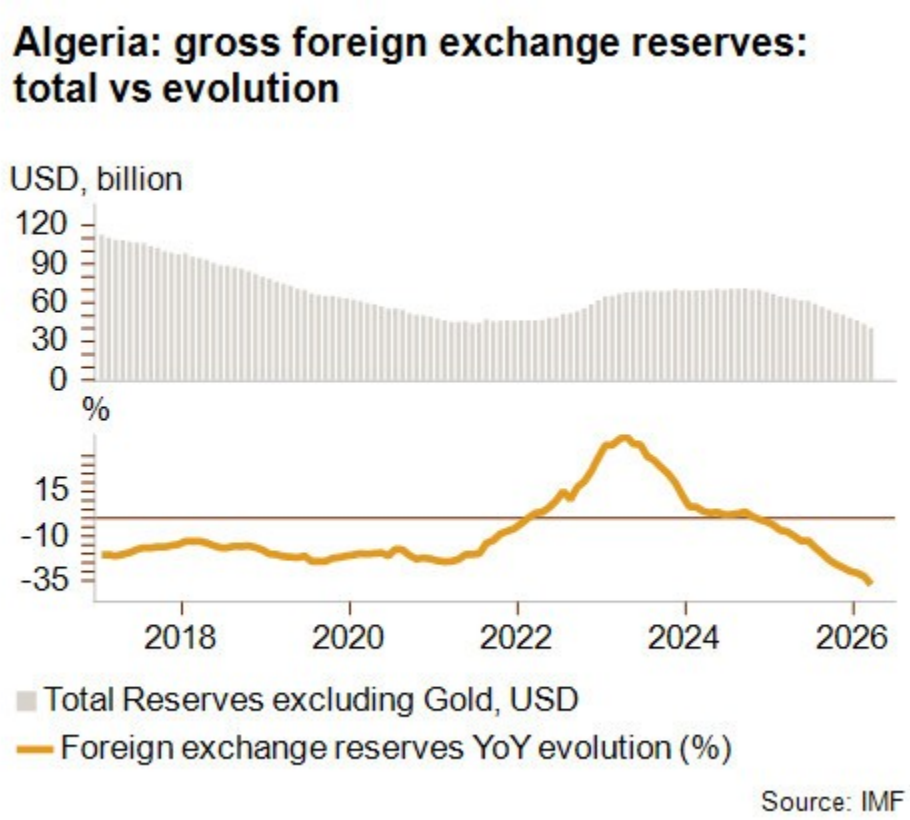
Algeria: Short-term political risk classification downgraded from category 3/7 to 5/7 | Credendo

Event

After a period of accumulation, Algeria's foreign exchange reserves have begun to erode again over the past year and a half. As the decline in reserves has started to accelerate, the Algerian authorities have introduced a series of import compression measures.

Impact

From 2022 to 2024, Algeria's external and liquidity positions were bolstered by several positive factors. As an energy exporter, Algeria benefitted most notably from multi-year high hydrocarbon prices and the EU's diversification of gas supply sources following the war in Ukraine.



Higher hydrocarbon prices resulting from the conflict in the Middle East and the associated closure of the Strait of Hormuz should be benefiting Algeria. However, production constraints and persistent structural macroeconomic challenges are keeping fiscal and external pressures high. As the authorities rely on the country's large foreign exchange reserves to finance current account deficits, Algeria's reserves are declining at an accelerating pace. They fell from a peak of USD 71 billion in September 2024 to USD 40 billion in March 2026. In order to preserve the reserves and contain the import bill, the authorities are introducing a series of import compression measures, such as the provisional import programme in July last year. However, in the absence of structural reforms, pressures are likely to persist, which could lead to further import compression measures

and further weigh on the operating environment.

In this context, Credendo downgraded Algeria's short-term political risk classification from category 3/7 to category 5/7. This downgrade reflects increasingly constrained access to hard currency following the authorities' recent tightening of administrative requirements, despite Algeria's still sizeable foreign exchange reserves and low external debt.

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