

ALGERIA

Non-hydrocarbon growth remained robust in 2025, supported by strong investment and household consumption, while inflation eased as food prices declined. Fiscal and external deficits widened amid relatively low hydrocarbon prices, rising public spending, and investment-driven imports. Advancing diversification, improving the business climate and the efficiency of public enterprises, and strengthening the macroeconomic framework remain critical for growth and job creation.

Key conditions and challenges

Despite recent diversification efforts, Algeria's economy remains dependent on the hydrocarbon sector and public spending. The oil and gas sector accounted for 13.3 percent of GDP, 82.6 percent of exports, and 45.8 percent of budget revenues between 2020 and 2024. Government spending represented 35.5 percent of GDP, exceeding revenues by 7.8 percent and non-hydrocarbon revenues by 21.3 percent over the same period.

Over recent decades, growth has relied on capital accumulation and the entry of new workers into the labor market, with limited productivity gains, underscoring the need for structural reforms. Authorities have begun to implement policy changes to stimulate investment, spur productivity growth, and support diversification, including the 2022 Investment Law, the 2023 Banking and Monetary Law, the 2023 Economic Land Law, the 2024 African Continental Free Trade Area accession, and the 2025 Mining Law.

State-led development has resulted in important economic and social achievements. Living standards, education, and health improved significantly before the pandemic. Inequality is low (latest

Population ¹ million	Poverty ² % of the population living on less than \$8.30/day
47.4	41.8
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
76.3	106.4
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
287.0	6051.0

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2011 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

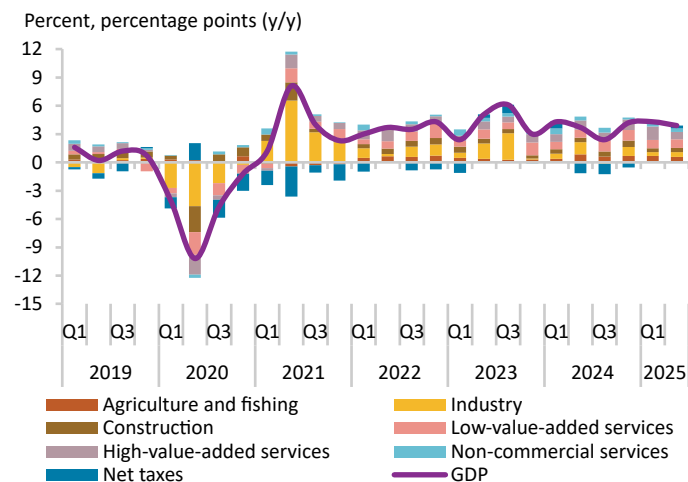
Gini coefficient: 27.6 in 2011), but poverty and vulnerability remain high for Algeria's income level. The poverty rate at US\$8.30 a day (2021 PPP) reached 41.8 percent in 2011. The multidimensional poverty headcount is estimated to have decreased from 2.1 to 1.4 percent between 2013 and 2019.

Growth has remained robust since the pandemic, driven by investment acceleration and resilient household consumption, amid fiscal expansion. At the same time, falling hydrocarbon prices and a series of OPEC quota cuts, coupled with expanding investment-driven imports and public spending growth, have put the fiscal and external balances under pressure.

Recent developments

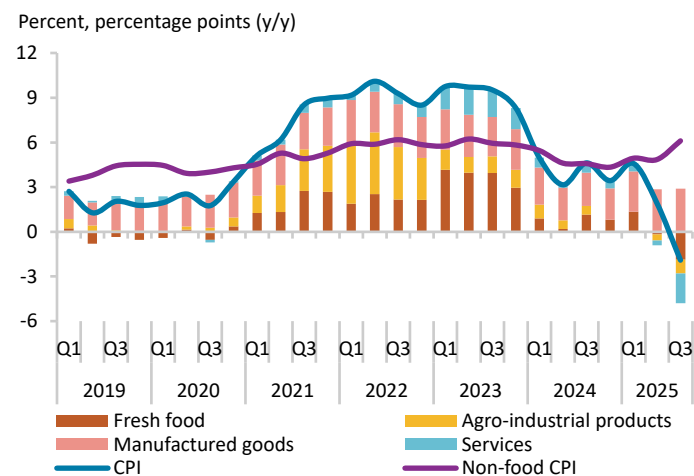
GDP growth accelerated to 4.1 percent year-on-year (y-o-y) in H1 2025 from 3.7 percent in 2024, as strong non-hydrocarbon activity (+5.4 percent y-o-y) offset the contraction of hydrocarbon GDP (-2.0 percent y-o-y). Growth was underpinned by strong investment (+13.2 percent y-o-y), which boosted imports (+25.2 percent y-o-y). Resilient household consumption (+4.4 percent y-o-y), amid rising public sector wages, supported services (+4.3 percent y-o-y) and

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Algerian authorities and World Bank.

FIGURE 2 / Consumer price index (CPI) inflation and contributions to CPI inflation



Sources: Algerian authorities and World Bank.

non-hydrocarbon industries (+4.2 percent y-o-y). Agricultural output grew markedly (+5.3 percent y-o-y), bolstered by favorable rainfall in the East. Satellite nightlights data suggest non-hydrocarbon activity remained robust across regions in H2 2025.

The current account deficit widened sharply in H1 2025 to US\$10.5 billion, up from US\$2.9 billion (1.1 percent of GDP) in 2024, as declining hydrocarbon prices and export volumes coincided with rapid import growth. Foreign exchange reserves stood at 15.0 months of imports at end-2024. After reaching 13.8 percent of GDP, the fiscal deficit is expected to have narrowed slightly in 2025 due to a one-off transfer of Bank of Algeria dividends to the budget. At the same time, public debt decreased slightly as a share of GDP and remains nearly completely domestically held at long-term maturities and low interest rates.

Inflation continued to decelerate in 2025, reaching 1.4 percent y-o-y over the first eleven months, driven by decreasing food prices and a stable official exchange rate, despite exchange rate pressures. Money supply growth slowed, while credit growth remained robust (+5.4 percent) in H1 2025. The policy interest rate was reduced from 3 to 2.75 percent and the reserve requirement rate from 3 to 2 percent in August 2025, followed by another easing in monetary conditions in January 2026, when the policy interest rate was reduced to 2.5 percent and the reserve requirement rate to 1 percent.

GDP per capita growth was positive in 2025, and household welfare likely benefited from low inflation, rising public wages and pensions, and new unemployment benefits. National Office of Statistics data indicate 450,000 jobs were created in 2024, while the working-age population increased by about 600,000.

The unemployment rate stood at 9.7 percent at end-2024. The previous available rate dates to May 2019 (11.4 percent).

Outlook

GDP growth is expected to decelerate over 2026–2028 as gradual fiscal consolidation is implemented according to the government's medium-term framework, including slowing wage growth and decreasing investment expenditures.

The fiscal and external deficits would narrow in 2026 amid higher hydrocarbon prices in the context of the conflict in the Middle East. Assuming hydrocarbon prices return to relatively low levels, the twin deficits would widen in 2027–2028. Elevated budget deficits would translate into rising public debt, projected to reach 67 percent of GDP by 2028 in the baseline scenario.

Algeria's economy remains vulnerable to volatile hydrocarbon markets. Climate change increases risks through its effects on agriculture, while the global low-carbon transition and the European Carbon Border Adjustment Mechanism are expected to reduce demand for Algeria's hydrocarbon and selected non-hydrocarbon exports, notably fertilizers and iron and steel.

Reducing these risks and ensuring sustainable, inclusive, and job-creating growth will require a stronger macroeconomic framework and progress on diversification. Priority reforms include strengthening domestic revenue mobilization through tax policy and administration reforms, improving medium-term budgeting and resource-revenue management, reducing price distortions, and improving the business climate.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.1	3.7	3.8	3.7	3.1	3.1
Private consumption	4.0	3.9	4.4	3.6	3.3	3.0
Government consumption	3.4	2.8	2.5	2.2	2.0	1.8
Gross fixed capital investment	9.2	9.8	12.2	3.5	4.0	5.2
Exports, goods and services	3.1	-2.4	2.5	4.3	2.2	0.8
Imports, goods and services	16.1	11.9	17.3	3.0	3.9	4.3
Real GDP growth, at constant factor prices	3.8	3.5	3.8	3.7	3.1	3.1
Agriculture	3.0	5.3	5.2	2.8	2.6	2.6
Industry	3.9	2.1	3.6	3.9	3.2	3.0
Services	3.8	4.1	3.6	3.7	3.1	3.2
Employment rate (% of working-age population, 15 years+)	36.3	36.1	36.5	36.9	37.0	37.1
Inflation (consumer price index)	9.3	4.0	1.4	2.8	3.4	3.5
Current account balance (% of GDP)	2.6	-1.1	-5.9	-2.4	-9.7	-11.3
Fiscal balance (% of GDP)	-5.5	-13.8	-13.0	-7.4	-10.8	-10.4
Revenues (% of GDP)	31.9	23.8	23.6	24.7	21.9	21.7
Debt (% of GDP)	47.6	48.1	47.2	49.8	60.3	67.0
Primary balance (% of GDP)	-5.7	-13.4	-14.4	-7.7	-11.0	-10.3
GHG emissions growth (mtCO2e)	3.8	2.9	3.2	3.1	2.8	2.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.