**ALGERIA**

Algeria’s economic freedom score is 44.7, making its economy the 172nd freest in the 2018 Index. Its overall score has dropped 1.8 points because of significant declines in property rights and investment freedom that were not offset by more modest improvements in business freedom, judicial effectiveness, and monetary freedom. Algeria is ranked last among 14 countries in the Middle East and North Africa region, and its overall score is well below the regional and world averages.

Algeria’s economy remains dominated by the state, a legacy of the country’s socialist post-independence development model. In recent years, the government has made little progress in improving fiscal governance, has halted the privatization of state-owned industries, and has restricted imports and foreign engagement in its economy. These policies and other institutional weaknesses, combined with ongoing political uncertainty, continue to undermine prospects for sustained long-term economic development.

### ECONOMIC FREEDOM SCORE

<table>
<thead>
<tr>
<th>Score</th>
<th>Description</th>
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<tbody>
<tr>
<td>44.7</td>
<td>(▼ DOWN 1.8 POINTS)</td>
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<tr>
<td>61.1</td>
<td>WORLD AVERAGE</td>
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<tr>
<td>61.5</td>
<td>REGIONAL AVERAGE (MIDDLE EAST/NORTH AFRICA REGION)</td>
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### NOTABLE SUCCESSES:

- Tax Policy and Monetary Stability

### CONCERNS:

- Rule of Law, Fiscal Health, and Investment Freedom

### OVERALL SCORE CHANGE SINCE 2014:

-6.1

### BACKGROUND:

The National Liberation Front has dominated politics since Algeria won independence from France in 1962. Eighty-year-old President Abdelaziz Bouteflika won a fourth five-year term in 2014 despite rare public appearances after a stroke. Political stability is threatened by uncertainty over Bouteflika’s longevity, widespread popular disillusionment with the political system, and a weak economy. Reforms introduced after the Arab Spring protests included an end to restrictions on civil liberties. In 2016, the government made major constitutional changes to strengthen governance and deepen separation of powers. Algeria is the world’s sixth-largest gas exporter. Oil and natural gas account for almost 95 percent of export revenues and more than 30 percent of GDP. Falling oil prices have forced the government to reduce spending.

### FREEDOM TREND

### QUICK FACTS

- **POPULATION:** 40.8 million
- **GDP (PPP):** $612.5 billion
- **5-year compound annual growth:** 4.2%
- **FDI INFLOW:** $1.5 billion
- **PUBLIC DEBT:** 20.4% of GDP

- **INFLATION (CPI):** 6.4%
- **UNEMPLOYMENT:** 11.2%

2016 data unless otherwise noted. Data compiled as of September 2017.
Secured interests in property are generally enforceable, but most real property is in government hands, and conflicting title claims make real estate transactions difficult. The judicial system is generally weak, slow, and opaque. High levels of corruption plague Algeria’s business and public sectors, especially the energy sector. An estimated one-half of all economic transactions takes place in the informal sector.

The top income tax rate is 35 percent, and the top corporate tax rate is 23 percent. Other major taxes include a value-added tax. The overall tax burden equals 29.1 percent of total domestic income. Over the past three years, government spending has amounted to 42.5 percent of total output (GDP), and budget deficits have averaged 11.4 percent of GDP. Public debt is equivalent to 20.4 percent of GDP.

Despite slight improvements in the business environment, significant bureaucratic impediments to entrepreneurial activity and economic development remain in place. The labor market remains rigid, and there is a chronic shortage of skilled labor. The government initiated subsidy reform in 2016 by increasing the prices of fuel, natural gas, and electricity, but subsidies still represent more than 12 percent of GDP.

Trade is significant for Algeria’s economy; the combined value of exports and imports equals 58 percent of GDP. The average applied tariff rate is 8.3 percent. Nontariff barriers significantly impede trade. Government policies such as restrictions on foreign ownership levels continue to limit foreign investment. Credit is difficult to access, and the equity market is underdeveloped, with a capitalization of less than 3 percent of GDP.