

## AFRICA RISK CONSULTING

### Algeria Monthly Briefing January 2023

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#### Algeria Summary 16 January 2023

*World Bank publishes its latest report on economic developments in Algeria on 4 January noting that inflation in Algeria remains high, reaching 9.4% during the first nine months of 2022. The financial institution recommends a cautious approach to increased government spending to remedy higher inflation. The director general of foresight at the energy ministry, Miloud Medjelled announces on 15 December that gas exports hit a record 56 billion cm (bcm) in 2022 and are likely to increase in 2023. Algerian trade minister Kamal Rizik says on 19 December that the country's non-oil exports exceeded \$6 billion between January and November 2022, the highest figure recorded in its history since its independence from France in 1962. The governor of the Bank of Algeria (central bank) Salah-Eddine Taleb tells the media on 26 December that the country's foreign reserves amounted to \$60 billion at the end of 2022 which would cover the country's import needs from goods and services for two and a half years. French interior minister Gerald Darmanin says on 18 December that Paris has resolved visa issues with Algeria and ending months of tensions.*

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#### World Bank reports food prices up 13.6%

The **World Bank's** latest report on economic developments in **Algeria**, published on 4 January, has indicated that inflation remains high reaching 9.4% during the first nine months of 2022 primarily due to a 13.6% increase in the price of foodstuffs.<sup>1</sup> The World Bank has recommended a cautious approach regarding the increase in government spending to remedy these conditions, warning of challenges in the medium term if global oil prices drop, impacting government revenues.<sup>2</sup>

The resident representative of the World Bank in Algeria, **Kamel Braham**, emphasised the need for government to implement measures regarding raising the efficiency level in the use of public resources and increasing tax revenues.<sup>3</sup> The global financial institution also reported that it expects Algeria's economy to grow by 2.3% in 2023, lower than the expected regional growth of 3.5%, as the country's macroeconomic outlook remains vulnerable to fluctuations in global hydrocarbon prices.<sup>4</sup> The World Bank also notes that in the medium to long term, the non-hydrocarbon private sector must become the motor for Algerian growth and diversification of the economy to bolster economic growth.<sup>5</sup>

The government announced plans in November 2021 to curb spending on food subsidies after the **International Monetary Fund (IMF)** urged the government in October 2021 to recalibrate its policies (see *ARC Briefing Algeria Dec 2021*). Food subsidies have historically helped Algeria ward off social unrest as the subsidies provide support to millions of Algerians struggling with poverty. However, skyrocketing energy prices, a consequence of **Russia's** war in **Ukraine**, have shored up the country's foreign reserves, giving the government more scope to cushion citizens against increasing living costs and ward off social unrest.<sup>6</sup>

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<sup>1</sup> World Bank, 4 Jan 2023

<sup>2</sup> Middle East Monitor, 13 Jan 2023

<sup>3</sup> World Bank, 4 Jan 2023; Middle East Monitor, 13 Jan 2023

<sup>4</sup> World Bank, 4 Jan 2023

<sup>5</sup> World Bank, 4 Jan 2023

<sup>6</sup> Bloomberg, 20 Oct 2023

Algeria is still in a risky position regarding inflation in 2023. Inflation is close to hitting double digits while unemployment is soaring at 15% according to official figures.<sup>7</sup> Officials acted by intensifying measures to protect the purchasing power of citizens to curb the already high inflation, mainly by strengthening subsidies for basic foodstuffs, increasing civil service salaries and introducing unemployment benefits for young first-time job seekers.<sup>8</sup> However, Algeria's overreliance on the hydrocarbons sector makes these measures dependent on global oil prices, and as mentioned, any drop could negatively impact the government's ability to cushion citizens against high levels of inflation.<sup>9</sup>

### Gas exports hit record high in 2022...

The director general of foresight at the energy ministry, **Miloud Medjelled**, announced on 15 December that gas exports hit a record 56 billion cubic metres (bcm) in 2022 and are likely to increase in 2023.<sup>10</sup> Medjelled noted that authorities are planning to rationalise the consumption of gas destined for local electricity production in a bid to take advantage of the high global gas prices.<sup>11</sup> President **Abdelmadjid Tebboune** (2019-present) has also called on state-owned hydrocarbons company **Sonatrach** to double its gas production to reach 100 bcm of exports in 2023. Sonatrach data indicates that total local production amounts to 130 bcm of gas annually, of which more than 50 billion bcm is exported.<sup>12</sup>

Global demand for natural gas is experiencing rapid growth, particularly in the **European Union (EU)**, which is searching for alternatives to Russian energy supplies, creating opportunities for Algeria. Last year, Sonatrach signed deals to supply additional quantities of gas to **Italy**, amounting to 9 billion bcm, in addition to supplying 300 million cubic meters (mcm) of gas to **Slovenia** for the first time.<sup>13</sup> Algeria provides Europe with gas through two key pipelines – the **Transmed-Enrico Mattei** pipeline reaches Italy across the **Mediterranean**, and the **Medgaz** pipeline passes directly from the Algerian north-western coast to **Almeria** in southern **Spain**.<sup>14</sup>

However, the regionally focused publication, the **North Africa Post**, produced contrary figures in a report on 11 January stating that the value of Algerian gas exports dropped by 10% to 49.3 bcm in 2022, down more than 5 bcm from 2021.<sup>15</sup> The publication noted that Algeria produced around 100 bcm of oil and gas resources of which half went to the domestic market in 2022 while export earnings reached \$50 billion, up from \$35 billion in 2021 due to higher prices. The publication also noted said that despite higher energy prices seen in 2022, Algeria fell short of matching the \$71 billion recorded in 2011 when the country produced 145 bcm.<sup>16</sup> The publication said that the "*dire truth*" Algerian authorities seek to hide is that the country's production capacity is declining while its domestic needs of gas are increasing and dependence on hydrocarbons keeps the economy "*hostage*".<sup>17</sup> There is no concrete evidence to prove the suggestion that the government incorrectly published false figures but in the past, it has been accused of misrepresenting economic figures, especially regarding its energy reserves.

### ... as non-oil exports exceed \$6 billion at end of November

Trade minister **Kamal Rizik** announced on 19 December that non-oil exports exceeded \$6 billion in the period January to November 2022, the highest figure recorded since independence from **France**

<sup>7</sup> North Africa Post, 11 Jan 2022

<sup>8</sup> World Bank, 4 Jan 2023

<sup>9</sup> World Bank, 4 Jan 2023

<sup>10</sup> Radio Algeria, 15 Dec 2022

<sup>11</sup> Anadolu Agency, 15 Dec 2022

<sup>12</sup> Anadolu Agency, 15 Dec 2022

<sup>13</sup> Anadolu Agency, 15 Dec 2022

<sup>14</sup> Anadolu Agency, 15 Dec 2022

<sup>15</sup> North Africa Post, 11 Jan 2023

<sup>16</sup> North Africa Post, 11 Jan 2023

<sup>17</sup> North Africa Post, 11 Jan 2023

in 1962.<sup>18</sup> Rizik's announcement came on the side lines of the launch of the **Algerian Production Exhibition** which took place in **Algiers** until 24 December.<sup>19</sup> The trade minister attributed the major achievement to the growth registered by several local industrial sectors as well as the good quality of exported products but did not divulge details of which sectors he was referring to.<sup>20</sup>

Rizik highlighted that authorities plan to double this figure to \$15 billion by the end of 2023.<sup>21</sup> Algeria's economy is highly reliant on oil and gas export revenues which account for almost 90% of its foreign exchange income, but the government's intention to diversify its exports would reduce its exposure to oil shocks and fluctuating energy prices.<sup>22</sup>

### Foreign reserves increase slightly

The governor of the **Bank of Algeria** (central bank) **Salah-Eddine Taleb** conveyed in a press conference on 26 December that Algeria's foreign reserves increased slightly to \$60 billion in December, up from \$53.5 billion in September and \$46.7 billion at the end of 2021.<sup>23</sup> The reserves can cover imports for two and a half years.

However, reserves have been slumping over the years when compared to the \$80 billion registered at the end of 2018 and \$97 billion at the end of 2017.<sup>24</sup> Foreign reserves peaked at \$294 billion in 2014, however, they have subsequently declined dramatically due to the oil shock and the government's inability to curb a significant rise in the import bill.<sup>25</sup> If the country's foreign reserves decline again, the government will have fewer resources to spend on social programs which are necessary to reduce poverty and limit social protest. President Tebboune vowed to diversify Algeria's economy by boosting non-oil exports and growing foreign reserves when he came into power in 2019, and with the upcoming presidential election in 2024, Tebboune will be facing pressure to fulfil these promises.

### France and Algeria mend ties after visa row...

French interior minister **Gerald Darmanin** stated via a **Twitter** post on 18 December that **Paris** had resolved visa issues with Algeria and announced a return "*to a normal consular relationship*" with Algeria and an "*extremely strong relationship*" between **Paris** and Algiers.<sup>26</sup> The French minister's remarks came after a meeting with his Algerian counterpart, **Brahim Merad**, during a three-day official trip to Algeria.

The visa row began in October 2021 when France said it would significantly reduce visa quotas to its former colonies of Algeria, **Morocco** and **Tunisia**, claiming that it was due to the North African governments' refusal to provide consular permits for citizens to be deported from France.<sup>27</sup> France subsequently slashed visa rates by 30% for Tunisia and 50% for Algeria and Morocco with hopes that the countries would repatriate their citizens living in France as irregular migrants.<sup>28</sup> The move sparked widespread anger in the three countries.

The consular permit at the centre of diplomatic tensions is a document issued by a consulate for an irregular immigrant to be allowed to return to their home country without a valid passport.<sup>29</sup> The permit is granted after local diplomatic authorities confirm the nationality of the individual being deported. French media reports claim that 7,731 deportation orders were issued against Algerian

<sup>18</sup> Trade minister Kamal Rizik, 19 Dec 2022

<sup>19</sup> Anadolu Agency, 19 Dec 2022

<sup>20</sup> Middle East Monitor, 20 Dec 2022

<sup>21</sup> Trade minister Kamal Rizik, 19 Dec 2022

<sup>22</sup> Middle East Monitor, 27 Dec 2022

<sup>23</sup> International Monetary Fund, 21 Sep 2022

<sup>24</sup> Anadolu Agency, 26 Dec 2022; RFI 12 Apr 2022

<sup>25</sup> Middle East Monitor, 27 Dec 2022

<sup>26</sup> Africa News, 19 Dec 2022

<sup>27</sup> Middle East Monitor, 19 Dec 2022

<sup>28</sup> Africa News, 19 Dec 2022

<sup>29</sup> Middle East Monitor, 19 Dec 2022

citizens between January and July 2021, of whom 597 were arrested and Algerian officials signed consular permits for the return of only 31.<sup>30</sup>

Ties between Algiers and Paris were also particularly strained in 2021 when French President **Emmanuel Macron** (2017-present) questioned Algeria's existence as a nation before the French occupation and accused its military government of fanning "*hatred towards France*" (see *ARC Briefing Algeria Oct 2021*).<sup>31</sup> President Tebboune withdrew his country's ambassador in retaliation and banned the French military from its airspace. However, diplomatic relations between the two countries have since resumed, as well as overflights to French army bases in **Sub-Saharan Africa**. Macron also concluded a three-day official visit to Algeria on 27 August aimed at ending months of tensions between the two countries over the legacy of its colonial rule (see *ARC Briefing Algeria Sep 2022*).<sup>32</sup> Macron and Tebboune declared a "*new, irreversible dynamic of progress*" in their countries' relations and signed a joint declaration marking "*the foundation for a renewed partnership through a concrete and constructive approach*".<sup>33</sup>

With visa tensions and issues of the colonial rule laid to rest, it was hoped that French-Algerian relations would form a renewed partnership, however, tensions seem to be simmering again. Tebboune said on 31 December that France must set itself free from its "*coloniser complex*" for diplomatic relations to be reshaped between the two countries.<sup>34</sup> Macron responded on 11 January that he does not intend to "*ask for forgiveness*" over France's colonisation of Algeria and its role in the war of independence.<sup>35</sup> However, Macron added that he intends to continue working toward reconciliation between the two countries.<sup>36</sup> Macron also said that he hopes Tebboune will travel to France to return Macron's trip to Algeria last year and continue their "*unprecedented work of friendship*".<sup>37</sup>

However, Algeria's insistence on an apology from France and formal recognition of the 'crimes' of its colonial past in Algeria that started in 1830 could lead to strained diplomatic ties going forward. A local resident told **Africa Risk Consulting Briefing (ARC Briefing)** that France must be held accountable, for the genocides it committed in Algeria and other places:

*"Facts are still facts whether they want you to admit them or not. France should not be allowed to escape from this reality. Because France and its politics still are colonial (particularly in the West African region), France can't ask forgiveness because it's still involved in it".<sup>38</sup>*

While **China** is Algeria's leading trading partner and became its main exporter in 2013, overtaking France which had monopolised trade for decades, the French have historically been Algeria's and the region's most important diplomatic relationship given the colonial history.<sup>39</sup> Strained relations between the two countries can impact immigration, as was the case with the visa rift, and can have security repercussions such as in 2021 when Algeria blocked French access to its airspace en route to its regional army bases.

## Planner

2023 **Moscow (Russia)** President **Abdelmadjid Tebboune** to visit Moscow;

2023 **Algiers (Algeria)** Italian prime minister **Giorgia Meloni** is to visit Algeria

<sup>30</sup> Middle East Monitor, 19 Dec 2022

<sup>31</sup> Aljazeera, 27 Aug 2022

<sup>32</sup> Africa News, 28 Aug 2022

<sup>33</sup> Aljazeera, 27 Aug 2022

<sup>34</sup> Almayadeen, 31 Dec 2022

<sup>35</sup> Politico, 11 Jan 2022

<sup>36</sup> RFI, 13 Jan 2022

<sup>37</sup> RFI, 13 Jan 2022

<sup>38</sup> ARC Source, Local Resident

<sup>39</sup> Middle East Monitor, 6 Dec 2022

## Chronology

12 Jan 2023 **Algiers (Algeria)** *Middle East Monitor*. President **Abdelmadjid Tebboune** inaugurates the **Nelson Mandela Stadium** in the presence of FIFA President **Gianni Infantino**, the president of the **Confederation of African Football (CAF)**, **Patrice Motsepe** and **Mandla Mandela**, the grandson of the late **South African** leader;

11 Jan 2023 **Algiers (Algeria)** *Foreign Policy*. President **Abdelmadjid Tebboune**'s administration signs up to extend **Belt and Road Initiative** projects with **China** on infrastructure, energy, and space exploration;

10 Jan 2023 **Algiers (Algeria)** *Mees*. **Italian** pipeline company **Snam** completes the €405m (\$439m) purchase from compatriot **Eni** for 49.9% of Eni's stakes in the **Trans-Mediterranean** gas pipeline that links Algeria and **Tunisia** with Italy;

10 Jan 2023 **Algiers (Algeria)** *Al Jazeera*. Human rights organisation **Amnesty International** urges Algeria to annul death penalties against dozens of people over the lynching of 38-year-old **Djamel Ben Ismail** falsely accused of starting deadly forest fires, after a court in November sentenced 49 people to death for the 2021 lynching of Ismail;

2 Jan 2023 **Algiers (Algeria)** *Middle East Monitor*. **France** appoints **José Gonzalez**, a known denier of colonial crimes in **Algeria**, as vice president of the **Algeria-France Parliamentary Friendship Group**;

2 Jan 2023 **Algiers (Algeria)** *Simple Flying*. National air carrier **Air Algérie** announces three new routes from **Algiers** to **Addis Ababa (Ethiopia)**, **Johannesburg (South Africa)** and **Libreville (Gabon)**;

31 Dec 2022 **Algiers (Algeria)** *Middle East Monitor*. President **Abdelmadjid Tebboune** asserts that mediation between Algeria and **Morocco** was not possible and that severing relations with **Rabat** was the alternative to war;

29 Dec 2022 **Algiers (Algeria)** *North Africa Post*. Former finance minister **Mohamed Loukal** is sentenced to seven years in prison for corruption;

27 Dec 2022 **Madrid (Spain)** *El Mundo*. Liquefied natural gas exports to Spain reach a "lowest historical level" in November, with exports capping at 5,40 gigawatts/h, representing a 74% decrease compared to the same period last year;

26 Dec 2022 **Algiers (Algeria)** *Financial Times*. Prominent journalist and government critic **Ihsane El-Kadi** is arrested by six plainclothes officers at his home;

25 Dec 2022 **Algiers (Algeria)** *Reuters*. State news agency **Algeria Press Service (APS)** says that the government has set the reference price for crude oil at \$60 a barrel through 2023-2025, and that government expects inflation to reach 5.1% and economic growth of 4.1% in 2023;

23 Dec 2022 **Algiers (Algeria)** *Middle East Monitor*. President **Abdelmadjid Tebboune** reveals that \$20 billion of the money looted in corruption cases has been recovered by the state;

22 Dec 2022 **Algiers (Algeria)** *Reuters*. President **Abdelmadjid Tebboune** says Algeria is offering **Europe** its spare electricity capacity, and it is planning a 270km undersea pipe towards **Italy**;

22 Dec 2022 **Algiers (Algeria)** *TV Brics*. President **Abdelmadjid Tebboune** says that Algeria hopes to join the **China-led BRICS** alliance of major developing economies in 2023;

21 Dec 2022 **Algiers (Algeria)** *Arab News*. Algeria and **Germany** signed a memorandum of understanding (MoU) for the construction of the first green hydrogen plant in the North during the fourth **Algerian-German Energy Day**;

20 Dec 2022 **Algiers (Algeria)** *Anadolu Agency*. Algeria rejects a **European** cap on gas prices, warning that the move will destabilise the energy market;

19 Dec 2022 **Algiers (Algeria)** *Bloomberg*. **United States**-headquartered **Honeywell International Inc** agrees to pay more than \$160m to settle US claims the company took part in bribery schemes in **Brazil** and Algeria;

16 Dec 2022 **Algiers (Algeria)** *Anadolu Agency*. The director general of foresight at the energy ministry, **Miloud Medjelled**, says that Algeria's gas exports hit a record high of \$56 billion cubic meters in 2022.

### About Africa Risk Consulting:

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