformation can inform Algeria's efforts.** Turkey, Romania and Kazakhstan are the only three countries with more than 10 million inhabitants that 1) had a GDP per capita similar to that of Algeria twenty years ago, and 2) have experienced an average annual growth of more than 3 percent of GDP over the last twenty years. In addition, they have in common with Algeria certain structural economic characteristics: proximity to the European market (Turkey and Romania), a state-centered socialist heritage (Romania and Kazakhstan), and a growth model driven by hydrocarbons and mineral resources (Kazakhstan).

**The strong growth momentum of these three countries was driven by an acceleration in productivity and private investment, both domestic and foreign.** Their total factor productivity growth has been very rapid, between 2 and 4 percent per year. This acceleration was driven by increased investment, primarily from the private sector and especially from foreign firms, whose presence supported the transfer and diffusion of productive technologies across the economy, a key mechanism underpinning the emergence of middle-income countries (World Development Report, 2024). Indeed, these countries have an investment-to-GDP ratio much lower than that of Algeria over the last decade (24 percent of GDP, compared to 38 percent), with a ratio of public investment to GDP two to three times lower but they have an FDI-to-GDP ratio more than five times higher (2.6 percent, compared to 0.5 percent).

**The acceleration in growth has been accompanied by a marked increase in employment in high-value-added sectors, and the participation of women in the labor market.** In these three countries, a 20 percentage point decline in the share of agricultural employment in total employment was primarily accompanied by a near doubling of the share of employment in high value-added services (from 8.9 percent to 16.3 percent of employment), mainly in business services (+4pp), and in transport and communication (+3pp). Labor force participation has increased, with that of women (+9.9pp) faster than that of men (+5.4pp). In Turkey, women's participation in the labor market has increased from 24.9 percent in 2004 to 40.7 percent in 2023.

**These countries have in common the implementation of a coherent set of policies to support investment, productivity gains and growth.** They have strengthened their macroeconomic framework, particularly fiscal and monetary, have promoted the entry of FDI and its integration into global value chains, contributing to productivity gains, and have invested in human capital in order to support the upgrading of the economy. They have also implemented targeted sectoral policies aimed at strengthening governance, greater competition, business creation and productivity improvements. In Kazakhstan, for example, productivity growth was driven by growth in the mining sector, supported by the massive inflow of FDI, with knock-on effects on transport, storage, and the manufacturing sector.

## TABLE OF INDICATORS

	2021	2022	2023	2024	2025f	2026f	2027f
<b>Output and prices</b>	(In percent, unless otherwise indicated)						
Real GDP	3.8	3.6	4.1	3.6	3.3	3.2	2.9
Non-hydrocarbon	2.5	4.4	4.2	4.8	3.6	3.3	3.1
Hydrocarbon	17.1	-0.2	3.6	-1.4	1.6	2.4	1.4
Real GDP per capita	2.1	2.0	2.6	2.2	2.0	1.9	1.7
Consumer price index (period average)	7.2	9.3	9.3	4.0	4.2	4.1	4.1
GDP (in billions of USD)	186.2	225.6	247.6	267.0	269.9	283.8	298.6
GDP per capita (Real 2015 USD)	4456.7	4544.5	4660.4	4761.1	4854.8	4948.7	5030.9
Crude oil production (thousand barrels per day)	908.4	1016.2	977.1	909.8	929.0	982.9	1007.0
Natural gas production (billions of m <sup>3</sup> )	102.8	99.2	104.9	98.4	99.1	99.3	99.5
<b>External sector</b>	(In percent of GDP, unless otherwise indicated)						
Current account	-2.4	8.6	2.6	-1.7	-6.6	-5.2	-5.0
Trade balance	-1.3	10.0	3.4	-1.0	-5.9	-4.5	-4.4
Exports of goods and services	22.5	30.7	24.0	20.0	15.8	16.6	16.5
Hydrocarbon exports	18.3	26.5	20.4	16.9	12.4	13.2	13.1
Nonhydrocarbon exports	4.2	4.2	3.6	3.0	3.4	3.4	3.4
Imports of goods and services	23.8	20.7	20.6	21.0	21.7	21.1	20.8
Gross official reserves (months of imports)	11.2	14.6	15.2	13.6			
Exchange rate (Algerian dinar per USD; period average)	135.1	142.0	135.8	134.1	133.9	137.7	139.5
Sahara Blend export price (USD/barrel)	72.3	103.8	83.5	81.7			
<b>Central Government Finance</b>	(In percent of GDP, unless otherwise indicated)						
Government revenue and grants	26.2	29.7	31.9	23.2	22.9	23.4	23.3
Hydrocarbon revenue <sup>a</sup>	10.4	17.7	19.1	11.2	9.9	10.5	10.5
Non-hydrocarbon revenue	15.9	12.1	12.8	12.0	13.0	12.9	12.8
Expenditures	32.5	32.7	37.4	37.1	37.4	36.3	35.1
Current expenditures	21.9	24.9	27.5	27.7	28.9	28.2	27.2
Capital expenditures	7.7	6.1	8.6	9.3	8.0	7.4	7.0
Special Account Balance and Treasury Interventions	3.0	1.7	1.3	0.1	0.5	0.8	1.0
Overall budget balance <sup>b</sup>	-6.3	-3.0	-5.5	-13.9	-14.5	-12.9	-11.8
Primary overall budget balance	-5.7	-1.8	-4.3	-12.8	-13.3	-11.5	-10.2
Non-hydrocarbon overall budget balance	-16.7	-20.7	-24.6	-25.1	-24.4	-23.4	-22.3
Total central Government debt	55.2	48.1	47.7	48.5	59.8	65.7	71.0
Domestic debt	54.6	47.6	47.3	48.2	59.5	65.5	70.9
External debt	0.6	0.4	0.4	0.3	0.3	0.2	0.1

<sup>a</sup> Includes dividends from Sonatrach and hydrocarbon revenues transferred to the oil savings fund.

<sup>b</sup> Includes special account balance and Treasury interventions.

Note: Forecast as of April 10, 2025.



# ANNEX 1: RECENT SPECIAL SECTIONS OF THE ALGERIA ECONOMIC UPDATE

## 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.

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