Algeria has managed its hydrocarbon wealth soundly, achieving strong growth and macroeconomic stability. It must now deepen market-oriented reforms, especially in the financial sector, to diversify the economy and further reduce unemployment.

Algeria’s recent vigorous growth has been driven by higher hydrocarbon production and accelerating activity in services, construction, and public works.

The exchange rate is managed flexibly and, although food prices are rising, overall inflation is under control.

Record-high oil prices have translated into huge current account surpluses, soaring foreign reserves, a significant drop in foreign debt . . .

. . . and strong budget surpluses—despite an ambitious public investment program undertaken to tackle pressing infrastructure and social needs.

Algeria’s top priorities include boosting productivity and diversifying the economy away from hydrocarbons.

Sources: Algerian authorities; and IMF staff estimates.

1The difference in productivity between Algeria and its trading partners.