

COUNTRY PROFILE: **PEOPLE'S DEMOCRATIC REPUBLIC OF ALGERIA**

DATED: **FEBRUARY 2009**

CREDIT GUARANTEE:

IES/02: ATTACHMENT A

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	3C	Restricted to ILC Specified Bank

Recent Political Highlights

- ❑ Chief of state since April 1999 is President Abdelaziz Bouteflika and he is currently in his second term in office. Algerian presidential elections will be held on April 9 and the president has invited the UN, The Arab League and the Organisation of the Islamic Conference to send observers to monitor the balloting. In November, parliament approved a constitutional amendment to allow Bouteflika to run for a third term. Opposition parties rejected the amendment and called for a boycott of the vote. Critics say the reform is a step away from democracy and favours the political and military elite that have long held onto power.
- ❑ Former President of Algeria, Mr Liame Zeroual, has expressed his preliminary approval to run for the next presidential election but on condition that the majority of Algerians are in favour of his candidacy.

Recent Economic Highlights

- ❑ Algeria will begin a new \$100-500bn, five-year national infrastructure development programme in 2009. Algeria's budget for this year is predicated on an oil price of \$37 per barrel, a growth rate of 4.1%, an inflation rate of 3.5% and an exchange rate of 65 dinars per US\$. Analysts do not expect the state budget to be affected by the global financial crisis in terms of covering the country's main expenditures as long as the oil price remains above \$30 per barrel. According to a report by the OECD, Middle East and North African countries including Algeria are starting to suffer from outcomes of the current global financial crisis and are expected to lose \$300bn in revenue because of low crude prices and production cuts.
- ❑ FDI in all sectors in Algeria, including hydrocarbons reached \$1.7bn in 2008, which is low compared to other countries across the region. A long-term strategy based essentially on the diversification of the economy is the main option for Algeria to address the impacts of the global financial crisis as it seeks to reduce its dependence on the hydrocarbons sector.
- ❑ Algeria's trade surplus rose to \$39bn in 2008, up 20.1% from the previous year. Exports totaled \$78.2bn and the value of oil and gas sales abroad accounted for 97.5% of total exports. Algeria's foreign exchange reserves were estimated at \$138bn in November 2008.
- ❑ Structural reform in the banking sector and the construction of infrastructure is hampered by corruption and bureaucratic resistance.

Latest Trade Developments

- ❑ Despite requests from Algerian business leaders asking the government to postpone adhering to the Arab Free Trade Area (AFTA) by two years, Algeria's joined the association on January 1st. The move is expected to optimise the competitiveness of domestic products and open new horizons for Algerian companies through access to Arab markets. Concerns have been raised on the potential for foreign products to flood the domestic market causing the closure of Algerian factories, especially in the most vulnerable sectors such as agriculture. Since 2005, Algerian has concluded two free trade agreements with Arab countries through AFTA and the EU.
- ❑ Main exports: petroleum, natural gas and petroleum products.
- ❑ Main imports: capital goods, food and consumer goods.
- ❑ Main trading partners: US, Italy, Spain, France, Canada, Germany, China and Turkey.
- ❑ Algeria is the second-raking supplier of natural gas to Europe after Russia. Africa's largest natural-gas exporter hopes to increase exports of the fuel by 25% to 77.9bn cm³ through pipelines supplying Italy and Spain. Another Algerian sub-sea pipeline to Europe, the Medgaz, is expected to come on stream in September this year, delivering 8bn cm³ a year to Spain. However mixed results in attracting foreign oil firms to invest in new exploration suggests big output increases could be hard to achieve in the longer term.
- ❑ SA exports to Algeria totaled R1bn in 2006 and R932m in 2007.

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