

Algeria COVID 19 Health situation, economic and business climate update

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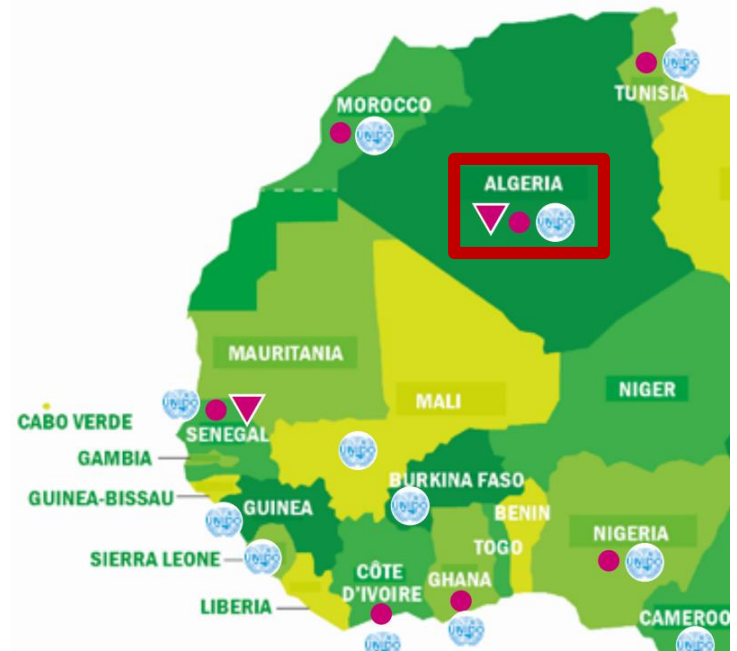
COVID 19 Health situation, economic environment and Investment Opportunities

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Algeria 2020

- A territory of 2.4 million km² and a dynamic demography (+900,000 inhabitants / year, 44 M inhabitants on January 1, 2020), Algeria has the 4th GDP of the African continent (169 billion USD in 2019) and the highest GDP per capita in North Africa.
- During the 2000s, the wealth of Algerian soil (oil and gas resources) combined with the rise in the price of hydrocarbons on the international markets provided the authorities with significant resources allowing the implementation of economic and social policies. ambitious. Hydrocarbons represented on average over the period 2004-2018: 96% of the country's exports, 43% of tax revenue and 21% of GDP..



Covid19 Situation in Algeria



Algeria

Coronavirus Cases:

10,265

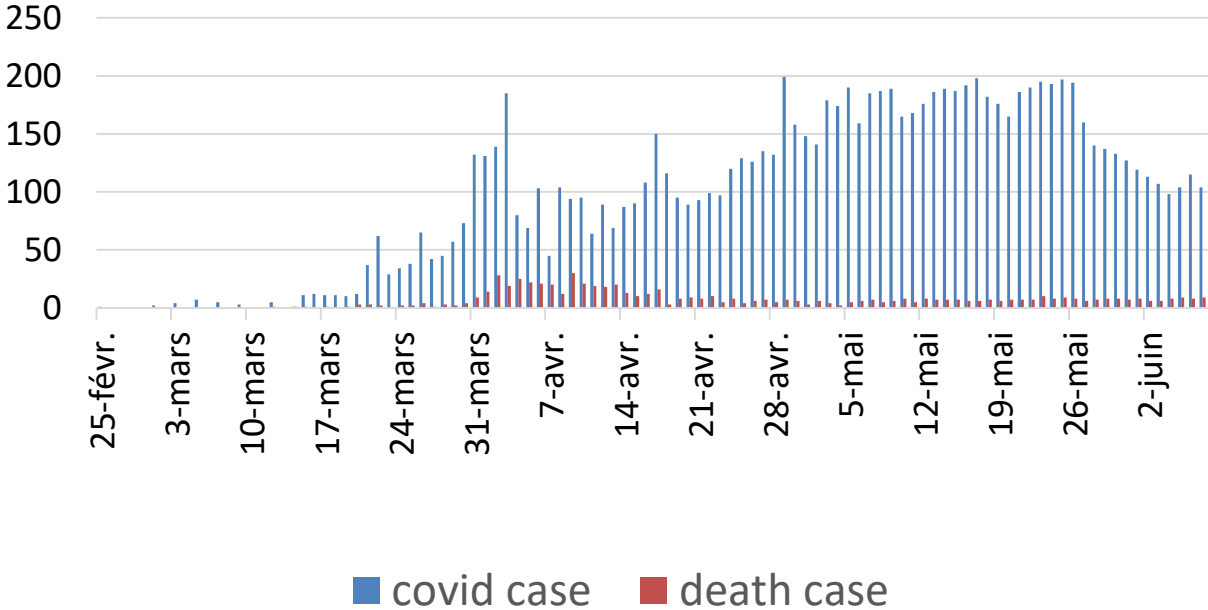
Deaths:

715

Recovered:

6,799

Confirmed COVID-19 daily cases and deaths



Source: Health Ministry & WHO



Government Covid 19 Sanitary Measures

- Exceptional allocation of DZD 3.7 billion (EUR 27 million) to the Ministry of Health,
- leave paid for at least 50% for the workforce in the public and private sectors,
- Ban of all types of gatherings of more than two persons.
- Mosques closed. All cultural, sporting and commercial events are suspended.
- All schools, universities, public transportation,, public baths, event halls closed.
- Protective mask mandatory when in public.
- 5 pm to 7 am curfew in many Algeria regions, 7 pm to 7 am in some other.
- Algeria closed all land borders and suspended non-cargo international air and maritime travel as of March 17. There is no announced date to resume international travel.
- The government announced a phased approach to lifting restrictions starting June 7, but the easing of restrictions will be gradual and dependent on the evolution of COVID-19 cases in Algeria.

Algeria entered few weeks after Europe in the Covid 19 crisis in an already challenging economic situation:

Before Covid 19

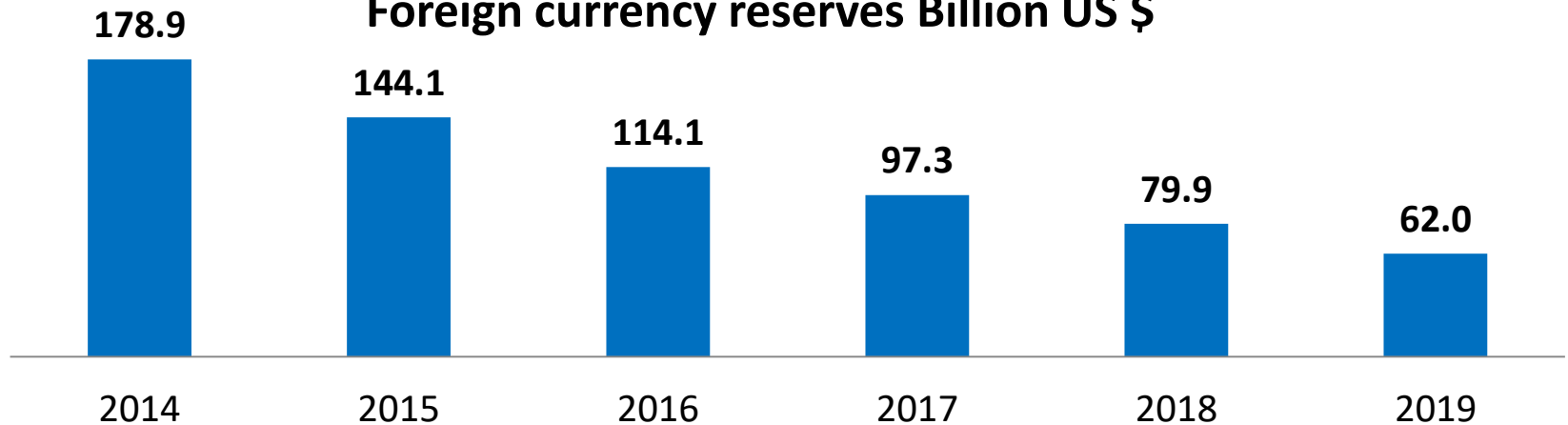
- A negative trade balance for five consecutive years: Foreign currency reserves to drop from USD Billions 178 (2014) to 64 (2019).
- Not sustainable government budget deficit financed by “unconventional financing” (central bank lending to the government).
- A challenging political situation, with weekly protest calling for deep political reforms

With Covid 19

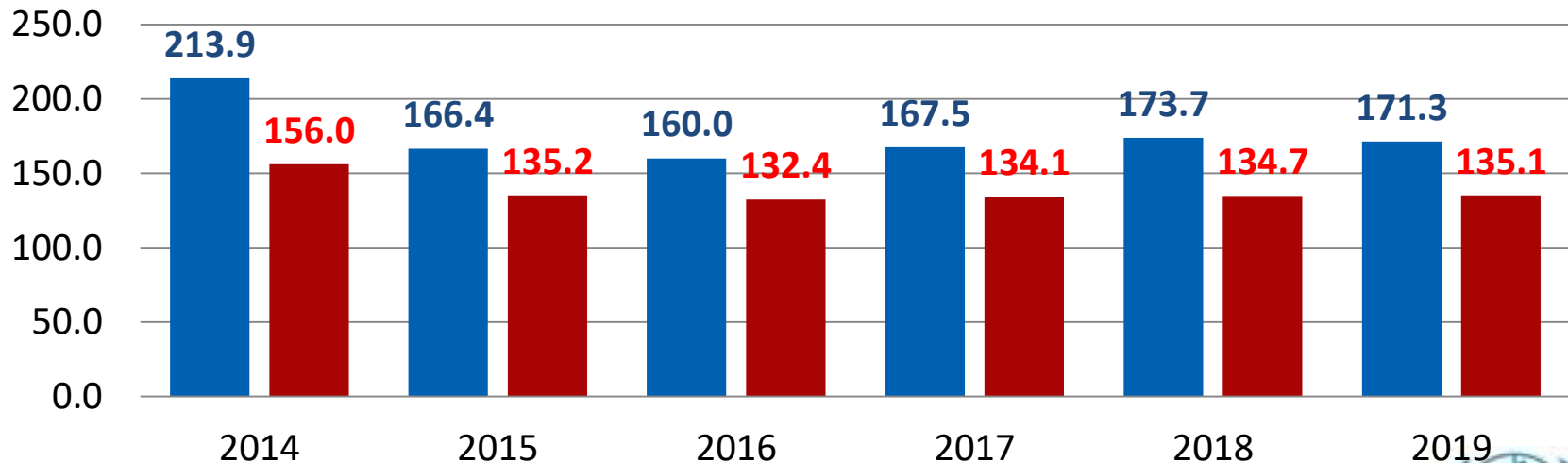
- An exceptional oil market (Oil & Gas represents 98% of exports) situation: Oil brent was down from USD 68 per barrel in January to a range USD 20 to USD 30 per barrel now. Algeria export revenues reduced by more than half.
- This has obvious impact on Budget, trade balance and growth.
- For Budget, lower hydrocarbon tax revenues, lower tax revenues due to Covid 19 lockdowns, higher health expenditures, would increase budget deficits. For Trade balance and foreign currency reserves, this situation would lead to a sharper decrease of foreign currency reserves.

Economic update

Foreign currency reserves Billion US \$



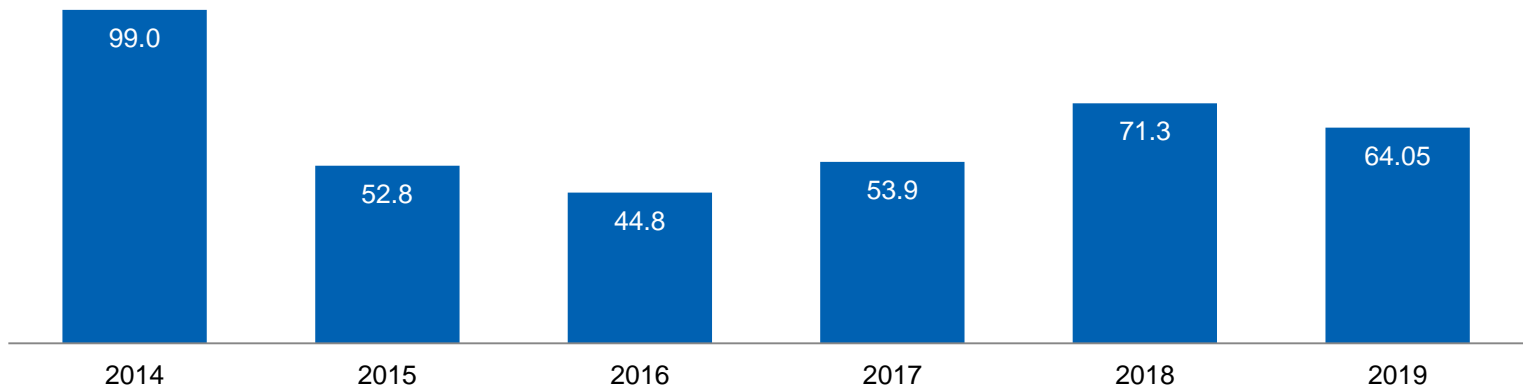
GDP, 2014-2019 -Billion US \$



■ GDP ■ GDP excluding hydrocarbons



Average Oil Price (US \$ / Barrel)



Government Covid response: Household economic support

Government announced Household support:

- Payment of a solidarity allowance of 10,000 DZD (72 EUR) to 2.2 million (needy families affected by solidarity operations)
- Possibility of requesting a payment schedule for tax debts or requesting its redevelopment in the event of difficulties.
- Advance payment of annual leave for construction workers by the construction workers' fund (CACOBATPH).
- Moratorium on the payment of gas and electricity bills (no cuts)

Government Covid response : Business support

Government announced Covid tax measures:

- One month's deferral of a series of tax declarations and the payment of taxes and related taxes for
- SMEs and liberal professions, extension of the period for payment of contributions after Social Security and suspension of previous penalties / late payment penalties,
- postponement of three month of payment of the 1st installment relating to income and profit taxes,
- Companies in a “difficult” financial situation can request a payment schedule for their tax debts, those with a schedule may request a rescheduling in the event of cash flow difficulties.

Government Covid response : Financial sector

- Central bank has announced measures in order to increase available liquidity: decrease of capital adequacy ratio requirement for banks, decrease of interest rates, etc..
- Algerian dinar had been smoothly depreciated against USD by 8% since de start of Covid crisis
- We would expect that the government would use part of local bank liquidity to finance
 - budget deficits
 - and state owned companies losses related to Covid crisis
- For now there is no clear plan to support private businesses for recovering from Covid crisis

Covid Impact on Growth (source: IMF)

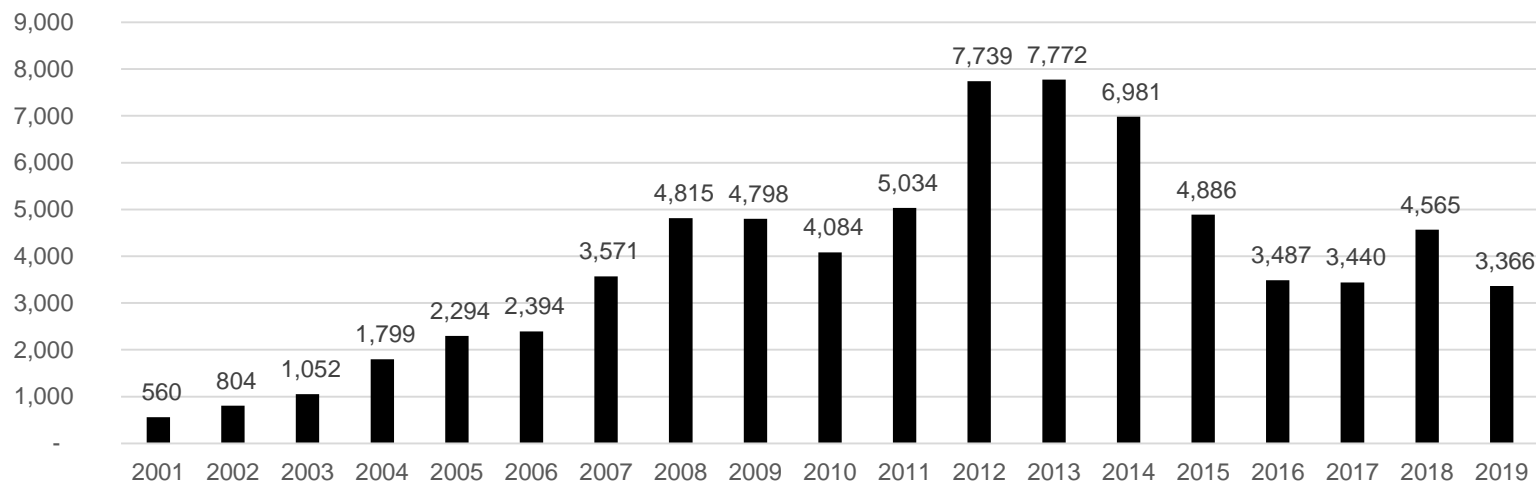
- The Covid-19 pandemic has deteriorated Algeria's economic prospects for 2020. The IMF estimates that the establishment of partial containment and the drop in the price of hydrocarbons (barrel of Sahara Blend below 20 USD in March - April 2020) are expected to cause the economy to contract by -5.2% in 2020. Hydrocarbon production should decline by 17.7%, while non-hydrocarbon growth has been positive since 2014, is expected to decline 2.3%.
- Budget and current account deficits could reach -20% and -18% of GDP respectively.
- Public debt should stand at 61% of GDP and foreign exchange reserves at USD 36 billion at the end of 2020

Business climate : improvement of 51/49 rule and the return of car imports

- **Revision of the "49/51" rule:** this rule, which limited the participation of foreign investors to 49% of the share capital in Algerian companies has been abolished.
- This rule is only reserved now to :
 - mining activity, oil & gas extraction
 - Energy distribution and transport (gas and electricity)
 - Military related industries
 - Railways and airports
 - Pharmaceutical industries, with the exception of investments linked to the manufacture of innovative essential products, with high added value, requiring complex and protected technology, intended for the local market and for export.
- **Abolition of the obligation for vehicle dealers to invest in an industrial and / or semi-industrial activity** or any other activity having a direct link in the sector of the automobile industry in order to keep the car dealer license (art. 59 of the 2020 CFL).

Car assembly industry and car imports

Automotive imports (USD millions)



Key sectors for after Covid

A need to increase local production and rely less on imports would provide investment opportunities in:

- **Agriculture development**
- **Local industry**
- **Chemical industry**
- **Plastic transformation**
- **Construction materials**

Questions and Contact

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