

Algeria present economic situation

Tokyo March 2019

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Algeria macroeconomics and sectors of investment

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- His Excellency Mr. Taro Kono Minister of Foreign Affairs, traveled to Algiers on December 27 as part of an official visit.
- It was agreed to set up a Joint Economic Committee in 2019 on bilateral legal agreements of investment in the areas (including protection and promotion) and taxation (implementation of the principle double taxation)
- Algeria is the fourth African partner of Japan. In 2017, trade amounted to 750 millions USD (260 millions USD of Algerian exports to Japan and 438 millions USD of Algerian imports from Japan).
 - Japanese exports to Algeria include machinery and mechanical appliances; articles of iron or steel; vehicles for tourism and transport.
 - Japanese imports from Algeria are mainly composed of gas (liquefied)

- **Resources for conducting reforms for economy diversification**
 - December 2018: 81 billions USD Foreign currency reserves (almost 2 years imports and 16 x trade deficit of 2018) and almost no foreign debt
 - Significant investments in key infrastructures during the last 15 years (roads, railways, ports, water desalination, electricity, gas distribution, hospitals)

- **Challenges:**
 - Budget deficits calling for specific fiscal reforms
 - Business environment reforms in order to develop full country economic potential
 - Job creation for growing young population

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What is attractive in Algeria for Japanese Companies?

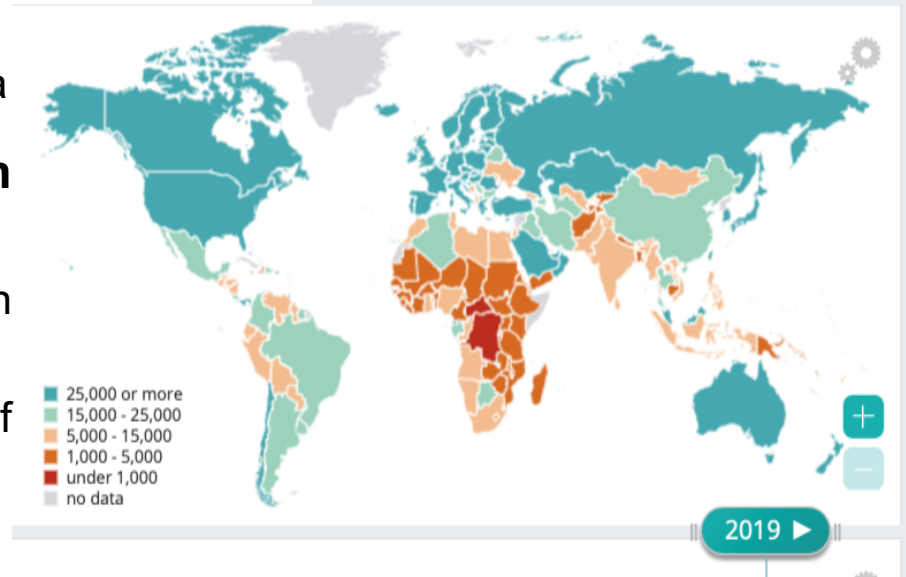
Market size:

- Algeria is a 40 million population with a GDP per capita 16 009 USD (PPP, Source IMF World Economic Outlook 2018).
- One of the highest purchasing power in Africa

Access to European and Mediterranean Markets:

- Significant competitive access to European markets.
- Sea transport from Algerian ports to most of South Europe Ports is less than 24 hours.

GDP per capita, current prices
Purchasing power parity; international dollars per capita



■ **Energy cost:**

- As an oil & gas producer, Algeria provide for industries competitive energy cost pricing. For industries with significant energy needs, this enhances competitiveness of industrial production located in Algeria.

■ **Relatively low labor cost**

- Minimum salary in Algeria is 150 USD per and average salary 400 USD per month. Although salaries can be high in for some qualified profiles with high human resources demand, labor costs remain competitive for population with a relatively high literacy rate and university graduation rate (compared to Africa countries).

- **Oil & Gas related industry**

- Oil & Gas related industry is expected to grow significantly in the following 5 years amid new investments.
- During the last 10 years, oil & gas production has been stagnant and even declining for some years (in terms of quantity) despite a recognize high level of hydrocarbon reserves.
- All players in the sectors acknowledge that significant new investment in exploration is needed urgently.
- With new business conditions in line with investors requirements, it is expected that this sector will see significant growth to compensate the investment that have not been made during the last 3 years.

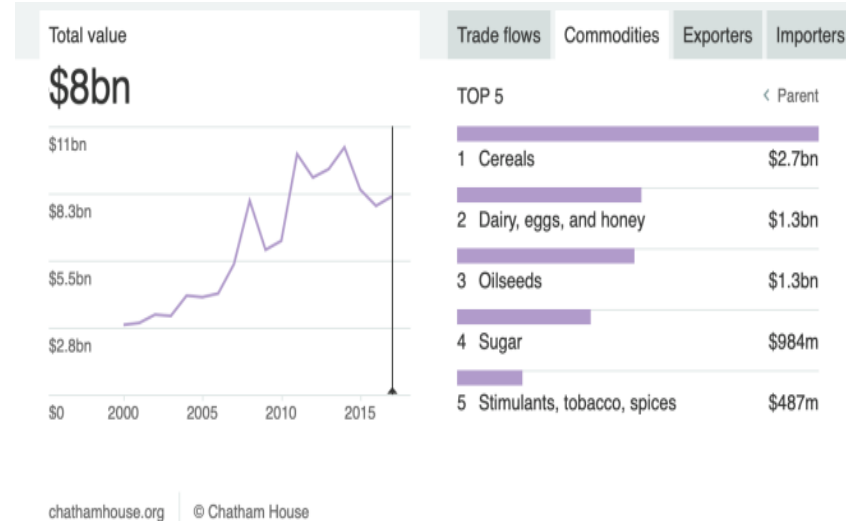
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Examples of industries expected to grow in following years

- **Agriculture related Industries**

- Traditionally, Algeria use to be an agricultural rich country.
- But for the last 50 years, socialist policies and the availability of oil & gas financial resources has transformed Algeria into an importer of agricultural product (more than 60% of country food needs are imported).
- Recently more focus has been made on agricultural development, including developing high scale agricultural production in Sahara with irrigation techniques. It is expected that agriculture in arid zones will grow and expand in following years based on the projects currently started or under study.

Agriculture Imports data:



■ Renewable Energy

- The potential of growth of renewable energy infrastructure is important in Algeria. Until now, there was many public announcements, but there was no significant progress for actual projects. The main reason for that is probably linked with the reliance of political authorities on Oil & Gas energy and putting lower priority on renewable energy development.
- But we expect, with expected governance change, that more focus will be put on solar energy, to diversify energy mix and use the huge solar potential of the country.
- Japanese companies showed in the past a strong interest in this field and there was also a JICA research project on developing solar energy including the development of local industry for Silica production (Solar Breed Project).

- **Construction materials**
- Based on demographics, demand for housing and infrastructures should fuel demand for construction materials.
- During the past 10 years' part of construction materials had been imported.
- Based on present Algeria financial conditions (trade balance deficit) it is expected that any government will likely put incentives on local production and/or restrictions on imports.
- Also, the need for more energy efficiency, will lead to a higher demand for construction materials providing higher energy efficiency.

5 Questions and Contact

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