

# Algeria



						Forecasts		
	2020	2021	2022	2023	2024	2025	2026	2027
GDP growth (%)	-5.0	3.8	3.6	4.1	3.7	3.4	2.2	2.2
CPI inflation (%)	2.4	7.2	9.3	9.3	4.0	3.5	3.9	3.7
Fiscal balance (% of GDP)	-10.5	-6.3	-3.0	-5.5	-13.8	-11.5	-9.5	-9.2
Public debt (% of GDP)	46.0	55.1	48.1	47.7	48.1	54.0	62.2	68.3
Reference rate (%)*	3.1	3.0	3.0	3.0	3.0	3.0	3.0	3.3
Exchange range (DZD/USD)*	126.8	135.0	142.1	136.0	134.2	132.9	143.3	150.5
Current balance (% of GDP)	-11.3	-2.4	8.4	2.4	-1.1	-3.7	-3.8	-3.5
External debt (% of GDP)	3.1	4.0	3.2	3.0	2.6	2.8	3.3	3.8

Note: \* Annual average.

Source: CaixaBank Research, based on data from LSEG Datastream, the IMF, the Bank of Algeria, and Oxford Economics.

## Outlook

In recent years, Algeria's economy has been hampered by OPEC production cuts in 2023-2024 and subdued oil prices in 2025, and economic activity has slowed because of its dependence on the hydrocarbon sector (it accounts for just over 10% of GDP, almost 50% of government revenues and over 90% of the value of its exports). This situation has eroded both the external balance (the current account went into deficit in 2024) and the public accounts (gross debt is rising above the regional average, the deficit is in double digits, and in 2024 the savings available in the sovereign wealth fund [*fonds de régulation des recettes (FRR)*] were depleted).

The recent sluggishness of the hydrocarbon sector has been partially offset by the resilience of domestic demand, aided by falling inflation, especially in food, and support from fiscal policy. The authorities have maintained high growth in public expenditure, especially on staff and benefits, to support household purchasing power. They have also continued to ramp up public investment to diversify the economic sectors, promoting transport infrastructure and sectors such as agriculture and mining, tourism and renewable energy generation, especially solar power.

Algeria's Central Bank (BA) has adopted an accommodative monetary policy within the context of inflation returning to target levels (the BA is targeting 4%). However, the banking sector has suffered some liquidity tensions. The Central Bank has started to inject liquidity through open market operations and, in September 2025, cut the reference rate to 2.75% after years of holding it at 3.00%. In the middle of 2025, the US imposed 30% tariffs on Algerian goods exports. Although Algeria has limited direct exposure (the US accounts for just over 5% of its exports), the economy is vulnerable to global trade tensions due to the risk that these could lead to a downturn in global demand and lower hydrocarbon prices.

Looking ahead, increases in OPEC production in 2025 and 2026, coupled with the resilience of non-hydrocarbon activity, will support Algeria's economic growth. But its outlook will largely be determined by global trends (and their impact on global hydrocarbon prices) and by the pressure to rebuild fiscal buffers and diversify the economic structure.

## Exchange rate

The Algerian Central Bank manages the dinar's exchange rate through an official managed float regime. Despite the problems caused by the loss of revenues from the hydrocarbon sector (decline in the current account balance and public accounts), the dinar has been resilient and foreign exchange reserves have remained robust (at the end of 2024 they were equivalent to 14 months of imports). Going forward, the recovery of hydrocarbon exports, and their associated revenues, may support the exchange rate, although the worsening fiscal situation and the prospect of continued high public deficits pose a downside risk, especially in the context of declining global investor sentiment.

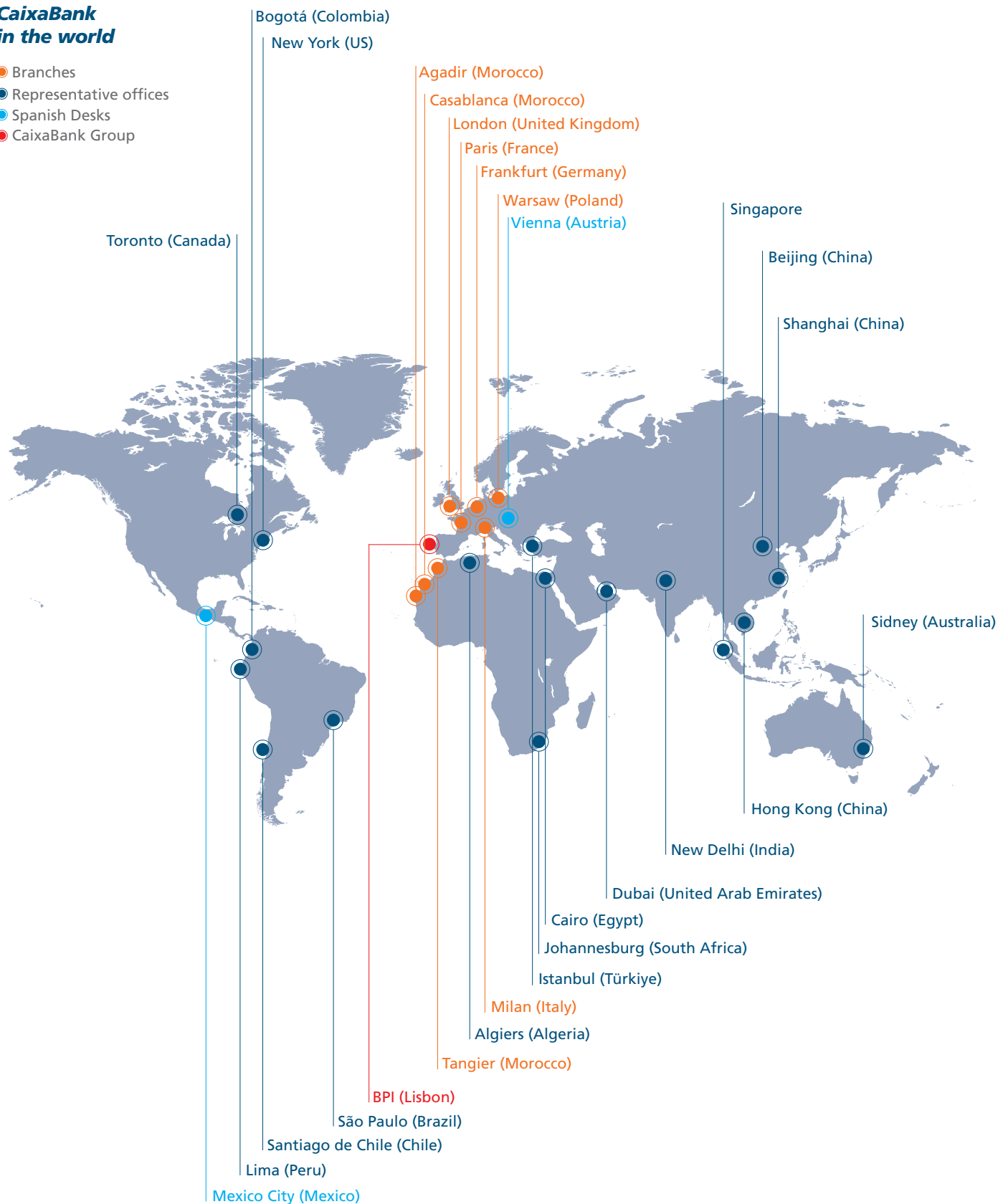
## Risks

The balance of risks to the Algerian economy is skewed to the downside. Notable risks include:

- The deterioration in public accounts is a source of fragility and increases its vulnerability to a tightening of global financial conditions (although not through direct exposure, given that Algeria's external debt is very low). Another notable risk is posed by the sovereign-bank nexus (exacerbated in Algeria by a high proportion of state-owned enterprises and banking sector exposure) and the risk that resources to fund the public deficit will crowd out private sector financing. Among the measures available to improve the public accounts, the IMF has highlighted Algeria's potential to improve its revenue-raising capacity and diversify its revenue sources.
- The Bank of Algeria's experience, with episodes of monetary financing from the government in the past (direct in 2017 and indirect in 2021), highlights the importance of maintaining monetary policy independence in order to strengthen the Central Bank's credibility and its ability to control inflation and ensure financial stability.
- Its dependence on the hydrocarbon sector makes Algeria's economy vulnerable to external risks. Especially due to volatility in international commodity markets. This makes it vulnerable to escalating geopolitical conflicts, such as trade tensions in the US and the Middle East. Furthermore, the agricultural sector also accounts for a significant share of GDP (around 15%), so the economy is also exposed to the risk of extreme weather events that disrupt farming.
- One of the major challenges facing the Algerian economy is to increase its resilience. This not only involves the aforementioned diversification of its economic structure, but also the development of the private sector (hampered by restrictions on competition, barriers to international trade, limited access to the financial sector and low productivity) and more inclusive economic growth (Algeria has a high rate of informal employment and a young population with a high rate of youth unemployment). The United Nations classifies Algeria as a "medium human development" country, ranking 96th out of 193 in the latest Human Development Index.

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