

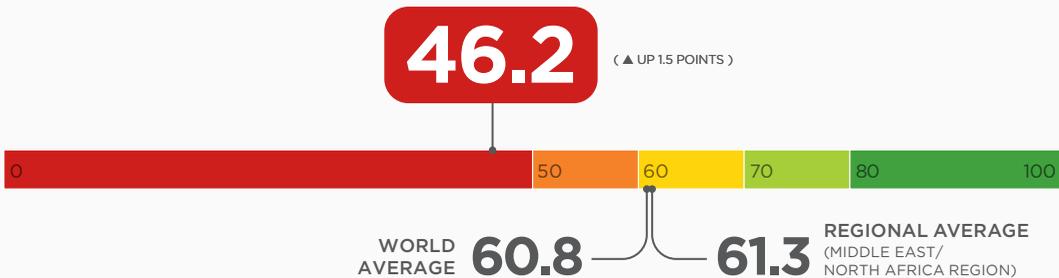
ALGERIA

Algeria's economic freedom score is 46.2, making its economy the 171st freest in the 2019 *Index*. Its overall score has increased by 1.5 points, with improvements in **property rights**, **monetary freedom**, **investment freedom**, and **trade freedom** offsetting a steep decline in **business freedom**. Algeria is ranked 14th among the 14 fully evaluated countries in the Middle East and North Africa region, and its overall score is well below the regional and world averages.

The state continues to dominate Algeria's economy. Statism is a legacy of the country's socialist post-independence development model. Efforts to introduce economic reforms have been stymied by powerful vested interests; as a result, 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.

WORLD RANK: **171** | REGIONAL RANK: **14**
 ECONOMIC FREEDOM STATUS: **REPPRESSED**

ECONOMIC FREEDOM SCORE



RELATIVE STRENGTHS:
Tax Burden and Monetary Freedom

HISTORICAL INDEX SCORE CHANGE (SINCE 1995):
-9.5

CONCERNS:
Fiscal Health and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
41.5 million

GDP (PPP):
\$632.9 billion
2.0% growth in 2017
5-year compound annual growth 3.1%
\$15,237 per capita

UNEMPLOYMENT:
10.0%

INFLATION (CPI):
5.6%

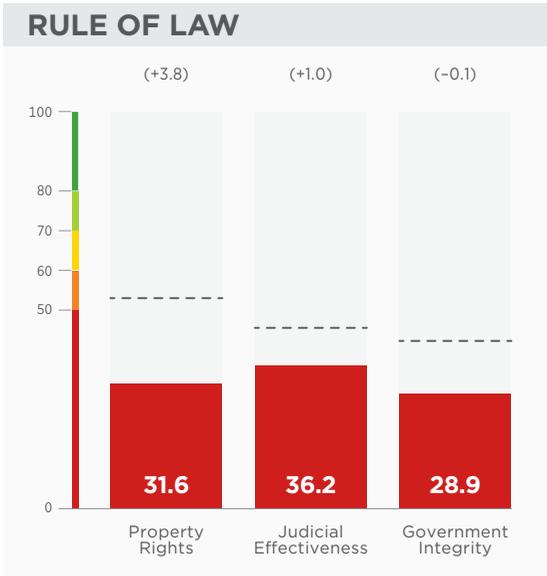
FDI INFLOW:
\$1.2 billion

PUBLIC DEBT:
25.8% of GDP

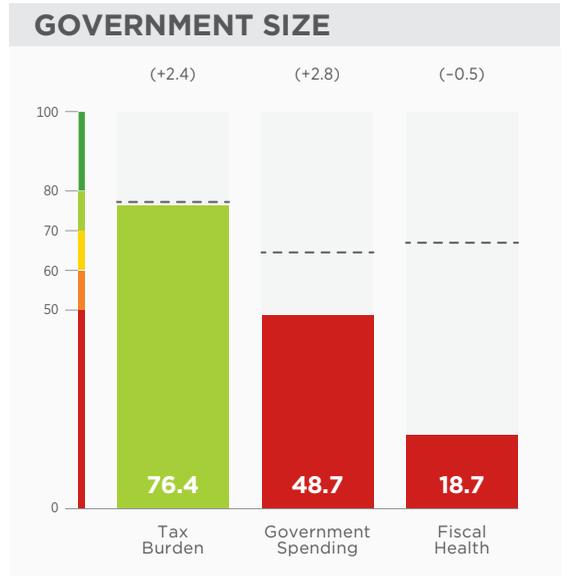
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The National Liberation Front has dominated politics since Algeria won independence from France in 1962. President Abdelaziz Bouteflika is considering a run for a fifth five-year term in 2019 despite rare public appearances after a stroke. Political stability is threatened by uncertainty over the 81-year-old Bouteflika's longevity, widespread popular disillusionment with the political system, and a weak economy. Reforms introduced after the Arab Spring protests lifted some restrictions on civil liberties. Since 2015, Algeria has pursued an import substitution policy, adopting protectionist measures to encourage domestic production. Algeria is the world's sixth-largest exporter of natural gas; oil and gas account for almost 95 percent of export revenues and more than 30 percent of GDP.

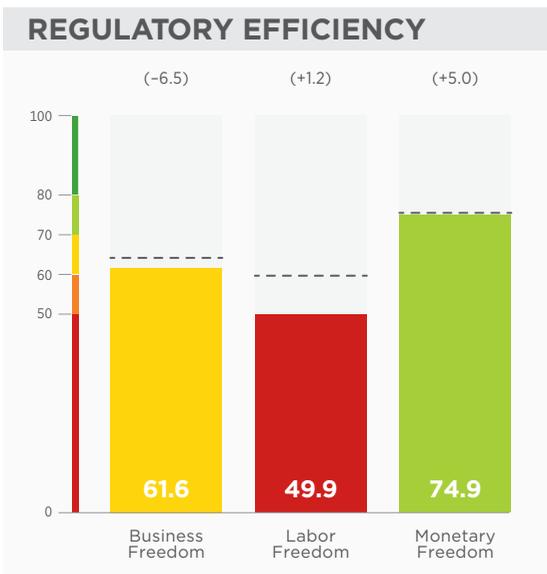
12 ECONOMIC FREEDOMS | ALGERIA



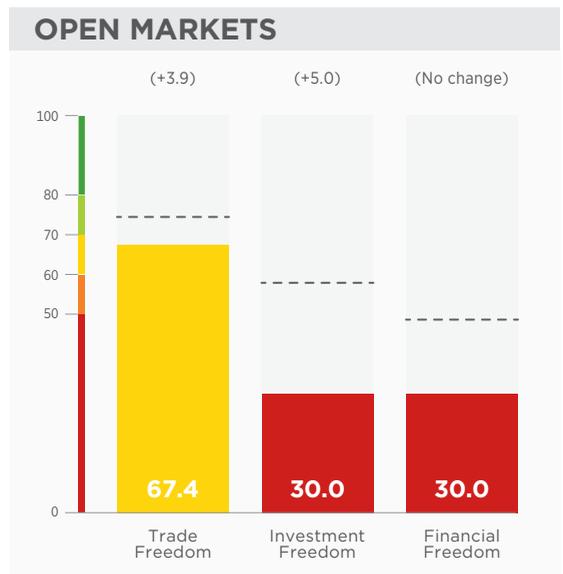
Secured interests in property are generally enforceable, but most real property is in government hands. Conflicting title claims make real estate transactions difficult. The country's judiciary system is generally weak, slow, and subject to political pressure. Corruption is pervasive in the business and public sectors, especially in energy. An estimated one-half of all economic transactions occurs 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 24.5 percent of total domestic income. Over the past three years, government spending has amounted to 41.4 percent of the country's output (GDP), and budget deficits have averaged 11.6 percent of GDP. Public debt is equivalent to 25.8 percent of GDP.



Despite past enhancement of the business environment, significant bureaucratic impediments to entrepreneurial activity and economic development persist. The continuing rigidity of the labor market contributes to high youth unemployment. Low global oil prices have forced the government to cut some energy subsidies, but other politically popular subsidies remain in place.



The combined value of exports and imports is equal to 60.4 percent of GDP. The average applied tariff rate is 8.8 percent. Nontariff barriers significantly impede trade. The government screens foreign investment, and its customs process is cumbersome. Algeria's capital markets are underdeveloped; private banks have grown, but the financial sector remains dominated by government-controlled banks.