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Algeria Summary 14 November 2024

Office National des Statistiques (ONS) (national statistics office) reveals on 3 November that Algeria's growth rate fell sharply to 3.6% in the second quarter of 2024 from 5% in the same period in 2023. Banque d'Algérie (central bank) announces the total removal of trade restrictions with Spain on 6 November. However, reports emerge that Algeria reportedly installed new trade curbs with France in retaliation for its support for Morocco's sovereignty over the Western Sahara.

Algeria experiences sharp slowdown in economic growth in 2024...

Office National des Statistiques (ONS) (national statistics office) reported on 3 November that Algeria's growth rate fell sharply to 3.6% in the second quarter of 2024 compared to 5% in the same period in 2023.¹ ONS attributed the drop partly to the decline of the extractive sector, the main driver of the economy, from 8% in the second quarter of 2023 to 2.7% in the same period in 2024.² The value added of the extractive industries was DZD 1.13 trillion (\$8.4 billion) in the second quarter of 2024, compared to DZD 1.14 trillion (\$8.5 billion) in the same period last year.³ Last year, Algeria increased gas exports substantially, reflected it in a good performance in quarter two of 2023, but this should have continued into 2024. However, Algeria's oil production has decreased, weighing down the extractives sector.

Despite the decline in growth, the country's gross domestic product (GDP) increased from DZD 8.28 trillion (\$61.9 billion) in the second quarter of 2023 to DZD 8.78 trillion (\$65.6 billion) in the same period in 2024.⁴ This GDP growth led to a 2.3% inflation rate, reversing the 2.6% deflation of the previous year.⁵ This growth was supported by several sectors, particularly agriculture, manufacturing, trade, repair of automobiles and household goods, transport and communications, which registered growth rates of 6.5%, 4.3%, 6.0% and 4.8% respectively.⁶ The volume of imported goods and services also increased to 13.3% in the second quarter of 2024, compared to 9.6% in the same period of the previous year.

The critical electricity and gas sector grew 8.2% in the second quarter of 2024 compared to 1.7% in the same period of 2023.⁷ Algeria has benefited substantially from rising oil and gas prices following **Russia's** 2022 invasion of **Ukraine**, enabling the government to offer wage and pension raises and cash handouts for the unemployed.

A decline in the growth of its extractive sector, the main driver of the local economy, will be very concerning and reaffirms the urgent need by Algeria to diversify away from its heavy reliance on extractives. The government is dependent on the sector's profits for about 60% of its budget and 95% of export revenues.

Algeria removes all trade restrictions on Spain...

¹ Office National des Statistiques, 3 Nov 2024

² Atalayar, 3 Nov 2024

³ Atalayar, 3 Nov 2024

⁴ Atalayar, 3 Nov 2024

⁵ Atalayar, 3 Nov 2024

⁶ Office National des Statistiques, 3 Nov 2024

⁷ Atalayar, 3 Nov 2024

Banque d'Algérie (central bank) announced on 6 November the total removal of trade restriction with **Spain**. The trade blocks were put in place following Spain's prime minister **Pedro Sánchez's** (2018-present) decision in March 2022 to recognise **Morocco's** autonomy plan for the **Western Sahara** as the most serious and credible political solution to end the dispute in the region (see *ARC Briefing Algeria Apr 2022*).⁸ The central bank announced the unblocking in a communique addressed to Algerian banks so that they could take it into account when approving transactions:

"Authorised intermediary banks should note that direct debit transactions for foreign trade to and from Spain must be processed in accordance with current foreign exchange regulations".⁹

The decision effectively brought to an end all trade restrictions imposed by Algerian authorities, allowing full trade relations between the two to continue.¹⁰ Prior to the lifting of these trade restrictions, certain licences had been permitted for the imports of meat, poultry products and cement, very important products for Algeria in terms of food and construction.¹¹ Algeria also allowed for the export of iron to the Spanish market. While these areas were permitted to carry out certain transactions, the rest were vetoed.¹²

Spain's support for Morocco's autonomy plan provoked a swift move by Algeria to suspend its friendship treaty with Spain, signed in 2002. Algeria authorities also decided to limit commercial transactions with Spain by freezing banking operations and increasing the prices of energy - while Algerian officials did not provide reasons for the review of prices of oil exported to Spain, the Spanish government reportedly claimed that the Algerian decision to increase gas prices for Spain was retaliation for its endorsement of Morocco's autonomy plan.¹³ The decision had major repercussions for Spanish companies, particularly those in the agri-food, ceramics, construction and public works sectors, which saw some of their projects in Algeria frozen and exports plummeted.¹⁴

Diplomatic relations between Algeria and Spain were re-established in November 2023 but the issue of Western Sahara remained a sensitive issue, and as recently as 27 February, it was reported that the Algerian government cancelled the official visit to Algiers of Spanish foreign minister, **Jose Manuel Albares**, due to his refusal to discuss the Western Sahara.¹⁵ However, relations warmed when Algeria reinstated its ambassador to Spain, **Abdelfettah Daghmoum**, on 8 April following an almost two-year-long diplomatic hiatus. Algeria had also removed its ambassador in May 2022.¹⁶

Algerian officials said that the return of the ambassador was prompted by Spain changing its stance to a more neutral one on the issue. While the decision by Algerian to now end all trade restrictions against Spain allows full diplomatic relations to resume, it is not unreasonable to expect them to become unstable again should Algeria suspect Spain of once again supporting Morocco's autonomy plan - as it is currently doing to **France** (see below).

Morocco claims Western Sahara as its territory, despite the Algeria-backed Polisario Front's push for independence. Following Spain's withdrawal in 1976, Morocco occupied the area, leading to a conflict that lasted 16 years before a ceasefire was reached in 1991. But this did not resolve the territory's status which remains disputed.

...and reportedly denies enacting trade restrictions on France

⁸ Atalayar, 7 Nov 2024

⁹ Banque d'Algérie, 6 Nov 2024

¹⁰ Atalayar, 7 Nov 2024

¹¹ Atalayar, 7 Nov 2024

¹² Atalayar, 7 Nov 2024

¹³ Morocco World News, 8 Apr 2022

¹⁴ Africa News, 17 Nov 2023

¹⁵ Morocco World News, 28 Feb 2024

¹⁶ Middle East Monitor, 15 Apr 2024

While Algeria ordered the resumption of trade with Spain, it reportedly installed new trade curbs with France in retaliation for its support for Morocco's sovereignty over Western Sahara.¹⁷ A document reportedly from the **Association of Banks and Financial Institutions of Algeria (ABEF)** circulated on X in early November, outlining restrictions on imports and exports with France.¹⁸ However, the document, which was shared by former French ambassador **Xavier Driencourt**, lacked a header, signature, or official stamp, and Algerian authorities denied its validity.¹⁹ Prime minister **Nadir Larbaoui** also denied the contents of the letter:

"Following the false allegations promoted by the former French ambassador to Algeria... regarding the alleged restrictive measures on foreign trade, the press office of the Prime Minister would like to categorically deny this information which is completely unfounded".²⁰

France's foreign ministry spokesman **Christophe Lemoine** also told reporters at a weekly news conference on 7 November that they are not aware of any official measures imposed by Algeria on its imports and exports but are "closely watching the situation for our companies in Algeria".²¹ **United States (US)**-based publication, **Reuters**, cited three diplomats on 7 November who confirmed that Algeria was restricting trade with France, mentioning wheat as one example.²²

Relations between Algeria and France have worsened in recent months since the French foreign ministry said on 30 July that President **Emmanuel Macron** (2017-present) had decided to recognise Morocco's sovereignty over the Western Sahara, a historic shift that ultimately intensified tensions with Algeria (see *ARC Briefing Algeria Aug 2024*).²³ Macron emphasised in a letter to Morocco's King **Mohammed VI** (1999-present) that autonomy under Moroccan sovereignty is "the only basis for reaching an agreement" to resolve the long-running dispute.²⁴ France's move ended its longstanding policy of neutrality on the issue.

As the former colonial power in **North Africa**, France had historically walked a diplomatic tightrope between Morocco and Algeria on the Western Sahara issue, despite most of its **Western** allies already backing Morocco's autonomy plan.²⁵ The Algerian government said on 25 July that it noted "with great regret and strong denunciation" France's "counterproductive decision".²⁶ Algeria also announced on 30 July that it was withdrawing its ambassador to France and downgrading its diplomatic representation to the level of chargé d'affaires in protest.²⁷

Judging by historical precedent, Algeria is subjecting France to the same treatment it directed to Spain after it backed Morocco's autonomy plan in 2022.²⁸ Algeria withdrew its ambassador to Spain in May 2022 and reduced economic engagement before eventually resuming diplomatic relations in November 2023 (see above). Observers have also noted similarities to Algeria's approach with Spain, where the government encouraged the Algerian private sector, dominated by regime-aligned business elites, to suspend all trade with the country.²⁹

In 2023, gas made up the majority of Algeria's exports to France, though it accounts for only about 7% of France's energy supply.³⁰ In contrast, France's exports to Algeria primarily consist of manufactured goods and food products. Algeria's trade conflict with France could have further negative impacts on the Algerian economy, which recorded a trade surplus of around €2.5 billion (\$2.65 billion) with

¹⁷ Reuters, 7 Nov 2024; North Africa Post, 10 Nov 2024

¹⁸ Reuters, 7 Nov 2024; North Africa Post, 10 Nov 2024

¹⁹ North Africa Post, 10 Nov 2024

²⁰ Reuters, 7 Nov 2024

²¹ Reuters, 7 Nov 2024

²² North Africa Post, 10 Nov 2024; Reuters, 7 Nov 2024

²³ MAP News, 30 Jul 2024; Middle East Monitor, 30 Jul 2024

²⁴ MAP News, 30 Jul 2024; Middle East Monitor, 30 Jul 2024

²⁵ Reuters, 30 Jul 2024; Middle East Monitor, 30 Jul 2024

²⁶ Alarabiya News, 26 Jul 2024

²⁷ Algeria Press Service, 30 Jul 2024; Anadolu Agency, 30 Jul 2024

²⁸ Reuters, 30 Jul 2024

²⁹ North Africa Post, 10 Nov 2024

³⁰ North Africa Post, 10 Nov 2024

France.³¹ While France can readily replace Algerian gas if needed, Algeria would struggle to find new markets to source fresh produce and manufactured goods without raising domestic prices.³² France, on its part, maintains that it is determined to deepen its bilateral ties with Algeria, but relations are expected to remain very tense in the short to medium term.³³

Planner

Dec 2024 **Vienna (Austria) Organization of the Petroleum Exporting Countries+ (OPEC+)** meeting;

Chronology

13 Nov 2024 **Algiers (Algeria) Algeria Press Service**. Members of the **People's National Assembly** (lower house of parliament) begin the voting process for the **2025 Finance Bill**;

10 Nov 2024 **Algiers (Algeria) Al24News**. Foreign minister **Ahmed Attaf** delivers a speech during the ministerial conference of the **Russia-Africa Partnership Forum**, underscoring the growing relationship between Russia and Africa and emphasising continued collaboration;

8 Nov 2024 **Windhoek (Namibia) New Era Live**. **Algerian** ambassador to Namibia **Abdelkrim Diaf** announces that Algeria will provide financial assistance during this time of drought following Namibian President **Nangolo Mbumba's** request for financial aid;

8 Nov 2024 **Algiers (Algeria) Energy, Capital & Power**. **Agence nationale pour la valorisation des ressources en hydrocarbures** (national agency for the development of hydrocarbon resources) announces the first tender in a series of licensing rounds scheduled over a five-year period with six offshore blocks, with contracts to be awarded on 29 May 2025;

7 Nov 2024 **Algiers (Algeria) English.news**. Algeria celebrates with performances and celebrations the 70th anniversary of the launch of its liberation revolution against **French** colonial rule in Algiers;

6 Nov 2024 **Algiers (Algeria) Algeria Press Service**. President, **Abdelmadjid Tebboune** congratulates in a message **United States** president-elect **Donald Trump** on his election, expressing his willingness to work with him to boost bilateral partnership;

3 Nov 2024 **Algiers (Algeria) Arab News**. **Organization of the Petroleum Exporting Countries** announces that eight key **OPEC+** member countries, including Algeria, have agreed to extend their voluntary production cuts of 2.2 million barrels per day through December;

1 Nov 2024 **Algiers (Algeria) Algeria Press Service**. President, **Abdelmadjid Tebboune** receives the chairman of **Libya's** presidential council, **Younes El-Menfi**;

31 Oct 2024 **Algiers (Algeria) Barron's**. **Czech Republic** state-owned energy supplier **CEZ** has started to import gas from Algeria's state-owned oil company, **Sonatrach**, in an attempt to offset supplies from **Russia**;

30 Oct 2024 **Algiers (Algeria) Zawya**. **Oman** and Algeria sign eight memoranda of understanding (MoUs) promising cooperation in areas including higher education, research, sustainable development and financial services;

28 Oct 2024 **Algiers (Algeria) Energy Capital Power**. Energy minister **Mohamed Arkab** says Algeria intends to increase hydrocarbon production by 2.5% in 2025, reaching approximately 206 million tonnes of oil equivalent;

³¹ North Africa Post, 10 Nov 2024

³² North Africa Post, 10 Nov 2024

³³ Reuters, 30 Jul 2024

21 Oct 2024 **Algiers (Algeria)** *Al Monitor*. Algeria suspends **Saudi Arabia's** state-owned Arabic news channel **Al Arabiya's** operating licence, citing biased reporting over the **Gaza** war and **Lebanon** conflict;

19 Oct 2024 **Algiers (Algeria)** *Business Standard*. President **Abdelmadjid Tebboune** meets with his **Indian** counterpart, **Droupadi Murmu**, to review bilateral relations;

15 Oct 2024 **Algiers (Algeria)** *Offshore Energy*. **Spain's** oil and gas company, **Cepsa**, and Algeria's state-owned oil and gas company **Sonatrach** sign a memorandum of understanding (MoU) to jointly carry out a feasibility study for green hydrogen production in Algeria aimed at supplying the **European** market;

14 Oct 2024 **Algiers (Algeria)** *Bloomberg*. State-owned **Algeria Energy Co.** CEO **Lotfi Zennadi** says Algeria plans to spend \$5.4 billion on desalination facilities as rainfall levels continue to decline;

About Africa Risk Consulting:

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