

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

IES/02: ATTACHMENT A

DATED:**AUGUST 2007****CREDIT GUARANTEE:**

	<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 has been President Abdelaziz Bouteflika. The next election is scheduled for April 2009;
- ❑ Currently in his second term in office, President Bouteflika is seeking to amend the constitution to enable him to stand for a third term. A referendum is likely to take place in late 2007 or in 2008;
- ❑ The broadly stable political climate is expected to create a platform for increasing levels of domestic and foreign investments.

Recent Economic Highlights

- ❑ The second-largest state in Africa with a coastline of 998km has a population of 33m that is expected to grow at a rate of 1.2% in 2007;
- ❑ Owing to high oil prices and several large-scale heavy industrial and infrastructural projects, the macroeconomic outlook remains positive. The country still needs to diversify its petroleum-based economy, which has yielded a large cash reserve but which has not been used to redress its many social and infrastructural problems;
- ❑ The Economist forecasts GDP growth of 4.7% in 2007 and 5.7% in 2008 with an average growth of 6% in 2008-2011. The economy grew by an estimated 5.6% in 2006;
- ❑ External debt has decreased to less than 10% of GDP after Algeria repaid its Paris Club and London Club debt in 2006;
- ❑ The Economist expects inflation to rise to 3% in 2007, 3.5% in 2008, 2.8% in 2009, 2.5% in 2010 and 2.6% in 2011 from 2.6% in 2006;
- ❑ Unemployment stood at 15.7% in 2006;
- ❑ In order to alleviate the staple food prices explosion as the fasting month of Ramadan approaches, Government has imported 23,000 tonnes of red meat and 20,000 tonnes of potatoes;
- ❑ General Electric, Alstom SA and Ansaldo Energia SpA won contracts to build power plants in Algeria in a \$1bn project designed to ease a shortage of electricity supply during periods of peak demand. Government ended state-owned Sonelgaz's monopoly early this year when it authorised private companies to produce and sell electricity. Sonelgaz plans to expand its natural gas and electricity distribution network at a cost of \$5.2bn. to meet combined annual growth in consumption of about 7%.

Latest Trade Developments

- ❑ Major exports: petroleum, natural gas and petroleum products;
- ❑ Major imports: capital goods, food and consumer goods;
- ❑ Main trading partners: US, Italy, Spain, France, Canada, Brazil, Germany, China and Turkey;
- ❑ Algeria is the second-ranking supplier of natural gas to Europe after Russia. The country exported about \$56bn in gas and oil last year, while about 33% of Italy's gas supplies is sourced from Algeria and 32% of Spain's. The North African state is building pipelines and plants to increase annual gas exports by a third to 85bn cubic meters by 2010. Apart from fossil fuels, Algeria exported only \$1bn in manufactured goods last year;
- ❑ Russia and Algeria have signed an energy cooperation agreement that the European Union has pledged to monitor because of concerns it may develop into a cartel-like alliance. The cooperation between the two countries will be at all levels from exploration to marketing. The two gas exporters have stated looking into the prospect of establishing a cartel of the world's major producers of natural gas – a parallel to the oil cartel OPEC. The natural gas market has become increasingly important and global and the major players have shown a growing willingness to using exports as a political card;
- ❑ SA's exports to Algeria totaled R1.1bn in 2006 from R427m in 2005 and R337m in the year to May 2007.

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