Algeria
Country Brief

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Banque Africaine d'Import-Export

Algeria

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47
million inhabitants

2.4
million square kilometers

INTRODUCTION

The People's Democratic Republic of Algeria is the largest country in Africa, with a land area of approximately 2.4 million square kilometers that includes vast stretches of the Sahara Desert. With a population of 47 million, the North African nation is characterized by diverse ethnic groups and a rich cultural heritage. Algeria shares borders with Tunisia to the northeast, Libya to the east, Niger to the southeast, Mali, and Mauritania to the southwest, and Morocco to the west, and has a northern coastline along the Mediterranean Sea. Arabic and Berber are the official languages, while French remains widely used in business and government communication. The capital city, Algiers, serves as the nation's principal political and economic hub.

Algeria is ranked Africa's third largest economy in the International Monetary Fund's World Economic Outlook (October 2025). Its nominal GDP was US$269.1 billion in 2024 and is projected to rise to US$288 billion in 2025. Despite ongoing diversification efforts, the economy remains heavily reliant on hydrocarbons, which account for more than 90 percent of export earnings and about 50 percent of government revenue (Central Bank of Algeria, 2024). This underscores the sector's continued strategic importance. Agriculture, industry, and services contribute variably to GDP, with the services sector showing gradual expansion.

In recent years, Algeria has faced macroeconomic challenges stemming from volatile global oil prices, fluctuations in foreign exchange reserves, and persistently high fiscal deficits. The economic contraction that followed the COVID-19 pandemic in 2020 has been followed by a steady recovery, supported by rising hydrocarbon production and export revenues. Inflationary pressures have moderated, contributing to improved macroeconomic stability. The government continues to pursue fiscal consolidation alongside broader social and political reforms. Public debt levels remain moderate relative to GDP, though continued vigilance is warranted to preserve debt sustainability.

POLITICAL ENVIRONMENT

Algeria is a presidential republic in which the president serves as both head of state and co-head of government. The president is elected by absolute majority vote for a five-year term and may serve a maximum of two terms. The office carries extensive executive powers, including the authority to appoint the prime minister, who acts as co-head of government alongside the president.

The legislature is bicameral, comprising a 462-member People's National Assembly elected every five years through proportional representation, and a 144-member Council of the Nation. Of the council's members, 96 are indirectly elected by local assemblies, while 48 are appointed by the president. Each serves six-year terms.

President Abdelmadjid Tebboune, elected in the 2019 presidential elections, continues to prioritize governance reforms, economic diversification, and social inclusion while maintaining political stability amid domestic and regional challenges. In 2025, the appointment of a new government under Prime Minister Sifi Ghrieb reflected renewed efforts to accelerate economic development and consolidate national stability.

Algeria's fledging multiparty democracy features a wide array of political organizations, including the long-dominant National Liberation Front and several opposition groups. The president also serves as minister of defense ministry chair of the High Security Council, underscoring the central role of the executive in both political and security affairs.

MACROECONOMIC ANALYSIS

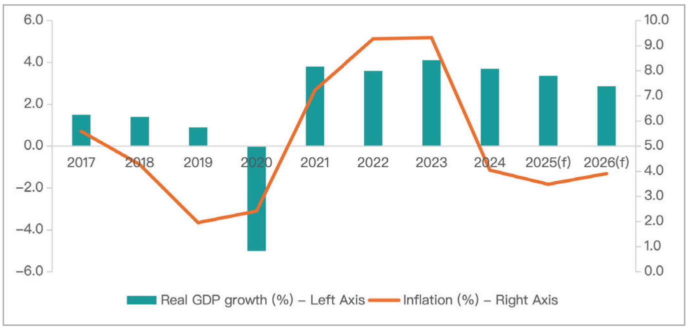
Gross domestic product

Algeria's economy experienced significant shocks during the global recession triggered by the COVID-19 pandemic in 2020, when its GDP contracted by 5.0 percent. The economy rebounded strongly thereafter, recording real GDP growth of 3.8 percent growth in 2021, supported by recovering global oil prices and revitalized domestic production. Growth remained robust at 3.6 percent in 2022 and 4.1 percent in 2023, driven primarily by higher hydrocarbon output and improved performance in non-oil sectors.

The 3.7 percent expansion in 2024 was underpinned by sustained energy exports and government stimulus measures. Growth is projected to moderate slightly to 3.4 percent in 2025, followed by an estimated slowdown to 2.9 percent in 2026 amid global economic uncertainties and domestic structural constraints.

Despite these generally positive growth prospects, challenges persist. Limited diversification beyond hydrocarbons, the fiscal pressures associated with consolidation efforts, and the potential socioeconomic consequences of inequality continue to pose risks to inclusive and sustainable development.

Figure 1 GDP Growth and Inflation Trends (%)



(f) Forecast
Source: African Export-Import Bank research, 2025.

Inflation

Algeria has experienced fluctuating inflation in recent years. Headline inflation rose sharply to about 9.3 percent in 2022, driven by global supply chain disruptions, rising food and energy costs, and exchange rate pressures. Inflation rate remained unchanged at 9.3 percent in 2023 before decreasing to 4.0 percent in 2024.

In 2025, inflation is projected to ease further to around 3.5 percent as supply conditions improve, and tighter monetary policies take effect. Despite this moderation, inflationary pressures continue to affect key sectors, particularly food and transportation, which account for a significant share of the consumer price index.

Managing inflation remains a policy priority requiring a combination of monetary tightening and structural reforms to address underlying supply and demand imbalances. The inflation outlook for 2026, projected at 3.9 percent, reflects improved macroeconomic stability and greater consumer confidence. Nonetheless, sustained government efforts will be needed to consolidate these gains in the face of external uncertainties.

Exchange Rate

According to data from the Economist Intelligence Unit, the Algerian dinar (DZD) has remained relatively stable against the U.S. dollar in recent years, supported by strong foreign exchange reserves and careful monetary management. After a modest appreciation of 4.3 percent in 2023, the dinar appreciated further by 1.3 percent against the dollar in 2024, with the average exchange rate for that year being 134.1 DZD per 1 USD. It is anticipated that the currency will strengthen further in 2025 and 2026, with exchange rate projected at around 131 DZD per 1 USD. The appreciation reflects improved external balances driven by hydrocarbon export revenues and a generally stable macroeconomic environment. Additionally, the monetary authorities have implemented policies aimed at maintaining exchange rate stability by strengthening foreign reserves, controlling inflation, and promoting economic diversification..

Fiscal Balance

Drawing from the International Monetary Fund's dataset. Algeria's fiscal position in recent years has reflected persistent pressures from fluctuating hydrocarbon revenues and elevated public spending. The general government revenue-to-GDP ratio stood at 23.0 percent in 2024 and projected to rise to around 24.1 percent in 2025, supporting an active fiscal stance despite ongoing pressures.

Government expenditure has remained high, estimated at about 35.6 percent of GDP in 2025, reflecting ongoing investment in infrastructure, social programs, and subsidies. The expenditure-to-GDP ratio in 2024 was similarly elevated, contributing to significant fiscal strain.

The fiscal deficit is projected to narrow to 11.5 percent of GDP in 2025, following 13.8 percent in 2024 – before widening marginally to 12.2 percent in 2026. Over the medium term, the deficit is expected to gradually narrow as the government improves revenue mobilization and fiscal consolidation measures take effect.

Key reforms underway include subsidy rationalization, enhanced tax administration, and efforts to broaden the non-hydrocarbon revenue base. These initiatives aim to strengthen fiscal sustainability while balancing socio-economic priorities. Nevertheless, Algeria's fiscal outlook remains vulnerable to global oil price volatility and domestic economic dynamics, underscoring the need for continued focus on revenue generation and expenditure efficiency to stabilize public finances.

Table 1 Fiscal Position, 2017-2026

	2017	2018	2019	2020	2021	2022	2023	2024	2025(f)	2026(f)
General government revenue (% of GDP)	28.7	30.1	28.6	27.0	26.2	29.7	31.9	23.0	24.1	22.2
General government expenditure (% of GDP)	36.2	36.3	37.1	37.5	32.5	32.7	37.4	36.8	35.6	34.4
Fiscal balance (% of GDP)	-7.5	-6.2	-8.5	-10.5	-6.3	-3.0	-5.5	-13.8	-11.5	-12.2

(f) Forecast
Source: African Export-Import Bank research, 2025.

OVERVIEW OF TRADE, RESERVES, AND FINANCIAL SECTOR

Total Trade

Drawing from the International Monetary Fund's dataset. Algeria's trade structure remains heavily centered on mineral fuels, which account for the vast majority of export earnings. Despite this concentration, the government continues to diversify the export base and enhance trade integration.

Total trade in goods reached approximately US$98.9 billion in 2024, reflecting relative stability following the global economic disruptions of the pandemic period. Exports were dominated by mineral fuels, which represented more than 90 percent of total exports, while imports consisted mainly of machinery, vehicles, food products, and manufactured goods.

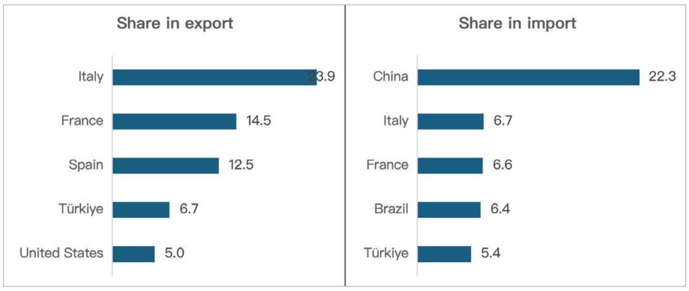
The trade balance has fluctuated in recent years, recording a surplus in 2022 but tapering to a minor deficit projected for 2025 due to rising import demand and shifts in global commodity prices. Algeria's key export partners in 2024 included Italy, France, Spain, and Türkiye, while major import sources comprised China, Italy, and France.

Ensuring long-term trade sustainability will require accelerating economic diversification, improving the non-oil export profile, and boosting domestic value addition. Strengthening regional trade ties and expanding investment in manufacturing and services are also critical to reducing Algeria's vulnerability to hydrocarbon price volatility and to supporting resilient growth and macroeconomic stability in the years ahead..

Figure 2: Trade Accounts, Exports, Imports, Total Trade, and Trade Balance (US$ million), 2017-2024

Sources: African Export-Import Bank research, 2025; International Monetary Fund Direction of Trade Statistics, 2025.

Figure 3: Top Five Trade Partners (%), 2024



Sources: African Export-Import Bank research, 2025; International Monetary Fund Direction of Trade Statistics, 2025.

Intra-African trade

Drawing from the International Monetary Fund's dataset, Algeria's intra-African trade has demonstrated steady growth in recent years, supported by improved market access under the African Continental Free Trade Area framework and strengthened regional integration efforts. According to the latest data, intra-African trade accounted for approximately 5.0 percent of Algeria's total trade in 2024, up from 4.8 percent in previous years. Intra-African exports rose to about US$2.7 billion, while imports from other African countries reached roughly US$2.1 billion.

This growth reflects Algeria's expanding commercial engagement with regional partners, particularly in manufactured goods and energy-related products, alongside ongoing efforts to diversify its trade portfolio beyond hydrocarbons. Key African export destinations include Tunisia, Morocco, and Egypt, while main import sources are Nigeria, South Africa, and Egypt.

Algeria's hosting of the 2025 Intra-African Trade Fair in Algiers further highlights its commitment to deepening regional economic ties, improving infrastructure connectivity such as the Trans-Sahara Road and regional energy projects, and fostering greater private sector participation across the continent. While mineral fuels still dominate Algeria's trade profile, the government aims to expand intra-African trade in manufactured goods, agricultural products, and services, thereby contributing to regional value chain development and broader economic resilience.

Sustaining and accelerating this momentum will require continuous improvements in trade facilitation, logistics infrastructure, and regulatory harmonization, along with expanded investment in value addition across African supply chains..

Reserves

Algeria's gross international reserves have fluctuated slightly in recent years, influenced by volatile hydrocarbon export revenues, varying import needs, and ongoing economic reforms. After peaking around US$70 billion at the end of 2023, reserves declined slightly to an estimated US$68.7 billion in 2024 and projected to decline further at an estimated US$55.9 billion in 2025 according to Economist Intelligence Unit database. The marginal decline in reserves is on account of decreased hydrocarbon revenues as a result of lower prices in global markets during the second half of 2024 and into 2025, in addition to higher import needs.

Nonetheless, government authorities have emphasized the importance of maintaining stability in reserves, which currently provide coverage for approximately 11 months of imports. President Abdelmadjid Tebboune has affirmed that, despite external challenges, Algeria's reserves remain adequate, capable of supporting nearly one and a half years of import needs.

The government continues to pursue policies aimed at economic diversification and fiscal consolidation to reduce dependence on hydrocarbons and strengthen the balance of payments. Sustaining and rebuilding reserves will depend on recovering energy export revenues, expanding non-hydrocarbon exports, improving fiscal management, and attracting greater investment inflows. These factors will be critical to enhancing Algeria's external resilience and maintaining stable exchange rate dynamics amid ongoing global economic uncertainties.

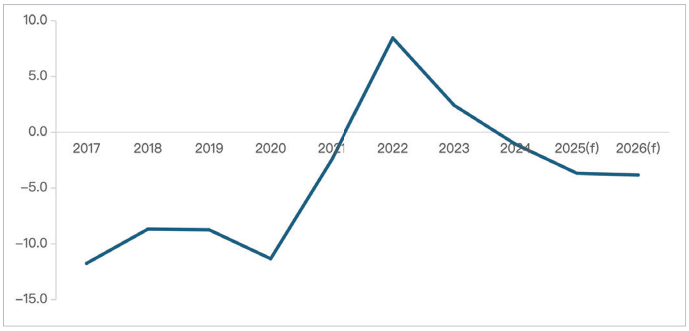
Current Account Balance

Drawing from International Monetary Fund and Economist Intelligence Unit databases, Algeria's current account balance has exhibited notable volatility in recent years, largely driven by fluctuations in hydrocarbon export revenues and import demand. After recording persistent deficits between 2017 and 2021, reaching 11.3 percent of GDP in 2020, the current account shifted to a surplus of 8.4 percent of GDP in 2022, buoyed by higher oil prices and export volumes.

This surplus subsequently moderated, with the current account registering a deficit of 1.1 percent of GDP in 2024 and projected to widen slightly to about 3.7 percent in 2025. The shift reflects normalization in global energy prices, increased export demand, and a rebound in domestic consumption.

Sustaining external stability will require continued diversification of export earnings beyond hydrocarbons, prudent management of import levels, and structural reforms to boost competitiveness in non-oil sectors. These measures will be vital to maintaining balance-of- payments stability and reinforcing Algeria's macroeconomic resilience amid evolving global market conditions.

Figure 4 Current Account Balance (% of GDP)



(f) Forecast
Source: African Export-Import Bank research, 2025.

Financial Sector

Algeria's financial sector remains a pivotal component of the country's economic framework, characterized by a dominant state-owned banking system alongside a gradually expanding private banking sector. The sector is regulated by the Banque d'Algérie, which oversees licensing, supervision, and prudential regulation.

Structural challenges persist, including a high ratio of non-performing loans, which stood at approximately 21.4 percent among state-owned banks in 2023, compared with roughly 8.6 percent in private banks. This disparity reflects inefficiencies in credit allocation and higher exposure to risk in public institutions. Credit growth remained modest but positive in 2024, at 5.3 percent year-on-year, driven primarily by government-supported lending to the hydrocarbons, industrial, and agricultural sectors. Access to credit remains, however, constrained for small and medium enterprises.

Recent regulatory reforms aim to modernize the sector and enhance operational efficiency. In July 2025, the Banque d'Algérie introduced a new chart of accounts for banks and financial institutions as part of broader financial system modernization efforts. The 2023 Monetary and Banking Law established the authority's objectives, including price stability, financial stability, supporting sustainable economic development, and financial inclusion.

Technological innovation and digital transformation are gaining momentum, with greater adoption of mobile banking, fintech services, and digital payment systems extending financial access beyond major urban centers. Nonetheless, challenges remain, notably the dominance of state-owned institutions, risk-averse lending practices, and uneven distribution of liquidity between banks. The interbank market is evolving but remains underdeveloped, limiting liquidity management.

The government has helped safeguard financial system stability by requiring public banks to purchase government securities, thereby absorbing excess liquidity in the system, even though it contributed to reducing credit availability to the private sector. Efforts continue to strengthen risk management, improve asset quality, foster competition, and encourage private sector participation to diversify financial services.

The banking sector remains liquid and profitable, while the country's overall financial sector is assessed as stable and resilient - but faces significant risks and structural weaknesses due to its heavy reliance on hydrocarbons and a large public sector presence. Looking ahead, Algeria's financial sector faces the dual challenge of supporting national economic diversification and inclusive growth while undergoing structural reforms to improve efficiency, transparency, and resilience. Sustained sound regulatory oversight, targeted recapitalization, and continued digital innovation will be critical to strengthening the sector's role in the broader economy.

Debt Sustainability

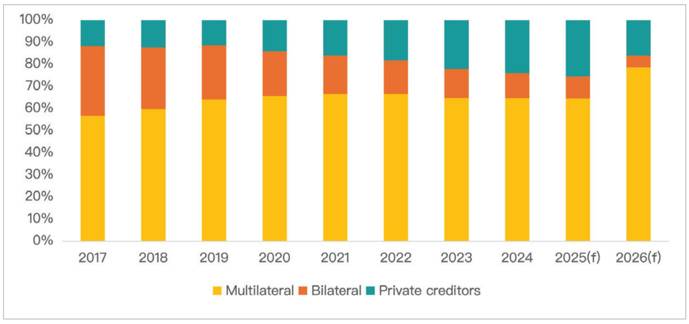
According to the latest Economic Intelligence Unit database, Algeria's debt sustainability profile remains strong, characterized by low debt levels and manageable debt service obligations relative to economic fundamentals. The debt-to-GDP ratio projected at 2.8 percent in 2025, is expected to remain stable, with minimal fluctuations projected through 2026. Similarly, the debt-to-export ratio forecasts at about 12.6 percent in 2025 indicates a moderate external debt burden relative to export earnings.

Debt service obligations are also subdued, projected at an estimated 0.4 percent of exports and 0.3 percent of government revenue in 2025, reflects sound debt management and limited repayment pressures. These levels are projected to remain broadly stable through 2026 with only minor declines anticipated.

While Algeria's debt position presents a low risk of distress, maintaining sustainability will require fiscal prudence, continued efforts to diversify the economy, and enhanced export performance. Sustained fiscal discipline, cautious borrowing strategies, and a focus on growth-enhancing investments will be central to safeguarding macroeconomic stability and minimizing vulnerability to external shocks.

Algeria's relatively low external debt and modest debt service ratios provide the government with fiscal space to pursue structural reforms and growth-enhancing investments. This favorable position supports medium-term economic resilience and reinforces the country's capacity to effectively manage future financial pressures.

Figure 5: Decomposition of External Debt by Creditors (percent)



(f) Forecast

Sources: African Export-Import Bank research, 2025; Economist Intelligence Unit, 2025.

External Debt to GDP

Algeria's external debt-to-GDP ratio has remained consistently low and stable over the past decade, reflecting prudent borrowing and strong fiscal discipline. The ratio stood at 3.0 percent in 2017 and declined gradually to 2.8 percent in 2024. It is projected to remain low at 2.8 percent in 2025 and 3.0 percent in 2026.

A moderate peak of about 4.0 percent occurred in 2021, largely due to fiscal responses to the COVID-19 pandemic. Since then, Algeria has maintained a conservative borrowing strategy, ensuring a low external debt burden relative to economic output. This approach provides the country with fiscal flexibility, reduces vulnerability to external shocks, and supports economic resilience.

Continued sound fiscal management, enhanced revenue mobilization, and reliance on concessional and bilateral financing will be essential to maintaining this sustainable debt profile through the mid-2020s.

External Debt to Exports

Algeria's external debt as a share of exports has remained low and stable, reflecting modest debt repayment obligations relative to export earnings. The ratio averaged 14.4 percent from 2017 to 2023 but declined to 11.9 percent in 2024. It is projected to increase modestly, hovering between 15 to 16 percent in the near term while remaining sustainable.

The stable trend underscores Algeria's continued commitment to prudent external debt repayments, even amid despite economic challenges and global economic uncertainty. The low debt service burden reduces pressure on export revenues and supports external financial stability.

Continued export diversification and disciplined fiscal management will remain critical to preserving this favorable debt position.

External Debt Service to Exports

Algeria's external debt service as a share of exports has also remained low and stable, reflecting modest repayment obligations relative to export earnings. The ratio hovered around 0.6 percent in 2017, declined to 0.4 percent in 2021, remained unchanged at 0.4 percent in 2024, and is projected to stay near that level in 2025, with a marginal decline anticipated in 2026.

This limited debt service burden indicates limited strain on Algeria's export revenues and contributes to sustained external financial stability. The trend highlights the benefits of the country's cautious borrowing policies and prudent debt management strategy. Continued efforts to diversify exports and maintain fiscal discipline will be key to preserving this favorable position.

External Debt Service to Revenue

Algeria's external debt service-to-government revenue ratio has remained very low and stable, demonstrating limited fiscal pressure from external debt repayments. The ratio averaged just 0.4 over recent years and is projected to remain virtually unchanged at 0.3 percent in both 2025 and 2026.

These consistently low ratios reflect prudent external borrowing practices and sound debt management. The resulting fiscal space enables Algeria to prioritize development spending and investments that support diversification and long-term growth. Sustained efforts to strengthen domestic revenue mobilization and improve expenditure efficiency will remain key to maintaining this favorable debt service environment.

Appendix: Selected Macroeconomic and Financial Indicators

	2017	2018	2019	2020	2021	2022	2023	2024	2025(f)	2026(f)
Real GDP Growth (%)	1.5	1.4	0.9	-5.0	3.8	3.6	4.1	3.7	3.4	2.9
Inflation, Annual Average (%)	5.6	4.3	2.0	2.4	7.2	9.3	9.3	4.0	3.5	3.9
Exports of Goods and Services (% y/y)	2.6	-6.9	-4.5	-9.3	23.8	1.4	1.8	-1.5	-2.4	-1.4
Current Account Balance (% of GDP)	-11.8	-8.7	-8.7	-11.3	-2.4	8.4	2.4	-1.1	-3.7	-3.8
Total International Reserves (US$ billion)	97.9	80.5	63.6	49.2	46.3	62.0	70.0	68.7	55.9	50.4
Gross Reserves (Months of Imports)	19.6	16.1	14.1	13.9	12.6	16.0	16.4	15.1	11.2	9.7

(f) Forecast

Sources: African Export-Import Bank research, 2025; International Monetary Fund WEO, 2025; Economist Intelligence Unit, 2025.

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