

Algeria: 2025 Article IV Consultation-Press Release; and Staff Report



ALGERIA

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

September 2025

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with Algeria, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis, following discussions that ended on June 30, 2025, with the officials of Algeria on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on August 26, 2025.
- An **Informational Annex** prepared by the IMF staff.

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Washington, D.C.**



IMF Executive Board Concludes 2025 Article IV Consultation with Algeria

FOR IMMEDIATE RELEASE

Washington, DC – September 18, 2025: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV Consultation for Algeria.¹ The Executive Board's decision was taken on a lapse-of-time basis.²

- Algeria's economy has shown strong recovery since the pandemic, driven by elevated hydrocarbon prices and increased public spending.
- The near-term outlook remains broadly positive, but urgent policy adjustment is needed.
- Medium-term economic prospects will depend on global trends and the pace of domestic reforms aimed at promoting diversification and strengthening private investment.

Real GDP eased to 3.6 percent in 2024 from 4.1 percent in 2023, as OPEC+ cuts led to a contraction in the hydrocarbons sector, while nonhydrocarbon activity remained strong, supported by public investment and consumed demand. Inflationary pressures—fueled by global shocks like the war in Ukraine and recurring droughts—eased significantly in 2024, with inflation falling largely due to lower food prices. Declining hydrocarbon revenues combined with increased public spending significantly widened the fiscal deficit and depleted available fiscal buffers. The drop in energy exports and increased imports reversed the current account surplus into a modest deficit. The Dinar appreciated against the euro but weakened against the dollar. Reserves remained strong.

Easing of OPEC+ production cuts is expected to stabilize hydrocarbon activity, supporting 3.4 percent growth in 2025. Declining hydrocarbon prices and global uncertainty weigh on prospects and could constrain public investment and exports and put pressure on fiscal revenues. Inflation is expected to remain moderate. The fiscal deficit is expected to decline compared to 2024 but to remain elevated without strong policy action. The current account deficit is projected to widen further.

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

² Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent.

Key external risks include volatile commodity prices, shifts in global trade policy, and escalating conflicts in the Middle East or Ukraine. Other downside risks include extreme climate events, large contingent liabilities, and high financing needs that could pose risks to fiscal and debt sustainability and intensify the sovereign-bank nexus. On the upside, successful policy adjustment and structural reforms could reduce the fiscal deficit, support export diversification, improve the business climate, and deepen financial markets.

Executive Board Assessment³

Algeria's economic prospects for the near term are broadly positive but clouded by growing fiscal vulnerabilities. The 2024 fiscal impulse supported growth into 2025 but, alongside falling hydrocarbon prices, led to a wider fiscal deficit and depleted fiscal buffers. Headline inflation eased in 2024 and is expected to remain moderate. The current account reversed to a deficit in 2024, projected to widen in 2025-26 before narrowing. Over the medium-term, growth is expected to slow due to moderating hydrocarbon output, financing constraints capping spending, and structural bottlenecks inhibiting private sector growth.

With the fiscal buffers depleted, large fiscal deficits pose significant financing and debt challenges, warranting urgent policy adjustment. Double-digit fiscal deficits projected for 2025-26 risk straining the banking sector and crowding out private sector credit, increasing the risk of recourse to unconventional monetary financing schemes. Absent concerted policy adjustment, large financing needs and deficits would significantly increase public debt over the medium term. The sharp deterioration of the fiscal situation in 2024 has heightened near-term risks and increased Algeria's overall risk of sovereign stress to "high" based on the SR-DSA.

Stabilizing the debt trajectory by 2028 will require immediate and more ambitious fiscal consolidation. Staff analysis suggests that stabilizing public debt by 2028 would require additional fiscal consolidation measures of 5 percent of GDP over 2025-28 relative to the baseline. Looking ahead, consistent with past advice, adoption of a rules-based framework with a fiscal anchor to guide medium-term fiscal projections would make the budget more resilient to future shocks.

Ensuring medium-term fiscal sustainability will require reforms to rationalize inefficient spending, boost nonhydrocarbon revenue, and strengthen public financial and investment management. Energy subsidy reform could yield substantial additional annual revenues over the medium-term, creating space for better targeted spending. Closing the nonhydrocarbon tax gap, estimated at 2-4 percent of GDP, offers further revenue potential. The authorities have made progress in tax collection through digitalization, improved PFM through program budgeting, and advanced procurement transparency with the new Procurement Law expected in 2025. Staff recommends advancing tax policy reform guided by a Medium-Term Revenue

³ The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

Strategy, incorporating a credible financing plan in the budget to strengthen cash management, and strengthening SOE oversight and governance to mitigate fiscal risks.

With inflation receding, the current accommodative monetary policy stance to counter tight banking sector liquidity is adequate. Going forward, the BA should continue vigilant monitoring of banks' liquidity, actual and expected inflation developments, and use all available tools to attain price stability. It should also refrain from any monetary financing, whether direct or indirect. Clearly establishing price stability as the primary objective of monetary policy in the MBL and identifying a nominal anchor would help anchor expectations, credibility and transparency.

Enhanced exchange rate flexibility would facilitate its role as an automatic stabilizer. In the context of heightened uncertainty and commodity price volatility, increased exchange rate flexibility would enhance the economy's ability to absorb shocks. It would also support efforts to diversify the economy, promoting nonhydrocarbon exports, and strengthening the monetary policy effectiveness. Widening the BA's official daily buy/sell nominal exchange rate band would be a first step. Measures to reduce the parallel market premium, such as increasing the foreign exchange allowance for travel, should be prioritized.

Vigilant enforcement of financial sector regulatory requirements would help secure macro-financial stability. The BA has made considerable progress in risk-based supervision, crisis management, and ensuring independent operation of supervisory entities. Continued vigilance is critical, particularly given risks from entrenched interlinkages between the government, SOBs, and SOEs. The authorities have demonstrated noteworthy commitment to addressing AML-CFT deficiencies identified by FATF and should complete remaining recommendations to facilitate exit from the list of jurisdictions under enhanced monitoring.

Initiatives to improve the business climate, boost private sector development, and diversify the economy are critical to realizing Algeria's full potential. The 2022-23 Investment and Land Laws, along with the launch of a one-stop digital platform are important steps toward easing red tape and promoting private investment. Nonetheless, deeper product and labor market reforms to enhance flexibility and limit price distortions, are needed to level the playing field, enhance competition, and spur innovation. Expanding and strengthening regional trade is also vital, amid growing geoeconomic fragmentation risks.

Recent reforms to strengthen governance and reduce vulnerabilities to corruption are commendable and should continue. The July 2023 national strategy to prevent and counter corruption, June 2023 new MBL, new Procurement Law, creation of a centralized beneficial ownership registry, and digitalization initiatives to enhance fiscal monitoring and revenue collection are important steps. Going forward, the authorities should redouble efforts to increase transparency, especially in the hydrocarbon and SOE sectors.

Improving the coverage, timeliness and quality of statistics would better inform policy making. While data provision remains broadly adequate, some gaps remain. The IMF stands ready to offer technical assistance to support ongoing improvements.



ALGERIA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

August 26, 2025

KEY ISSUES

Context. Since the pandemic, the Algerian economy has rebounded, driven by high hydrocarbon prices and public spending, especially ahead of the 2024 presidential election. Nonetheless, the economy remains vulnerable to its overreliance on hydrocarbons, exposing public finances to global price volatility. President Tebboune's re-election in 2024 signals continued fiscal expansion to support households and investment, aligned with the 2021 Government Action Plan's goals of diversification and sustainability. However, Algeria's state-led, hydrocarbon-dependent model creates economic distortions that constrain private sector growth and job creation. Long-term resilience and inclusive growth will require deep structural reforms to shift toward a more open, private-sector-driven economy. Recent efforts to diversify and attract investment are positive steps, but realizing Algeria's potential will require bold action to address governance, competitiveness, and fiscal sustainability challenges.

Outlook and Risks. Algeria's near-term outlook remains broadly positive—supported by a strong fiscal impulse in 2024 and gradual easing of OPEC+ production cuts in 2025—but clouded by the need for significant policy adjustment amid declining hydrocarbon prices and widening fiscal deficits. Declining hydrocarbon prices and global uncertainty could weigh on Algeria's 2026 prospects, by reducing investment, exports and government revenues. The medium-term outlook hinges on global trends and progress in structural reforms. Under the baseline, growth is projected to slow amidst fiscal constraints, rising debt, declining reserves, and persistent structural bottlenecks that limit private investment, with moderate inflation and a current account that remains in deficit. Key risks include global trade disruptions, conflicts including in the Middle East, and related commodity price volatility. Other downside risks include climate shocks, contingent liabilities, and high financing needs that could jeopardize fiscal and debt sustainability and intensify the sovereign-bank nexus. Conversely, successful policy adjustment and structural reforms could reduce the fiscal deficit, support export diversification, improve the business climate, and deepen financial markets.

Key Policy Recommendations

- *Fiscal Policy.* Large fiscal deficits projected for 2025-26, the likely decline in oil prices, and the depletion of fiscal buffers pose significant financing challenges. An urgent fiscal consolidation of 5 percent of GDP relative to the baseline, implemented gradually over 2025-28, would allow to rebuild buffers and stabilize debt by 2028. In the medium term, measures to increase nonhydrocarbon revenues, reform energy subsidies, increase transparency and strengthen PFM and PIM would help reduce vulnerabilities and increase fiscal space.
- *Monetary Policy.* With inflation at target and tight banking sector liquidity, the current accommodative monetary policy stance is assessed as adequate. Looking ahead, to complement fiscal consolidation, proactive and data-driven monetary policy would help ensure price stability. Clearly establishing price stability as the primary objective of monetary policy and identifying a nominal anchor would enhance credibility, transparency and transmission.
- *Exchange Rate Policy.* Greater exchange rate flexibility would facilitate its role as a shock absorber, particularly in the context of volatile hydrocarbon prices. It would also support efforts to diversify the economy and improve monetary policy transmission. Measures to reduce parallel market activity, such as the increase in the foreign currency allowance for travel, should be prioritized.
- *Financial sector.* Continued vigilance and enforcement of regulatory requirements in the financial sector, including to stem risks from the government-SOE-SOB nexus, and implementation of the MBL and FSAP recommendations would help secure macro-financial stability. Addressing remaining AML/CFT deficiencies identified by FATF would facilitate removal from the list of jurisdictions under increased monitoring.
- *Structural reforms.* Unlocking Algeria's growth potential would require broad reforms to facilitate private sector development. Deep product and labor market reforms to reduce restrictions and level the playing field between SOEs and private entities would help increase competition and innovation, and support diversification efforts.

Approved By
Taline Koranchelian
and S. Jay Peiris

Discussions were held in Algiers during June 16–30, 2025. The mission team comprised Charalambos Tsangarides (head), Gian Plebani, Véronique Salins, Diva Singh (all MCD), and Charles Vellutini (FAD). Mr. Kamel Badsi (OED) joined most meetings. The mission met with Governor of the Bank of Algeria, Mr. Taleb; Finance Minister, Mr. Bouzred; Energy, Mines and Renewables Energies Deputy Minister, Mr. Yassaâ; Agriculture and Rural Development Minister, Mr. Cherfa; External Commerce Minister, Mr. Rezig; and Internal Commerce Minister, Mr. Zitouni. The team also held discussions with other senior government and central bank officials and with representatives of the economic and financial sectors and civil society. Karman Singh provided excellent research support, and Sofia Cerna Rubinstein and Rodrigo Huguet contributed to the production of the report.

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Acronyms

AAPI	<i>Agence algérienne de promotion des investissements</i> (Algerian Investment Promotion Agency)
ABEF	<i>l'Association des banques et établissements financiers</i> (Association of Banks and Financial Institutions)
BA	<i>Banque d'Algérie</i> (Bank of Algeria)
BDH	<i>Banque de l'Habitat</i> (Housing Bank)
CD	Capacity Development (technical assistance and training)
CPAT	Climate Policy Assessment Tool
C-PIMA	Climate-resilient Public Investment Management Assessment
Cour des Comptes	Audit Court
CTRF	<i>Cellule de Traitement du Renseignement Financier</i> (Financial Intelligence Unit)
EBA	External Balance Assessment
FRR	<i>Fonds de Régulation des Recettes</i> (Revenue Regulation Fund)
FSAP	Financial Sector Assessment Program
Haut Comité	<i>Haut Comité d'Évaluation et d'Alerte des Risques Budgétaires</i> (High-level Budget Risk Committee of the Ministry of Finance)
LF2024	<i>Loi de finances pour 2024</i> (2024 budget law)
MOF	Ministry of Finance
NDC	Nationally Determined Contribution
MENA	Middle East and North Africa
NEER	Nominal Effective Exchange Rate
NHGDP	Nonhydrocarbon GDP
NHPD	Nonhydrocarbon Primary Deficit (excl. Bank of Algeria's dividends)
NPL	Non-Performing Loan
ONS	<i>Office National des Statistiques</i> (National Statistics Office)
PPPs	Public-Private Partnerships
PSR	<i>Programme Spécial de Refinancement</i> (Special Refinancing Program)
RAM	Risk Assessment Matrix
REER	Real Effective Exchange Rate
R&D	Research and Development
SIP	Selected Issues Paper
SMEs	Small and Medium-sized Enterprises
SOEs	State-Owned Enterprises
SOBs	State-Owned Banks
SR-DSA	Sovereign Risk and Debt Sustainability Assessment
TAP	<i>Taxe sur les Activités Professionnelles</i> (Tax on Professional Activities)
VAT	Value-Added Tax

CONTEXT

1. Since the end of the pandemic, Algeria's economy has shown strong recovery, driven by elevated hydrocarbon prices and increased public spending. High oil and gas revenues supported a significant fiscal expansion in 2022, which continued in 2023 and 2024 ahead of the presidential election, despite falling oil prices. Inflationary pressures—fueled by global shocks such as the war in Ukraine and recurring droughts—have eased over the past year. However, Algeria's growth model remains heavily state-led and dependent on hydrocarbons, which exposes the economy to external volatility, creates fiscal vulnerabilities, and limits private sector development.

2. President Tebboune's re-election in September 2024 suggests broad policy continuity.

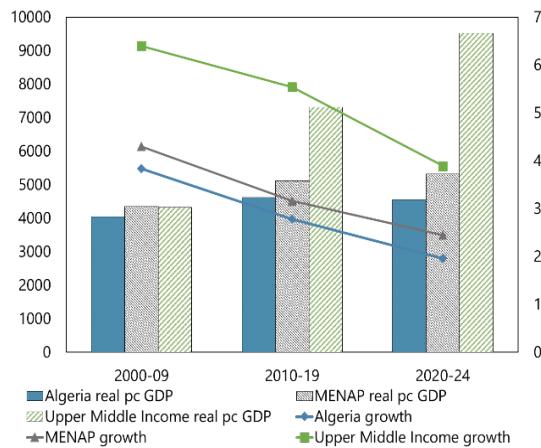
While the government's new roadmap is still emerging, the 2025 budget and electoral platform signal a continued focus on boosting household purchasing power and accelerating public investment to support diversification, in line with the priorities of the 2021 Government Action Plan. However, unlocking Algeria's potential will require a transition to a more dynamic, private-sector-driven economy. Achieving sustainable growth and job creation will depend on the implementation of ambitious structural reforms to enhance competitiveness, attract investment, expand exports, and reduce the fiscal pressures tied to Algeria's hydrocarbon dependency.

Text Figure 1. Growth and Development Indicators: Algeria and Comparators

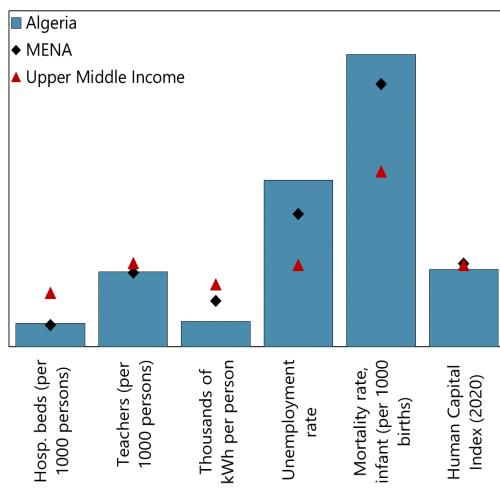
Algeria has benefited from decades of hydrocarbon-driven growth and recovered well from the pandemic...

...but heavy reliance on this sector combined with institutional and structural challenges have constrained broad-based development and nonhydrocarbon growth.

Real GDP Per Capita and Growth of Real GDP
(In constant 2015 USD)



Development Indicators



Sources: World Development Indicators and IMF staff calculations.

RECENT ECONOMIC DEVELOPMENTS

3. Real GDP growth tapered slightly in 2024 while inflation saw a marked decline. Real economic growth declined from 4.1 percent in 2023 to 3.6 percent in 2024. The slowdown was driven by a 1.4 percent contraction in the hydrocarbons sector due to OPEC+ production cuts, while nonhydrocarbon growth remained strong at 4.2 percent, supported by surging public investment and still robust private consumption. Inflation declined significantly, from an average of 9.3 percent in 2023 to 4 percent in 2024, largely on the back of a slowdown in food prices, although core inflation also receded.

4. The current account balance turned to a deficit driven by lower hydrocarbon production and prices. Following two years of surplus, the current account reversed in 2024, recording a deficit of 1.1 percent of GDP as hydrocarbon exports declined (lower volumes and prices) while imports picked up amid fiscal expansion. Both the NEER and REER appreciated by 4.7 percent and 3.3 percent y/y, respectively; the Dinar strengthened by 5.2 percent against the EUR but depreciated against the USD by 1 percent. In 2025, the NEER and REER reversed trend, depreciating by 2.5 percent through end-April. Gross international reserves declined slightly to US\$ 67.8 billion at end-2024, equivalent to 14 months of imports.

5. The fiscal deficit widened significantly, fully depleting the Revenue Regulation Fund (FRR). Significantly lower hydrocarbon revenues (-35.7 percent y/y) combined with a rising wage bill (+12.8 percent y/y) and capital expenditure (+31.8 percent y/y)¹ widened the overall fiscal deficit of the central government by 8.4 percentage points to 13.9 percent of GDP in 2024. Nonhydrocarbon revenues also shrank by 3.3 percent y/y due to the reallocation of some tax revenues to sub-national governments, and the nonhydrocarbon primary deficit reached 30.6 percent of NHGDP, slightly wider than in 2023. Financing the deficit required the use of all remaining funds in the FRR (7½ percent of 2024 GDP).

6. Banks remain liquid, solvent and profitable, but NPLs are high. Aggregate solvency and liquidity ratios in the banking sector exceeded the regulatory minima at end-2024. However, NPLs remained at elevated levels of 20.7 percent of total loans, particularly for public banks with 22.5 percent. The growth rate of credit to the economy held steady at 5.9 percent y/y in 2024, masking a slight deceleration in private sector credit growth from 8.6 to 8.3 percent, and a marked acceleration in net credit to the government of about 21.5 percent.

¹ Assuming half of the 2024 unallocated expenditures comprised capital expenditures.

OUTLOOK AND RISKS

7. The near-term outlook remains broadly positive but clouded by the need for urgent policy adjustment (Text Table 1). The large increase in public investment and wages in 2024, while supporting continued growth into 2025, coincided with declining hydrocarbon prices, leading to a significant widening of the fiscal deficit. Easing of OPEC+ production cuts is expected to stabilize hydrocarbon activity, supporting 3.4 percent growth in 2025 despite weaker nonhydrocarbon activity as financing constraints curb public expenditure. Prospects for 2026 are dampened by global uncertainty and potentially lower hydrocarbon prices, which may limit investment and reduce exports and fiscal revenues. Inflation is expected to remain moderate. The fiscal deficit is expected to decline compared to 2024 but remains elevated without strong policy action. The current account deficit is projected to widen further in 2025–26.

Text Table 1. Algeria: Macroeconomic and Financial Indicators, 2020–2030

	2020	2021	2022	2023	2024	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
Output and prices											
Real GDP	-5.0	3.8	3.6	4.1	3.6	3.4	2.9	2.8	2.7	2.5	2.5
Hydrocarbon sector	-13.9	17.1	-0.2	3.6	-1.4	0.1	0.2	1.5	2.2	1.6	1.2
Nonhydrocarbon sector	-3.8	2.2	4.1	4.2	4.2	3.8	3.2	2.9	2.8	2.6	2.6
Consumer price index (period average)	2.4	7.2	9.3	9.3	4.0	3.9	3.9	3.7	3.4	3.3	3.3
Central government finances											
Overall balance	-10.5	-6.3	-3.0	-5.5	-13.9	-11.5	-12.4	-10.9	-10.5	-9.3	-9.3
Gross government debt (excl. guarantees)	46.0	55.1	48.1	47.7	48.5	54.3	62.8	68.9	74.2	77.9	81.9
Nonhydrocarbon balance	-21.7	-20.1	-27.7	-30.4	-30.6	-25.5	-26.0	-24.3	-23.5	-22.1	-22.0
External sector											
Current account balance (percent of GDP)	-11.3	-2.4	8.4	2.4	-1.1	-3.7	-4.1	-3.6	-3.6	-3.2	-2.9
Gross official reserves											
In US\$ billions	48.2	45.3	61.0	69.0	67.8	59.4	49.7	41.3	32.8	25.4	18.6
In months of next year's imports of G&S	13.0	11.6	14.2	15.2	14.0	12.3	10.0	8.0	6.0	4.5	3.2

Sources: Algerian authorities; and IMF staff estimates and projections.

8. Medium-term economic prospects will be shaped by global developments and domestic reforms to reduce fiscal vulnerabilities, diversify the economy, and enhance private investment. Staff's baseline scenario projects growth to slow to about 2½ percent by 2030 and inflation to ease to 3.3 percent, as financing constraints cap public expenditure, structural bottlenecks inhibit private sector growth, and hydrocarbon production slows. The current account deficit is expected to decline gradually to about 2.9 percent of GDP, leading to a significant decline in international reserves to about 3.2 months of next year's imports by 2030. The nonhydrocarbon budget deficit is expected to narrow by 8½ percentage points from its 2024 level, reaching 22 percent of NHGDP by 2030, but public debt would continue to rise reaching 81.9 percent of GDP.

9. Risks to Algeria's economic outlook are tilted to the downside.² The main near-term external risks include heightened commodity price volatility, shifts in US tariff policy affecting global growth and hydrocarbon prices, and the potential intensification of conflicts in the Middle East—mainly impacting Algeria through the commodity price channel. Increasing geoeconomic fragmentation could disrupt trade. Structural risks stem from extreme climate events, which would affect agriculture and carry high fiscal costs. Domestically, contingent liabilities (including from SOEs) and high fiscal financing needs could jeopardize fiscal and debt sustainability and intensify the sovereign-bank nexus or trigger a fallback to monetary financing, especially in the absence of timely macroeconomic adjustment and structural reforms. Under the downside scenario A from the April 2025 WEO, rising global tensions and commodity price volatility would widen Algeria's current account and fiscal deficits, slow growth, and reduce reserves relative to the baseline (Annex VII). Upside risks include successful fiscal adjustment and the implementation of the government's action plan and structural reform agenda.

Authorities' Views

10. The authorities were more optimistic about medium-term growth, while acknowledging the risks to the economic outlook. They expected growth to stay strong at around 4 percent through the medium term, emphasizing that their structural reform agenda, large infrastructure projects, and initiatives like the 2022–23 Investment and Land Laws were expected to stimulate private sector investment. They also pointed to the marked increase in nonhydrocarbon exports as evidence of the government's public investment strategy aimed at diversifying the economy and enhancing its resilience to hydrocarbon price volatility. While broadly agreeing with staff's assessment of the main economic risks, they noted that fiscal-financial risks—from contingent liabilities and sizable financing needs—were being closely monitored and managed.

POLICY DISCUSSIONS³

In the near term, safeguarding macro-financial stability amidst heightened global uncertainty and declining oil prices will require an urgent and sizable fiscal consolidation, complemented by proactive data-dependent monetary policy, enhanced exchange rate flexibility, and a close monitoring of financial sector risks. Over the medium term, unlocking Algeria's full growth potential will require deep reforms to reduce fiscal vulnerabilities and strengthen institutional governance, diversify the economy, and boost private sector development. Reform priorities include: (i) increasing fiscal space to safeguard priority spending while ensuring debt sustainability and reducing fiscal risks (including from SOEs); (ii) improving the monetary policy framework and financial supervision to safeguard macro-financial stability and promote financial deepening; and (iii) accelerating structural reforms to catalyze private investment and foster inclusive job-rich growth.

² See Annex II (Risk Assessment Matrix).

³ See Annex I (Implementation of Past IMF Recommendations).

A. Fiscal Policy

11. Large fiscal deficits projected for 2025-26 pose significant financing challenges. Staff projects the overall fiscal deficit at 11.5 percent of GDP in 2025 and to remain elevated at 12.4 percent in 2026, before gradually receding. With the FRR depleted, and in the absence of alternative financing sources, large gross financing needs would strain the domestic banking sector and crowd out private credit, increasing the risk of a fallback to an unconventional monetary financing scheme.

12. In addition, the significant worsening of the fiscal deficit and erosion of fiscal buffers has increased Algeria's overall risk of sovereign stress to "high". The sharp deterioration of the budget deficit and depletion of the FRR in 2024 would lead to a more rapid buildup of debt over the projection period. Over the medium term, it would leave no fiscal space to respond to shocks, while high uncertainty, especially from volatile hydrocarbon revenue, would add to risks of sovereign stress, resulting in an assessment of medium- and long-term risk ratings at "high" (Annex IV). As a result, the overall rating in the Sovereign-Risk Debt Sustainability Analysis (SR-DSA) is raised to "high", from "moderate" in the 2023 Article IV.

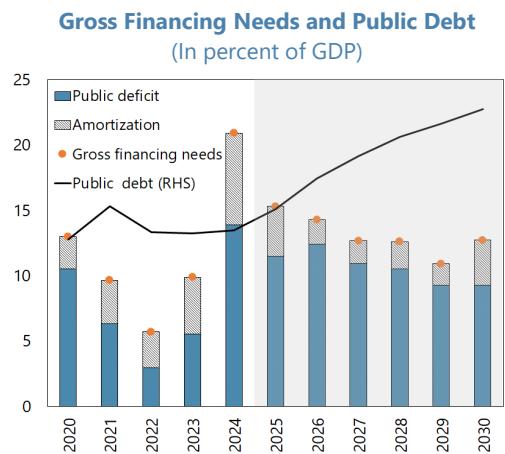
13. Fiscal consolidation is urgently needed, both to address financing challenges in the short term, and to stabilize the debt trajectory over the medium term. The rapid erosion of fiscal buffers in 2024 and increased global uncertainty call for an urgent reduction of the fiscal deficit starting immediately in 2025, to stabilize the medium-term debt path. Highlighting the significant worsening in fiscal balances since the 2023 Article IV, staff's estimates indicate that stabilizing debt by 2028 would require an additional fiscal consolidation of 5 percent of GDP (or 6 percent of nonhydrocarbon GDP) over 2025-28 relative to the baseline—a larger consolidation than that proposed in the 2023 AIV. This would necessitate revising the 2025 budget to limit the extent of fiscal expansion, including through a more gradual implementation of public investment to better account for limited absorption capacity. Careful and proactive communication about the gradual adjustment strategy would also be critical to garner public support. In the meantime, the authorities are encouraged to resort to external or Islamic financing as already under their consideration to help alleviate their financing challenges and to avoid the use of monetary financing and of financial operations such as the 2021 *Programme Spécial de Refinancement* (PSR).

14. Consistent with past advice, a rules-based fiscal framework could enhance the budget's resilience to shocks. Adoption of a rules-based framework with a fiscal anchor to guide medium-term fiscal projections would make the budget more resilient to shocks. Considering the urgent need for fiscal consolidation, staff's recommendation to stabilize public debt in the medium term is an initial step towards a rules-based approach.

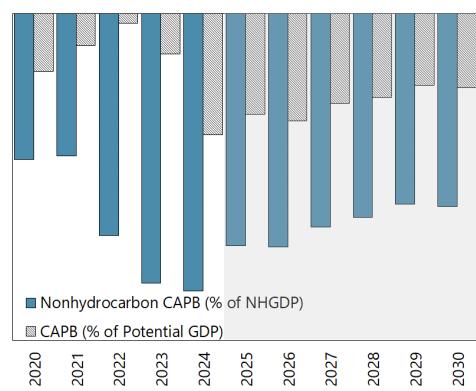
Text Figure 2. Fiscal Policy Developments, 2020–2030

The public debt ratio would increase over the medium term because of large gross financing requirements...

... fueled by significant public deficits despite the gradual tightening of the fiscal stance.



Cyclically Adjusted Primary Balances



Sources: Algerian authorities; and IMF staff estimates and projections.

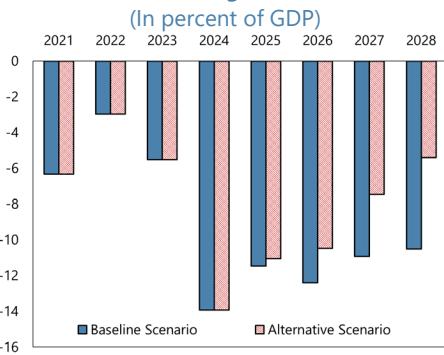
15. The fiscal consolidation proposed for 2025–28 could be achieved through a combination of nonhydrocarbon revenue measures and expenditure rationalization. On the revenue side (1.5 percent of GDP), measures could include a combination of tax policy reforms and tax administration measures to improve compliance and recover tax debts. On the expenditure side (3.5 percent of GDP), measures could include the gradual phasing out of energy subsidies (partially offset by direct cash transfers to compensate vulnerable households),⁴ reduction of transfers to SOEs, and public investment restraint coupled with measures to improve its efficiency (Annex VIII and Text Table 2).

Text Figure 3. Impact of Additional Fiscal Measures on Fiscal Balances and Public Debt, 2021–2030

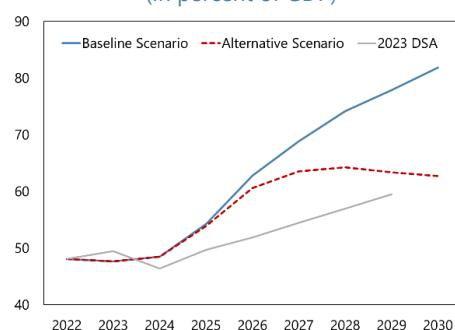
Additional fiscal adjustments of 5pp. of GDP over 2025–28 would lower the fiscal deficit...

...and stabilize the public debt ratio below 65 percent of GDP.

Overall Budget Balance (In percent of GDP)



Gross Government Debt, excl. Guarantees (In percent of GDP)



Sources: Algerian authorities; and IMF staff estimates and projections.

⁴ See also paragraph 17, the 2023 Algeria Article IV Consultation Staff Report and Selected Issues paper.

Text Table 2. Algeria: Alternative Fiscal Scenario (with Public Debt Stabilization), 2024–2028						
	2024	2025	2026	2027	2028	Δ2024–28
(In percent of GDP, unless otherwise indicated)						
Baseline						
Total revenue	23.2	24.4	22.3	22.5	22.1	-1.1
Nonhydrocarbon revenue (% Nonhydro GDP)	14.0	16.7	14.8	15.0	14.9	0.9
Nonhydrocarbon tax revenue	9.4	9.9	10.0	10.2	10.5	1.0
Total expenditure	37.1	35.9	34.7	33.4	32.6	-4.5
Total expenditure (% Nonhydro GDP)	44.6	42.2	40.7	39.2	38.4	-6.2
Current expenditure	27.1	26.9	26.2	25.4	25.0	-2.1
o.w. Transfers	14.6	14.4	13.8	13.1	12.6	-2.1
Capital expenditure	9.9	7.6	7.3	6.8	6.3	-3.5
Overall balance	-13.9	-11.5	-12.4	-10.9	-10.5	3.4
Nonhydrocarbon balance (% Nonhydro GDP)	-30.6	-25.6	-26.1	-24.8	-23.9	6.7
Gross government debt	48.5	54.3	62.8	68.9	74.2	25.7
Alternative						
Total revenue	23.2	24.4	22.8	23.4	23.6	0.4
Nonhydrocarbon revenue (% Nonhydro GDP)	14.0	16.7	15.3	16.0	16.6	2.6
Nonhydrocarbon tax revenue	9.4	9.8	10.4	11.0	11.8	2.4
Total expenditure	37.1	35.4	33.3	30.9	29.0	-8.1
Total expenditure (% Nonhydro GDP)	44.6	41.7	39.0	36.4	34.2	-10.4
Current expenditure	27.1	26.9	25.5	23.9	22.6	-4.5
o.w. Transfers	14.6	14.4	13.1	11.6	10.3	-4.4
Capital expenditures	9.9	7.1	6.5	5.8	5.1	-4.7
Overall balance	-13.9	-11.0	-10.5	-7.5	-5.4	8.5
Nonhydrocarbon balance (% Non-hydro GDP)	-30.6	-25.0	-23.8	-20.3	-17.6	-16.0
Gross government debt	48.5	53.9	60.6	63.6	64.3	15.8
Additional fiscal measures (% Baseline GDP)		0.5	1.5	1.5	1.5	5.0
Nonhydrocarbon revenue			0.5	0.5	0.5	1.5
Transfers			-0.7	-0.8	-0.8	-2.3
Capital expenditure		-0.5	-0.3	-0.2	-0.2	-1.2

Source: IMF staff estimates and projections.

16. An updated medium-term revenue mobilization strategy (MTRS) could help steer efforts to boost nonhydrocarbon revenue. The authorities have made progress in improving tax collection, by digitalizing filing, payment and monitoring systems, and launching operationalization of a new data sharing platform among tax authorities, which has strengthened tax compliance. Policy reforms include raising the IFU (*Impôt Forfaitaire Unique*) minimum payment for small enterprises and in excises on tobacco. However, widespread and growing tax exemptions⁵ and tax incentives have continued to erode the tax base, limiting gains in nonhydrocarbon revenue. Staff estimates a significant nonhydrocarbon tax gap of 2–4 percent of GDP, pointing to significant untapped potential (Box 1 and SIP). Closing this will require tax base broadening—particularly via the VAT—

⁵ For the VAT, the introduction of new exemptions and the broader application of zero and reduced rates has contributed to a decline in C-efficiency over the period (see SIP).

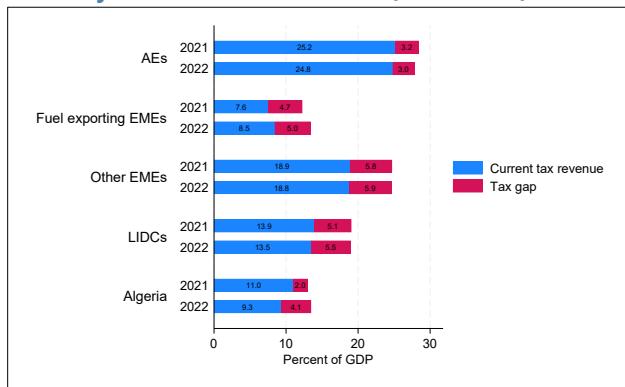
simplifying the tax code, strengthening tax administration, including by adopting a comprehensive compliance risk management program to address critical risks posed by key industries and further digitalization, and adopting an MTRS to guide and sustain efforts.

Box 1. Tapping Algeria's Nonhydrocarbon Tax Potential

With hydrocarbon revenues, marked by high volatility, accounting for two-thirds of total collections between 2020–2024, Algeria faces the challenge of sustainably increasing nonhydrocarbon tax revenues, stagnant at around 10 percent of GDP for over two decades.

Algeria's Tax Potential is significant. IMF staff used a benchmarking approach to estimate Algeria's structural nonhydrocarbon tax potential, comparing its revenue performance with peers sharing similar characteristics—such as income level, trade openness, economic structure, and government effectiveness (see SIP). The difference between actual and potential revenue provides an estimate of the "tax gap." The analysis suggests a "tax gap" of 2.0 to 4.1 percent of GDP, with Algeria's potential estimated at 13.5 percent of GDP.

Algeria's Nonhydrocarbon Tax Potential (2021–2022), Baseline Model



Sources: World Revenue Longitudinal Database, World Economic Outlook, World Development Indicators, and IMF staff calculations.

Despite improvements in tax administration—such as digitalization and arrears recovery--policy and structural reforms could help reduce this gap:

- *VAT.* Multiple rates and widespread exemptions reduce efficiency and limit revenue (averaging only 3.3 percent of GDP); streamlining could add 0.75 percent of GDP. Coordination with subsidy reform is needed, as many commodities—such as the first electricity tranche and basic foodstuffs—are both VAT-exempt and subject to price controls and related subsidies.
- *CIT.* Complex rules and incentives keep revenues low (1.8 percent of GDP); aligning with the global standards (Pillar Two) and simplifying could boost collections.
- *Excise and property taxes.* Both are underused; updating valuations and increasing rates could yield short (excises)- to medium (property)-term gains.
- *Informality.* At 32 percent of GDP, informality weakens compliance; simplifying SME regimes and stronger enforcement could expand the tax base.

A Medium-Term Revenue Strategy (MTRS) could provide a coherent framework to guide reforms and unlock Algeria's revenue potential (See SIP).

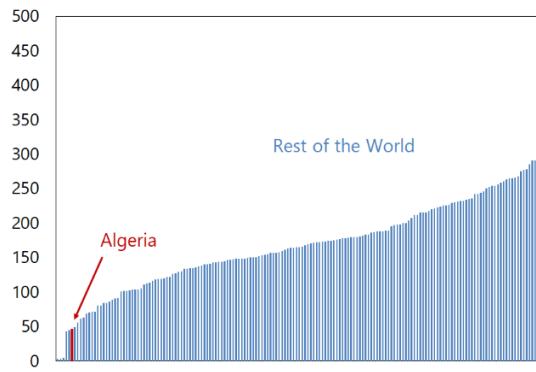
17. A credible medium-term fiscal consolidation strategy would also require reforms to rationalize inefficient spending. The authorities have been considering energy subsidy reform since the 2022 Budget Law. If implemented gradually, and based on the analysis in the 2023 Article IV, bringing the price of fuel and electricity to cost recovery levels could yield substantial additional annual revenues over the medium term, reaching an average of 7.2 percent of GDP during the first 5 years of implementation (Text Figure 4). The World Bank is assisting in developing a framework for compensatory measures to protect vulnerable households, which will be critical to accompany subsidy reform. With such safeguards in place, staff advised moving forward with energy subsidy reform, which would help reduce the fiscal deficit, restore fiscal buffers, and enable more targeted support for those most in need.

Text Figure 4. Global Gasoline Prices and Impact of Subsidy Reform on Public Finances

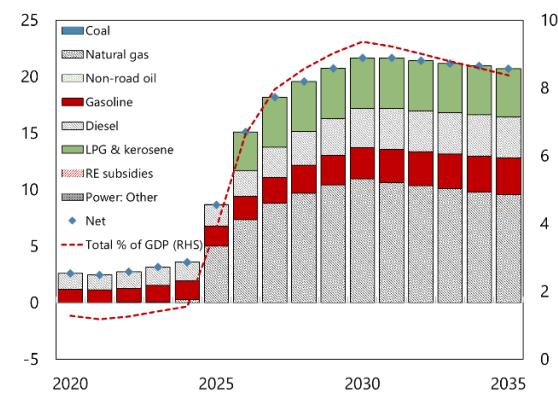
With gasoline prices in Algeria among the lowest in the world...

...energy subsidy reform would yield average annual fiscal revenue of about 7.2 percent of GDP in the first five years of implementation.

Global Gasoline Prices
(In DZD/liter, July 7, 2025)



Fiscal Revenues Raised by Fuel and Total
(In constant 2021 USD bn)



Sources: Global Petrol Prices, IMF staff calculations, and IMF/WB Climate Policy Assessment Tool (CPAT).

18. Strengthening public financial and investment management and enhancing fiscal transparency would help contain fiscal risks and improve public investment efficiency. The authorities have taken important steps, including implementing the Organic Budget Law, advancing the shift to program budgeting, and initiating reforms towards performance-based budgeting. The implementation decree for the new Public Procurement Law—aimed at enhancing transparency and reducing corruption risks—is pending Parliamentary approval. Looking ahead, developing a financing plan would enhance budget credibility and strengthen cash and debt management. Fiscal transparency could be strengthened through the publication of in-year budget execution reports, SOE financial statements, and regular updates on extrabudgetary entities. A Public Investment Management Assessment (PIMA) could support efforts to improve investment efficiency, key to diversification. Establishing a contingency planning framework would also help address structural risks from pension system deficits and climate change.

19. Improving SOE oversight, efficiency, and governance would contain macro-financial risks from contingent liabilities and the growing sovereign-bank nexus. SOEs pose a significant fiscal risk in Algeria due to weak financial transparency and corporate governance, and their interconnectedness with public banks. While some SOEs rely on state support—and some have required government bailouts in the past—they also perform quasi-fiscal functions that are not always fully compensated. Financial transfers to SOEs increased from 0.7 percent of GDP in 2005 to 4 percent of GDP in 2020, prior to the 2021 PSR. Their close relationship with public banks adds to fiscal vulnerabilities through subsidized lending and government guarantees. The creation of a dedicated SOE oversight unit within the Ministry of Finance is a welcome step, in line with the government's 2020-24 Economic Recovery Plan, but additional reforms are needed to better align SOEs' governance framework with international standards and strengthen their financial oversight (Annex VI). The new SOE unit should ensure the regular publication of individual SOE financial statements and report on the consolidated performance of the SOE sector.

Authorities' Views

20. The authorities did not consider immediate fiscal adjustment necessary. They indicated their intention to maintain public investment projects to support growth, noting that their conservative oil price assumption of USD 60 per barrel—significantly below current market levels—has historically allowed them to exceed budget targets and build fiscal buffers. They also viewed debt risks as manageable, given the absence of external debt and a public debt-to-GDP ratio of 48.5 percent at end-2024. Looking ahead, they expected this ratio to be supported by stronger economic growth than projected under staff's baseline, bolstered by dividends from public investment projects.

21. The authorities broadly agreed with the recommendations and highlighted progress in revenue collection, implementation of performance-based budgeting, and ongoing efforts to improve transparency. They concurred with tax policy recommendations and have requested additional TA on the development of a MTRS, refining VAT exemptions, reforming mining taxation, and implementing the Tax Administration Diagnostic Tool (TADAT). They noted however that the stability of the tax regulatory framework was essential and that any revision of the revenue mobilization strategy should complement rather than replace ongoing efforts to broaden the tax base and strengthen compliance. They pointed out their ongoing work to assess the cost of VAT exemptions but noted that their streamlining would need to be coordinated with subsidy reform. The authorities also agreed in principle on the need to reform energy subsidies to rationalize public expenditure while protecting the most vulnerable. They highlighted the launch of a new online public procurement portal and noted that full implementation of the new public procurement regulations is expected in 2025.

B. Monetary and Exchange Rate Policies

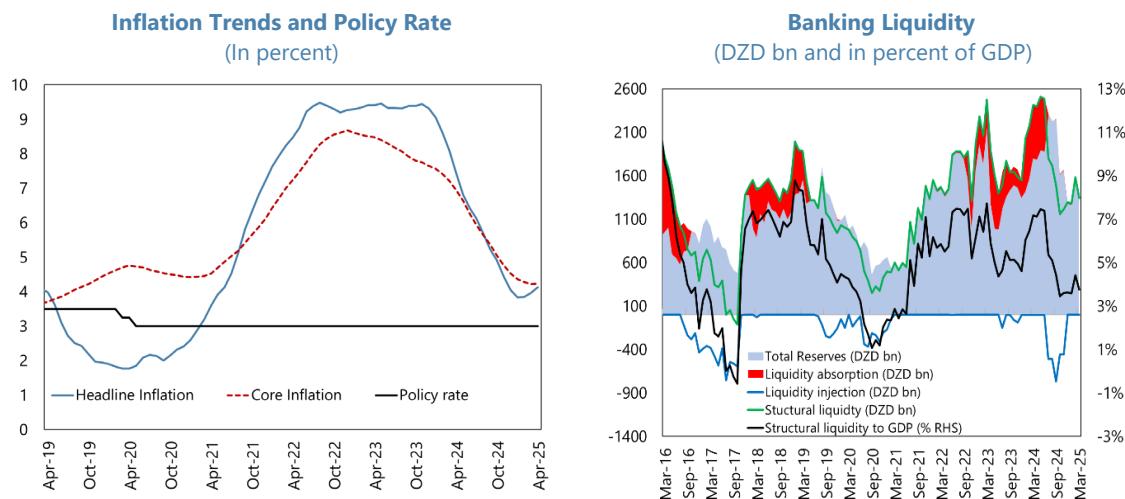
22. The current monetary policy stance of the Banque d' Algérie (BA) is accommodative, countering tight banking sector liquidity. With the policy rate and reserve requirement rate unchanged at 3 percent since mid-2023, headline inflation eased to BA's target of 4 percent in 2024 and is projected to remain contained in 2025. At the same time, falling net foreign assets and public banks' repayments of loans for the 2021 PSR have tightened banking sector liquidity since mid-2024. To manage liquidity, the BA injected liquidity via 3-month open market operations in February, April and May 2025. In addition, in January 2025, at the request of the Treasury, the BA provided a DZD 750 billion advance to the Treasury at zero interest, in line with Article 48 of the new Monetary and Banking Law, to be reimbursed by end-August 2025; and a DZD 850 billion dividend payment in February.

23. Staff considers the monetary policy stance as adequate and urges the BA to use all available tools to attain price stability, and to abstain from any monetary financing schemes. To complement fiscal consolidation efforts, monetary policy should continue to be guided by economic data and remain closely aligned with developments in actual and expected inflation. Given lower expected export revenues in 2025 and elevated fiscal financing needs, liquidity is likely to remain tight, helping to counter inflationary pressures. Monetary financing—either direct, as seen in 2017, or indirect, as in the 2021 PSR—should be avoided, as it could undermine BA's credibility and independence while hindering the conduct of monetary policy, weakening BA's ability to manage inflation, heightening financial stability risks, and putting pressure on foreign reserves.

Text Figure 5. Inflation, Bank Liquidity, and Monetary Policy Instruments

Inflation moderated during 2024...

...in tandem with tightening structural liquidity.



Sources: Algerian authorities and IMF staff estimates.

24. Allowing greater exchange rate flexibility would facilitate its role as an automatic stabilizer amid volatile hydrocarbon prices and global uncertainty. Widening the BA's buy/sell band around the officially set daily nominal exchange rate (currently +/- 0.15 DZD/USD) is a first step. Greater flexibility would also support interbank FX market development in line with the new MBL, support diversification efforts, boost nonhydrocarbon exports, and improve monetary policy transmission. The de jure exchange rate is managed floating, and the de facto exchange rate is crawl-like. According to the external Balance Assessment (EBA), the external position of Algeria in 2024 was moderately weaker than the level implied by fundamentals and desirable policies. It suggests a moderate REER overvaluation of 6.3 percent in 2024 (Annex III).

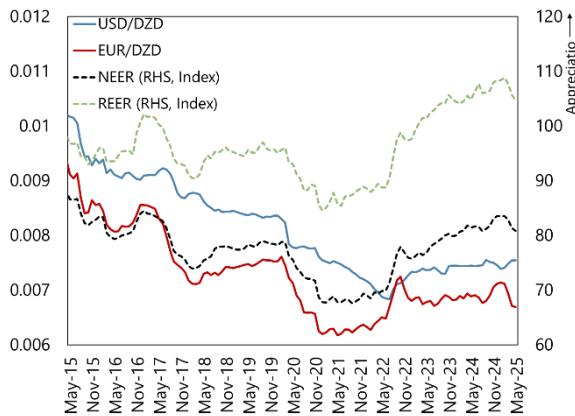
25. Decisive measures to increase FX availability for current transactions would help address the widening parallel market premium. The parallel market premium has widened from 50 to 70 percent over the last two years on the back of expansionary fiscal policy, tight restrictions on some imports and some FX transactions, and declining remittances. Measures to narrow this premium and curb parallel market activity, such as the July 2025 increase in the foreign exchange allowance for travel, should be prioritized, particularly given significant AML/CFT risks. Greater exchange rate flexibility would also help reduce the spread between the official and parallel rates. The BA should continue to ensure that sufficient foreign exchange is available for current international transactions, in line with IMF Article VIII obligations.

Text Figure 6. Effective Exchange Rates and the Parallel Market Premium

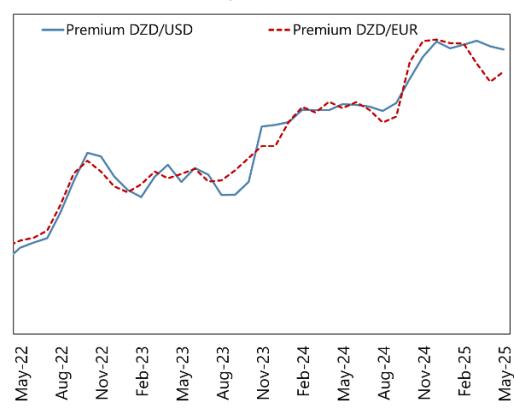
The NEER and REER started to appreciate in mid-2022...

...and the parallel market premium kept widening since early 2022 reaching 70 percent.

Exchange Rate to USD and EUR, NEER and REER



Parallel Exchange Rate Premium
(In percent)



Sources: Algerian authorities and IMF staff estimates.

Authorities' Views

26. The authorities considered their current monetary and exchange rate policies as appropriate and emphasized the steps they were taking to reduce parallel market activity.

They agreed on the importance of avoiding monetary financing schemes and using all available tools

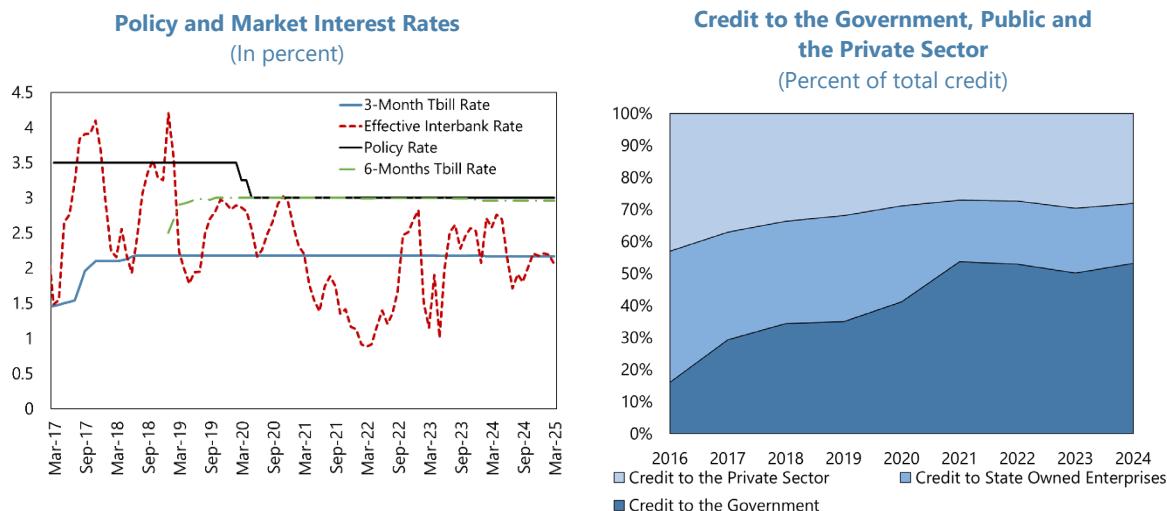
to ensure price stability. While acknowledging the exchange rate's role as a shock absorber, they emphasized that it should be part of a broader complementary policy mix, including fiscal consolidation when appropriate. To address parallel market pressures, a new provision has been approved by the BA to increase the foreign currency travel allowance from EUR 100 to EUR 750 per person, effective July 20, 2025. They had already increased the foreign currency allowance for the hajj pilgrimage to USD 1000. They also noted that they were implementing actions to combat illicit activity such as smuggling.

27. The BA has made steady progress in modernizing its monetary policy operations and framework. The liquidity management framework has been strengthened, with the absorption of excess liquidity and repayments of PSR loans during 2024 and early 2025 helping to reactivate the interbank market. The BA has also significantly strengthened capacity in macroeconomic forecasting and policy analysis to support policy decision-making and communication with the Forecasting and Policy Analysis System (FPAS), developed with the support of IMF TA, and aims to start regular communication on monetary policy decisions.

Text Figure 7. Interest Rates and Credit to the Economy

The policy rate does not transmit to other short-term interest rates and T-bill rates do not appear to be market based.

An increasing amount of credit to the economy is allocated to the government.



Sources: Algerian authorities and IMF staff estimates.

28. Establishing a clear primary objective and nominal anchor for monetary policy would enhance its effectiveness and transmission. Algeria's monetary policy framework could be strengthened by clearly prioritizing price stability as its primary objective and identifying a nominal anchor. Future revisions or implementation texts of the MBL should explicitly establish price stability as the foremost objective of monetary policy—rather than one of several—to help anchor expectations, enhance credibility, and improve policy transparency. Staff's analysis finds that

monetary policy transmission through interest rates is currently weak, as the BA targets monetary aggregates, and the policy rate plays a limited role (see SIP). Interest rate transmission could be improved by narrowing the interest rate corridor. The BA should also consider gradually and transparently unwinding its government bond holdings—by avoiding new purchases and allowing existing bonds to mature—while fostering the development of a domestic bond market to establish a yield curve and diversify the investor base.

Authorities' Views

29. The authorities agreed with staff's findings on monetary policy transmission and highlighted limited competition in the banking sector as a key challenge. They noted that their own analysis shows monetary policy in Algeria has a stronger impact on inflation than on growth, potentially because nonhydrocarbon growth—particularly agriculture—is heavily influenced by weather rather than monetary conditions. They highlighted that limited banking sector competition undermines the pass-through of interest rate cuts to bank lending rates. They also noted that limited interbank market activity hinders transmission, as banks prefer to hold excess liquidity at the central bank despite more attractive interest rates in the interbank market. They also acknowledged that reducing government bond holdings on the BA's balance sheet presents challenges, as these bonds are non-marketable, having been issued in 2017 with a low interest rate and long maturities.

C. Financial Sector Policies

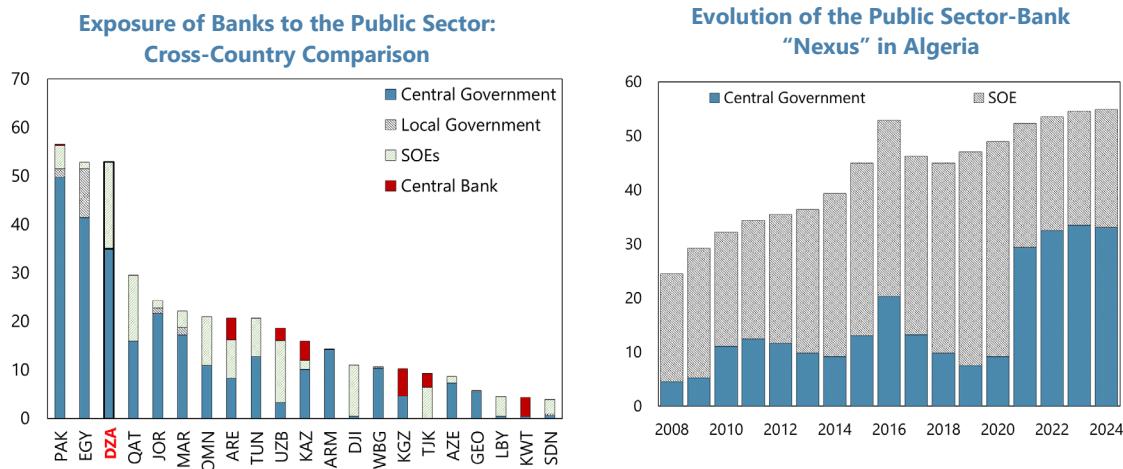
30. Close monitoring and enforcement of regulatory requirements are essential to contain emerging financial sector risks. Strong links between banks, SOEs, and the central government increase macro-financial vulnerabilities, especially during shocks. While banks currently comply with solvency and liquidity requirements, declining hydrocarbon revenues, global uncertainty, and growing public financing needs could challenge the system's resilience. As of end 2024, nonperforming loans (NPLs) remained high, at 20.7 percent—22.5 percent in public banks and 9.3 percent in private banks with about half provisioned. In this context, it is essential that the BA continues to closely monitor individual banks' liquidity positions and addresses imbalances, especially given uneven liquidity distribution and a shallow interbank market and remains vigilant to solvency risks to prevent a further increase in NPLs.

31. Enhanced monitoring of the financial sector is particularly important to reduce risks from the central government – SOE – SOB nexus. Algeria's banking sector faces rising exposure to the public sector. Heavy reliance on bank financing and the close nexus between the government, SOEs and SOBs pose macro-financial risks and crowd out credit to the private sector, especially in the context of high fiscal deficits and elevated NPLs. These complex interlinkages and past practices, such as debt exchanges, monetary financing, and public support for SOEs, could amplify risks during shocks—such as falling hydrocarbon prices—by creating a feedback loop that would jeopardize debt sustainability and complicate monetary policy.

Text Figure 8. Banks' Exposure to the Public Sector

(In percent of total assets)

Algerian Banks are among the most exposed to the public ...and their exposure has been increasing over time.
sector compared to peers...



Sources: Algerian authorities; and IMF staff estimates.

32. Efforts to address AML/CFT deficiencies must continue to facilitate Algeria's removal from the FATF's list of jurisdictions under increased monitoring. The BA has received IMF TA to help revamp the AML/CFT regulatory framework for banks, design a risk-based supervision strategy, and update the offsite and onsite supervision manuals. Progress has also been made in addressing broader gaps in the AML/CFT framework and conducting a national assessment of money laundering and terrorist financing risks. Looking ahead, key priorities include improving risk-based supervision of non-bank financial institutions and high-risk non-financial professions, improving the accuracy of beneficial ownership information in the new centralized registry, and enhancing enforcement of terrorism-related targeted financial sanctions.

33. The timely implementation of the 2020 FSAP recommendations and new MBL would reinforce financial stability and support reforms to increase financial inclusion. The authorities have advanced key 2020 FSAP recommendations, including risk-based supervision, crisis management, greater independence of the monetary and credit council and banking commission, and differentiated regulation of capital requirements for conventional, digital, and Islamic banks. Next priorities include finalizing the collateral framework and the emergency liquidity assistance (ELA) mechanism. Further steps should advance financial sector development by leveling the field for public and private banks, phasing out subsidized lending, strengthening NPL resolution, improving stress testing and risk monitoring, and publishing financial stability reports.

Authorities' Views

34. The authorities acknowledged the importance of vigilant supervision for financial stability, and highlighted progress made in implementing FSAP recommendations as well as FATF recommendations on AML/CFT. They underscored progress in upgrading the supervisory framework for monitoring financial sector risks, as well as efforts underway to enhance digitalization and financial inclusion. On AML/CFT, they noted that as of September 2024, there were thirteen recommended actions by FATF outstanding; one of these was completed and steady progress was underway on the twelve remaining. They also published key guidelines on targeted financial sanctions, beneficial ownership, due diligence and self-assessments. In addition, they prepared draft regulatory procedures for the foreign exchange market, PSPs and digital banks, which are pending legislative approval.

D. Structural Reforms to Promote Growth

35. Unlocking Algeria's growth potential requires reforms to improve the business environment, attract investment, diversify the economy, and boost private sector development. The 2022-23 Investment and Land Laws represent important steps toward enhancing the business climate, and the authorities are pursuing further initiatives to support diversification and private investment—such as establishing a one-stop digital shop to facilitate investors' real estate access, aligning Algerian exports with international standards, and advancing digitalization to support online trade. However, widespread trade restrictions and price controls continue to limit competition, while limited access to credit, low productivity, high informality and youth unemployment hinder private sector growth. Deeper reforms to increase product and labor markets more flexible, reduce price distortions, expand financial inclusion, and ensure a level playing field between the private sector and SOEs could boost competition, innovation, and productivity, while reducing informality. In addition, the extensive use of fiscal incentives to support investment requires careful review to contain fiscal costs.

36. Various efforts underway to diversify outside the hydrocarbons sector should continue. Thus far, these have focused on energy-intensive and natural resource-based industries, such as cement, fertilizer and steel, and exploring new markets for SOBs. Further efforts are underway to promote the development of the mining sector, including the drafting of a new mining code aimed at easing FDI restrictions and encouraging investment in the renewable energy sector (Annex X). Looking ahead, reducing trade barriers and FDI restrictions for some sectors, further addressing bureaucratic bottlenecks and administrative delays, and limiting regulatory changes could help accelerate diversification efforts. Moreover, rising geoeconomic fragmentation makes it more imperative at this juncture to build regional networks and enhance regional trade and integration.

37. Reforms to strengthen governance and transparency and reduce vulnerabilities to corruption are laudable and must continue (Annex VI). Key reforms include the July 2023 national anti-corruption strategy, the June 2023 new MBL, the new Procurement Law, the establishment of a centralized beneficial ownership registry, and digitalization initiatives to improve fiscal oversight and

revenue collection. Despite these advances, challenges remain—particularly in the hydrocarbon and SOE sectors and AML/CFT. Further steps are needed to enhance transparency, strengthen the independence of the judiciary and anticorruption agencies, and exit from FATF's list of jurisdictions under increased monitoring.

38. Improving the coverage, timeliness and quality of statistics should be prioritized (Annex XI). Updating the CPI basket weights will enhance the accuracy of inflation measurement, and restarting the labor market survey (unemployment and labor market participation data have not been published since 2019) will allow for analysis of employment trends and social vulnerabilities. Additional key data are either transmitted with long delays (budget execution report) or frequently revised (historical data on GDP sectoral growth and deflators). The limited institutional coverage of government statistics also hinders the assessment of fiscal risks. More granular Financial Soundness indicators would allow for a more accurate assessment of liquidity risks. Improving the quality and coverage of national data statistics would offer a clearer economic picture and enhance transparency and credibility.

Authorities' Views

39. The authorities considered diversification and private sector development as key priorities and highlighted their efforts to improve the business environment and strengthen governance. They are pursuing reforms to implement the Investment and Land Law, including by further developing the AAPI online platform to streamline processes and improve service delivery to attract both foreign and domestic private investment. A new mining code, limiting FDI restrictions in the sector, was recently submitted for Parliament approval. They also underscored their commitment to strengthen governance and to exit the FATF grey list and noted their ongoing efforts to strengthen data quality and dissemination.

STAFF APPRAISAL

40. Algeria's economic prospects for the near term are broadly positive but clouded by growing fiscal vulnerabilities. The 2024 fiscal impulse supported growth into 2025 but, alongside falling hydrocarbon prices, led to a wider fiscal deficit and depleted fiscal buffers. Headline inflation eased in 2024 and is expected to remain moderate. The current account reversed to a deficit in 2024, projected to widen in 2025-26 before narrowing. Over the medium-term, growth is expected to slow due to moderating hydrocarbon output, financing constraints capping spending, and structural bottlenecks inhibiting private sector growth.

41. With the fiscal buffers depleted, large fiscal deficits pose significant financing and debt challenges, warranting urgent policy adjustment. Double-digit fiscal deficits projected for 2025-26 risk straining the banking sector and crowding out private sector credit, increasing the risk of recourse to unconventional monetary financing schemes. Absent concerted policy adjustment, large financing needs and deficits would significantly increase public debt over the medium term. The

sharp deterioration of the fiscal situation in 2024 has heightened near-term risks and increased Algeria's overall risk of sovereign stress to "high" based on the SR-DSA.

42. Stabilizing the debt trajectory by 2028 will require immediate and more ambitious fiscal consolidation. Staff analysis suggests that stabilizing public debt by 2028 would require additional fiscal consolidation measures of 5 percent of GDP over 2025–28 relative to the baseline. Looking ahead, consistent with past advice, adoption of a rules-based framework with a fiscal anchor to guide medium-term fiscal projections would make the budget more resilient to future shocks.

43. Ensuring medium-term fiscal sustainability will require reforms to rationalize inefficient spending, boost nonhydrocarbon revenue, and strengthen public financial and investment management. Energy subsidy reform could yield substantial additional annual revenues over the medium-term, creating space for better targeted spending. Closing the nonhydrocarbon tax gap, estimated at of 2-4 percent of GDP, offers further revenue potential. The authorities have made progress in tax collection through digitalization, improved PFM through program budgeting, and advanced procurement transparency with the new Procurement Law expected in 2025. Staff recommends advancing tax policy reform guided by a Medium-Term Revenue Strategy, incorporating a credible financing plan in the budget to strengthen cash management, and strengthening SOE oversight and governance to mitigate fiscal risks.

44. With inflation receding, the current accommodative monetary policy stance to counter tight banking sector liquidity is adequate. Going forward, the BA should continue vigilant monitoring of banks' liquidity, actual and expected inflation developments, and use all available tools to attain price stability. It should also refrain from any monetary financing, whether direct or indirect. Clearly establishing price stability as the primary objective of monetary policy in the MBL and identifying a nominal anchor would help anchor expectations, credibility and transparency.

45. Enhanced exchange rate flexibility would facilitate its role as an automatic stabilizer. In the context of heightened uncertainty and commodity price volatility, increased exchange rate flexibility would enhance the economy's ability to absorb shocks. It would also support efforts to diversify the economy, promoting nonhydrocarbon exports, and strengthening the monetary policy effectiveness. Widening the BA's official daily buy/sell nominal exchange rate band would be a first step. Measures to reduce the parallel market premium, such as increasing the foreign exchange allowance for travel, should be prioritized.

46. Vigilant enforcement of financial sector regulatory requirements would help secure macro-financial stability. The BA has made considerable progress in risk-based supervision, crisis management, and ensuring independent operation of supervisory entities. Continued vigilance is critical, particularly given risks from entrenched interlinkages between the government, SOBs, and SOEs. The authorities have demonstrated noteworthy commitment to addressing AML-CFT deficiencies identified by FATF and should complete remaining recommendations to facilitate exit from the list of jurisdictions under enhanced monitoring.

47. Initiatives to improve the business climate, boost private sector development, and diversify the economy are critical to realizing Algeria's full potential. The 2022-23 Investment and Land Laws, along with the launch of a one-stop digital platform are important steps toward easing red tape and promoting private investment. Nonetheless, deeper product and labor market reforms to enhance flexibility and limit price distortions, are needed to level the playing field, enhance competition, and spur innovation. Expanding and strengthening regional trade is also vital, amid growing geoeconomic fragmentation risks.

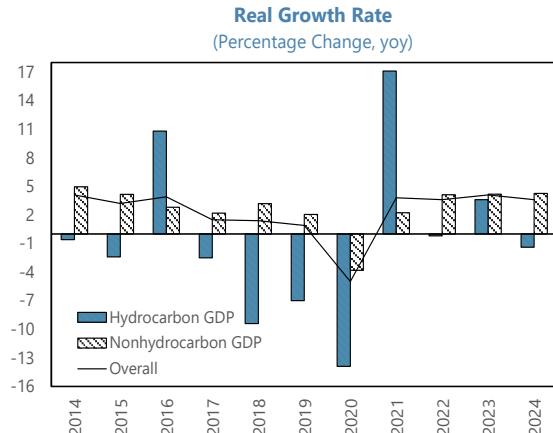
48. Recent reforms to strengthen governance and reduce vulnerabilities to corruption are commendable and should continue. The July 2023 national strategy to prevent and counter corruption, June 2023 new MBL, new Procurement Law, creation of a centralized beneficial ownership registry, and digitalization initiatives to enhance fiscal monitoring and revenue collection are important steps. Going forward, the authorities should redouble efforts to increase transparency, especially in the hydrocarbon and SOE sectors.

49. Improving the coverage, timeliness and quality of statistics would better inform policy making. While data provision remains broadly adequate, some gaps remain. The IMF stands ready to offer technical assistance to support ongoing improvements.

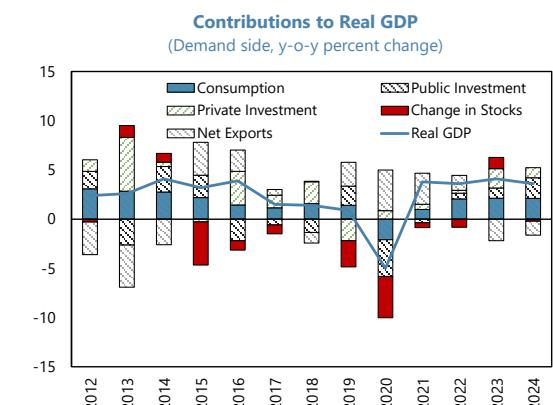
50. It is expected that the next Article IV consultation will take place on the standard 12-month cycle.

Figure 2. Real Sector Developments

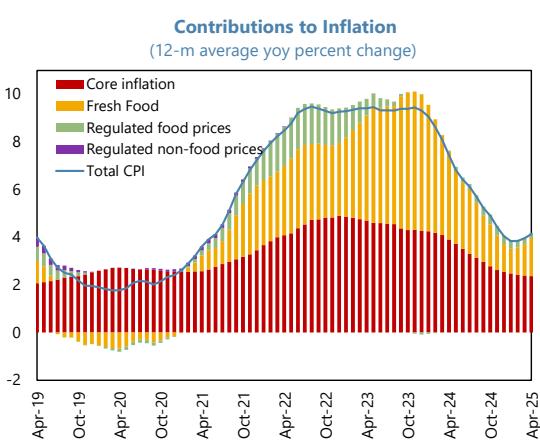
Real GDP growth has been robust in the post-Covid period, but OPEC production cuts weighed on hydrocarbon production in 2024....



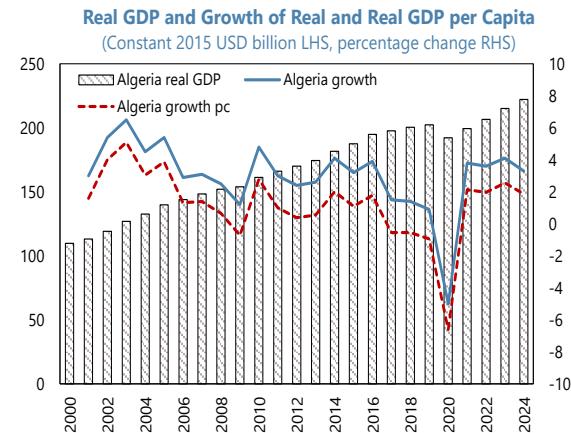
Consumption remained robust...



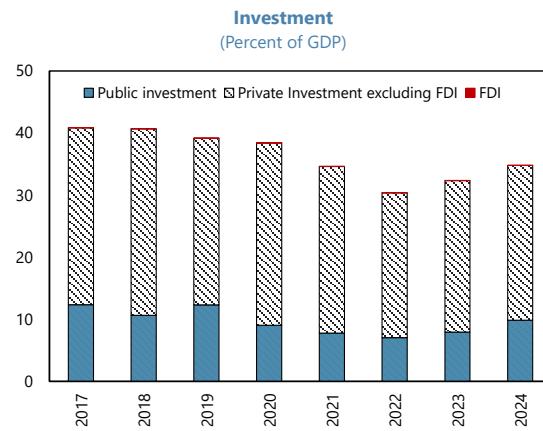
Inflation declined essentially due to lower food prices...



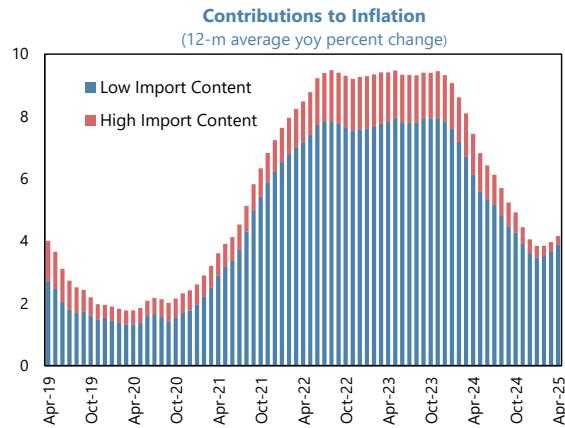
With fast growing population, GDP per capita growth remains modest.



...and the rise in public spending supported growth.



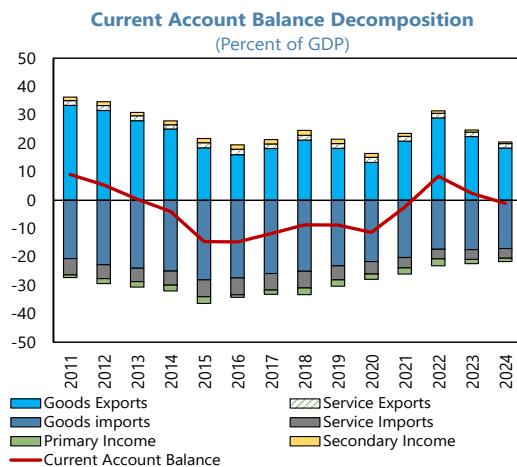
...and the contribution from high-import content goods kept diminishing.



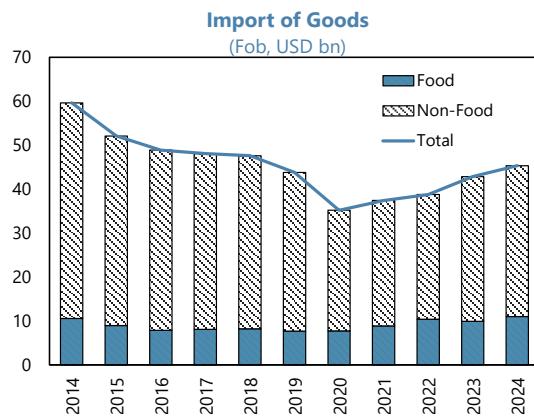
Sources: Algerian authorities; and IMF staff calculations and projections.

Figure 3. External Sector Developments

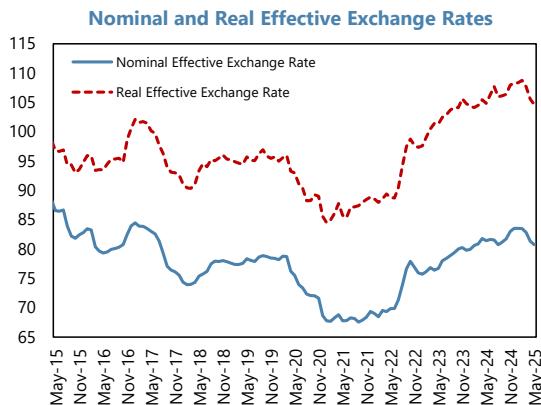
The current account balance returned to a small deficit of 1.1 percent of GDP in 2024...



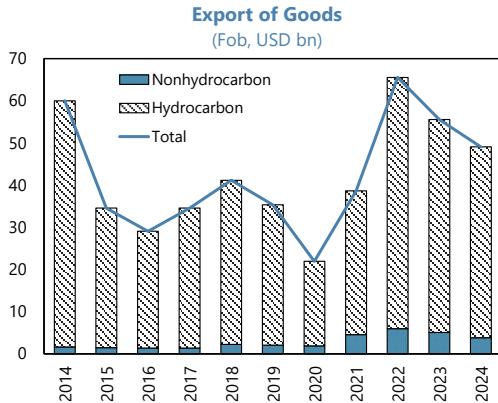
Falling oil prices and the growth in food and non-food imports contributed to the deficit in 2024.



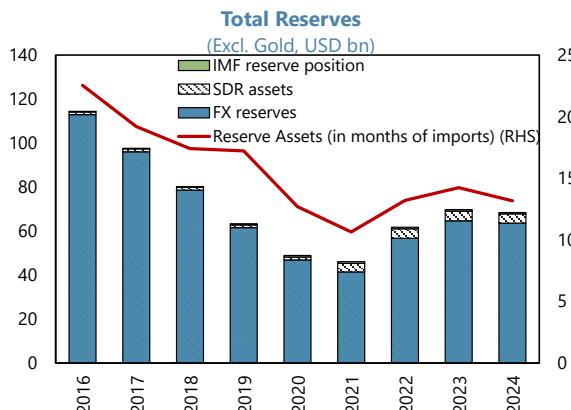
The real and nominal effective exchange rates continued to appreciate in 2024.



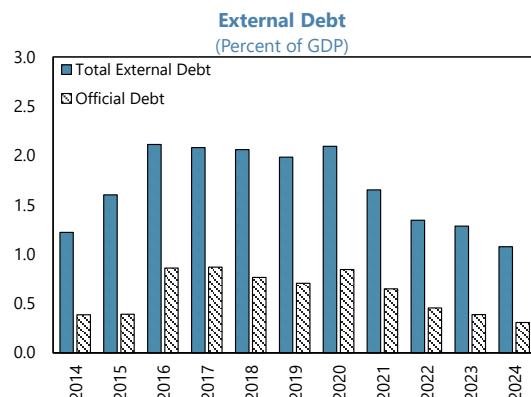
...despite still strong export performance driven by the hydrocarbon sector.



FX reserves experienced a small drop after two years of accumulation.



Total external debt remains very low.



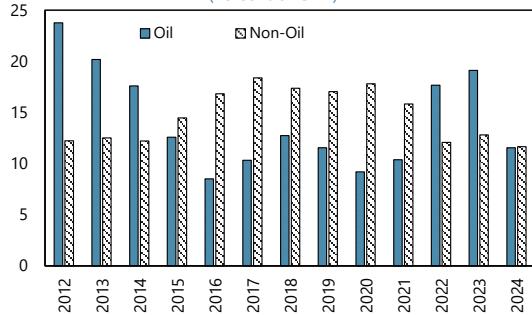
Sources: Algerian authorities; and IMF staff calculations and projections.

Figure 4. Fiscal Developments

With lower hydrocarbon prices, government revenues declined in 2024...

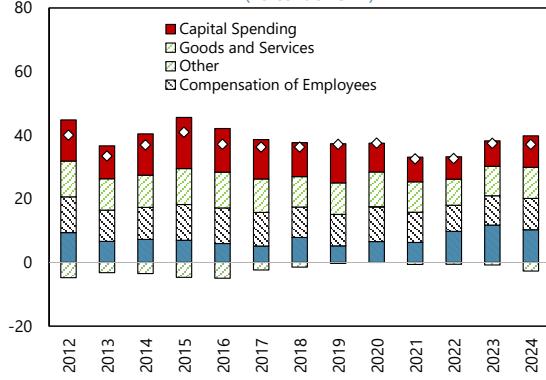
...while public spending remained elevated...

Oil and Non-Oil Revenue
(Percent of GDP)



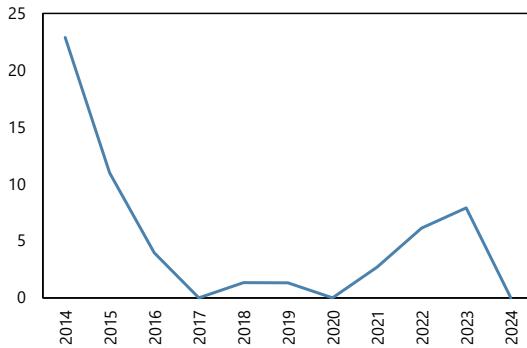
...as the rise in capital expenditures and wages compensated the decline transfers.

Expenditure Components
(Percent of GDP)

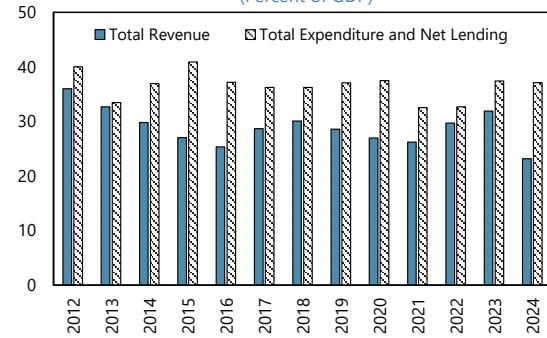


...and its financing depleted the FRR...

Revenue Regulation Fund Balance
(Percent of GDP)

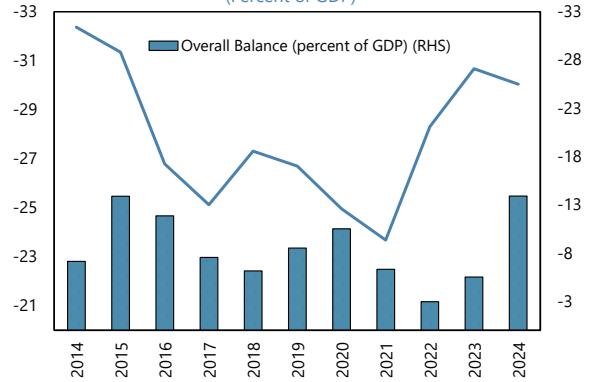


Revenue and Expenditure
(Percent of GDP)



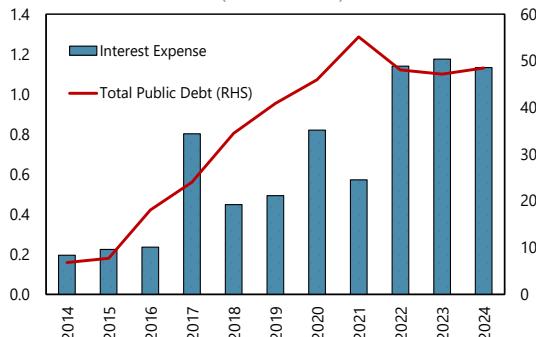
As a result, the overall deficit significantly widened...

Fiscal Balance
(Percent of GDP)



...limiting the increase in public debt.

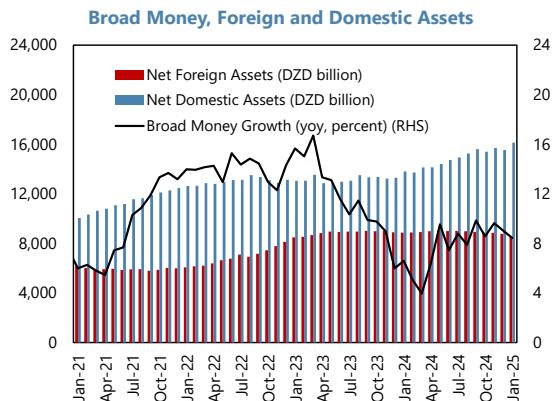
Debt and Interest Expense
(Percent of GDP)



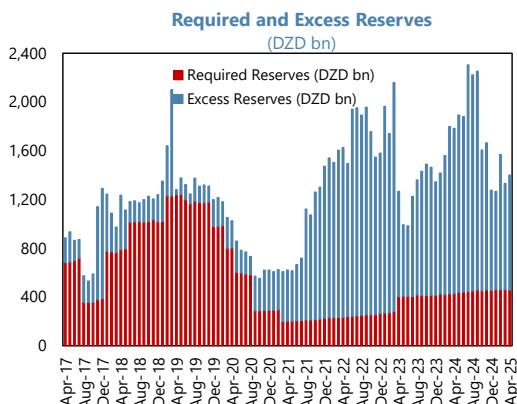
Sources: Algerian authorities; and IMF staff calculations and projections.

Figure 5. Monetary Developments

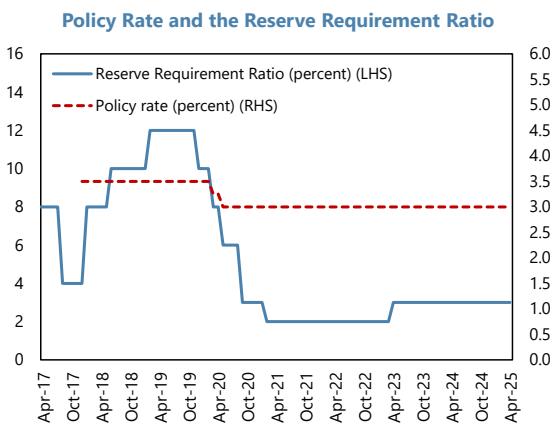
Broad money growth stabilized driven by a strong rise in domestic assets while NFA fell slightly in 2024.



With a low reserve requirement ratio, most reserves are held as excess reserves and overall reserves have dropped in 2024.



While policy rates have been unchanged over the last years.

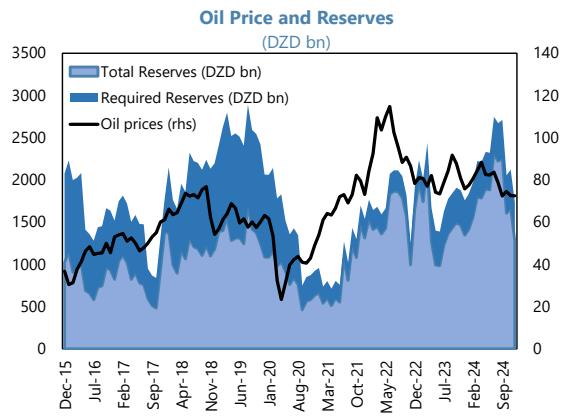


Sources: Algerian authorities; and IMF staff calculations.

A strong rise in credit to the central government is contributing to the growth in the NDA.



Reserves are largely determined by oil price developments.



Market interest rates indicate a tightening of liquidity conditions.

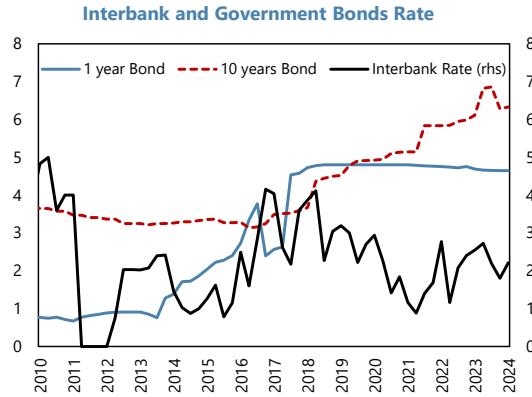


Table 2b. Algeria: Balance of Payments, 2020–2030
(Percent of GDP)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Projections
(In percent of GDP; unless otherwise indicated)												
Current account	-11.3	-2.4	8.4	2.4	-1.1	-3.7	-4.1	-3.6	-3.6	-3.2	-2.9	
Balance on goods	-8.3	0.6	11.8	5.1	1.4	-1.0	-1.4	-1.2	-1.1	-0.7	-0.3	
Exports, f.o.b.	13.3	20.8	29.0	22.4	18.4	16.1	15.7	16.3	16.6	17.7	18.5	
Hydrocarbons	12.1	18.3	26.4	20.4	17.0	14.8	14.2	14.3	13.8	13.8	13.7	
Other	1.2	2.5	2.6	2.0	1.4	1.3	1.5	2.1	2.8	3.9	4.9	
Imports, f.o.b.	21.6	20.2	17.2	17.3	17.0	17.1	17.1	17.6	17.7	18.3	18.8	
Balance on services Services (net)	-2.6	-1.9	-1.9	-1.9	-1.9	-2.1	-2.1	-1.8	-1.8	-1.8	-1.9	
Exports	1.8	1.7	1.6	1.5	1.6	1.4	1.4	1.4	1.4	1.5	1.6	
Imports	4.4	3.7	3.5	3.5	3.4	3.5	3.5	3.2	3.3	3.4	3.5	
Primary Income (net)	-1.8	-2.2	-2.4	-1.5	-1.2	-1.2	-1.3	-1.5	-1.5	-1.6	-1.7	
Inflows	0.5	0.4	0.4	1.0	1.0	0.7	0.6	0.5	0.3	0.3	0.2	
Outflows	-2.3	-2.5	-2.7	-2.5	-2.2	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9	
Interest payments	0.0	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	
Secondary income (net)	1.4	1.1	0.9	0.8	0.5	0.6	0.7	0.9	0.9	0.9	1.0	
Capital and financial account	11.4	2.5	-8.4	-2.0	1.1	3.7	4.1	3.6	3.6	3.2	2.9	
Capital account	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Foreign Direct Investment	0.7	0.5	0.0	0.5	0.4	0.7	0.7	0.7	0.7	0.7	0.7	
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other Investment	0.8	1.2	-0.3	-0.1	0.5	-0.1	-0.2	-0.1	-0.1	0.0	0.0	
Net errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Official reserves (increases (-))	9.9	0.8	-8.1	-2.6	0.2	3.0	3.5	2.9	2.9	2.5	2.2	
Memorandum items:												
Current account balance (in percent of GDP)	-11.3	-2.4	8.4	2.4	-1.1	-3.7	-4.1	-3.6	-3.6	-3.2	-2.9	
Algerian crude oil price (US\$/barrel) 1/	41.9	72.3	103.9	83.9	82.0	71.1	67.2	67.7	68.4	69.0	69.2	
Gross official reserves (in billions of US\$) 2/	48.2	45.3	61.0	69.0	67.8	59.4	49.7	41.3	32.8	25.4	18.6	
Idem, in months of next year's imports	13.0	11.6	14.2	15.2	14.0	12.3	10.0	8.0	6.0	4.5	3.2	
Reserves (in percent of ARA EM metric) 3/	476.7	344.6	356.8	416.7	407.8	202.4	156.2	112.5	81.0	57.3	37.9	
Net international investment position (in percent of GDP)	19.6	14.8	19.2	20.8	19.0	14.3	10.2	6.4	2.6	-0.7	-3.6	
Gross external debt (in percent of GDP)	2.1	1.7	1.3	1.3	1.1	1.0	0.8	0.7	0.6	0.6	0.6	

Sources: Algerian authorities; and IMF staff estimates and projections.

1/ Weighted average of quarterly data.

2/ Gross official reserves includes holdings of SDR assets and, for 2021, Algeria's share of the general SDR allocation by the IMF in August 2021.

3/ ARA EM metric includes additional buffer for commodity intensive countries (projection period only).

Table 3b. Algeria: Summary of Central Government Operations, 2020–2030 (concluded)
 (In percent of GDP)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Projections
Total expenditure (incl. net lending and special accounts)	41.2	39.1	44.0	46.3	44.6	42.2	40.7	39.2	38.4	37.6	37.5	
Current expenditure	26.3	26.2	32.2	34.8	32.6	31.6	30.7	29.8	29.4	29.2	29.0	
Current non-interest	25.4	25.5	30.7	33.3	31.2	30.4	29.4	28.1	27.4	26.9	26.5	
Personnel expenditure	12.0	11.5	11.0	11.5	11.8	11.6	11.2	11.1	10.9	10.9	10.8	
Mujahidins' pensions	1.4	1.3	1.0	0.9	0.8	0.8	0.8	0.6	0.6	0.6	0.6	
Material and supplies	0.6	0.8	0.9	1.3	1.1	1.1	1.1	1.1	1.1	1.1	1.1	
Current transfers	11.5	12.0	17.7	19.7	17.6	16.9	16.2	15.3	14.8	14.3	14.0	
Interest payments	0.9	0.7	1.5	1.5	1.4	1.2	1.3	1.7	2.0	2.2	2.4	
Capital expenditure	10.0	9.4	9.5	9.8	11.9	8.9	8.5	8.0	7.5	7.1	7.1	
Net lending and special Treasury accounts net operations	4.9	3.6	2.3	1.7	0.2	1.7	1.6	1.4	1.5	1.4	1.4	
Budget balance	-6.6	-4.0	-1.7	-5.2	-16.6	-11.9	-13.0	-11.4	-10.9	-9.6	-9.6	
Overall balance	-11.6	-7.6	-4.0	-6.8	-16.7	-13.5	-14.5	-12.8	-12.4	-11.0	-11.0	
Primary overall balance	-10.7	-6.9	-2.4	-5.4	-15.4	-12.3	-13.2	-11.2	-10.4	-8.7	-8.5	
Nonhydrocarbon balance	-21.7	-20.1	-27.7	-30.4	-30.6	-25.5	-26.0	-24.3	-23.5	-22.1	-22.0	
Nonhydrocarbon primary balance (excl. BA dividends)	-25.0	-23.7	-28.3	-30.7	-30.0	-27.2	-25.4	-23.4	-22.2	-20.6	-20.2	
Net financing	11.6	17.5	6.3	6.9	19.0	13.5	14.5	12.8	12.4	11.0	11.0	
Domestic	11.6	17.6	6.3	6.9	19.0	13.6	14.6	12.9	12.4	11.0	11.0	
Bank 3/	6.8	15.6	2.6	-0.8	13.4	7.2	10.5	10.1	10.4	9.7	9.8	
o/w central bank	0.0	2.5	-0.2	-0.9	-1.4	-1.8	-0.6	-0.9	-1.7	-1.3	-0.3	
Nonbank 4/	4.7	2.0	3.8	7.7	5.6	6.4	4.1	2.8	2.1	1.3	1.2	
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	

Sources: Algerian authorities; and IMF staff estimates and projections.

1/ On cash basis.

2/ Including Sonatrach dividends.

3/ Bank financing includes domestic debt issuance and a drawdown of the oil stabilization fund and other government deposits at the central bank. It includes the repurchase of syndicated loans owed by SOEs for a total amount of DZD 2,080 billion in 2021, and DZD 520 billion in 2022, under the financial scheme including the PSR.

4/ Includes proceeds from sales of state-owned assets.

Table 4. Algeria: Monetary Survey, 2020–2030

	2020	2021	2022	2023	2024	Projections				
						2025	2026	2027	2028	2029
(In billions of Algerian dinars; at end of period)										
Net foreign assets	6,321	5,994	8,119	8,905	8,780	7,725	6,725	5,808	4,744	3,735
o/w Bank of Algeria	6,384	6,036	8,189	8,954	8,843	7,765	6,730	5,784	4,696	3,666
Foreign assets (BA)	6,615	6,636	8,754	9,510	9,387	8,324	7,317	6,400	5,344	4,346
Foreign liabilities (BA)	231	600	565	556	544	559	587	617	648	714
Foreign assets (comm. banks)	82	95	100	121	99	101	107	112	118	123
Foreign liabilities (comm. banks)	144	137	169	170	162	142	112	88	69	55
Net domestic assets	11,419	14,085	14,836	15,426	17,749	20,452	23,951	27,741	32,025	36,451
Domestic credit	19,126	21,259	21,605	21,644	24,590	27,496	31,355	35,450	39,989	44,618
Credit to government (net) 1/	7,788	11,296	11,319	10,741	13,049	15,366	18,994	22,728	26,820	30,902
Credit to the economy	11,338	9,964	10,286	10,903	11,541	12,129	12,361	12,722	13,168	13,717
o/w Private sector	5,459	5,700	5,842	6,347	6,872	7,265	7,410	7,633	7,927	8,257
Other items net	-7,707	-7,174	-6,769	-6,219	-6,841	-7,043	-7,404	-7,709	-7,964	-8,167
Money and quasi-money (M2)	17,740	20,079	22,955	24,331	26,529	28,177	30,676	33,549	36,769	40,186
Excluding Sonatrach deposits	17,496	19,143	21,361	22,954	24,506	26,314	28,771	31,480	34,628	37,882
o/w Money	11,931	13,616	15,370	16,319	17,789	19,101	20,885	22,852	25,137	27,499
Reserve money	6,879	8,143	9,219	9,478	10,291	10,910	12,006	13,053	14,710	16,017
(In percent change over 12-month period)										
Money and quasi-money (M2)	7.4	13.2	14.3	6.0	9.0	6.2	8.9	9.4	9.6	9.3
Credit to the economy 2/	3.0	-12.1	3.2	6.0	5.9	5.1	1.9	2.9	3.5	4.2
o/w Private sector	3.2	4.4	2.5	8.6	8.3	5.7	2.0	3.0	3.9	4.2
Memorandum items:										
Credit to the economy/GDP	54.2	39.6	32.1	32.4	32.2	31.9	30.6	29.3	28.3	27.5
Credit to the economy/NHGDP	59.6	47.6	43.2	40.1	38.8	37.6	35.9	34.5	33.3	32.5
Credit to private sector/NHGDP	28.7	27.2	24.5	23.3	23.1	22.5	21.5	20.7	20.1	19.5

Sources: Bank of Algeria; and IMF staff estimates and projections.

1/ Net credit to government excludes Treasury postal account ("dépôts CCP") deposited at the BA.

2/ The decline in credit to the economy in 2021 reflects the effect of a debt buyback operation by the Treasury which reduced banks' claims on state-owned enterprises (the public sector).

Annex I. Implementation of Past IMF Recommendations

Recommendation	Implementation Status
<i>Monetary/Exchange Rate and Financial Policies and Operations</i>	
Tighten monetary policy to reduce high inflation.	The required reserve ratio and the policy rate has remained unchanged since 2023 but inflation significantly receded in 2024 primarily due to lower food inflation.
Enhance BA's independence and ability to defend price stability by adopting the implementation text of the <i>Loi Monétaire et Bancaire</i> (LMB) that defines price stability as the primary objective of monetary objective and specifies the modalities and safeguards for monetary financing which should be exceptional.	The regulatory framework has not been updated. The BA has nevertheless clarified its communication regarding its inflation target.
Allow for greater flexibility of the exchange rate (to enhance its role as a shock absorber) and develop the interbank FX market (that would also help reducing the parallel exchange rate premium).	The BA targets a real effective exchange rate that is derived from an econometric model that considers various variables (e.g., oil price, budget deficit, etc.) The buy/sell spread of the BA's transactions in FX is very narrow (e.g., 0.015 DZD on U.S. dollar transactions). The authorities plan to increase the FX allocation for international travel this year to reduce FX demand on the parallel market.
Implement reforms to improve financial inclusion including through (i) preparing a financial inclusion strategy, (ii) improving financial literacy, (iii) strengthening the credit market infrastructure, and (iv) developing long-term savings products.	Regarding financial inclusion, authorities have so far focused their efforts in developing regulatory frameworks for Islamic and digital banking. Efforts are also ongoing to develop the payment infrastructure and oversight frameworks.
Given the strong economic and financial interlinkages between the central government, SOBs and SOEs, posing systemic risks, use all available tools to monitor the solvency and the liquidity risks of the banking sector, ensure that prudential rules are followed and assess risks regularly. Closely follow financial conditions of SOEs and strengthen their governance.	The authorities are pursuing efforts to strengthen SOEs oversight and governance. They are working on establishing performance contracts for SOE management and the professionalization of SOEs' board.

Fiscal Policies and Operations	
Proceed with gradual fiscal rebalancing, anchoring it on stabilizing public debt by 2026.	The authorities implemented a fiscal expansion in 2024 and envisaged continuation in 2025 to support the purchasing power of civil servants and households and increase investment spending.
Over the medium term, adopt a fiscal framework guided by a rules-based fiscal framework, to enhance the resilience of public finances and safeguard macroeconomic stability.	The authorities include three-year projections in their budget documents, but without a clear anchor.
Implement gradual phase-out of universal subsidies, part of which could finance targeted support to low-income households and climate adaption investment.	The 2020 budget law envisaged gradually phasing out universal subsidies and replacing those with a targeted compensation mechanism to support households. The authorities are collaborating with the World Bank on identifying appropriate compensatory measures, building on a household survey.
Strengthen the role of the 'Haut Comité d'Evaluation et D'Alerte des Risques Budgétaires' (HCEARB) to implement a comprehensive assessment of fiscal risks (including from climate change) and prepare contingency plans.	The role of the HCEARB remains limited and its meetings sporadic.
Strengthen the fiscal framework with PFM reforms, including by (i) finalizing the 'Etat D' by including a credible financing plan of the budget as prescribed in the Organic Budget Law; (ii) developing a medium-term debt strategy; (iii) strengthening cash management and transparency on budget execution; and (iv) building climate considerations in PFM processes.	Implementation of the Organic Budget Law is well advanced, especially with the adoption of program budgeting and the gradual move toward performance-based budgeting. The 2025 budget law, as the 2025 budget law included an of <i>Etat D</i> ("Annex D"), but without specifying the financing side of the budget. Further efforts are needed to strengthen cash and public debt management and transparency on budget execution.
Structural reforms	
Create an economic environment conducive for the private sector, enhance competitiveness, and stimulate economic diversification, including through more trade openness, avoiding generalized import compression policies, and reforms in product and labor markets; and	The authorities adopted a Land Management Law (<i>Loi sur le Foncier</i>) in November 2023 that facilitates property access for private investors and a new Procurement Law in 2023 to enhance transparency and competition. They are pursuing diversification of

reducing the size of the public sector by shedding non-strategic and loss-making SOEs.	(nonhydrocarbon) exports and are exploring new export markets. A new law on the “auto-entrepreneur” creates a legal statute for self-employed individuals and aims at reducing informality.
Governance and Vulnerabilities to Corruption	
Pursue efforts to reinforce the legal AML/CFT framework.	In October 2024, Algeria has been put on the list of jurisdictions under increased monitoring by the FATF due to weaknesses in the AML/CFT framework. A national assessment committee has been established to coordinate the necessary reforms. With the support of LEG TA the authorities have actively pursuing efforts to improve risk-based supervision and legal entity transparency (through the establishment of a central registry of “beneficial ownership”).
Data Provision	
Prioritize actions to improve the quality and availability of macroeconomic data, including efforts to improve the timely provision of data to the IMF such as data on budget outturns.	Although data provision remains broadly adequate for surveillance, there is ample room for improvement. Key data are either missing (unemployment rate), outdated (CPI), or transmitted with long delays (budget execution). The authorities have rebased the national accounts in 2021 and have since then regularly published quarterly national accounts.

Annex II. Risk Assessment Matrix¹

Risks	Likelihood	Economic Impact	Policy Response
Conjunctural risks (Global)			
Trade policy and investment shocks. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	High	Medium. While energy products have thus far been exempted from US tariffs, an increase in trade barriers and escalation of trade tensions between the US and China would indirectly impact Algeria if it were to reduce global growth, particularly in Europe, and hydrocarbon prices.	Reduce procyclicality of the budget and build financial buffers, pursue reforms to diversify the economy to reduce dependence on hydrocarbon revenues.
Regional conflicts. Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows,	Medium	Low. Algeria has little direct exposure to the conflicts in the Middle East and Ukraine. Indirect exposure could result	Reduce procyclicality of the budget and build financial buffers, build emergency food stock, diversify the economy and export markets. Allow the exchange rate to play its role as shock absorber. Continue reforms to diversify the economy and increase nonhydrocarbon exports and try to tap new export markets.

¹ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Risks	Likelihood	Economic Impact	Policy Response
payment systems, and increase refugee flows.		from the impact of these conflicts on Europe (trade channel), energy security, and international prices for hydrocarbons, food, and other commodities. Algeria could benefit from higher natural gas prices as Europe seeks to diversify supply.	
Commodity price volatility. Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	Medium	High. Algeria's economy is highly dependent on hydrocarbon exports and food imports. The impact of volatility would transmit via the current account (and international reserves), the budget (hydrocarbon revenues, food and energy subsidies), inflation, and economic growth.	Reduce procyclicality of the budget including by diversifying revenue and funding sources and by building a financial savings buffer when hydrocarbon prices are high. Allow the exchange rate to play the role of shock absorber, in the context of tighter policies. Continue reforms to diversify the economy.

Risks	Likelihood	Economic Impact	Policy Response
Structural risks (Global)			
Deepening geoeconomic fragmentation. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	High	Medium. Deepening geographic fragmentation and geopolitical tensions could disrupt trade flows and hamper economic diversification efforts. Supply disruptions could also fuel inflation. Algeria could nevertheless benefit if disruptions caused an increase in hydrocarbon prices.	Build financial buffers when hydrocarbon prices are high to increase resilience to shocks. Accelerate diversification through well-timed and sequenced implementation of reforms and implement measures to strengthen the fiscal and monetary policy frameworks.
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	Medium	High. Algeria is vulnerable, like other countries in North Africa, to climate shocks. In addition to the impact on lives and livelihoods, these shocks could negatively impact agriculture, add to inflationary pressures, and	Invest in climate-resilient infrastructure and agriculture; implement the authorities' Climate Action Plan. Accelerate economic diversification, including by harnessing the potential of renewable energies.

Risks	Likelihood	Economic Impact	Policy Response
		carry large fiscal costs.	
Domestic risks			
Calls on government-guaranteed debt or capital injection needs for public banks and SOEs.	Medium	High. The banking sector appears liquid and profitable but NPLs weigh on balance sheets, especially for public banks, and some of these are government-guaranteed.	Monitor and manage fiscal risks. Streamline SOE governance and condition state support on transparency, restructuring, and reforms. Develop a government shareholder policy focused on enhancing profitability and efficiency. Divest from non-core assets and open the capital of selected SOEs to the private sector.
Rising fiscal and debt sustainability risks.	High	High. Fiscal financing needs are projected to remain significant in the absence of fiscal consolidation. With the Revenue Regulation Fund fully depleted as of end-2024, and absent a diversification of funding sources, financing the deficit will deepen the sovereign-SOE-SOB nexus and/or trigger a fallback to monetary	Refrain from (in)direct financing of the budget deficit by the central bank, consistent with the new <i>Loi Monétaire et Bancaire</i> , and explore new sources of financing, such as from deepening the public debt market. Expand fiscal space by mobilizing nonhydrocarbon revenue and reducing spending, within a medium-term fiscal adjustment plan. Reform SOB governance, focus their lending on profitable projects, and conduct asset quality review.

Risks	Likelihood	Economic Impact	Policy Response
		financing. The strengthening of this feedback loop would in turn weaken the transmission of monetary policy and raise financial stability risks.	
Partial or delayed implementation of macroeconomic adjustment and necessary structural reforms.	Medium	High. Partial or delayed reform implementation could have significant costs to the budget and raise financing needs, especially in the event of sharply lower international gas prices, while yielding limited growth dividends, increasing the risk of policy inconsistency, and reform reversals.	Adopt a medium-term fiscal adjustment plan supported by coherent monetary and exchange rate policies. Mitigate the social impact of reforms to low-income households through targeted cash transfers. Increase transparency about the state of the economy including through timely publication of economic data and communication.

Annex III. External Sector Assessment

Overall Assessment: The external position of Algeria in 2024 was moderately weaker than the level implied by fundamentals and desirable policies. The current account gap, based on the results from the IMF EBA-lite current account model¹ is estimated at -1.0 percent in 2024, representing a weakening of Algeria's external position relative to the 1.7 percent positive gap in 2023. The worsening of the external position is driven by lower hydrocarbon prices which resulted in a current account deficit of 1.1 percent for 2024 after two years of surpluses, which highlights the vulnerability of Algeria's external position towards hydrocarbon price volatility. Foreign reserves are above adequacy metrics in 2025 but expected to decline as the current account deficit is expected to widen further and start stabilizing after 2027 and expected to fall below the adequacy levels in 2028.² Algeria's external debt is low reflecting the authorities' policy not to borrow externally and the largely closed financial account but could potentially increase as the authorities start to consider external financing.

Potential Policy Responses: Fiscal consolidation based on a credible medium-term fiscal framework, combined with a more flexible exchange rate and structural reforms to diversify the economy could help to ensure external sustainability in the medium term.

Foreign Assets and Liabilities: Position and Trajectory

Background. Algeria's external assets consist mostly of international reserves which are significantly bigger than its FDI liabilities. After a steady decline of Algeria's international reserves (including SDR but excluding monetary gold) since the peak in 2013 of USD 194bn, during the last two years the reserve assets rose from the bottom in 2021 of USD 45.3bn to USD 61 in 2022 and USD 69 in 2023. In 2024, the reserves dropped moderately to USD 67.8bn, representing 14 months of next year's imports.

Assessment. This recent trajectory of the NIIP, underlines the vulnerability of Algeria towards global hydrocarbon price volatility. Under our baseline scenario with lower oil prices and larger current account deficits compared to 2024, international reserves are projected to decline to USD 18.6bn (3.2 months of imports) by 2030. Accordingly, the NIIP is projected to decline to US\$-11.1bn billion (-3.6 percent of GDP) by 2030.

2024 (% GDP)	NIIP: 19	Gross Assets: 34.1	Debt Assets: 1.2	Gross Liab.: 15	Debt Liab.: 6.3
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Current Account

Background. Algeria's current account is dominated by trade in goods. The share of hydrocarbon exports to total exports, currently at 92 percent, is expected to fall gradually reflecting diversification efforts by the government. After two years of surplus (8.4 and 2.4 percent of GDP in 2022 and 2023, respectively) the current account has turned to a deficit of 1.1 percent of GDP in 2024. In our baseline assumptions, we expect the current account balance to widen until 2026 to -4.1 percent and expect a gradual narrowing thereafter to -2.9 percent in 2030, mainly reflecting lower hydrocarbon prices. Goods imports are moving in tandem with government investment spending. Imports have stabilized to about 17.2 percent of GDP over the last three years following the introduction of various import compression policies to protect FX reserves and reduce over-invoicing and fraud. In 2024, imports of goods to GDP were at 17 percent compared to an average of 22.5 percent over the last 10 years. The deterioration of the current account in 2024, reflects an increase in government investment spending and a decline in overall savings.

¹ The assessment uses the EBA-lite template from April 2025.

² ARA EM metric includes additional buffer for commodity intensive countries.

Assessment. The IMF's regression based EBA-lite current account methodology suggests that Algeria's current account balance in 2024 is moderately weaker than its norm implied by the desired policies and fundamental variables, which translates into a moderate overvaluation of the REER. The estimated gap is expected to widen with further weakening of hydrocarbon prices. Due to a strong historic correlation between fiscal and external deficits, fiscal consolidation would be the main factor to help narrow the policy gap and bring the current account balance closer to its norm. Also, greater nominal exchange rate flexibility would help to reduce the current account gap. This is particularly true in an environment of lower hydrocarbon prices.

- The EBA-lite current account model suggests that the cyclically adjusted current account was below the current account norm implied by medium-term fundamentals and the desirable policies in 2024. The current account gap was estimated at 1.0 percent of GDP. Relative policy gaps explain most of the difference, particularly the large cyclically adjusted fiscal deficit contributes strongly. Given an assumed elasticity of the REER to the current account of -0.2, this translates into a medium-term overvaluation of the Dinar REER by 6.3 percent. This estimate is subject to considerable uncertainties, given the assumptions on elasticities, the size of the cyclical adjustments, and desirable policy assumptions. As highlighted in previous assessments, the existence of a parallel exchange rate market additionally complicates the interpretation of the model results.
- The current account norm estimated using the consumption allocation rules for exporters of exhaustible resources is 8.6 percent of GDP over the medium term. Against a projected cyclically adjusted current account of -3.2 percent of GDP, this implies that Algeria's current account trajectory is inconsistent with intergenerational equity according to the consumption-based model that accounts for the exhaustibility of exports.² Given the projected current account deficits, a significant current account gap of -12.1 percent remains over the medium term. In the model, the current account path is considered sustainable if the net present value (NPV) of future hydrocarbon revenues plus income on financial assets and investments are bigger or equal than the NPV of imports of goods and services net of non-oil exports.

Algeria: EBA-lite Model Results, 2024		
	CA model 1/	REER model
	(in percent of GDP)	
CA-Actual	-1.1	
Cyclical contributions (from model) (-)	-0.3	
Additional temporary/statistical factors (-)		
Natural disasters and conflicts (-)	0.0	
Adjusted CA	-0.8	
CA Norm (from model) 2/	0.2	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	0.2	
CA Gap	-1.0	-0.4
o/w Relative policy gap	-1.3	
Elasticity	-0.2	
REER Gap (in percent)	6.3	2.2

1/ Based on the EBA-lite 3.0 methodology
 2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. After several years of depreciation (with the REER depreciating by more than 15 percent over 2014–21), the REER started to appreciate in mid-2022 and continued this track until early 2025. The overall appreciation from the trough in June 2022 was 23 percent, while the average REER appreciated by 3.6 percent in 2024 year on year. The appreciating REER reduces Algeria's export competitiveness in the nonhydrocarbon sector, undermines its efforts for diversification and contributes to the widening current account deficit.

Assessment. The EBA REER model estimates a medium-term overvaluation of the Dinar REER by 2.2 percent. The CA model estimated a larger 6.3 percent overvaluation. Staff's assessment gives more weight to the EBA-lite CA model, which has often proven to be more informative and reliable than the REER model. The latter tends to be a poor fit for many countries as it does not adequately capture country-specific characteristics (IMF, 2019).

Capital and Financial Accounts: Flows and Policy Measures

Background. Algeria's economy remains mostly closed to external capital flows. Inward FDI averaged 0.4 percent of GDP over the last five years and was mostly concentrated in the energy sector. In 2024, there was FDI inflow of 0.4 percent. There are no portfolio flows.

Assessment. The elimination of the 49 percent limit on foreign ownership in Algerian investment projects (the '51/49' rule), except for strategic sectors, removes an important constraint on inward FDI and, if accompanied by reforms to improve the business climate, could attract FDI in the medium term. The liberalization of the surrender requirements, except for hydrocarbon and mineral exports, could help ease supply bottlenecks by facilitating imports of raw materials and inputs.

FX Intervention and Reserves Level

Background. Algeria's de jure exchange rate arrangement is "managed floating", while the de facto exchange rate arrangement is crawl-like. Since December 2024, the exchange rate has "crawled" within a 2 percent band against the U.S. dollar. Based on these developments, the exchange rate regime was reclassified to crawl-like from stabilized (effective December 20, 2024). The Banque of Algeria (BA) sets the official exchange rate on daily basis and makes foreign exchange available to banks at that rate on their request. The BA sets the buying and selling rates of the dinar against the US dollar in this market within a narrow margin of 0.015 dinar.

The pattern of financing current account deficit with official reserves was the norm in Algeria between 2015 and 2021, before the spike in hydrocarbon lead to a surplus and reserve accumulation in 2022 and 2023. Algeria's official reserves are therefore projected to fall over the next five years due to lower hydrocarbon prices and a lack of domestic savings. The official reserves in 2024 stood at USD 67.8bn or 14 months of next year's imports and are projected to fall to USD 18.6 or 3.2 months of next year's imports in 2030.

Assessment. The exchange reserves of the bank of Algeria are projected to fall from current 14 months of imports end of 2024 or 202.4 percent of ARA metric in 2025 to 3.2 months of imports or 37.9 percent of ARA metric in 2030. They are expected to fall below the 100 percent of the ARA metric starting in 2028.

¹ IMF 2025. "The External Balance Assessment Methodology: 201 Update", IMF Working Paper 19/65.

² Bems, R. and I. de Carvalho Filho. 2009. "Exchange Rate Assessments: Methodologies for Oil-Exporting Countries", IMF Working Paper 09/281.

Annex IV. Sovereign Risk and Debt Sustainability Analysis

Algeria faces a "High" risk of sovereign stress. The public debt ratio is projected to increase over the medium term and beyond, on the back of projected large primary deficits, including those estimated for 2025-26. Large uncertainty, especially from volatile hydrocarbon revenue, adds to medium-to-long term risks of sovereign stress. In the absence of alternative sources of financing, significant gross public financing needs could put pressure on the domestic banking system, crowd out private activity, and potentially aggravate the sovereign-bank nexus. Staff recommends additional fiscal rebalancing to stabilize the debt ratio over the medium term, considering external financing and urges the Algerian authorities to expand the perimeter of available debt data, prepare a debt management strategy, and develop domestic debt markets.

1. Public debt is almost entirely denominated in dinars, and a large share is non-marketable. As of 2024, nearly all the central government debt was held domestically and about 42 percent by the central bank, the former reflecting the authorities' policy to avoid external borrowing and the latter due to monetization of the budget deficit during 2017–19. The reported data used for this SR-DSA underestimates central government debt as it does not include some intra-government claims (e.g., use of deposits of the postal office) and does not consider contingent liabilities, such as from future social security deficits.

2. Algeria's central government debt-to-GDP ratio is projected to increase over the medium to long term, in the absence of additional fiscal rebalancing. The primary deficit increased in 2024 to 12.8 percent of GDP (from 4.3 percent in 2023) but the use of all the funds accumulated on the Revenue Regulation Fund (FRR) to finance the deficit and negative real interest rates, limited the increase in the public debt ratio to 48.5 percent of GDP (from 47.7 percent in 2023). Nonetheless, the large primary deficit projected for 2025 would significantly push up public debt. With the balances in the FRR depleted, a gradual reduction in fiscal deficits the following year would not be sufficient to stabilize the debt ratio.

3. Staff assesses Algeria's overall risk of sovereign stress as "High". The decline in hydrocarbon revenues and the depletion of the FRR led to a sharp reduction in fiscal buffers, but the large share of non-marketable debt and the near absence of external public debt keep mitigating risks of sovereign stress. However, risks would build up over the medium term as the FRR buffer is exhausted, gross financing needs are sizeable, and the public debt ratio is not projected to stabilize. Large uncertainty, notably from volatile hydrocarbon revenue, creates additional risks over the medium term. Stress tests suggest that an (illustrative) banking crisis shock would worsen public debt and gross financing needs, underscoring the risks of large reliance on domestic bank financing and the sovereign-SOB "nexus". Additional risks include the materialization of contingent liabilities¹ and the costs of natural disasters. The SR-DSA also triggered two (illustrative) long-run risk modules: (i) significant gross financing needs in the next years would push large amortizations falling due over the long term; these would need to be rolled over and their costs would further fuel the increase in

¹ The illustrative stress test assumes the call of all the government guaranteed debt as of end-2024 (DZA1807 billion).

the public debt ratio; and (ii) in the absence of significant discoveries of new hydrocarbon fields, and possibly because of shifting global demand during the energy transition, a gradual decline in hydrocarbon production (and associated fiscal revenue) would increase public deficits and result in additional debt build-up.

4. Staff recommends implementing an urgent and more ambitious fiscal consolidation, expanding the perimeter of available debt data, preparing a comprehensive debt management strategy, and considering external financing developing domestic debt markets.

Annex IV. Figure 1. Algeria: Risk of Sovereign Stress

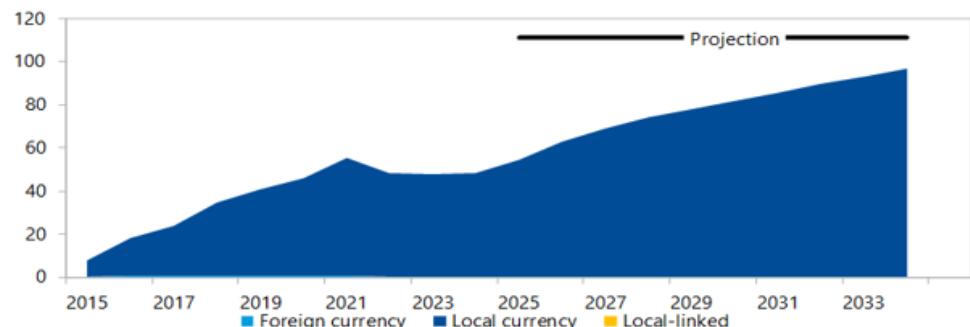
Horizon	Mechanical signal	Final assessment	Comments
Overall	...	High	Staff assesses the overall risk of sovereign stress as 'High'. While Algeria has almost no external public debt, fiscal buffers have shrunk and medium-term projections indicate a 'high' risk of sovereign stress and significant increase in public debt. A more prudent fiscal stance would help stabilize the debt ratio (per staff's alternative scenario).
Near term 1/			
Medium term	High Fanchart GFN	High Bank. Crisis Comm. Prices Cont. Liabty. Nat. Diast.	Staff assesses medium-term risks of sovereign stress as 'High', consistent with the mechanical signal, reflecting the baseline's non-stabilization of public debt over the medium term, the risks from volatile hydrocarbon revenues (which contribute to the wide range of possible outcomes over a five-year horizon), and elevated gross financing needs. A banking sector shock, natural disasters and/or the realisation of contingent liabilities could significantly add to financing constraints.
Long term	...	High	Staff assesses long-term risks of sovereign stress as 'High', as pressures from social security deficits would add to pressures on public debt on top of the factors that result in the assessment of 'High' medium-term risk of sovereign stress. Transition and physical risks from climate change add to long-term vulnerabilities.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	Country teams must input comments on the module in this section.
Debt stabilization in the baseline			No
DSA Summary Assessment			
<p>Commentary: Staff assesses Algeria's public debt to have a 'High' overall risk of sovereign stress. Large current and projected primary deficits and associated debt service will increase the public debt level and Gross Financing Needs (GFNs) significantly. Accordingly, staff projects that public debt will not stabilize in the baseline scenario. The fiscal path is also subject to large uncertainty, reflecting the dependence on volatile hydrocarbon revenue. Medium-term risks are also high because of large (re)financing needs in a context of heavy reliance on domestic bank financing. Important mitigating factors remain however including the very small share of external public debt and the large share of non-marketable debt on favorable financing terms. A more prudent fiscal stance would help stabilize the debt ratio.</p>			
<p>Source: Fund staff.</p> <p>Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.</p> <p>1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.</p> <p>2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.</p>			

Annex IV. Figure 2. Algeria: Debt Coverage and Disclosures

1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	Comments																																																																																																														
						The civil servants' pension fund CNR is insolvent and requires large government transfers. According to a 2020 FAD TA report, its outstanding debt was to the tune of 9 percent of GDP and mostly owed to the social security fund CNAS. This stock is not reported by the authorities.																																																																																																														
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5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).																																																																																																																				
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.																																																																																																																				
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.																																																																																																																				
Commentary: The fiscal data used in this SR-DSF cover the central government. Intra-public sector claims could add to the debt stock, as use of deposits of public entities (like those from the post office) have supported financing the deficit and are not recorded in the debt stock. Algeria will also face deficits in social security funds over the medium-to-long term, adding to contingent liabilities.																																																																																																																				

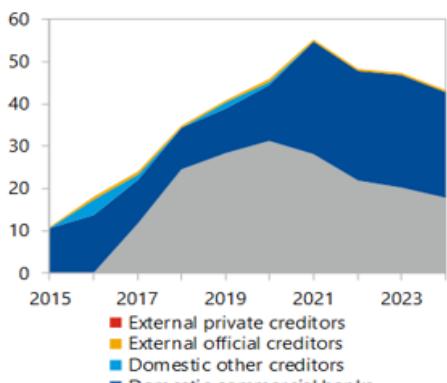
Annex IV. Figure 3. Algeria: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



Note: The perimeter shown is central government.

Public Debt by Holder (Percent of GDP)



Note: The perimeter shown is central government.

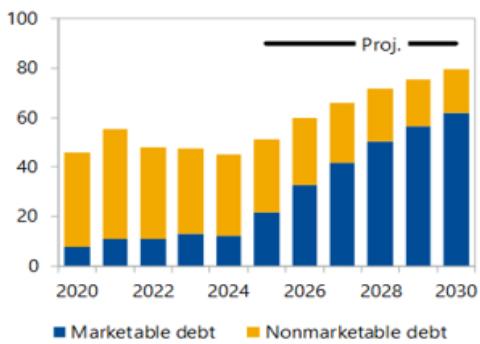
Public Debt by Governing Law, 2024 (percent)



■ Domestic law
■ Foreign law ex. multilateral
■ Multilateral

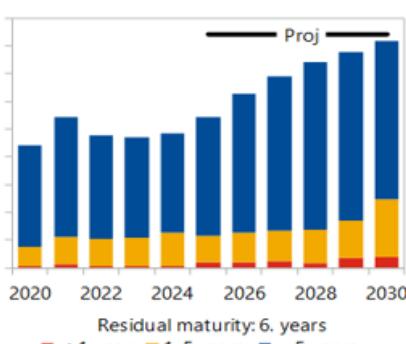
Note: The perimeter shown is central government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

Commentary: Public debt is primarily domestic and owed to the central bank and commercial banks reflecting the authorities' policy of avoiding external borrowing and the run-up of non-marketable debt in recent years (including monetary financing). Around 99 percent of debt is held domestically and denominated in dinars. While this policy limits public debt foreign exchange rate exposure, it raises concerns regarding the domestic banking market capacity to absorb projected growing GFN.

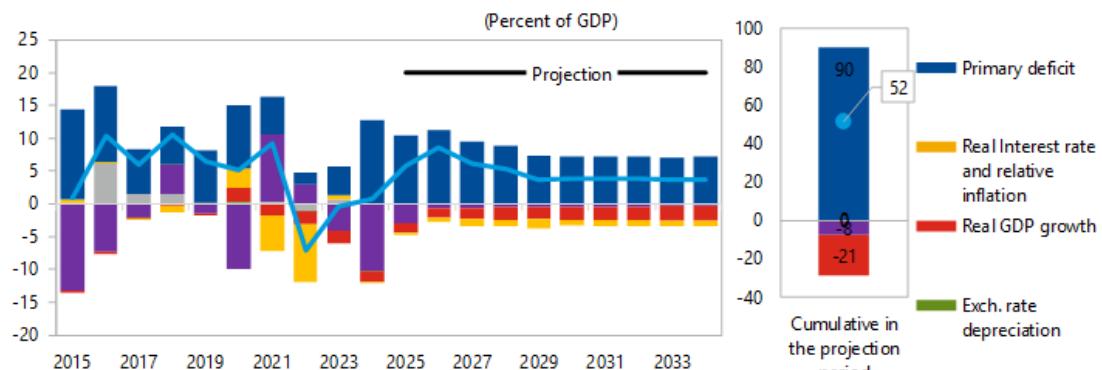
Annex IV. Figure 4. Algeria: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	48.5	54.3	62.8	68.9	74.2	77.9	81.9	85.7	89.5	93.2	96.8
Change in public debt	0.8	5.8	8.5	6.1	5.3	3.7	3.9	3.9	3.8	3.7	3.6
Contribution of identified flows	0.8	5.8	8.5	6.1	5.3	3.7	3.9	3.9	3.8	3.7	3.6
Primary deficit	12.8	10.4	11.3	9.5	8.8	7.4	7.2	7.2	7.2	7.1	7.1
Noninterest revenues	23.2	24.4	22.3	22.5	22.1	22.6	22.5	22.5	22.5	22.5	22.5
Noninterest expenditures	36.0	34.8	33.6	32.0	30.9	30.0	29.7	29.7	29.7	29.6	29.6
Automatic debt dynamics	-1.8	-1.8	-2.2	-2.8	-2.9	-3.2	-2.8	-2.9	-3.0	-3.0	-3.1
Real interest rate and relative inflation	-0.1	-0.2	-0.7	-1.1	-1.1	-1.3	-0.9	-0.9	-0.9	-0.9	-0.9
Real interest rate	-0.1	-0.2	-0.7	-1.2	-1.1	-1.4	-1.0	-0.9	-0.9	-0.9	-0.9
Relative inflation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real growth rate	-1.7	-1.6	-1.5	-1.7	-1.8	-1.8	-1.9	-2.0	-2.1	-2.2	-2.3
Real exchange rate	0.0
Other identified flows	-10.3	-2.9	-0.6	-0.6	-0.5	-0.5	-0.5	-0.4	-0.4	-0.4	-0.4
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	-10.3	-2.9	-0.6	-0.6	-0.5	-0.5	-0.5	-0.4	-0.4	-0.4	-0.4
Contribution of residual	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	20.9	15.3	14.3	12.7	12.6	10.9	12.7	13.1	13.1	13.2	14.5
of which: debt service	8.1	4.9	3.0	3.2	3.8	3.6	5.5	6.0	5.9	6.1	7.3
Local currency	8.1	4.8	3.0	3.2	3.8	3.5	5.5	5.9	5.9	6.0	7.3
Foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memo:											
Real GDP growth (percent)	3.6	3.4	2.9	2.8	2.7	2.5	2.5	2.5	2.5	2.5	2.5
Inflation (GDP deflator; percent)	2.7	2.7	3.5	4.4	4.4	4.7	4.1	4.1	4.1	4.1	4.1
Nominal GDP growth (percent)	6.4	6.1	6.4	7.3	7.2	7.3	6.7	6.7	6.7	6.7	6.7
Effective interest rate (percent)	2.5	2.3	2.2	2.5	2.6	2.7	2.8	2.9	3.0	3.1	3.1

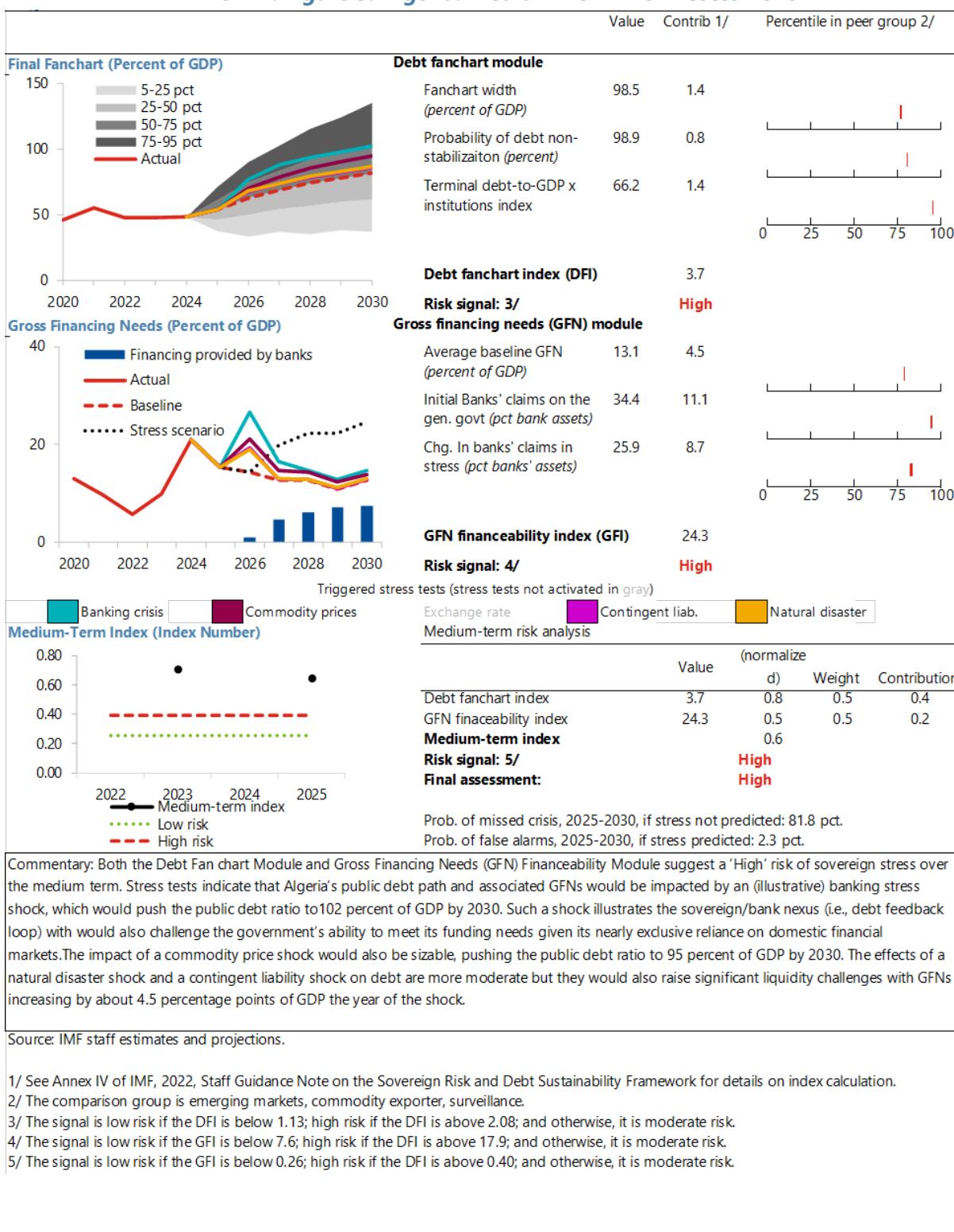
Contribution to Change in Public Debt

(Percent of GDP)

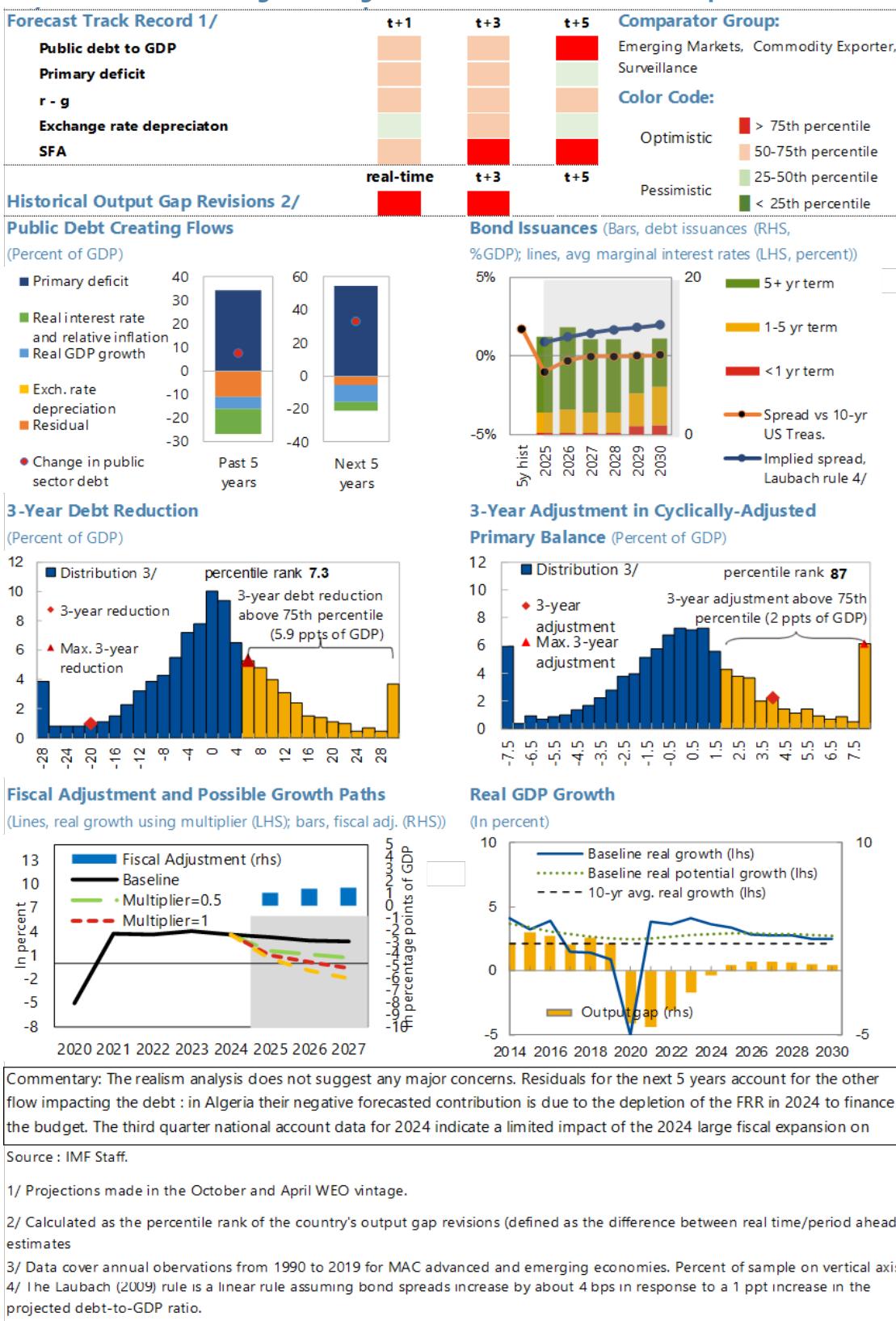


Commentary: Public debt is expected to rise over the forecast horizon in spite of a medium-term consolidation envisaged in the staff baseline scenario; the fiscal expansion planned for 2024 is expected to add pressure on financing needs over the medium term. A more ambitious fiscal adjustment would help stabilize the public debt path.

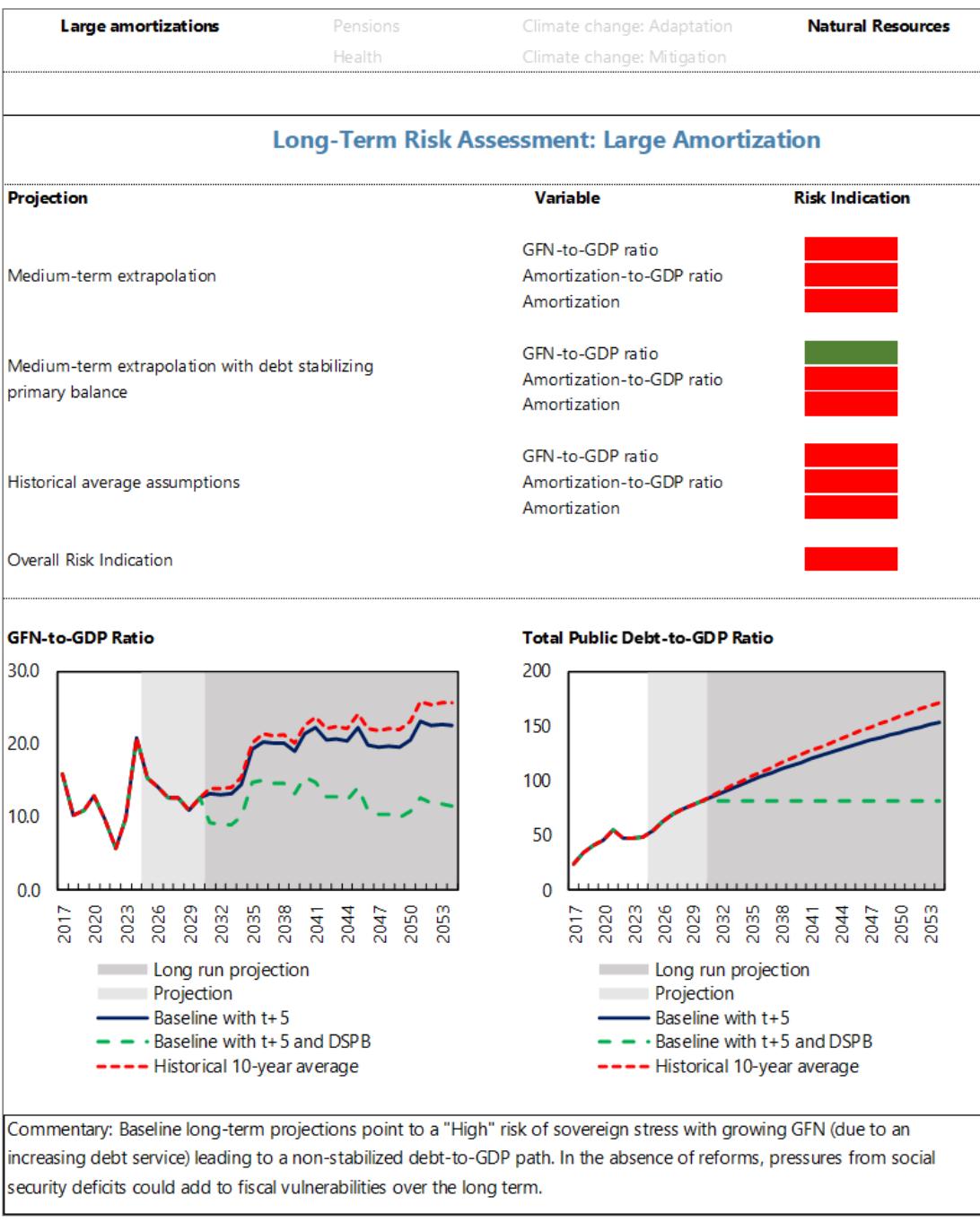
Annex IV. Figure 5. Algeria: Medium-Term Risk Assessment



Annex IV. Figure 6. Algeria: Realism of Baseline Assumptions



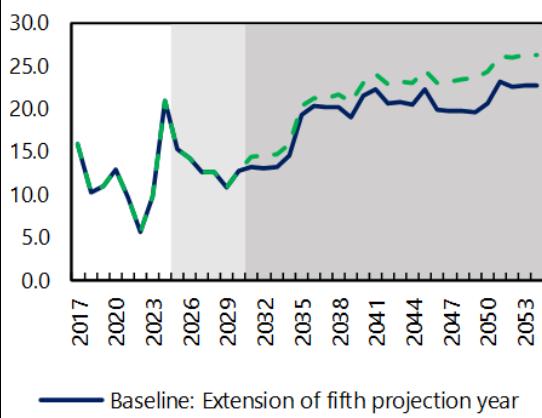
Annex IV. Figure 7. Algeria: Triggered Modules



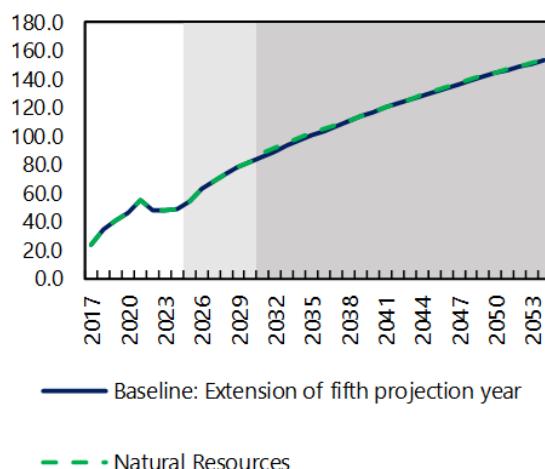
Annex IV. Figure 7. Algeria: Triggered Modules (concluded)

Natural Resources

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



Commentary: In the absence of new field discoveries, the progressive erosion of oil and gas reserves over the long term would weigh on hydrocarbons revenues, widening the GFN-to GDP ratio. However, the authorities current structural reforms to support the diversification of the economy could mitigate this risk.

Annex V. External Debt Sustainability Analysis

Total external debt in Algeria is low and expected to remain stable over the medium term. The external debt trajectory is sensitive to current account shocks.

The low external debt level continues to decline in Algeria as the government is not borrowing externally, and the financial account is relatively closed. External debt fell to 1.1 percent in 2024 from 2.1 percent in 2020. Staff expect it to decline further and remain at 0.6 percent to GDP in 2030 (Annex V. Table 1). External reserves are used to finance the current account deficits. The stress tests (Annex V. Figure 1), suggest that the external debt dynamics are subject to risks, most notably from an adverse current account shock.

Annex V. Table 1. Algeria: External Debt Sustainability Framework, 2020-2030
(In percent of GDP, unless otherwise indicated)

	Actual					Projections					Debt-stabilizing non-interest current account 6/ -0.8	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Baseline: External debt	2.1	1.7	1.3	1.3	1.1	1.0	0.8	0.7	0.6	0.6	0.6	-0.8
Change in external debt	0.1	-0.4	-0.3	-0.1	-0.2	-0.1	-0.2	-0.1	-0.1	0.0	0.0	0.0
Identified external debt-creating flows (4+8+9)	11.0	1.7	-8.7	-3.0	0.5	2.9	3.3	2.8	2.8	2.5	2.2	2.2
Current account deficit, excluding interest payments	11.3	2.4	-8.5	-2.5	1.0	3.6	4.0	3.6	3.6	3.2	2.9	2.9
Deficit in balance of goods and services	10.9	1.3	-9.9	-3.2	0.5	3.1	3.5	3.0	3.0	2.5	2.2	2.2
Exports	15.1	22.5	30.6	24.0	20.0	17.5	17.1	17.7	18.0	19.2	20.1	20.1
Imports	26.0	23.8	20.7	20.8	20.4	20.6	20.6	20.7	21.0	21.7	22.3	22.3
Net non-debt creating capital inflows (negative)	-0.7	-0.5	0.0	-0.5	-0.4	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Automatic debt dynamics 1/	0.4	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution from nominal interest rate	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution from real GDP growth	0.1	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution from price and exchange rate changes 2/	0.2	-0.2	-0.2	-0.1	0.0
Residual, incl. change in gross foreign assets (2-3) 3/	-10.9	-2.1	8.4	2.9	-0.8	-3.0	-3.4	-2.9	-2.9	-2.5	-2.2	-2.2
External debt-to-exports ratio (in percent)	13.8	7.3	4.4	5.4	5.4	5.5	4.7	4.1	3.5	3.2	2.9	2.9
Gross external financing need (in billions of US dollars) 4/	21.0	6.7	-17.0	-3.7	4.7	12.1	13.3	11.9	12.0	11.0	10.4	10.4
in percent of GDP	12.8	3.6	-7.5	-1.5	1.7	4.3	4.7	4.1	4.1	3.7	3.4	3.4
Scenario with key variables at their historical averages 5/						1.0	3.3	6.3	9.3	12.8	16.6	-0.1
Key Macroeconomic Assumptions Underlying Baseline												
Real GDP growth (in percent)	-5.0	3.8	3.6	4.1	3.6	3.4	2.9	2.8	2.7	2.5	2.5	2.5
GDP deflator in US dollars (change in percent)	-10.3	8.7	17.2	5.5	3.9	2.2	-2.7	-0.6	-0.6	-0.3	-0.3	-0.8
Nominal external interest rate (in percent)	1.1	3.8	5.9	9.8	8.5	0.9	0.8	0.9	0.9	0.8	0.9	0.9
Growth of exports (US dollar terms, in percent)	-35.4	68.0	65.0	-14.0	-10.3	-7.5	-2.1	5.8	3.8	8.9	6.6	6.6
Growth of imports (US dollar terms, in percent)	-20.9	3.4	5.4	10.5	5.7	6.3	0.1	3.0	3.3	5.7	4.4	4.4
Current account balance, excluding interest payments	-11.3	-2.4	8.5	2.5	-1.0	-3.6	-4.0	-3.6	-3.6	-3.2	-2.9	-2.9
Net non-debt creating capital inflows	0.7	0.5	0.0	0.5	0.4	0.7	0.7	0.7	0.7	0.7	0.7	0.7

1/ Derived as $[r - g - r(1+g) + ea(1+r)]/(1+g+r+gr)$ times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as $[-r(1+g) + ea(1+r)]/(1+g+r+gr)$ times previous period debt stock. r increases with an appreciating domestic currency ($e > 0$) and rising inflation (based on GDP deflator).

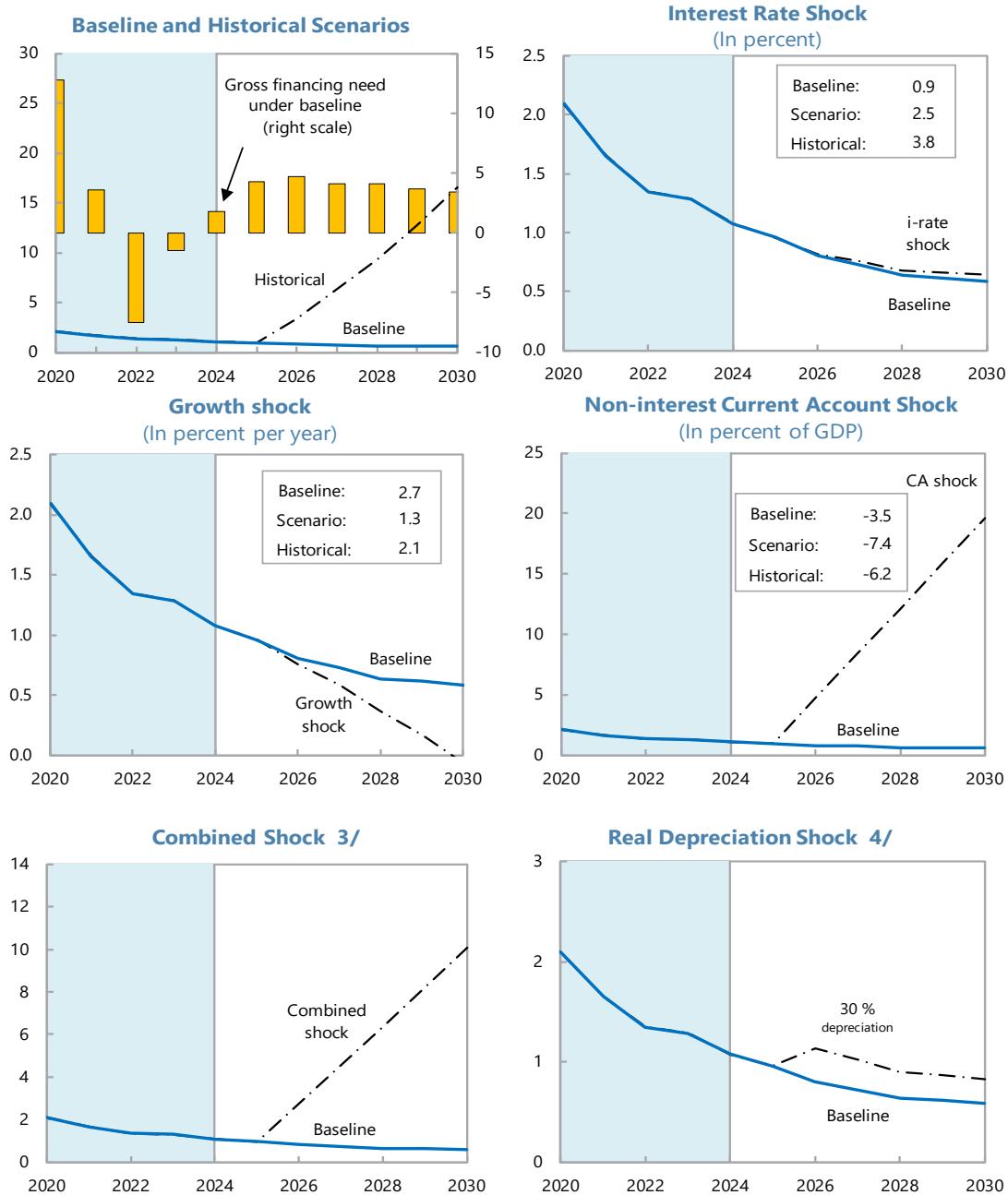
3/ For projection, line includes the impact of price and exchange rate changes.

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Annex V. Figure 1. Algeria: External Debt Sustainability: Bound Tests^{1,2}
 (External debt in percent of GDP)



Sources: IMF, Country desk data, and IMF staff estimates.

1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.

2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.

3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.

4/ One-time real depreciation of 30 percent occurs in 2023.

Annex VI. Strengthening Economic Governance to Unlock Growth

This Annex outlines Algeria's main governance challenges, together with ongoing efforts to address these, in the hydrocarbon, SOEs, fiscal, monetary/financial sectors, and AML-CFT. Weak institutions and ineffective governance processes can be a source of vulnerability to rent seeking and corruption, which in turn can undermine confidence, investment, and growth. The authorities have taken notable steps in recent years to address governance vulnerabilities in key sectors, and should continue to build on these efforts.

A. Introduction

- 1. Improving governance and transparency in public institutions is an important goal for all countries where the state plays a significant economic role and natural resources are a key source of revenue.** In such contexts, sound management of public finances and enterprises is particularly important to promote efficiency and accountability while reducing the risk of resource misallocation. Moreover, strengthening governance can help support long-term economic stability and growth by ensuring that revenues are effectively channeled into development priorities.
- 2. In Algeria, opportunities exist to strengthen governance in sectors such as hydrocarbons, SOEs, fiscal revenue and expenditure management, and AML-CFT.** Addressing issues related to transparency, institutional independence, and enforcement of rules could help improve public trust and institutional effectiveness. Ensuring that legal and regulatory frameworks are applied fairly and efficiently would also support private sector development, investment, and overall economic resilience. Over time, these efforts could contribute positively to national development goals and to more inclusive and robust economic outcomes.
- 3. The authorities have made noteworthy efforts in recent years to improve governance in key sectors, but further reforms remain necessary.** This Annex highlights key areas of vulnerabilities and provides recommendations for strengthening governance in these areas along with an overview of recent measures implemented by the authorities towards this end.

B. Hydrocarbon Transparency

- 4. Disclosure and transparency regulations in countries with large extractive industries are critical to prevent and detect corruption and optimize the state's profits.** In Algeria, such requirements in the process of granting hydrocarbon contracts are limited, as contracts can be granted through direct negotiation without a competitive process based on legally established criteria, and there is no requirement to disclose the terms and conditions of the contracts nor to collect and publish beneficial ownership information of those awarded the same. In addition, information on hydrocarbon revenue management is scarce given limited reporting and audits.
- 5. Legal reforms to enhance transparency throughout the hydrocarbon contracting and revenue management processes would help safeguard hydrocarbon revenues that represent the government's primary income source.** Legal and regulatory reforms should focus on

disclosure requirements in the bidding and awarding of contracts, including publication of beneficial ownership information of companies awarded, and in the collection and use of hydrocarbon revenues, in line with international best practices. Joining the Extractive Industry Transparency Initiative (EITI), as has been done for example by Nigeria and the Republic of Congo, would be an important step towards improved transparency.

C. SOE Governance

6. State-owned enterprises (SOEs) play a prominent role in Algeria's economy, with complex fiscal and financial linkages to the government. While SOEs contribute significantly to economic activity, there is room to improve their corporate governance frameworks and strengthen financial oversight to enhance transparency and efficiency. While the recent creation of a dedicated unit responsible for SOE oversight in the Ministry of Finance is a welcome step, information on fiscal risks related to SOEs and the extent of their quasi-fiscal activities is not readily available. Although SOEs are expected to prepare internally audited financial statements and submit them to the CNRC, these documents are not currently made publicly available, and information on compliance is limited. Oversight of procurement practices within SOEs is also limited. Moreover, corporate governance practices could be further aligned with international standards, as SOE Boards often include multiple government representatives, giving rise to governance challenges and potential conflicts of interest.

7. Improving financial oversight of and enhancing corporate governance in SOEs would positively impact their overall performance and productivity, while mitigating potential governance risks. Given the multitude and centrality of SOEs in the Algerian economy, publication of a complete official inventory of these entities, including key statistics, would be useful. Their corporate governance could be enhanced through enactment of a new SOE Law in line with international standards and adoption of a common transparency policy for all SOEs. In addition, the SOE unit at the Ministry of Finance could be tasked with regularly publishing financial reports of individual SOEs as well as reports on the consolidated performance of the SOE sector.

D. Fiscal Governance

8. Algeria's fiscal governance framework faces several challenges, with opportunities for improvement in both revenue and expenditure management to strengthen transparency and reduce potential governance risks. On the revenue side, high levels of tax evasion and fraud have historically contributed to revenue shortfalls. These issues are partly linked to limited enforcement capacity and partly to a complex tax system with numerous exemptions. Streamlining the tax code and strengthening administrative controls could help improve compliance and boost revenue performance.¹ On the public financial management (PFM) side, Algeria has a well-established tradition of budget control and audit practices. However, there is room to enhance the regularity

¹ According to the Tax Justice Network (2020), Algeria loses about US\$0.5 billion in tax revenue annually to corporate tax abuse and offshore tax evasion, equivalent to the annual salary of about 100,000 nurses.

and transparency of budget data reporting and publication, and to improve the oversight and integration of extrabudgetary funds into the overall fiscal framework. Public investment management and procurement practices are also largely opaque, with the former having no systematic criteria for project selection and thus yielding low investment efficiency, and the latter historically relying on non-competitive contracting methods.

9. Enhancing fiscal transparency and strengthening fiscal control and enforcement mechanisms would help safeguard the proper and efficient use of public resources. Timely publication of draft budget laws, intra-year budget execution reports, and information on public investment projects and off-budget operations would enhance fiscal transparency and accountability. Establishment of a treasury single account (TSA) would also help strengthen PFM. On the revenue side, rationalizing tax expenditures and discontinuing discretionary tax exemptions while stepping up controls and enforcement mechanisms would help increase collection and compliance. Legal reforms to enhance transparency and disclosure requirements for public procurement, including in SOEs, would also help reduce governance risks and bring practices in line with the international standards.

10. The authorities have recently undertaken several measures to improve tax compliance, budget management and fiscal transparency. Tax compliance has seen a marked improvement on account of the digitalization of filing, payment and monitoring systems, with digital filing of tax returns, mandatory for large companies since 2018, gradually being extended to taxpayers at the regional and local levels. In 2024, the MoF also rolled out the Algerian Electronic Customs System (AECS), a new integrated IT system for all customs operations that is scheduled to be fully deployed by July 2025, with the aim of increasing collection, efficiency, transparency, and reducing the economic costs from holding goods at customs. Regarding budget management, implementation of the 2018 Organic Budget Law has helped modernize the preparation, management and control of the budget. Progress has also been made in the deployment of the integrated budget management software (SIGB), which is critical to streamline control procedures. Implementation of the new Public Procurement Law, which will increase transparency and disclosure requirements in public procurement, is pending parliamentary approval that is expected before end-2025. Noteworthy also is the recent establishment of a public beneficial ownership registry. To build on these efforts, fiscal transparency could be further enhanced through the timely publication of intra-year budget execution reports, and regular reporting of revenue and expenditure of major extrabudgetary entities.

E. Central Bank Governance and Financial Sector Supervision

11. Strong central bank governance is essential to protect its independence, prevent fiscal dominance, and safeguard monetary and financial stability. In Algeria, the legal framework governing monetary financing of the budget has in the past allowed the *Banque d'Algérie* (BA) to finance the central government through the direct purchase of government debt securities, often at below market yields. The BA's balance sheet was also used to address liquidity challenges in SOBs through the *Programme Spécial de Financement* (PSR), introduced in 2021. While these measures

have offered short-term liquidity support to the government, such uses of the BA's balance sheet compromise the central bank's credibility and its ability to deliver on its price and financial stability mandates.

12. In the same vein, autonomous operation of the financial sector supervisory body is critical to safeguard macro-financial stability. In Algeria, the Banking Commission (BC) is the body responsible for financial sector supervision; strengthening its independence would support effective application of its supervisory tools and enforcement of prudential standards. This is particularly important given that the oversight of SOBs presents additional complexities in Algeria due to their broader policy roles and the presence of state-sponsored loans to SOEs on their balance sheets, which may affect asset quality and supervisory assessments.

13. The authorities' steadfast implementation of the 2023 *Loi Monétaire et Bancaire* (LMB), which aimed to strengthen central bank governance and financial sector supervision, is laudable and should be continued. The LMB provides strengthened financial surveillance and crisis management, in line with recommendations of the 2019 FSAP, and introduces new monetary policy instruments, governance bodies, and control functions. Article 48 of the LMB also restricts conditions under which monetary financing can be extended to truly exceptional and unforeseen crisis situations, as declared by the President. Since its implementation, notable progress has been made in modernizing central bank operations and strengthening supervision, including risk-based banking supervision, crisis management, and the independent operation of the monetary and credit councils and BC.

F. Anti-Money Laundering/Combating the Financing of Terrorism (AML-CFT)

14. In October 2024, Algeria was added to the FATF's list of jurisdictions under increased monitoring (or "grey list"). This decision was reached in view of the deficiencies identified in Algeria's AML/CFT framework during its mutual evaluation by the Middle East North Africa Financial Task Force (MENAFATF),² concluded in May 2023. The MENAFATF mutual evaluation report (MER) identified some strengths in Algeria's regime, including its ability to confiscate proceeds of crime and to successfully investigate and prosecute cases of terrorist financing. Other areas assessed, however, proved to be lacking, including measures to prevent the misuse of legal persons for money laundering/terrorist financing (ML/TF) purposes, and, crucially, risk-based supervision of financial institutions for compliance with AML/CFT requirements. The MER also noted that the overall level of understanding of the ML/TF risks by competent authorities (including banking supervisors, law enforcement and the judiciary) was low, thus hampering the effectiveness of the AML/CFT system as a whole. Finally, the assessment identified numerous gaps in the AML/CFT legal framework, which would need to be addressed as a priority measure.

² The MENAFATF, of which Algeria is a member State, is one of nine FATF-Style Regional Bodies (FSRBs), a global network of regional organizations which support their member jurisdictions in implementing the FATF Standards and periodically assess their members' AML/CFT regime.

15. In June 2023, a Fund technical assistance (TA) project was initiated to support the authorities in their efforts to revamp the AML/CFT regime and bolster its effectiveness. The TA project focused on two priority areas highlighted in the MER and identified in staff's discussions with the authorities: (i) reinforcing the BA's AML/CFT-related supervision of banks and other financial institutions under its purview through the design of a risk-based supervision framework and the revamping of its offsite and onsite supervision procedures, and (ii) setting up the legal and institutional framework for a registry of beneficial ownership of legal persons. These priorities are also well aligned with the action plan that the authorities agreed upon with the FATF on reforms needed to exit the grey list.

16. Since 2023, Algeria has made notable progress towards addressing the main gaps in its AML/CFT system, but shortcomings remain. With Fund TA, the authorities drafted a new banking regulation covering the AML/CFT obligations applicable to banks, as well as subsequent instructions on customer due diligence and wire transfers. The Fund team also worked extensively with the BA's banking supervision team to improve its understanding of the ML/TF risks facing the sector under its purview, design a risk matrix for classifying banks according to their risk level and calibrating the frequency and intensity of its supervisory activity accordingly, and update its offsite and onsite inspection procedures. The team also worked with the Ministry of Commerce to help update and refine the legal and operational framework for collecting and maintaining beneficial ownership information on companies active in the country. These reforms, together with other actions taken by the authorities, have helped Algeria obtain re-ratings to passing grades³ on eight recommendations since the adoption of the MER. However, further reforms, including additional legislative amendments, will be needed for Algeria to obtain upgrades on other recommendations, while the country will need to demonstrate a track record of effective implementation of the AML/CFT regime, including risk-based AML/CFT supervision, to ultimately exit the FATF's grey list. Table 1 provides a snapshot of reforms that should be prioritized in the coming period.

17. Since October 2024, the authorities have made steady progress towards addressing remaining FATF recommendations and will publish a mid-term report in July 2025. Of 13 outstanding FATF recommended actions, one has been completed, and progress is underway on the rest. Key guidelines have been published on targeted financial sanctions, beneficial ownership, due diligence and self-assessments. Regulatory procedures have also been prepared for the foreign exchange market, PSPs and digital banks that await legislative approval ahead of publication. A detailed mid-term report of actions taken will be published by the authorities in July 2025, ahead of the next FATF meeting in September 2025.

³ There are five possible ratings for Technical Compliance with the 40 FATF Recommendations (Compliant, Largely Compliant, Partially Compliant, Non-Compliant and Not Applicable). Recommendations rated lower than "Largely Compliant" must be addressed and submitted for re-ratings as part of the follow-up process.

Annex VI. Table 1. Algeria: Strengthening the AML/CFT Regime: Key Priority Actions

Area	Action	Timeline¹
AML/CFT Supervision	Adopt the necessary legislative and regulatory amendments, including to the main AML/CFT law (Law 05-01), to address the remaining gaps in the legal framework (such as measures on politically exposed persons, high-risk countries, cross-border transportation of cash, correspondent banking, and virtual asset service providers).	Short-term
	Design fit and proper verification procedures for all administrators and control shareholders of financial institutions and high-risk non-financial professions.	Short-term
	Elaborate sectoral risk assessments and risk-based supervision manuals for all supervisors of high-risk sectors and conduct effective risk-based offsite and onsite supervision.	Medium-term
	Demonstrate that proportionate and dissuasive remedial sanctions are taken for breaches of AML/CFT obligations by banks, other financial institutions and high-risk non-financial professions.	Long-term
Entity Transparency	Finalize the operationalization of the centralized beneficial ownership register.	Short-term
	Adopt the necessary legal or regulatory amendments to provide the Ministry of Commerce (or any other agency tasked with maintaining the register) with the necessary powers to verify the information provided, obtain further information as needed, and issue proportionate and dissuasive sanctions to non-compliant entities.	Medium-term
	Design and implement procedures for verifying the accuracy and completeness of the information provided by covered entities, including through interconnection with other databases.	Medium-term
Combating the Financing of Terrorism	Strengthen the implementation framework of UN terrorism-related targeted financial sanctions.	Short-term
	Elaborate and apply a risk-based monitoring framework for non-profit organizations at risk of misuse for terrorist financing purposes	Short-term
Use of financial Intelligence to prevent ML/TF and support financial investigations	Improve the financial intelligence unit (UCREF)'s ability to conduct timely and high-quality analysis of suspicious transaction reports and disseminate useful financial intelligence to prosecutorial authorities.	Medium-term

1/ As agreed with the FATF.

Annex VII. Assessing the Impact of an Alternative Global Downside Scenario

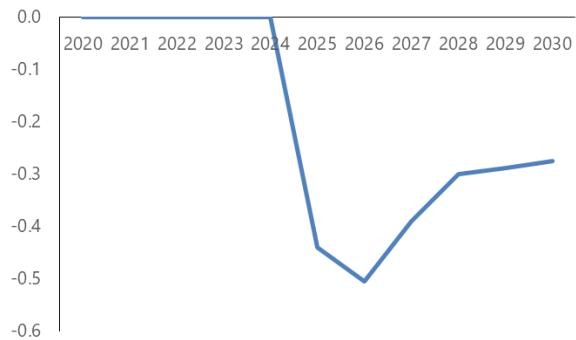
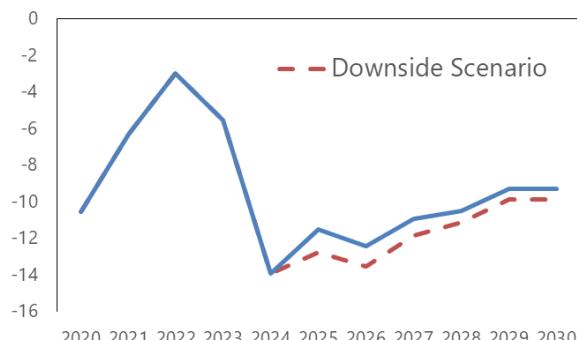
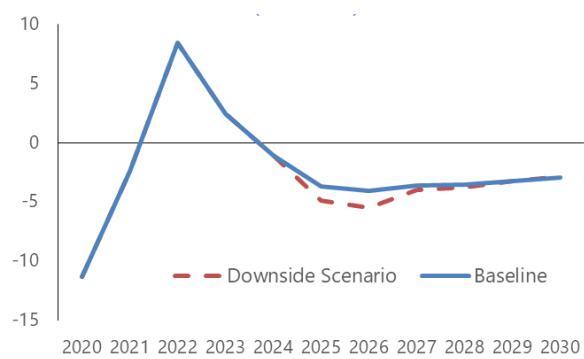
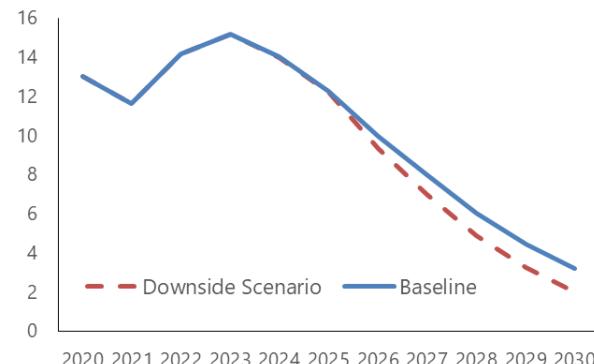
This Annex considers a negative shock to global growth and oil prices calibrated based on the assumptions of Scenario A in Box 1.1 of the April 2025 WEO to simulate the impact on Algeria's key macroeconomic variables.¹ The shock directly impacts Algeria's exports and fiscal revenues through lower oil prices and demand from the rest of the world and raises investment uncertainty.

- 1. The April 2025 WEO alternative scenario A assumes escalating trade measures and prolonged trade policy uncertainty and quantifies risks to the global outlook.** In the WEO alternative Scenario A (Box 1.1 APR 2025 WEO, green line), global growth is expected to be 1.3 percent lower than the baseline in 2025 and 2 percent lower in 2026. Thereafter, growth starts to recover to 1.6 percent, 1 percent and 0.6 percent below baseline for the consecutive years of 2027 to 2029. Finally, growth remains at 0.5 percent below baseline in 2030. The equivalent projection for oil prices assumes a price 14 percent below baseline by 2026 and a subsequent recovery to 5.7 percent below the WEO baseline assumptions in 2030. The shock is applied to current oil prices. The same trajectory is applied to current gas prices in the case of Algeria.
- 2. Under this scenario, the current account deficit would widen, but import compression would moderate the overall impact.** With lower oil prices and exports, the current account deficit would be larger relative to the baseline by 1.2 and 1.4 percent per GDP in 2025 and 2026 respectively. However, the gap would close thereafter as significant import compression will likely protect foreign reserves, which drop 1.2 months below the baseline, from 3.2 months of next year import to 2 months of next year's imports by 2030.
- 3. Lower export revenues and higher investment uncertainty would have a negative impact on Algeria's external and fiscal balances and real growth.** Lower fiscal revenues from the hydrocarbon sector have a negative impact on Algeria's fiscal balance. The fiscal deficit is 1.3 percent larger than the baseline in 2025 and remains 0.6 percent below the baseline by the end of 2030. The government would be expected to increase domestic borrowing to offset some of the loss in revenues, leading to higher government debt. Lower investment spending due to increased uncertainty, reduces real growth by 0.5 percent in 2025 and 0.1 percent in 2026 relative to the baseline. Most of the negative growth impact comes from the hydrocarbon sector, 1.9 percent below baseline in 2025, but also the nonhydrocarbon sector falls 0.3 percent below baseline.
- 4. The above-mentioned scenario confirms the urgent need for fiscal consolidation.** With lower growth and lower hydrocarbon prices, the government deficit would be larger, and the financing constraints become even more evident. Fiscal consolidation is necessary to protect debt stability and external reserves in Algeria.

¹ See Box 1.1 of April 2025 WEO [here](#).

Annex VII. Figure 1. Algeria: Downside Scenario from April WEO 2025
 (Shock to global growth and oil prices)

Percentage Change to Baseline Real GDP Levels

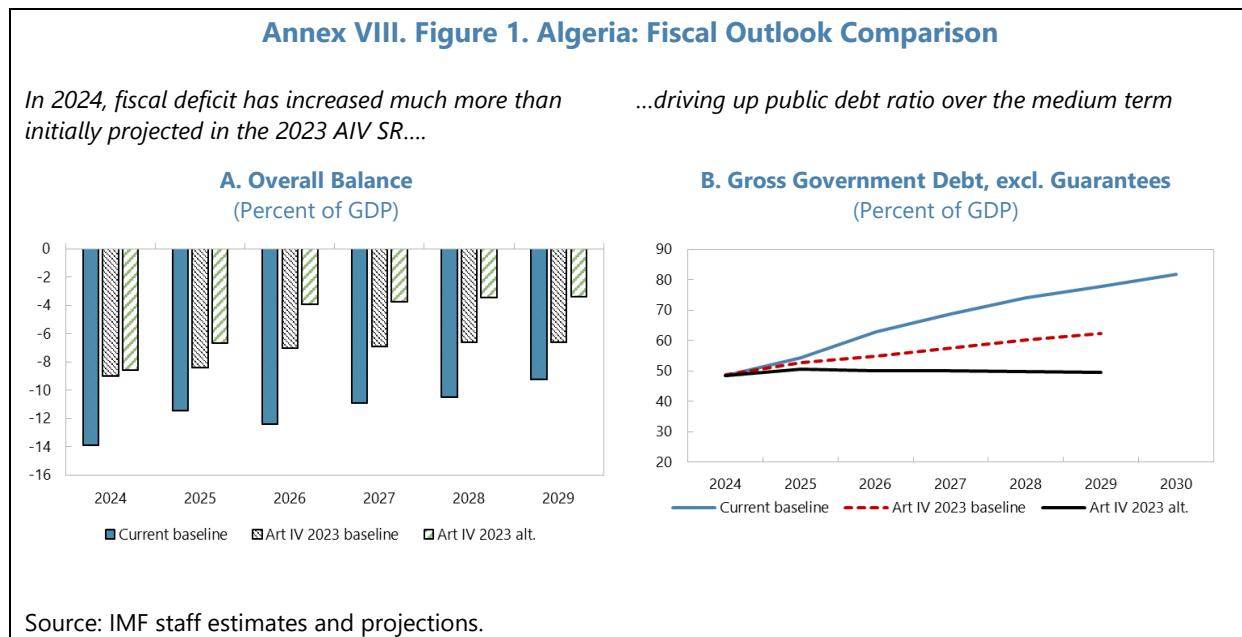
Fiscal Balance
(% of GDP)Current Account
(% of GDP)Reserves
(In months of next year's imports)

Source: IMF staff estimates and projections.

Annex VIII. Policy Reform Scenario: Fiscal Consolidation

This Annex presents a policy reform scenario with an additional fiscal adjustment of five percentage points of GDP over 2025–28 to support macroeconomic stability by rebuilding fiscal buffers. This fiscal adjustment would stabilize public debt to GDP ratio at about 64 percent of GDP and any additional windfall would accumulate in the FRR. The additional deficit reduction would provide some relief for public borrowing from the banking sector, leaving more space for private sector borrowing.

1. The large fiscal deficit in 2024 and projected in 2025, and weakening fiscal buffers pose serious financing challenges. Previous staff advice proposed fiscal consolidation anchoring the fiscal path on stabilizing the public debt ratio over the medium term at about 47 percent of GDP with fiscal measures of 3 pp of GDP over 2024–26 (see 2024 Article IV). Instead, the fiscal deficit increased in 2024, the fiscal outlook for 2025 and 2026 worsened, and the FRR depleted. As a result, a more rapid consolidation is needed over 2025–28 to limit macroeconomic vulnerabilities and stabilize public debt.



2. A policy reform scenario proposes additional fiscal adjustment of 5 pp of GDP over 2025–28 to limit macroeconomic vulnerabilities by stabilizing public debt. Such an adjustment would ensure that public debt to GDP stabilizes at about 64 percent of GDP by 2028 (Annex VIII. Table 1 and Annex VIII. Figure 1. Panel B) and limit public borrowing from the banking sector, leaving more space for private sector borrowing. To strengthen budget resilience, medium-term projections should be guided by a rule-based framework. Past advice based on the 2022 Article IV consultations proposed a buffer based on a dual-pillar approach: a public debt margin and a savings floor (with funds held in the FRR) used to build up financial buffers. The estimated cushion (combining the two instruments) to avoid breaching a debt limit of 70 percent in 95 percent of cases was estimated at 36 percent of GDP. The proposed scenario could be an initial step of the strategy,

that would initially focus on ensuring first that public debt remain anchored below the proposed debt limit (accounting for Algeria's debt carrying capacity) to preserve fiscal sustainability. The implementation of an asset floor should be envisaged as a second step to allow for the built-up of asset-liabilities management capacities.

3. The fiscal consolidation scenario assumes revenue mobilization measures (1.5 pp of GDP) and spending adjustments (3.5 pp of GDP). The adjustment would be obtained through additional revenue mobilization (1.5 pp of GDP over three years, acknowledging limited time to implement significant fiscal reforms in 2025) and spending restraints (3.5 pp of GDP spread over 4 years). The additional revenues could be raised by eliminating inefficient VAT exemptions¹ reforming mining sector taxation, improving compliance, and strengthening procedures for tax debts recovery. Spending restraints could focus on gradually phasing out fuel and energy subsidies closer to cost-recovery level over five years (partially compensated by targeted cash transfers to vulnerable households)² as envisaged by the authorities and limiting transfers to SOEs including by strict enforcement of performance contracts. Improving the efficiency of public investment would also help limit capital expenditures without largely impacting real GDP growth.

**Annex VIII. Table 1. Algeria: Alternative Fiscal Scenario
(with Public Debt Stabilization), 2024-2028**

	2024	2025	2026	2027	2028	Δ2024-28
(In percent of GDP, unless otherwise indicated)						
Baseline						
Total revenue	23.2	24.4	22.3	22.5	22.1	-1.1
Nonhydrocarbon revenue (% Nonhydro GDP)	14.0	16.7	14.8	15.0	14.9	0.9
Nonhydrocarbon tax revenue	9.4	9.9	10.0	10.2	10.5	1.0
Total expenditure	37.1	35.9	34.7	33.4	32.6	-4.5
Total expenditure (% Nonhydro GDP)	44.6	42.2	40.7	39.2	38.4	-6.2
Current expenditure	27.1	26.9	26.2	25.4	25.0	-2.1
o.w. Transfers	14.6	14.4	13.8	13.1	12.6	-2.1
Capital expenditure	9.9	7.6	7.3	6.8	6.3	-3.5
Overall balance	-13.9	-11.5	-12.4	-10.9	-10.5	3.4
Nonhydrocarbon balance (% Nonhydro GDP)	-30.6	-25.6	-26.1	-24.8	-23.9	6.7
Gross government debt	48.5	54.3	62.8	68.9	74.2	25.7
Alternative						
Total revenue	23.2	24.4	22.8	23.4	23.6	0.4
Nonhydrocarbon revenue (% Nonhydro GDP)	14.0	16.7	15.3	16.0	16.6	2.6
Nonhydrocarbon tax revenue	9.4	9.8	10.4	11.0	11.8	2.4
Total expenditure	37.1	35.4	33.3	30.9	29.0	-8.1
Total expenditure (% Nonhydro GDP)	44.6	41.7	39.0	36.4	34.2	-10.4
Current expenditure	27.1	26.9	25.5	23.9	22.6	-4.5
o.w. Transfers	14.6	14.4	13.1	11.6	10.3	-4.4
Capital expenditures	9.9	7.1	6.5	5.8	5.1	-4.7
Overall balance	-13.9	-11.0	-10.5	-7.5	-5.4	8.5
Nonhydrocarbon balance (% Nonhydro GDP)	-30.6	-25.0	-23.8	-20.3	-17.6	-16.0
Gross government debt	48.5	53.9	60.6	63.6	64.3	15.8
Additional fiscal measures (% Baseline GDP)	0.5	1.5	1.5	1.5	5.0	
Nonhydrocarbon revenue		0.5	0.5	0.5	1.5	
Transfers		-0.7	-0.8	-0.8	-2.3	
Capital expenditure		-0.5	-0.3	-0.2	-0.2	-1.2

Source: IMF staff estimates and projections.

¹ A partial list of tax expenditures included in the "Etat H" of the 2025 budget law amounts to DZD 616.5 billion, 1.6 percent of GDP.

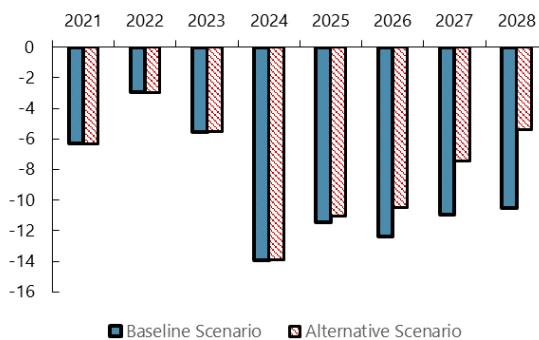
² See the 2023 Algeria Article IV Consultation Staff Report and Selected Issues paper for Algeria for additional discussions of the reform.

4. Staff estimates that the proposed fiscal measures would have a modest impact on economic activity, given Algeria's relatively low fiscal multipliers. The suggested tighter fiscal policy would have a limited impact on activity, reducing, on average, real GDP growth by 0.2 pp of GDP per year over the period 2025–2028 (Annex VIII Figure 2. Panel C) as fiscal multipliers for Algeria are estimated to be low³. Lower government gross financing requirements would also provide some relief from public borrowing from the banking sector leaving more space for private sector borrowing (Annex VIII Figure 2. Panel D).

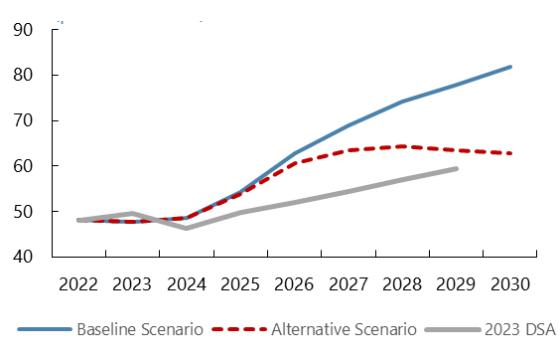
Annex VIII. Figure 2. Algeria: Policy Reform Scenario

A more ambitious fiscal adjustment would stabilize public debt below 65 percent of GDP ... while having a modest impact on real GDP growth.

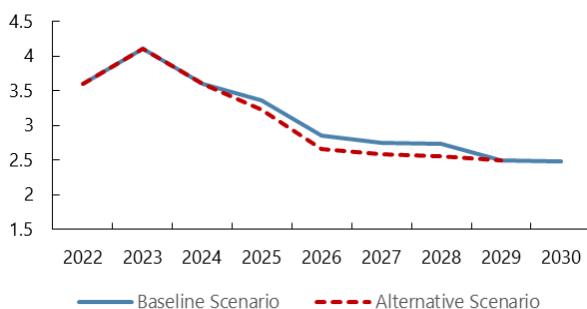
A. Overall Budget Balance
(Percent of GDP)



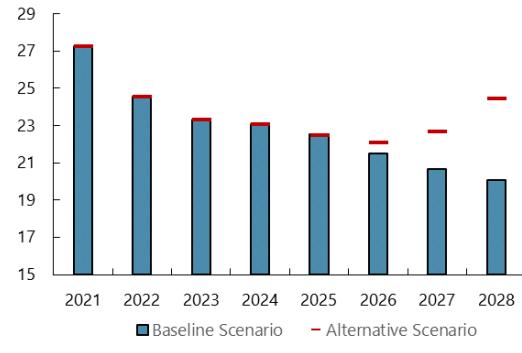
B. Gross Government Debt, excl. Guarantees
(Percent of GDP)



C. Real Growth
(Percentage change, yoy)



D. Credit to Private Sector
(Percent of non-hydrocarbon GDP)



Source: IMF staff estimates and projections.

³ See Elkhadari, M., Souissi M. and Jewell A, 2018. Empirical Estimation of Fiscal Multipliers in MENA Oil-Exporting Countries with an application to Algeria, IMF Working paper 18/24.

Annex IX. Capacity Development Activities

CD Activity	Provider	Status	Comments
<i>Macroeconomic frameworks</i>			
Developing a forecasting and Policy Analysis System (FPAS) at the BA.	ICD	Ongoing	
<i>Revenue administration</i>			
Development of strategies to improve on-time payments	METAC	Completed	
Improving tax compliance in mining sector	FAD	Completed	
STX Customs (missions in 2026 and 2027)	METAC	Planned	
Assist tax administration in development of risk management framework in the oil and gas industries	METAC	Planned	
Tax activity (missions in 2026 and 2027)	METAC	Planned	
<i>Tax Policy</i>			
Mining sector taxation	FAD	Completed	
VAT tax expenditures	FAD	Completed	
Assistance on VAT legal drafting	LEG	Completed	
<i>Public financial management</i>			
Implementation of Organic Budget Law: Medium- and program-based budgeting	FAD/METAC	Completed	
Cash management	FAD	Completed	

CD Activity	Provider	Status	Comments
Implementation of Organic Budget Law: Implementation of program budgeting	METAC	Planned	
Implementation of Organic Budget Law: Medium-term budget framework	FAD	Planned	
Cash management	METAC	Planned	
Public Investment Management Assessment	FAD	Postponed	Postponement at the request of the authorities
Managing risks from PPPs/SOEs	METAC	Ongoing	
<i>Financial supervision and regulation</i>			
Finalizing risk rating framework and developing early intervention measures	METAC	Completed	
Regulating outsourcing activities	METAC	Completed	
Developing risk rating Guide and early intervention matrix	METAC	Completed	
Enhancing onsite inspection manual	METAC	Ongoing	
Developing Regulation on operational risks	METAC	Completed	
Review regulation on capital, large exposure and loan classification	METAC	Planned	
Developing regulation on cyber risk	METAC	Planned	
<i>Central bank operations</i>			
Development of an in-house credit assessment system (follow up)	METAC	Ongoing	

CD Activity	Provider	Status	Comments
Liquidity forecasting	FAD/METAC	Ongoing	
Broadening the collateral	METAC	Planned	
<i>Payments and infrastructure</i>			
Payment service providers and payment systems supervision and oversight	MCM	Completed	
PSPs and payment systems supervision and oversight	MCM	In execution	
<i>Debt management</i>			
Training on Sukuk	METAC	Planned	
Domestic debt market development	METAC	Planned	
MAC- SRDSF training	METAC	Planned	
<i>AML/CFT</i>			
Implementing key recommendations of the MENAFATF report	LEG	Ongoing	
<i>Statistics</i>			
Compilation of Energy & Air Emission Accounts	STA	Planned	
<i>Additional CD topics to consider (for discussion)</i>			
Diagnostic mission to identify needs and priorities	STA	For consideration	
Update of the CPI	STA	For consideration	
Adoption of e-GDDS	STA	For consideration	
Public finance statistics	STA	For consideration	

CD Activity	Provider	Status	Comments
Public procurement	FAD/METAC	Suggested by MOF	
Fintech regulation and payment service providers	MCM	Suggested by BA	
Debt management: Government securities market development	MCM	For consideration	
Follow up on VAT expenditures	FAD	For consideration	
TADAT	FAD	For consideration	
Medium-Term Revenue Strategy	FAD	For consideration	

Annex X. Fostering Export Diversification in Algeria

Algeria's exports are heavily concentrated on hydrocarbons, making the country's export and fiscal revenues highly susceptible to fluctuation in global commodity prices. Although Algeria still possesses valuable hydrocarbon reserves, the endowment is not sufficient to support sustained long-term growth on its own. As a result, economic reforms and investment in nonhydrocarbon sectors are crucial for higher and sustainable growth. The reliance on a narrow export base renders the current export structure unsustainable over time and highlights the need for a more comprehensive export diversification strategy that extends beyond the reforms currently in place.

G. The Case for Export Diversification

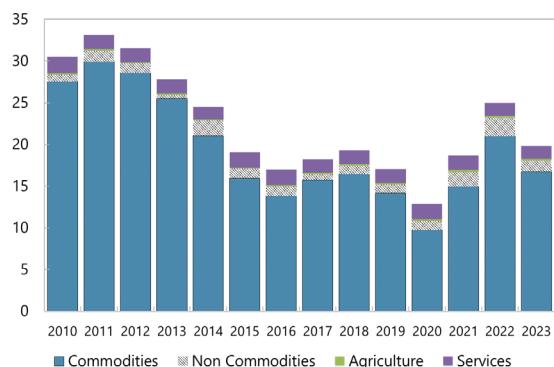
1. Algeria's exports continue to be heavily dominated by hydrocarbons, with only a modest reduction in their share over the last decade. In 2023, hydrocarbons accounted for 84 percent of total exports of goods and services, and 91 percent of goods exports (Annex X Figure 1. Panels A and B), split evenly between oil and gas. This marks a modest decrease since 2013 when hydrocarbons made up about 91 percent of total goods and services. Although nonhydrocarbon exports of goods increased from 1.1 percent of GDP in 2013 to 2 percent in 2023 with their volume significantly expanding since (Annex X Figure 1. Panel C), they remain limited and concentrated on hydrocarbon-intensive products such as fertilizers, cement, and iron and steel, making them vulnerable to hydrocarbon price swings (Annex X Figure 1. Panel D).

2. Algeria's integration into global value chains (GVCs) is mainly through forward linkages, while backward integration remains limited. Empirical literature shows that into GVCs participation boosts productivity gains via labor specialization, input varieties, increased competition, learning, and technological spillovers (see Ignatenko et al, 2018 for a review). A common way to assess GVC participation is to evaluate a country's backward and forward value-added linkages with the rest of the world¹ While Algeria's exports are relatively well integrated in global GVCs, they are primarily forward-oriented linkages—supplying goods to other countries with minimal processing—rather than importing foreign inputs for domestic production intermediate or finished products. This pattern reflects Algeria's export structure, which remains heavily reliant on hydrocarbons and related industries, unlike more diversified economies with stronger backward linkages, such as ASEAN countries and other regional peers (Annex X Figure 1. Panel E).

¹ A country/ region's "backward linkages" captures the country's use of foreign value added in its exports. "Forward linkages" capture the use of its own value added in foreign countries' exports.

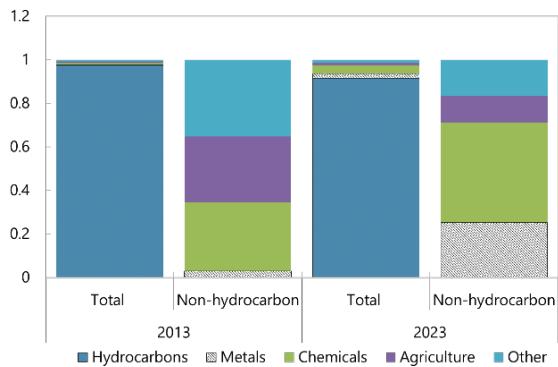
Annex X. Figure 1. Algeria: Export Structure

**A. Export of Goods and Services
(% of GDP)**



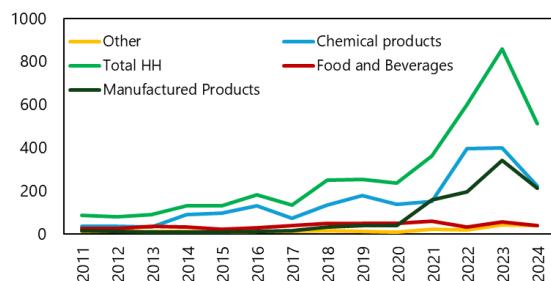
Sources: Harvard University, Atlas of Economic Complexity, IMF WEO and IMF staff calculations.

**B. Export of Goods Composition
(% of total)**



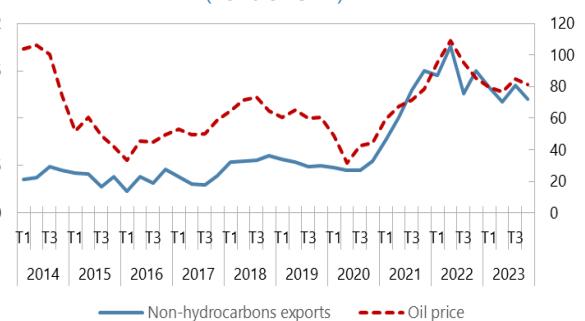
Sources: Harvard University, Atlas of Economic Complexity, IMF WEO and IMF staff calculations.

**C. Exports Volume
(At previous year price)**



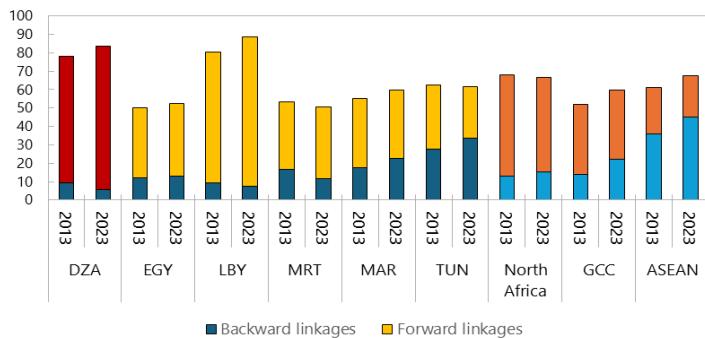
Sources: ONS, and IMF staff calculations

**D. Oil Price and Non-hydrocarbon Export Revenue
(As % of GDP)**



Sources: Algerian authorities, IMF WEO and IMF staff calculations.

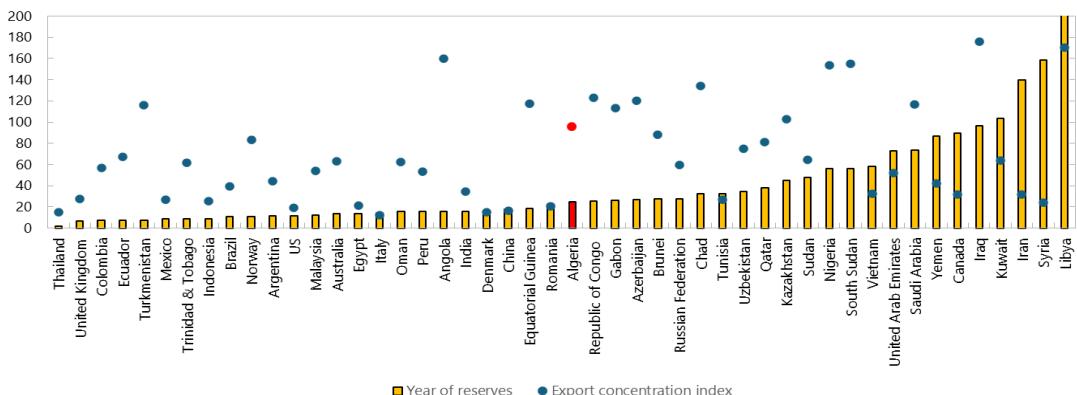
**E. Global Value Chain Participation: Forward and Backward Linkages
(Percent of countries' gross exports)**



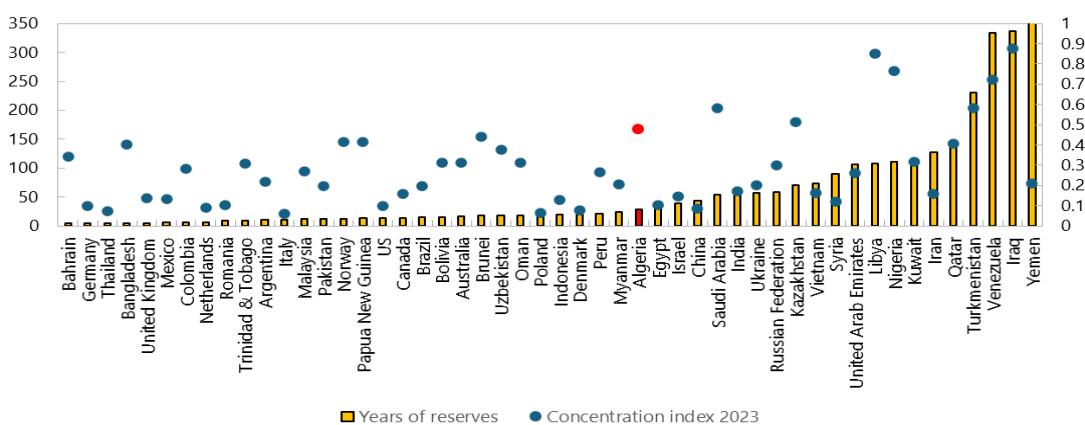
Sources: EORA and IMF staff calculations.

Annex X. Figure 1. Algeria: Export Structure (concluded)

F. Duration of Oil Reserves and Export Concentration



G. Duration of Gas Reserves and Export Concentration



Note: The export concentration index shows to which degree exports of an economy (or a group of economies) are concentrated on a few products rather than being distributed in a more homogenous manner among several products.

Sources: BP Statistical review of World Energy and UNCTAD.

3. This heavy reliance on hydrocarbons poses major risks to macroeconomic stability and long-term sustainability. In 2023, hydrocarbons revenue accounted for about 60 percent of total fiscal revenues (declining to 50 percent in 2024), making expenditures highly vulnerable to shifts in hydrocarbon prices. This dependence on hydrocarbon is also not in line with Algeria's proven hydrocarbons reserves whose lifetime is limited.² Countries with comparable reserves lifespans tend to maintain a more diversified export structure (Annex X Figure 1. Panels F and G). Without a

² According to the OPEC (annual Statistical Bulletin 2024), Algeria has about 12.2 billion barrels of proven crude oil reserves and 159 trillion cubic feet of proven natural gas reserves.

comprehensive export diversification strategy, Algeria's external position is projected to deteriorate significantly over the next three decades.

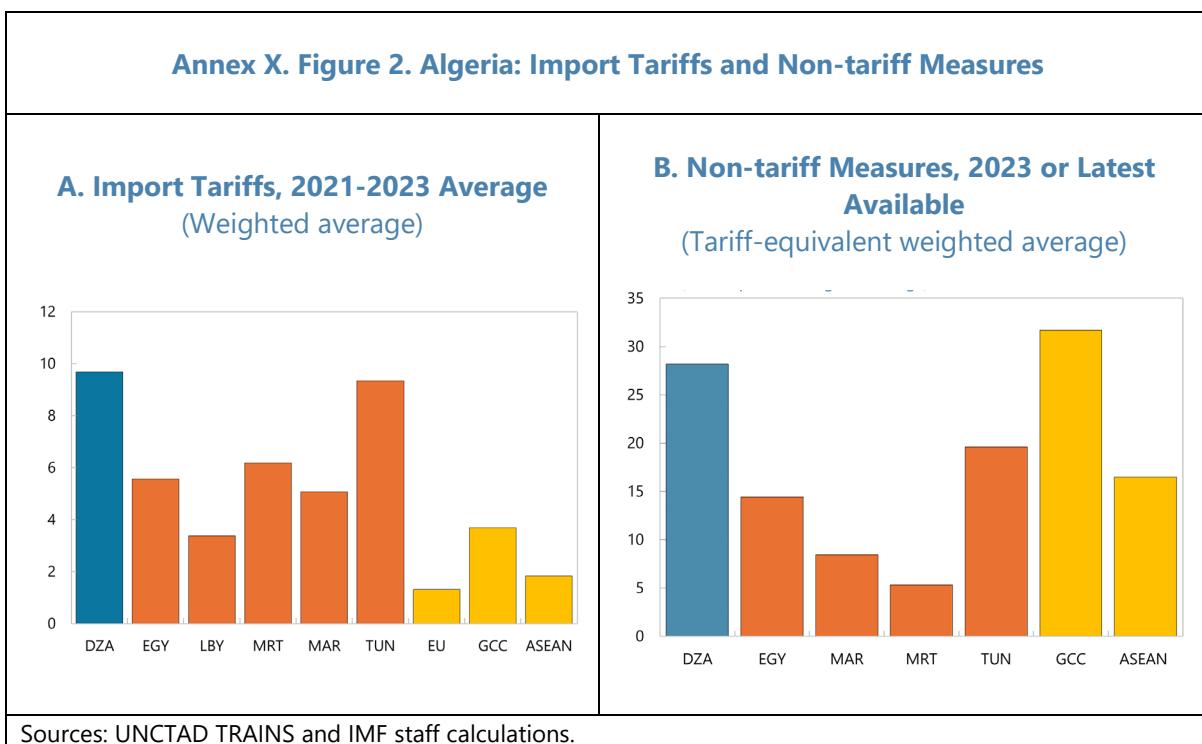
4. Economic diversification is a key priority for Algerian authorities. Although the new government's roadmap is still pending, President Tebboune's first term saw the Government Action Plan (PAG) (*Plan d'Action du Gouvernement*) outline several reforms to boost nonhydrocarbon exports. A national export strategy was developed, focusing on expanding nonhydrocarbon exports, which reached \$5.1 billion in 2023, with targets of \$15 billion by 2027 and \$29 billion by 2030. Key reforms included the establishment of free trade areas, development of logistics platforms to support exports, and simplification of administrative procedures for exporters. Additionally, the 2022 Investment Law aimed to improve the business climate and led to the creation of AAPI to attract and facilitate investment. Under its oversight, a one-stop digital shop has been created for investors to simplify administrative procedures and improve access to real estate for investors. Ongoing initiatives aim to align Algerian exports with international standards, improve trade logistics through digital tools, and reduce customs clearance times. These measures are complemented by key institutional reforms, including the 2023 Monetary and Banking Law to promote financial inclusion, the 2023 Land Law to facilitate real estate access in strategic sectors, and the 2023 Procurement Law to strengthen transparency and competitiveness.

5. Algeria's diversification efforts focus on key sectors to reduce dependency on hydrocarbons. They include the sectors of agriculture, industry, mining and renewables that are supported through fiscal incentives and facilitated access to real estate. A new mining code that reduces FDI restrictions has been submitted to Parliament and major projects are set to boost iron ore and phosphate output. Renewable energy targets include 15 GW of solar by 2035 and 30–40 percent of electricity from renewables by 2030. Algeria also seeks to become a key green hydrogen supplier to Europe.

H. Policies to Support Export Diversification Efforts

6. While it is still early to fully assess the impact of the authorities' export diversification efforts, addressing remaining structural challenges will be important to fully unlock Algeria's nonhydrocarbon export potential.

- **Reducing trade barriers.** Compared to peers and successful diversification cases, Algeria maintains substantial tariff and nontariff barriers (Annex X, Figure 2). Its import substitution approach has led to extensive restrictions on a wide range of products such as automotive, electronics, and IT equipment, increasing production costs, causing shortages, and generating market distortions that can ultimately discourage private sector growth.



- **Increasing trade integration.** Algeria has officially joined the Africa Continental Free Trade Area (AfCFTA) increasing prospects for trade integration with the rest of the African continent. However, an agreement has not yet been reached with the EU—Algeria’s main trading partner—on the review of their Association Agreement³ and Algeria has yet to become a member of the WTO, limiting its global trade engagement.
- **Reducing impediments to FDI.** FDI can play a key role in supporting export diversification by integrating domestic firms into GVCs and improving access to international markets. However, Algeria’s, FDI inflows remain low amounting to. They represented 0.5 percent of GDP in 2023—half of the 1 percent average for EMDEs—and have declined over time. As highlighted by the OECD FDI restrictiveness index,⁴ A major constraint is Algeria’s restrictive FDI policy, particularly foreign ownership equity limits. Although the “49/51 rule” requiring majority Algerian ownership of all new businesses was repealed in 2020, it still applies to a broad range “strategic sectors” including energy, defense, transportation, infrastructure, and pharmaceuticals.
- **Enhancing the business environment.** Although Algeria has made strides in digitalizing administrative procedures—such as launching online portals for business registration—persistent red tape and complex and frequently changing regulations continue to hinder

³ The Association Agreement between Algeria and the EU was signed in 2001 and aimed at fostering trade liberalization and cooperation.

⁴ With a score of 0.35, Algeria ranks significantly higher than the average of the non-OECD countries of 0.16 on total FDI restrictions.

business operations. Establishing a more predictable and simplified regulatory environment would support private investment and business growth.

- **Phasing out fuel subsidies.** Algeria's universal fuel subsidies keep domestic energy prices among the lowest globally, well below cost-recovery level.⁵ This policy imposes heavy fiscal burdens, encourages energy-intensive industries, and deepens Algeria's dependence on hydrocarbons. It also undermines the economic feasibility and commercial viability of renewable energy projects, despite Algeria's strong potential in solar and wind power and possible significant comparative advantage.

⁵ See "Algeria: Selected Issues; IMF country Report No. 24/89".

Annex XI. Data Issues

Annex XI. Table 1. Algeria: Data Adequacy Assessment for Surveillance

Assessment	Data Adequacy Assessment Rating 1/															
	C	Questionnaire Results 2/														
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating	Detailed Questionnaire Results								
	B	C	C	B	B	C	C									
Data Quality Characteristics																
Coverage	C	D	D	A	B											
Granularity 3/	B		C	B	B											
			C		C											
Consistency			C	B			C									
Frequency and Timeliness	B	A	D	A	A											
<p>Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF <i>Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>																
A	The data provided to the Fund are adequate for surveillance.															
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.															
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.															
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.															
Rationale for staff assessment. In staff's view, the coverage and timeliness of some key macroeconomic statistics should be improved to facilitate surveillance and better assess fiscal risks. Key weaknesses include:																
<ul style="list-style-type: none"> - Price data. CPI weights are based on a 2000 household survey and severely outdated, which could lead to errors in the measurement of inflation. - GFS. Institutional coverage of government statistics remain limited to central government. Data on budget execution are transmitted with significant delay and not published. Some government expenditures remain unallocated even in budget execution report. In addition there is lack of reconciliation of financing with the monetary accounts. - Financial statistics lack granularity (especially regarding the Financial Soundness Indicators), that , given the specificities of the Algerian banking sector, can hamper the assessment of liquidity risks. - Unemployment and labor market participation data have not been published since 2019, hampering analysis of employment trends and the assessment of social vulnerabilities. - The lack of reconciliation between fiscal and monetary statistics can hamper the assessment of fiscal risks given the strong financial interlinkages between the government, SOEs and SOBs. <p>On the other hand, national accounts have been rebased in December 2023 with 2001 as a base year, and now follow the 2008 SNA recommendations. Quarterly data in the new base are now available and the granularity of sector covered has been expanded.</p>																
Changes since the last Article IV consultation. Quarterly national accounts have been published in the new base year (up to 2001), and the granularity of sectors covered as been expanded in the last report. On GFS, the transition to program budgeting is well advanced (2023 and 2024 were transition years) but the amount of unallocated expenditure in the budget is significant and budget execution reports include a new line of unspecified "other expenditure" which reported amount can turn out to be significant as well.																
Corrective actions and capacity development priorities. Updating the CPI basket and improving the coverage and timeliness of government financial statistics remain key priorities. The gradual deployment of a new integrated IT system covering the full expenditure chain should improve the quality and timeliness of government finance statistics in the coming years. The IMF Statistic Department stands ready to provide technical assistance on price and national accounts and labor market statistics.																
Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the staff report in lieu of official statistics.																
Other data gaps. Other important data gaps remain, including on wages (last survey was published in 2021) and on informal sector activities. On climate, authorities plan to step up data collection to better monitor climate-related risks.																

Annex XI. Table 2. Algeria: Data Standards Initiatives

Algeria participates in the Enhanced General Data Dissemination (e-GDDS) and first posted its metadata in April 2009 but is yet to disseminate the data recommend under the e-GDDS.

Annex XI. Table 3. Algeria: Table of Common Indicators Required for Surveillance
(As of July 24, 2025)

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁶	Frequency of Reporting ⁶	Expected Frequency ^{6,7}	Algeria ⁸	Expected Timeliness ^{6,7}	Algeria ⁸
Exchange Rates	05/2025	06/2025	M	M	D	D	...	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	05/2025	07/2025	M	M	M	...	1M	...
Reserve/Base Money	05/2025	07/2025	M	M	M	M	2M	1M
Broad Money	05/2025	07/2025	M	M	M	M	1Q	3M
Central Bank Balance Sheet	05/2025	07/2025	M	M	M	M	2M	1M
Consolidated Balance Sheet of the Banking System	05/2025	07/2025	M	M	M	M	1Q	3M
Interest Rates ²	05/2025	06/2025	M	M	M	M	...	1D
Consumer Price Index	05/2025	06/2025	M	M	M	M	2M	15D
Revenue, Expenditure, Balance and Composition of Financing ³ —General Government ⁴	NA	NA	-	-	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing ³ —Central Government	03/2025	06/2025	I	I	Q	M	1Q	1Q
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	12/2024	06/2025	I	I	Q	A	2Q	3M
External Current Account Balance	Q1/2025	06/2025	Q	I	Q	A,Q	1Q	40D,6M
Merchandise Trade	q1/2025	06/2025	Q	I	M	M	12W	20D
GDP/GNP	Q1 2025	07/2025	Q	I	Q	A	1Q	3Q
Gross External Debt	Q1 2025	06/2025	Q	I	Q	Q	2Q	3M
International Investment Position	Q4 2024	06/25	Q	Q	A	...	3Q	...

¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

⁷ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

⁸ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".



ALGERIA

August 26, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

Middle East and Central Asia Department in consultation with the Statistics Department.

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RELATIONS WITH THE FUND

As of June 30, 2025

Membership Status: Joined September 26, 1963; Article VIII.

General Resources Account	SDR Million	Percent of Quota
Quota	1,959.90	100.00
Fund holdings of currency	1,438.42	73.39
Reserve position in Fund	521.48	26.61
SDR Department	SDR Million	Percent of Quota
Net cumulative allocation	3,076.66	100.00
Holdings	3,221.58	104.71

Outstanding Purchases and Loans: None

Financial Arrangements

Type	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
EFF	5/22/1995	5/21/1998	1,169.28	1,169.28
Stand-by	5/27/1994	5/22/1995	457.20	385.20
Stand-by	6/03/1991	3/31/1992	300.00	225.00

Projected Obligations to Fund

(SDR Million; based on existing use of resources and present holding of SDRs):

Forthcoming

	2025	2026	2027	2028	2029
Principal		0.00	0.00	0.00	0.00
Interest/Charges		0.01	0.01	0.01	0.01
Total		0.01	0.01	0.01	0.01

Implementation of HIPC Initiative

Not applicable

Implementation of Multilateral Debt Relief Initiative

Not applicable

Implementation of Catastrophe Containment and Relief

Not applicable

Exchange Rate Arrangement

The de jure exchange rate arrangement is classified as managed floating, and the *de facto* exchange regime as crawl-like. From January 21, 1974, to October 1, 1994, the exchange rate of the dinar was determined on the basis of a fixed relationship with a basket of currencies, adjusted occasionally. On October 1, 1994, the Bank of Algeria introduced a managed float for the dinar through daily fixing sessions that included six commercial banks. This system has been replaced by an interbank foreign exchange market as of January 2, 1996. On July 8, 2024, the average of the buying and selling rates for the U.S. dollar was US\$1 = DZD 129.5, equivalent to SDR 1 = DZD 186.9. No margin limits are imposed on the buying and selling exchange rates in the interbank foreign exchange market, except for a margin of DA 0.015 between the buying and selling rates of the Bank of Algeria for the dinar against the U.S. dollar. Algeria has accepted the obligations under Article VIII, Sections 2, 3, and 4 of the IMF's Articles of Agreements, and maintains an exchange system that is free from restrictions on the making of payments and transfers for current international transactions and multiple currency practices.

Article IV Consultation

Algeria is on a 12-months consultation cycle. The last Article IV consultation was concluded by the Executive Board on March 29, 2024 (IMF Country Report 24/88). The discussions for the 2025 Article IV consultation were held in Algiers from June 16–30, 2025.

Technical Assistance

MCM	Financial stability and macroprudential policy framework	April 2016
MCM	Liquidity management	May 2016
FAD	Public financial management	July 2016
FAD	Tax administration	October 2016
MCM	Debt market development	October 2016
FAD	Tax administration	November 2016
MCM	Upgrading banking regulations	March 2017
MCM	Forward market development	March 2017
FAD	Tax administration	April 2017
MCM	Collateral framework	July 2017
METAC	Banking supervision	October 2017
FAD	Tax administration	November 2017
FAD	Medium-term budget framework and fiscal risk management	November 2017
MCM	Forward market development (workshop)	November 2017
FAD	Custom administration	December 2017
STA	External sector statistics	January 2018
FAD	Tax policy (local government)	March 2018
METAC	National accounts	March 2018

MCM	Monetary policy and risks to financial stability	March 2018
FAD	Tax administration	September 2018
FAD/MET	Implementation of organic budget law	January 2019
AC		
FAD	Tax policy (local administration)	July 2019
STA	Government Finance Statistics	July 2019
LEG	Anti-money laundering regulations	September 2019
METAC	Tax arrears management	October 2019
FAD	Pension reform	November 2019
FAD	Tax administration (IT systems)	January 2020
FAD	Tax administration and Covid-19	June 2020
FAD	Fiscal risk management and program budgeting	November 2020
METAC	Public investment management	January 2021
METAC	Tax arrears management	January 2021
METAC	Program budgeting	March 2021
METAC	Post-crisis tax administration	June 2021
METAC	Program budgeting	July 2021
METAC	Management of PPPs	October 2021
METAC	Tax arrears management	October 2021
MCM	Monetary policy operations and liquidity management (long-term expert resident)	October 2016-October 2018
METAC	Follow-up mission on Supervisory Review and Evaluation Process	November 2019
METAC	Follow-up mission on SREP	April 2020
METAC	Implementation of Basel II & III standards	May 2020
METAC	Implementation of Basel II & III standards	June 2020
METAC	Implementation of Basel II & III standards	October 2020
MCM	Analysis of domestic government securities markets	August 2021
MCM	Debt Management Framework	October 2021
FAD	Workshop on energy subsidies	November 2021
MCM	Liquidity forecasting	March 2022
FAD/	Medium-Term Budget Framework and Program-	February 2022
METAC	Based Budgeting	
METAC	Regulation on Accounting and Valuation of Financial Market Instruments	July 2022
METAC	Program-Based Budgeting	July 2022
MCM	Parallel FX Market	July 2022
MCM	Emergency Liquidity Assistance	July 2022
METAC	Enhancing the risk rating framework	November 2022
FAD	Program-based budgeting	July 2022
FAD	Implementation of program-based budgeting	October 2022
FAD	Cash and debt management	October 2022
FAD	VAT tax expenditures and implementation in the digital sector	November 2022
FAD	Strengthening mining tax administration	November 2022
	Liquidity Forecasting	

METAC	In-house Credit Assessment System	October 2022
MCM		December 2022
METAC	Development of Strategies to Improve On-time Payment	Janvier 2023
METAC	In-house Credit Assessment System	June 2023
ICD	Macroeconomic Frameworks	June 2023
METAC	Regulating Outsourcing Activities	July 2023
METAC	Risk Rating Framework and Developing Early Intervention Measures	October 2023
METAC	Central bank collateral framework	February 2024
ICD	Macroeconomic Frameworks	July 2024
LEG	Enhancing AML/CFT Framework	November 2024
METAC	Payments and infrastructure	November 2024
METAC	Financial Supervision and Regulation	December 2024
FAD	Tax policy – mining sector taxation	December 2024
METAC	PFM implementation of organic budget law	January 2025
LEG	Enhancing AML/CFT Framework	February 2025
ICD	Macroeconomic Frameworks	April 2025
METAC	Financial Supervision and Regulation	April 2025
METAC	Debt management	April 2025
LEG	PSP and payment system supervision and oversight	May 2025
METAC	Tax policy – VAT tax expenditure	May 2025
METAC	Central bank collateral framework	May 2025

Financial Sector Assessment Program

Algeria first participated in the FSAP in 2003. The FSAP was updated in 2007 and in 2013. A Financial System Stability Assessment was conducted in 2019 and 2020 and was concluded by the Executive Board on a lapse-of-time basis in July 2020 (Press Release 20/316).

Resident Representative

None.

RELATIONS WITH THE WORLD BANK GROUP

Algeria collaborates with the World Bank Group. Further information can be obtained at:

World Bank: <https://www.worldbank.org/en/country/algeria>

STATISTICAL ISSUES

I. Assessment of Data Adequacy for Surveillance
General: The data provided to the fund have some shortcomings that somewhat hamper surveillance. Key shortcomings pertain to data on budget execution and outturns as well as to the real sector.
National Accounts: National accounts were rebased in December 2023, to base 2001 and to follow the 2008 SNA recommendations. The new annual national accounts data goes back to 2001. Volume measures are derived at prices of the previous year, then chain-linked. Quarterly data has been published with substantial delay in recent years but is now also available under the new base.
Price Statistics: The index reference period is 2001 with weights from 2000; as such, Algeria's CPI basket is severely outdated which could lead to errors in the measurement of inflation. The weight reference period for the PPI is 1989, which is outdated and likely not representative of current production.
Government finance statistics: Key shortcomings include insufficient institutional coverage (coverage is limited to the central government), classification problems, long lags for production of statistics, and lack of reconciliation of financing with the monetary accounts. Key factors behind these weaknesses include the lack of financial resources allocated to the compilation of statistics, insufficient interagency coordination, and concerns about accuracy that give rise to reluctance to publish provisional data. The authorities have not reported GFS data for publication in the Government Finance Statistics Yearbook since 2011.
Monetary statistics: The central bank of Algeria (BA) submits the monetary statistics for the central bank, other depository corporations (ODCs), and other financial corporations to STA on a timely basis. Monetary statistics are published in the International Financial Statistics. The monetary data are based on the Standardized Report Form (SRF) following the methodology of the Monetary and Financial Statistics Manual and Compilation Guide (MFSMG). BA reports data on some key series and indicators to the Financial Access Survey, including two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) of the United Nations Sustainable Development Goals.
Financial Sector Surveillance: BA reports Financial Soundness Indicators (FSI), which are published on the IMF's FSI website. However, the periodicity and timeliness of the data need to be improved as the FSIs are currently reported only on a yearly basis.
Balance of payments: Balance of payments statistics are of relatively good quality. The data collection system appears comprehensive in terms of payments measurement but has incomplete coverage of transactions other than settlements (e.g., reinvested earnings) and some position data. A January 2018 TA mission worked with the compilers to address several weak areas, including (i) recording of construction projects as FDI vs. services; (ii) trade statistics; and (iii) FDI position data. The structure of the BoP accounts has been adjusted in 2024, making it easier to read. Balance of payments and IIP statistics are transmitted to the IMF for dissemination in the IFS.

II. Data Standards and Quality	
On April 21, 2009, Algeria began participation in the General Data Dissemination System (GDDS; replaced with the enhanced framework, e-GDDS, in 2015) and disseminates only metadata.	No data ROSC is available.

Algeria: Table of Common Indicators Required for Surveillance As of July 10, 2025					
	Date of latest observation	Date received	Frequency of Data ⁷	Frequency of Reporting ⁷	Frequency of publication ⁷
Exchange Rates	05/2025	06/2025	M	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	05/2025	07/2025	M	M	M
Reserve/Base Money	05/2025	07/2025	M	M	M
Broad Money	05/2025	07/2025	M	M	M
Central Bank Balance Sheet	05/2025	07/2025	M	M	M
Consolidated Balance Sheet of the Banking System	05/2025	07/2025	M	M	M
Interest Rates ²	05/2025	06/2025	M	M	M
Consumer Price Index	05/2025	06/2025	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ³ —General Government	NA	NA	-	-	-
Revenue, Expenditure, Balance and Composition of Financing ³ —Central Government ⁴	03/2025	06/2025	I	I	A
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	12/2024	06/2025	I	I	NA
External Current Account Balance	Q1 2025	06/2025	Q	I	I
Exports and Imports of Goods and Services	Q1 2025	06/2025	Q	I	I
GDP/GNP	Q1 2025	07/2025	Q	I	I
Gross External Debt	Q1 2025	06/2025	Q	I	I
International Investment Position ⁶	Q4 2024	06/2025	Q	Q	Q

¹Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

²Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes, and bonds.

³Foreign domestic bank, and domestic nonbank financing.

⁴The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵Including currency and maturity composition.

⁶Includes external gross financial asset and liability positions vis-à-vis nonresidents. Data are partial, because of shortcomings in the compilation of FDI.

⁷Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A); Irregular (I); and Not Available (NA), Partially available (PA).