ALGERIA

Algeria’s economic freedom score is 43.2, making its economy the 168th freest in the 2023 Index. Its score is 2.6 points lower than last year. Algeria is ranked 15th among the 17 countries in the Middle East and North Africa region, and its overall score remains lower than the regional and world averages.

The foundations of economic freedom are neither well-established nor strongly protected. The judiciary’s vulnerability to political interference and corruption undermines sustainable economic development. Despite some progress, the government still needs to improve fiscal governance. Structural reforms to diversify the economic base have been only marginally successful.

BACKGROUND: The National Liberation Front has dominated Algerian politics ever since independence from France in 1962. President Abdelaziz Bouteflika was forced out in 2019, and Abdelmadjid Tebboune was elected president later that year. Following the June 12, 2021, parliamentary elections, Minister of Finance Ayman Benabderrahmane was appointed prime minister. Algeria’s weak economy and widespread disillusionment with the political system have undermined political stability. The government has adopted 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.
The overall rule of law is weak in Algeria. The country’s property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.

The top individual and corporate tax rates are, respectively, 35 percent and 26 percent. The tax burden equals 30.1 percent of GDP. Three-year government spending and budget balance averages are, respectively, 40.5 percent and –9.6 percent of GDP. Public debt equals 63.0 percent of GDP.

An inefficient entrepreneurial environment and rigid labor market impede broader economic development and job creation. More than 70 percent of the unemployed are under 30 years of age, and youth unemployment remains persistently high. The most recent available inflation rate is 7.2 percent.

The trade-weighted average tariff rate is 13.8 percent, and layers of nontariff barriers are in force. Foreign investors generally enjoy only minority status, and restrictions on foreign ownership limit dynamic investment. Capital markets are underdeveloped, and the financial sector remains dominated by public banks.