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BMI
a FitchSolutions Company

April 2025
Vol 30 Issue 4

# Africa Monitor

## North Africa

## MENA: US Tariffs On Strategic Goods Will Have Limited Impact

**Key View**

- MENA markets are unlikely to face direct US tariffs due to the US trade surpluses/small deficits with most of them, strategic alliances and geopolitical considerations.
- Tariffs on goods like aluminium will have limited effects on MENA. Aluminium exports to the US are a small part of Bahrain and the UAE's export base. A strong global demand and the ability to redirect exports further mitigate risks.
- That said, MENA would still face indirect effects from US tariffs through a stronger US dollar, high interest rates, lower oil prices and weaker eurozone growth, impacting exports and economic growth.

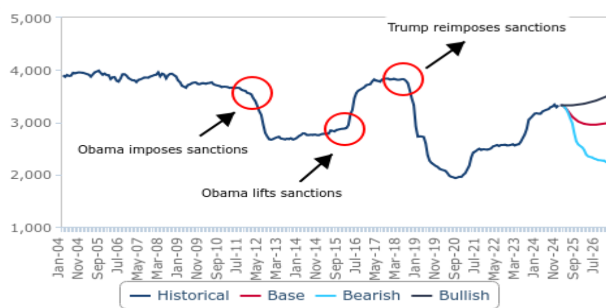
*...continued on page 2*

### Egypt: Faster Growth Ahead 4

We expect that Egypt's real GDP growth will accelerate to 3.9% in FY2024/25 and 5.0% in FY2025/26, fuelled by stronger private consumption due to wage increases and social spending. Investment is set to gradually increase, bolstered by easing geopolitical risks, improved operating conditions and relaxed FX supply restrictions.

## Oil Outlook

'Maxium Pressure' Campaign Poses Acute Risks To Supply
Iran – Crude Oil Production Under Various Scenarios, '000b/d




*Note: 2025-2026 = BMI forecast. Source: BMI*

Brent crude is caught in a struggle, with tariff-related announcements in the US dragging prices to the downside, while the threat of increased oil sanctions, notably on Iran, pressures prices to the upside. Currently, markets are discounting the risk of a significant rise in tariff rates and focusing on threats to supply, stemming from the reinstatement of US President Trump's 'maximum pressure' campaign on Iranian oil exports, increased EU sanctions on Russia's oil trade and a pipeline outage curbing flows from Kazakhstan. In light of wide-ranging policy uncertainties, we can expect persistent volatility over the coming months. However, for now we hold our forecast for Brent to average USD76/bbl for 2025.

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**ISSN: 1472-1791**

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## NORTH AFRICA RISK INDEX

Our Country Risk Index and Political Risk Index score markets on a 0-100 scale (higher score indicates higher risk), evaluating political stability, the short-term economic outlook, long-term economic potential and operational barriers to doing business. For a detailed methodology, visit fitchsolutions.com/bmi or contact us using the details on page 1.

**RISK INDEX TABLE**

| | Political | Economic | | Operational | Country |
|---|---|---|---|---|---|
| | Risk | Short-Term | Long Term | Risk | Risk |
| Morocco | 38.2 | 45.8 | 50.4 | 45.8 | 44.1 |
| Tunisia | 40.5 | 63.5 | 61.7 | 54.3 | 52.5 |
| Algeria | 47.6 | 46.3 | 48.6 | 58.9 | 51.3 |
| Egypt | 41.4 | 54.2 | 45.5 | 49.9 | 47.1 |
| Libya | 73.7 | 52.9 | 60.2 | 67.0 | 65.7 |
| **Regional average** | **48.3** | **52.5** | **53.3** | **55.2** | **52.1** |
| **Global average** | **47.2** | **46.8** | **47.6** | **50.3** | **48.2** |

*Note: Scores out of 100; 0 = lowest risk; 100 = highest risk Source: BMI*

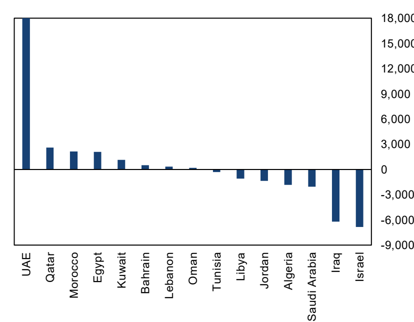
## MENA – ECONOMIC OUTLOOK

*... continued from front page*

We maintain our view that the Middle East And North Africa (MENA) region will not be subject to direct tariffs by the US administration. By this, we mean that US President Donald Trump will not impose targeted tariffs on MENA markets. However, the region will still be indirectly affected through a possible stronger US dollar, a slower monetary policy easing cycle in the US, lower oil prices, slower eurozone growth and increased risk-off sentiment. Some MENA exports to the US will also be affected by blanket tariffs on specific goods. In this article, we will explore MENA markets' exposure through indirect channels and tariffs on specific goods, such as aluminium, pharmaceuticals, semiconductors and electronic circuits.

US Runs Trade Surpluses/Small Deficits With Most MENA Markets

MENA – US Trade Balance With MENA Markets, USDmn




*Source: Haver, BMI*

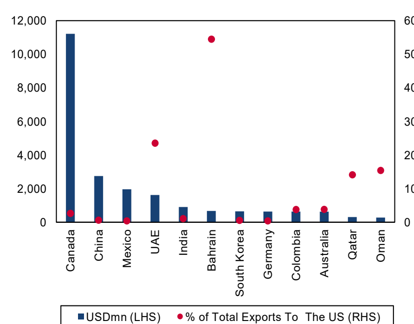
### MENA Markets And GCC In Particular Broadly Safe From Direct Tariffs

Economic and political considerations lead us to believe that the Trump administration is unlikely to impose direct tariffs on MENA markets:

1. The US runs trade surpluses or small trade deficits with most MENA markets, with Iraq and Israel being notable exceptions. Even so, the size of the trade deficits that the US runs with Iraq and Israel are quite small compared to the deficits it runs with Mainland China, the eurozone, Mexico and Canada. In addition, Israel is a strategic partner, which means that the likelihood of imposing tariffs is virtually zero. Meanwhile, most of the US imports from Iraq are oil or oil-related products, which makes such tariffs not useful in this case. If the US wanted to increase pressure on Iraq for political reasons, possibly in relation to Iran, it would impose sanctions on its oil exports. In this case other oil exporters in MENA have ample spare capacity to fill the gap.
2. Investment pledges by the UAE and Saudi Arabia, especially in artificial intelligence, are additional factors that would further reduce any incentive from Trump to impose tariffs. We also note that these investment pledges resulted from the close relations that Trump has with the leadership of these markets.
3. From a political perspective, imposing direct tariffs on MENA markets would go against Trump's plan to expand the Abraham Accords and reduce China's economic ties in the region. During his campaign and in line with our views, Trump said that he

Four MENA Markets Among Top 20 Aluminium Exporters To The US...

Largest Aluminium Exporters To The US – Aluminium Exports, USDmn & % of total US exports




*Note: Top 10 aluminium exporters to the US plus Qatar and Oman. Source: National sources, Trademap, BMI*



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would like to bring Saudi Arabia closer to the US (in order to distance it from China). Imposing tariffs on oil exports from the Gulf Cooperation Council (GCC) would be counterproductive as it could in fact bring the GCC closer to China.

## US Tariffs On Strategic Imports Will Have Limited/Manageable Impact On MENA

The UAE and Bahrain are among the top 10 largest exporters of aluminium to the US. In 2023, the UAE's aluminium exports amounted to approximately USD2.0bn, while Bahrain's exports totaled around USD670mn. In the same year, Qatar's aluminium exports to the US totaled USD300mn and Oman's about USD270mn. Our estimates suggest that implementing a 25% tariff on aluminium could raise Bahrain's average tariff rate by 13.6 percentage points (pp), by about 6.0pp for the UAE and 4pp for the remaining markets. This is because of the concentration of their exports to the US.

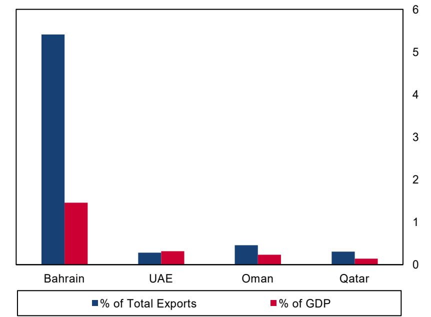
Even so, we deem the economic impact of these tariffs on MENA markets as limited. Bahrain's aluminium exports to the US account for about 5.5% of its total exports and 1.5% of GDP. Therefore, while the impact on Bahrain would be more pronounced than on the rest of GCC market, it would remain manageable. Notably, in 2018, the nominal value of Bahrain's aluminium exports to the US declined by 30% following the introduction of a 10% tariff, but recovered in 2019.

We note that demand in the global aluminium market is set to remain tight as the clean energy transition accelerates. This may incentivise Donald Trump to negotiate deals with major aluminium import partners like the UAE and Bahrain to ensure a secure supply of aluminium to meet the anticipated surge in demand. Even if tariffs persist, a strong global demand outlook for aluminium is likely to mitigate the risks posed by reduced US export demand for Bahrain and the UAE. This robust demand makes it easier to redirect exports to alternative markets.

Other than metals, there is the possibility that Trump may impose tariffs on more goods identified as critical to national security and technological leadership, including specific

...But Impact Of Tariffs Will Be Limited

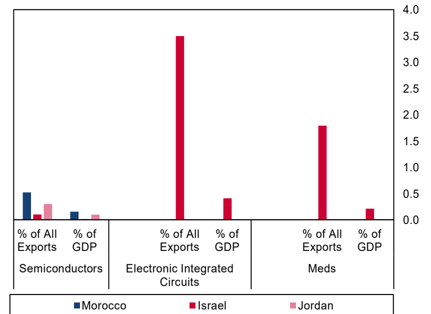
Selected MENA Markets – Aluminium Exports To US, % of total exports & % of GDP




Source: National sources, Trade Map, BMI

Even If More Strategic Goods Are Tariffed, MENA Exposure Is Limited

Selected MENA Markets – Selected Exports To US, % of total exports & % of GDP




Source: National sources, Trade Map, BMI

| MENA WILL STILL FEEL THE INDIRECT IMPACT OF TARIFFS ELSEWHERE | |
|---|---|
| **Channels** | **Risks** |
| A stronger US dollar | Our baseline view (55% probability) is that the DXY will trade sideways within the 100-108 range. Against this, we see a 35% chance that it will trade stronger within 105-115 due to trumpflation or strong US growth. A stronger dollar will exert depreciatory pressures on the currencies of Algeria, Morocco, Tunisia, Israel and Egypt. This scenario would pose significant challenges for Egypt, as it could slow the decline in price growth, hinder the monetary policy easing cycle and adversely impact economic growth. |
| Higher-for-longer rates in the US | Our core view (45% probability) is that the US Federal Reserve will cut interest rates by 50 basis points (bps) in 2025, but we assign a 30% chance to a 25bps cut and 10% to a 25bps hike. Keeping monetary policy tight will create a dilemma for policymakers in the GCC and Jordan, especially as the inflationary environment is benign. This will also create headwinds for the non-oil economy in the GCC and for Jordan's economy in general. Egypt will be affected by risk-off sentiment as well, causing outflow risk for portfolio investments. |
| Lower oil prices | The imposition of tariffs, efforts to raise US oil output and any potential easing of sanctions on Russia are downside risks to oil prices. Our core view is that Brent crude prices will average USD76 per barrel (/bbl) in 2025, down from USD80/bbl in 2024. Lower oil prices would be negative for MENA oil exporters and will likely force OPEC+ to delay the return of oil to the market. Against this, MENA net oil importers would benefit through a lower import bill and government spending on subsidies. |
| Weaker eurozone growth | Trump's suggestion of imposing tariffs on the eurozone could potentially lead to slower economic growth in the region, with Germany being among the most affected, alongside Spain, France and Italy. A weaker eurozone economy would likely result in reduced demand for goods and services from Tunisia, Morocco and Algeria. Tunisia could face challenges due to slower exports of electric machines and textiles, while Morocco's automotive and textile exports might also be impacted. |

Source: BMI



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pharmaceuticals, electronic components and semiconductors. Even under those circumstances, the exposure of MENA markets would likely remain limited. Israel would be the most exposed, given its exports of semiconductors, electronic integrated circuits and medicaments to the US. While these exports account for approximately 5.5% of Israel's total exports, they represent only about 0.6% of the market's GDP.

Although discussions about imposing 25% tariffs continue, we believe that these rates might be slightly reduced on strategic goods, albeit not to the levels observed in 2018 when substantial concessions were granted. A compromise tariff rate between 10-15% could potentially be reached. It will be very difficult and costly for the US to raise output quickly or find suitable alternatives to meet domestic demand over the near term.

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### EGYPT – ECONOMIC OUTLOOK

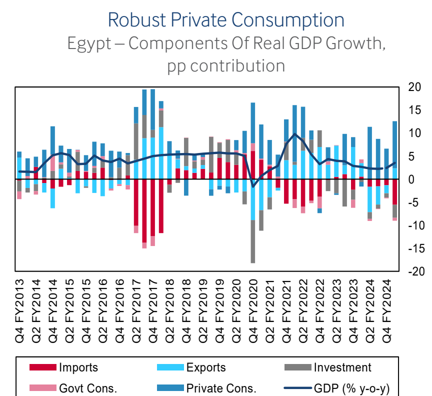
# Faster Growth Ahead

**Key View**

- We expect Egypt's real GDP growth to accelerate to 3.9% in FY2024/25 and 5.0% in FY2025/26, fuelled by stronger private consumption due to wage increases and social spending.
- Investment is set to gradually increase, bolstered by easing geopolitical risks, improved operating conditions and relaxed FX supply restrictions. Net exports will initially hinder growth due to rising imports before improving in FY2025/26.
- Risks are balanced, with potential downsides from geopolitical tensions, inflation, and lower exports. However, opportunities exist for faster growth through quicker normalisation of Red Sea navigation and stronger investment activity, which could surpass our current expectations.

Robust Private Consumption

Egypt – Components Of Real GDP Growth, pp contribution



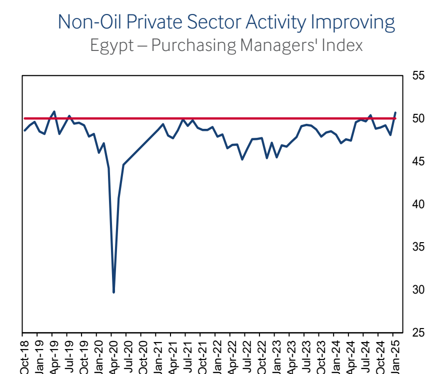

Source: MPED, Haver, BMI

We expect that Egypt's real GDP growth will accelerate from 2.4% in FY2023/24 (July 2023-June 2024) to 3.9% in FY2024/25 and 5.0% in FY2025/26. This marks a slight upward revision to growth in FY24/25 from our previous expectation of 3.7% after the Q1 FY24/25 figure came in stronger than we expected at 3.5% y-o-y, largely because of base effects amplifying growth in private consumption to 11.0% y-o-y.

While base effects will fade in the subsequent quarters, high frequency data still points to strong domestic demand. The purchasing managers' index (PMI) increased to 50.7 in January 2025, one of the highest values in more than four years and one of the rare occasions that the results pointed to an expansion in private sector activity in Egypt. In particular, survey participants pointed to stronger sales due to easing price pressures. Granted, improving sentiment because of the ceasefire in Gaza was also a factor and it is possible that we see the PMI going back below 50 but in the case of Egypt values closer to 50 would still denote strong activity. We will be concerned if the PMI falls farther away from 50.

Non-Oil Private Sector Activity Improving

Egypt – Purchasing Managers' Index




Note: Value > 50 points to expansion. Source: Haver, BMI

At the same time, the increase in the private sector minimum wage by 16.7% to EGP7,000, effective from March 1 2025, will provide additional support to domestic demand. This is because about 80% of the 14mn Egyptians employed in the private sector will benefit from the increase in wages, according to the Minister of Planning, Economic Development and International Cooperation. This will lead to higher real wages, as between January 2022 and March 2025, the private sector minimum wage would have



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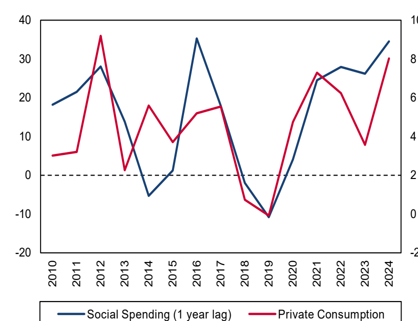
increased by 191.7%, while the consumer price index by 112.5%. The government is also looking to increase the minimum wage for public-sector employees by about 20% to EGP7,500 on July 1 2025, as part of a wider social protection package. This will also provide support for private consumption in FY25/26 given the strong relationship between social spending and private consumption. It will also help ease the burden on households from the anticipated increase in the price of fuel and electricity. Moreover, income from investments in high-yielding certificates of deposit and Treasury bills will support consumer demand from higher income brackets, especially as the exchange rate has stabilised and price growth will fall.

Higher Social Spending And Wages Will Continue To Support Demand

Egypt – Social Spending, % chg (LHS) & Real Private Consumption, % chg (RHS) (2010-2024)




*Source: Ministry of Finance, MPED, Haver, BMI*

We continue to expect that investment activity will strengthen from H2 FY24/25 onwards, but this will be at a slower and more gradual pace than we previously expected. This is because of the steep decline in investment activity in Q1 FY24/25. Granted, seasonality explains some of the decline, but high borrowing costs and falling government capital spending continue to have a negative impact. On the bright side, lending to businesses picked up from June 2024, with growth in real terms shifting to positive territory and maintaining an upward trajectory. This is because of the government's subsidised lending schemes that reduced the interest burden on businesses across several sectors. This leads us to be optimistic that the downward trend in investment activity will reverse in the short term. This will be reinforced by favourable base effects; easing geopolitical risks that will support sentiment; still-strong domestic demand; better operating conditions arising from an easing of restrictions on FX supply; and lower nominal interest rates. More recently, the government launched another initiative to provide subsidised loans to finance capital expenditure for industrial companies that will also feed into stronger investment activity and will offset the rise in real interest rates in the short term. Other supportive factors include the resumption of investment in the hydrocarbon sector along with higher foreign direct investment.

The external sector will be less of a drag on growth in coming quarters. Admittedly, this will also be slower than we previously expected due to a rise in imports. Higher

**EGYPT GROWTH OUTLOOK**

| Forecast | FY2023/2024 | FY2024/2025f (previous) | FY2024/2025f (revised) | FY2025/2026f | Notes |
|---|---|---|---|---|---|
| Real GDP growth, % | 2.4 | 3.7 | 3.9 | 5.0 | We slightly increased our growth forecast for FY24/25 due to a stronger Q1 FY24/25 than we expected and measures that will keep domestic demand robust. The normalisation of Red Sea navigation and improved economic conditions will drive a stronger rebound in FY25/26. |
| Private consumption | 6.4 | 2.7 | 4.5 | 3.4 | Consumer demand will remain robust due to higher wages and the introduction of a new social package. |
| Government consumption | 0.0 | 0.4 | -0.2 | 0 | Government consumption will remain subdued due to fiscal consolidation. |
| Fixed capital formation | -1.0 | 0.9 | 0.4 | 0.9 | Investment activity will gradually increase benefitting from lower borrowing costs. |
| Net exports | -3.0 | -0.2 | -0.9 | 0.7 | Exports will remain under pressure due to lower activity in the Suez Canal and declining hydrocarbon exports. While non-oil exports will rise, this will not be enough to offset the increase in imports. Net exports will turn positive in FY25/26 assuming transit in the Red Sea normalises and non-oil exports further increase. |

*Note: Numbers reflect percentage point contribution to growth unless otherwise stated. f = forecast. Source: BMI*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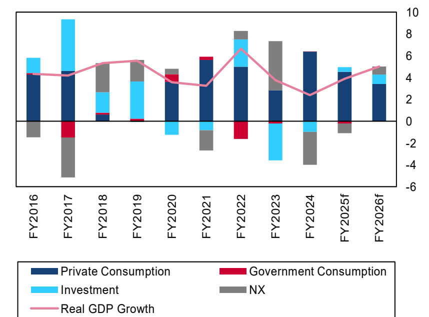
hydrocarbon imports, especially liquefied natural gas, and non-hydrocarbon imports, especially raw materials for manufacturing, will more than offset the increase in Egyptian non-hydrocarbon exports in the short term. However, this will reverse in FY25/26, as the normalisation of activity in the Suez Canal over FY25/26 and a sustained rise in non-hydrocarbon exports will more than offset the increase in imports.

Risks to the outlook are balanced. On the downside, a number of factors could lead to growth coming in between 3% and 3.5% in FY24/25 and about 4.5% in FY25/26. First, increased geopolitical tensions that would lead to slower investment activity; second, weaker domestic demand should inflation/policy rates not fall by as much as we are expecting, and finally non-hydrocarbon export growth may not meet expectations. On the upside, a faster normalisation of navigation in the Red Sea and/or stronger investment activity will push growth higher than we currently expect.

Economic Recovery Continuing In FY24/25, Optimistic About FY25/26

Egypt – Annual Real GDP Growth, % & Components, pp contribution




f = BMI forecast. Source: MPED, Haver, BMI

## EGYPT – DATA & FORECASTS

| | 2021 | 2022 | 2023 | 2024e | 2025f | 2026f | 2027f |
|---|---|---|---|---|---|---|---|
| Population, mn | 109.26 | 110.99 | 112.72 | 114.48 | 116.28 | 118.06 | 119.84 |
| Nominal GDP, USDbn | 425.9 | 409.3 | 331.6 | 307.0 | 320.6 | 365.0 | 399.8 |
| GDP per capita, USD | 3,898 | 3,687 | 2,941 | 2,681 | 2,757 | 3,092 | 3,336 |
| Real GDP growth, % y-o-y | 3.3 | 6.7 | 3.8 | 2.4 | 3.9 | 5.0 | 4.5 |
| Consumer price inflation, % y-o-y, ave | 5.2 | 13.9 | 33.9 | 28.3 | 16.3 | 11.0 | 7.0 |
| Consumer price inflation, % y-o-y, eop | 5.9 | 21.3 | 33.7 | 24.7 | 16.0 | 8.9 | 6.5 |
| Central bank policy rate, % eop | 9.25 | 17.25 | 20.25 | 28.25 | 19.25 | 11.25 | 8.25 |
| Exchange rate EGP per USD, ave | 15.64 | 19.16 | 30.63 | 45.29 | 51.65 | 53.04 | 54.10 |
| Exchange rate EGP per USD, eop | 15.66 | 24.69 | 30.84 | 50.79 | 52.51 | 53.56 | 54.63 |
| Budget balance, EGPbn | -470.1 | -483.8 | -620.7 | -471.0 | -1,005.5 | -951.5 | -990.4 |
| Budget balance, % of GDP | -7.1 | -6.2 | -6.1 | -3.4 | -6.1 | -4.9 | -4.6 |
| Goods and services exports, USDbn | 44.7 | 70.8 | 74.2 | 62.8 | 64.1 | 74.1 | 79.5 |
| Goods and services imports, USDbn | 81.6 | 103.1 | 83.4 | 88.0 | 95.4 | 101.6 | 108.5 |
| Current account balance, USDbn | -18.4 | -16.6 | -4.7 | -20.8 | -17.6 | -12.3 | -11.9 |
| Current account balance, % of GDP | -4.3 | -4.0 | -1.4 | -6.8 | -5.5 | -3.4 | -3.0 |
| Foreign reserves ex gold, USDbn | 36.5 | 26.1 | 27.1 | 36.9 | 38.7 | 41.1 | 43.5 |
| Import cover, months | 5.4 | 3.0 | 3.9 | 5.0 | 4.9 | 4.9 | 4.8 |
| Total external debt stock, USDbn | 146.0 | 163.1 | 166.3 | 173.4 | 180.8 | 187.2 | 193.8 |
| Total external debt stock, % of GDP | 34.3 | 51.3 | 50.5 | 63.3 | 57.3 | 51.8 | 49.0 |
| Crude, NGPL & other liquids prod, 000b/d | 660.8 | 667.5 | 667.3 | 643.5 | 638.5 | 633.6 | 628.7 |
| Total net oil exports (crude & products), 000b/d | -164.7 | -184.0 | -175.7 | -159.1 | -180.1 | -201.4 | -223.0 |
| Dry natural gas production, bcm | 70.4 | 67.0 | 59.3 | 51.4 | 52.7 | 53.2 | 52.2 |
| Dry natural gas consumption, bcm | 62.5 | 60.1 | 61.8 | 62.2 | 63.5 | 64.7 | 66.0 |

e/f = BMI estimate/forecast. Source: National sources, BMI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**ALGERIA – ECONOMIC OUTLOOK**

# Hydrocarbon Weakness To Drag Current Account Into Deficit In 2025

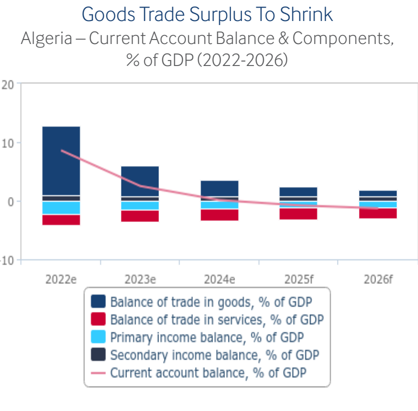
**Key View**

- Algeria's current account surplus will shift into deficit as hydrocarbon exports contract in 2025. We forecast a current account deficit of -1.8% of GDP after a 0.1% surplus in 2024.
- Non-hydrocarbon exports will increase slightly, but will be insufficient to fully offset lower hydrocarbon exports.
- This shift into a current account deficit means that Algeria's foreign exchange reserves have likely peaked.

Algeria's current account surplus will shift into deficit in 2025. We forecast a current account deficit of -1.8% of GDP after a 0.1% surplus in 2024. Although this would be the first deficit since 2021, it would be small compared to the average deficit of 6.1% of GDP during the previous decade. The OPEC+ group's decision at its December 2024 meeting to slow the planned pace of oil production increases in 2025 means that we now anticipate weaker hydrocarbon exports growth in Algeria in 2025. As hydrocarbons make up around 90% of goods exports, this encouraged us to revise our current account forecast.

Goods Trade Surplus To Shrink

Algeria – Current Account Balance & Components, % of GDP (2022-2026)

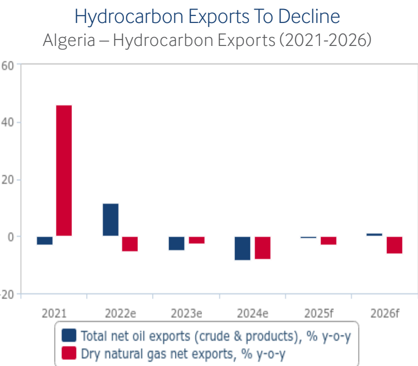



*e/f = BMI estimate/forecast. Source: Ministry of Finance, BMI*

Hydrocarbon exports will weaken despite a gradual relaxation of OPEC+ production quotas in 2025. Although our Oil & Gas team expects crude oil output in Algeria to rebound by 0.4% in 2025 from a 5.1% contraction in 2024, they forecast total oil net exports (including refined products) to contract by 0.6%. Moreover, they forecast pipeline natural gas exports to decline by 3.1%. At the same time, they forecast Brent Crude prices to average 4.8% lower in 2025. Overall, we forecast the value of hydrocarbon exports to be 5.0% lower in 2025, the third consecutive annual decline from the bumper 2021-2022 export levels.

Hydrocarbon Exports To Decline

Algeria – Hydrocarbon Exports (2021-2026)

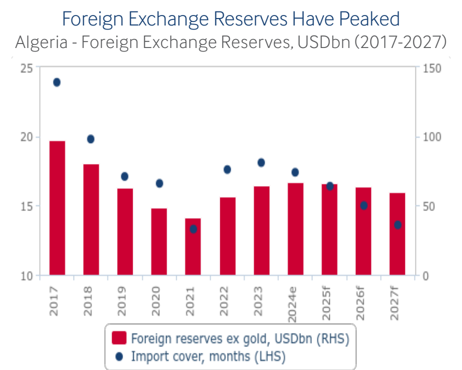



*e/f = BMI estimate/forecast. Source: National sources, BMI*

Non-hydrocarbon exports will rebound after two years of contraction, but this will not offset lower hydrocarbon exports fully. We forecast exports to grow by 2.0% to USD4.8bn in 2025 after contractions in the previous two years. Non-hydrocarbon exports tripled between 2020 and 2022 to reach USD6.0bn, and the government targets further growth to USD29.0bn by 2030, although we expect this target will not be achieved. Fertilisers, iron and steel products and cement make up 80% of non-hydrocarbon exports. Declining fertiliser and steel prices have weakened export revenues since 2022, even as output of these products has been strong. Near-term non-hydrocarbon export growth will be due to expanding steel production by Algerian Qatari Steel and Turkiye-based firm Tosyali. For instance, Tosyali seeks to bring 1.2mn tonnes of steel export capacity online in 2025. Further increases in steel production from these two companies and surging iron ore exports from the enormous Gâra Djebilet iron ore project are expected in 2026.

Foreign Exchange Reserves Have Peaked

Algeria - Foreign Exchange Reserves, USDbn (2017-2027)




*e/f = BMI estimate/forecast. Source: IMF, BMI*

Import growth will slow but significantly outpace export growth. We forecast goods imports to grow by 5.0% in 2025, slowing slightly from 8.1% in 2024. The relaxation of import restrictions in late 2023 boosted capital goods imports in 2024, and this will continue in 2025, supported by a large construction project pipeline. In the 2025 Finance Bill, the government announced plans to raise the total capital of the National Investment Fund, which contributes to the financing of investment projects in Algeria, from DZD150bn to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DZD275bn. We forecast fixed capital formation to grow by 6.5% in real terms in 2025, boosting demand for foreign machinery, vehicles and building materials.

A stronger grain harvest will prevent imports from growing more rapidly. Algeria typically imports more than half of its food requirements. In 2023, a 25.0% contraction in the domestic wheat harvest significantly increased grain import requirements and contributed to a 10.5% increase in goods imports. Our Agribusiness team estimates that an 11.1% increase in the 2024/25 wheat crop harvested in Q3 2024 will be followed by a 10.0% increase in the 2025/26 crop harvested in Q3 2025, reducing food import requirements.

Resilient import growth and stagnant exports will narrow the goods trade surplus. We forecast a surplus equivalent to 5.1% of GDP in 2025, down from 7.3% in 2024. Although this will be the smallest surplus in four years, the large surpluses posted since 2021 have been an anomaly by recent historical standards. Algeria consistently posted goods trade deficits between 2015 and 2020, averaging 13.8% of GDP.

The services trade deficit will remain steady as increased tourism offsets strong demand for foreign construction services. We forecast a services trade deficit of 5.6% of GDP in 2025, slightly larger than 5.4% in 2024. The involvement of foreign engineering, procurement and construction firms in many of Algeria's large capital projects will contribute to 6.0% growth in services imports. For instance, China Railway Construction Corporation Limited began constructing a 575-km railway to the coast in November 2024. Mainland China-based Sinosteel MECC also secured a USD336mn contract to develop the Tala Hamza Zinc Project. Services exports will be boosted by robust growth in the tourism sector. Our Tourism team forecasts foreign tourist arrivals to increase by 6.8% and tourist sector receipts by 12.0% in 2025. The latest data from the National Statistics Office showed that the hotels and restaurants sector expanded by 11.1% y-o-y in Q3 2024, suggesting buoyant tourism. The government's tourism strategy targets 12mn visitors annually by 2030, up from an estimated 2.6mn in 2025. While we expect a far smaller increase, arrivals will continue to grow strongly in the near term. Recent policy changes, including visas-on-arrival for visitors to the Algerian Sahara since 2023, the allocation of 58,000ha of land for tourism investments in December 2024, and the waiving of visa requirements for Algerian nationals with foreign passports since January 2025, will all support tourist arrivals.

This shift into a current account deficit means that Algeria's foreign exchange reserves have likely peaked. Sustained current account surpluses contributed to a two-thirds increase from an 18-year low of USD41.4bn in 2021 to USD67.1bn in 2024. We forecast reserves to decline by 1.0% to USD66.4bn in 2025 and steadily decline in subsequent years as falling hydrocarbon exports anchor the current account in deficit. Despite the impending long-term downtrend in foreign exchange reserves, we forecast import cover at a healthy 16.4 months in 2025, substantially more than the IMF's recommended minimum of three-to-six months.

## ALGERIA – DATA & FORECASTS

| | 2021 | 2022 | 2023 | 2024e | 2025f | 2026f | 2027f |
|---|---|---|---|---|---|---|---|
| Population, mn | 44.18 | 44.90 | 45.61 | 46.28 | 46.92 | 47.54 | 48.13 |
| Nominal GDP, USDbn | 186.3 | 225.6 | 239.9 | 257.0 | 272.2 | 290.3 | 301.8 |
| GDP per capita, USD | 4,216 | 5,023 | 5,260 | 5,552 | 5,800 | 6,106 | 6,270 |
| Real GDP growth, % y-o-y | 3.8 | 3.6 | 4.1 | 3.0 | 2.8 | 2.4 | 2.3 |
| Consumer price inflation, % y-o-y, ave | 7.2 | 9.3 | 9.3 | 4.1 | 4.9 | 6.1 | 7.8 |
| Consumer price inflation, % y-o-y, eop | 8.5 | 9.3 | 7.8 | 3.0 | 5.0 | 6.6 | 8.2 |
| Central bank policy rate, % eop | 3.00 | 3.00 | 3.00 | 3.00 | 4.00 | 4.00 | 4.00 |
| Exchange rate DZD per USD, ave | 135.06 | 141.99 | 135.84 | 134.05 | 136.10 | 138.90 | 146.90 |
| Exchange rate DZD per USD, eop | 138.84 | 137.22 | 134.27 | 135.66 | 134.50 | 139.00 | 149.00 |
| Budget balance, DZDbn | -1,595.3 | -948.9 | -1,686.0 | -3,381.9 | -4,473.2 | -4,863.4 | -5,313.9 |
| Budget balance, % of GDP | -6.3 | -3.0 | -5.2 | -9.8 | -12.1 | -12.1 | -12.0 |
| Goods and services exports, USDbn | 41.9 | 69.3 | 59.4 | 56.9 | 54.9 | 55.9 | 55.5 |
| Goods and services imports, USDbn | 44.3 | 46.7 | 51.6 | 55.8 | 58.7 | 61.6 | 63.8 |
| Current account balance, USDbn | -4.5 | 19.5 | 6.0 | -0.4 | -5.0 | -6.8 | -9.4 |
| Current account balance, % of GDP | -2.4 | 8.6 | 2.5 | 0.1 | -1.8 | -2.4 | -3.1 |
| Foreign reserves ex gold, USDbn | 41.4 | 56.8 | 64.7 | 67.1 | 66.4 | 63.7 | 60.1 |
| Import cover, months | 13.3 | 17.6 | 18.1 | 17.4 | 16.4 | 15.0 | 13.6 |
| Total external debt stock, USDbn | 7.4 | 7.1 | 11.8 | 16.9 | 22.5 | 28.6 | 35.4 |
| Total external debt stock, % of GDP | 4.0 | 3.2 | 4.9 | 6.6 | 8.3 | 9.9 | 11.7 |
| Crude, NGPL & other liquids prod, 000b/d | 1,341.7 | 1,481.9 | 1,450.7 | 1,376.8 | 1,382.9 | 1,405.7 | 1,391.6 |
| Total net oil exports (crude & products), 000b/d | 954.0 | 1,065.7 | 1,013.5 | 928.8 | 923.7 | 933.6 | 910.1 |
| Dry natural gas production, bcm | 105.0 | 100.5 | 104.8 | 100.1 | 98.1 | 96.1 | 94.2 |
| Dry natural gas consumption, bcm | 48.7 | 47.2 | 52.9 | 52.4 | 51.8 | 52.6 | 53.4 |

*e/f = BMI estimate/forecast. Source: National sources, BMI*


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### Risks To Outlook

Unanticipated swings in oil prices present the greatest risk to our current account forecast. Our Oil & Gas team forecasts Brent crude to average USD76 per barrel (/bbl) in 2025, down from USD80/bbl in 2024, while acknowledging wide-ranging risks to the outlook, both to the upside and the down. Stricter US trade sanctions enforcement under the Trump administration could negatively impact crude exports from Iran, Venezuela and Russia, boosting oil prices. However, surging US tariffs on imported goods could negatively impact global economic growth by more than we currently expect, weakening oil demand and prices.

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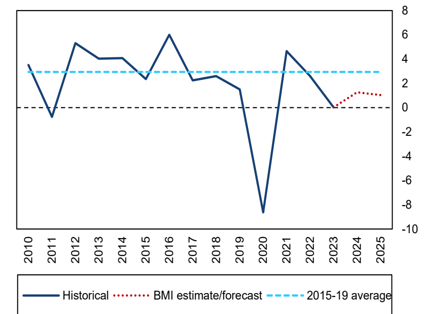
**TUNISIA – POLITICAL OUTLOOK**

# Worsening Shortages Of Basic Goods Will Intensify Public Discontent

### Key View

- We expect that the recent gas crisis will exacerbate the existing social discontent due to the deterioration in socio-economic conditions, keeping the risk of large-scale protests elevated in 2025.
- The authorities' struggle to address structural economic problems will keep the market vulnerable to external shocks that could further worsen the shortages of basic goods.
- Elevated public discontent and the high risk of future water shortages will test Tunisia's relationship with Algeria, though converging interests of the market's two presidents will keep bilateral cooperation solid.

Weaker Economic Growth In 2025...
Tunisia – Real GDP Growth, %

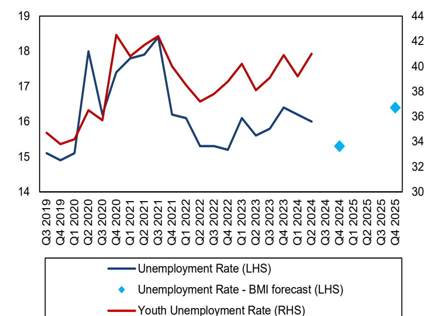



Source: INS, BMI

We believe that the recent shortage of domestic gas will further fuel public frustration with the socio-economic deterioration in Tunisia. Since the beginning of 2025, Tunisian households and businesses have been facing shortages in the supply of gas for heating and cooking, especially in rural areas suffering from severe cold weather. This has resulted in long queues outside gas distribution centres and increased tensions among citizens who fought over gas cylinders, prompting an intervention by the police. These shortages have also disrupted the operations of many businesses, weighing on their sources of income. Citizens expressed their frustration with the government's inability to meet the rising demand for gas during winter, adding to the already elevated discontent caused by shortages of other basic goods that have been ongoing for more than two years. The government continues to struggle with elevated fiscal and external pressures, which limit its ability to finance the import of goods, especially the subsidised ones, creating these shortages.

This crisis reinforces our view that socio-economic problems will pose a key challenge to President Kais Saied during his second term. In our previous analysis, we had argued that Saied's ongoing rejection of structural IMF-recommended reforms, increased reliance on domestic banks and tax hikes to finance the fiscal and external shortfalls will exacerbate socio-economic woes, as they will likely lead to weaker economic growth and increase unemployment.

...Higher Unemployment Rate In 2025
Tunisia – Unemployment Rate, %




Source: INS, BMI

We had also noted that failure to address the structural economic problems would keep the economy extremely vulnerable to shocks, such as adverse weather conditions. Tunisia has faced severe drought over the past five years, which has caused a sharp contraction in the agricultural sector as well as acute water shortages. This has not only impacted the livelihood of many Tunisians who work in the agricultural sector (around 15% of the workforce), but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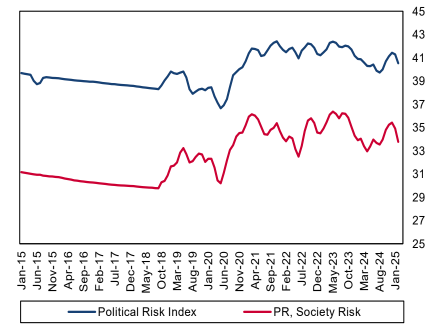
also forced the government to increase the prices of drinking water by 16.0% in 2024. As a result, a sustained worsening of goods shortages, will keep inflationary pressures elevated, more than offsetting the government's new measures aimed at boosting the purchasing power of low-income and vulnerable households. These factors, along with tighter restrictions on the opposition and activists, will keep the risk of the eruption of large-scale protests elevated over the next 12 months. Tunisia's score on the Society Risk component of our Political Risk Index continues to be higher than pre-Covid levels.

Social Discontent Will Remain Elevated

Tunisia – Political Risk Index & Component




*Note: Scores out of 100; 0 = lowest risk; 100 = highest risk. Source: BMI*

Against this backdrop, we believe that environmental issues such as water security will pressure Tunisia's ties with Algeria, but respective interests will help the two markets manage their differences. In January 2025, Tunisia's Foreign Minister Mohamed Ali Al-Nafti visited Algeria to discuss water security issues, such as Algeria's exploitation of shared groundwater and the building of dams in the Meyerda River it shares with Tunisia, which affected the flow of the river at a time when Tunisia has been facing severe drought. This visit followed Tunisia's tripartite water management deal with Algeria and Libya aimed at preventing water-related tensions between the three markets and advancing joint water projects. The three markets share groundwater from the North-Western Sahara Aquifer System, one of the largest aquifers in the world at over 1mn sq km.

Our ESG Country team believes that while this agreement reassures investors that shortages are unlikely to cause political tensions between these markets, it will not be sufficient to address water shortages in the short term, due to constrained investment into water infrastructure projects (for more analysis of the risks posed by ESG factors, please see BMI's ESG Country Risk Service). However, given that shortages of water have already triggered domestic protests in Tunisia, we believe that more frequent water issues will fuel public anger towards the government and Saied. This could potentially force Saied to adopt a more assertive approach in negotiations with Algeria about water security, perhaps threatening to leave the agreement.

## TUNISIA – DATA & FORECASTS

| | 2021 | 2022 | 2023 | 2024e | 2025f | 2026f | 2027f |
|---|---|---|---|---|---|---|---|
| Nominal GDP, USDbn | 46.7 | 44.6 | 48.2 | 52.1 | 55.5 | 61.2 | 66.2 |
| Real GDP growth, % y-o-y | 4.3 | 2.6 | 0.0 | 1.4 | 1.2 | 2.1 | 2.4 |
| GDP per capita, USD | 3,807 | 3,609 | 3,868 | 4,149 | 4,382 | 4,796 | 5,152 |
| Population, mn | 12.26 | 12.36 | 12.46 | 12.56 | 12.67 | 12.76 | 12.85 |
| Consumer price inflation, % y-o-y, eop | 6.6 | 10.1 | 8.1 | 6.5 | 6.0 | 5.6 | 5.8 |
| Consumer price inflation, % y-o-y, ave | 5.6 | 8.3 | 9.3 | 7.0 | 6.2 | 5.5 | 5.8 |
| Central bank policy rate, % eop | 6.25 | 7.25 | 8.00 | 8.00 | 7.25 | 7.00 | 7.00 |
| Exchange rate TND per USD, ave | 2.79 | 3.10 | 3.11 | 3.11 | 3.14 | 3.06 | 3.06 |
| Exchange rate TND per USD, eop | 2.89 | 3.11 | 3.07 | 3.18 | 3.08 | 3.05 | 3.08 |
| Budget balance, TNDbn | -10.3 | -11.1 | -11.4 | -11.6 | -10.4 | -9.7 | -10.1 |
| Budget balance, % of GDP | -7.9 | -8.0 | -7.6 | -7.2 | -6.0 | -5.2 | -5.0 |
| Goods and services exports, USDbn | 14.1 | 17.3 | 19.7 | 20.1 | 20.2 | 21.2 | 21.8 |
| Goods and services imports, USDbn | 18.2 | 22.5 | 22.0 | 22.6 | 22.8 | 24.0 | 24.9 |
| Current account balance, USDbn | -2.8 | -4.0 | -1.1 | -0.9 | -0.9 | -0.9 | -1.0 |
| Current account balance, % of GDP | -5.9 | -8.9 | -2.3 | -1.7 | -1.6 | -1.5 | -1.5 |
| Foreign reserves ex gold, USDbn | 8.4 | 7.7 | 8.8 | 8.8 | 7.9 | 8.1 | 7.9 |
| Import cover, months | 5.6 | 4.1 | 4.8 | 4.7 | 4.2 | 4.1 | 3.8 |
| Total external debt stock, USDbn | 41.7 | 39.7 | 41.6 | 43.3 | 45.2 | 47.1 | 49.1 |
| Total external debt stock, % of GDP | 92.2 | 89.1 | 85.1 | 85.1 | 79.9 | 76.6 | 74.5 |
| Crude, NGPL & other liquids prod, 000b/d | 42.3 | 36.7 | 34.7 | 33.4 | 32.1 | 30.6 | 29.2 |
| Total net oil exports (crude & products), 000b/d | -56.6 | -61.8 | -62.2 | -64.5 | -66.7 | -69.7 | -72.6 |
| Dry natural gas production, bcm | 2.2 | 2.0 | 1.8 | 1.7 | 1.6 | 1.6 | 1.5 |
| Dry natural gas consumption, bcm | 5.7 | 5.4 | 5.2 | 5.1 | 5.2 | 5.3 | 5.4 |

*e/f = BMI estimate/forecast. Source: National sources, BMI*



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Even so, we do not expect these issues to have an impact on the bilateral relationship between Tunisia and Algeria, given the convergence of interests between Kais Saied and Algerian President Abdelmadjid Tebboune. Algeria has constantly provided economic support to Tunisia, at a time when the market has been struggling to access foreign financial support. Aside from several loans and grants to support the budget over the past few years, Algeria has recently provided more than 22,000 tonnes of household gas to help ease the shortages that Tunisia has been facing over the past few weeks. In return, Tunisia has become a key ally for Algeria, which has become increasingly isolated regionally and internationally.


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