

Algeria: Real Estate Overview

March 2008

Research Highlights:

Examining the trends and developments concerning the real estate sector in Algeria

1. Executive Summary

The real estate and construction sectors in Algeria have been positively impacted by the country's growing economy and foreign investments. Algeria's GDP has grown from an average of 4% per year prior to 2001, to 9% thereafter. This growth has been largely driven by Algeria's ability to leverage its significant hydrocarbon reserves in times of rising oil prices. The country's current account surplus stood at \$28.9 Bn in 2006, accounting for 24.4% of its GDP, compared to \$21.5 Bn in 2005 (20.7% of GDP).

Algeria's real estate and construction sectors have benefited from factors such as population growth dominated by youths, strong government support, growth in tourism, and an improving investment climate. In addition, deployment of current account surplus towards infrastructure development is fueling growth in the sector. For instance, the government in 2006 has set a budget of \$60 Bn up to year 2009, targeting investments in large transportation infrastructure projects, such as railways, ports, and airport modernization.

Currently, all the segments of the Algerian real estate market — residential, commercial, industrial, and retail — are experiencing strong demand. The residential segment is currently facing a shortage of 1 Mn housing units with respect to future actual demand for housing estimated to range between 250,000 and 300,000 units per year. Supply, however, is expected at approximately 130,000 housing units per year creating a shortage in meeting demand. Under the national housing program, the government plans to construct 1 Mn units (low and middle income family housing) by 2009. However, we believe the government is unlikely to meet its target as the construction industry lacks the required resources to implement the program. In the commercial segment, the demand for quality office space has increased following the entry of foreign multinationals wanting to capitalize on Algeria's rich hydrocarbon reserves as well as the growing presence of foreign financial institutions.

We believe that the Algerian real estate and construction sectors have strong potential for growth. This trend is likely to continue in the near future as the Algerian economy is expected to benefit from strong oil prices. Factors that could negatively impact growth are political turmoil, growing security concerns in the wake of ongoing terrorist attacks, high level of bureaucracy and the heavily state-dominated Algerian system.

Markaz Research is available on Bloomberg.

Type "MRKZ" <Go>

MENA Real Estate Team

**Kuwait Financial Centre
"Markaz"**

P.O. Box 23444, Safat 13095,
Tel Kuwait
Tel: +965 224 8000
Fax: +965 242 5828
www.markaz.com

2. Components of the Real Estate Market

I. Housing/Residential Segment

Exhibit 1: Sub-segments of Residential Real Estate Segment



a) Structure

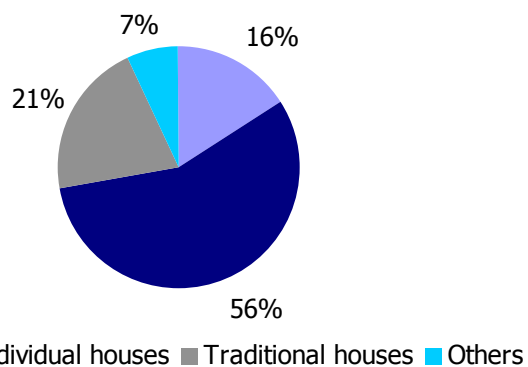
The Algerian government dominates the country's supply of mid and low income housing/residential market with its national housing programs. The structure of the residential segment can be primarily classified into Apartments, Individual houses, and Traditional houses. Although the province of Algiers accounts for only 10% of the residential segment, it is the single-largest market in the country.

Individual houses represent majority of the residential market at 56%

Individual houses dominate the segment with 56% share of the residential real estate market, followed by Traditional houses with 21% (refer to exhibit 2).

Exhibit 2: Residential Occupancy by Type (2004)

Individual houses represent majority of the residential market at 56%

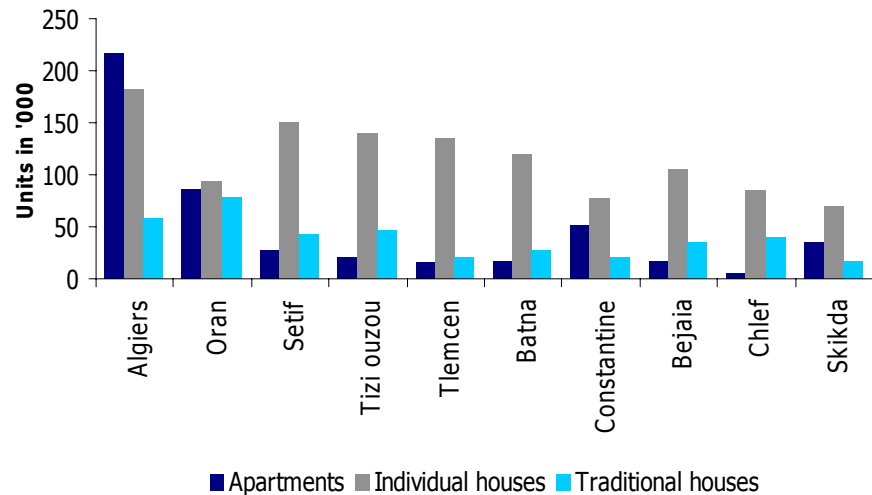


Algiers dominates the segment of Individual houses

Source: National Statistics office, Algeria

In terms of geography, the province of Algiers accounts for 6% of the Individual houses followed by the province of Setif with 5%. In the Traditional houses segment, Oran has 7% market share while Algiers 5%. The majority of Apartments (35%) is located in the provinces of Algiers and Oran (Refer exhibit 3).

Exhibit 3: Housing occupancy by province (2004)



Source: National Statistics office, Algeria

b) Demand and Supply

Algeria has been facing a severe housing crisis with demand outstripping supply by more than 1 Mn units as of 2006. The government is struggling to meet the enormous demand for housing units, since the shortage of housing units in Algeria is primarily caused by the state ownership of lands. Furthermore, there are many restrictions on the entry of foreign construction companies. Consequently, the role of private sector has been negligible in the country’s residential development. In addition, political turmoil saw a shift in government focus toward security-related programs, limiting government spending on residential development within the country. However, the government is undertaking liberalization and privatization initiatives, which could pave the way for the entry of foreign construction companies.

Algeria’s population is growing at around 2% per year and labor force at 5%, making it more attractive for real estate investors to enter the market. Algeria’s ministry of housing estimates actual demand for housing to range between 250,000 and 300,000 units per year, going forward. Consequently, total additional demand for new housing is expected to be around 2 Mn units by 2013.

On the supply side, approximately 130,000 housing units are expected to be built every year, of which, 30,000 to 40,000 will be privately constructed. The Algerian government dominates the country’s housing supply with its national housing programs. Under these programs, the government plans to construct 1 Mn housing units (low and middle income housing) by 2009. However, we do not expect the government to achieve its goal, given the construction sector’s inability to implement the program due to lack of resources, inefficient bureaucracy, and the absence of big international contractors. Consequently, industry sources estimate the shortage of housing units to rise to 3 Mn over the next 15 years.

Algeria is facing a shortage of 1 Mn housing units

Algerian government dominates the country’s housing supply with its national housing programs

This supply shortage has led to strong appreciation in prices and rentals in the residential segment where housing prices in the capital Algiers and its nearby towns are on the rise.

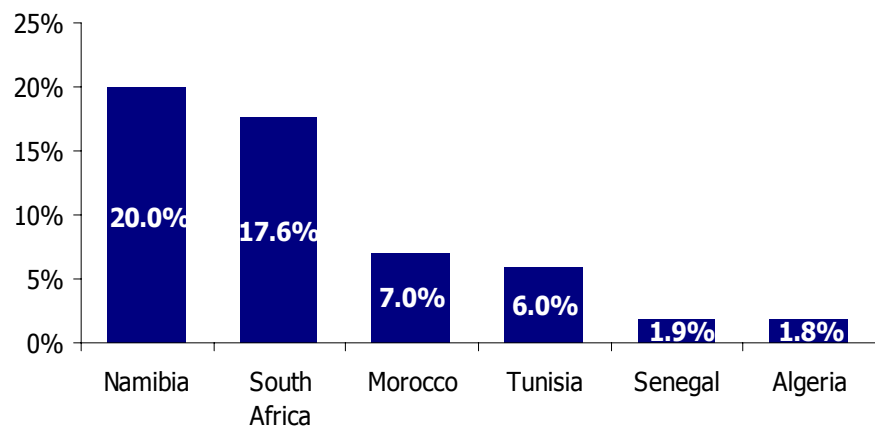
c) Financing

Housing finance in Algeria

The penetration of housing finance in Algeria is low with respect to other African countries (Refer to exhibit 4). Algeria’s housing finance market is largely controlled by the public sector. The state meets 60% of the sector’s financing needs. With the 1 Mn housing unit program, we expect this share to increase to 75% by 2008–09.

Penetration of housing finance is low in Algeria

Exhibit 4: Penetration of Housing Finance as % of GDP (2005)



Source: World Bank

In Algeria, housing finance is primarily channeled through government owned Caisse Nationale d'Epargne et de Prevoyance (CNEP). CNEP collects household savings and disburses housing loans to developers and households. It plans to approve 11,000 mortgages annually (DZD 4–5 Bn). However, with the ongoing privatization and liberalization of the Algerian banking sector, we expect foreign commercial banks, such as Citibank, Société Generale, the Arab Banking Corporation, BNPI-Paribas, Fransabank, and Arab Bank, to play an important role in the Algerian housing finance market. Furthermore, mortgage lending will likely diversify and grow as more banks enter the market.

Privatization of the banking sector is likely to give housing finance a boost

d) Drivers of Residential Market

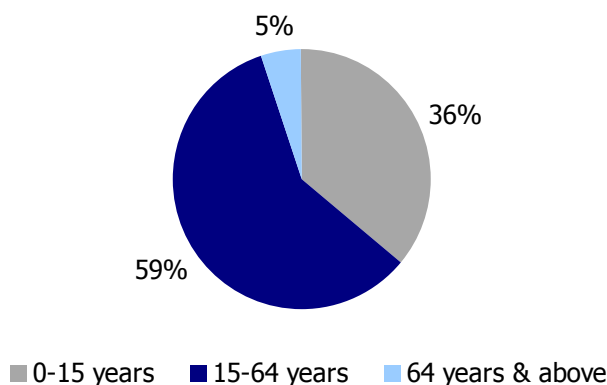
Demand Driver	Signal	Justification
Population and demographics	Positive	Algeria's population has increased at a CAGR of 2% in the last five years. According to the EIU (Economic Intelligence Unit), growth is sustainable until 2025, which will continue to drive housing demand specially that Algeria has a young population with an average age of 28 years. Approximately 36% of the population is under the age of 15 years and 59% is between the age of 15 and 64 (Refer to exhibit 5). This means that, apart from the population actually growing in size, the percentage of the population in need of housing will increase as Algeria's young population grows older and moves into homes of their own.
Economic reform	Positive	Increasing focus on economic reform programs in the housing and construction sector (as part of a five-year \$110 Bn social spending plan) coupled with government's effort for privatizing the construction sector could translate into a key demand driver in the residential segment.
Government support	Positive	The housing sector in Algeria receives strong government support. Under the national housing programs, the government offers housing units at concessional prices in order to provide for affordable housing. This is likely to fuel the demand for housing units from lower and middle income groups.
Political instability and security concern	Negative	The political turmoil in Algeria and domestic war against terrorism could negatively impact investors' confidence and foreign investment in the real estate sector. This, in turn, could negatively affect the growth in demand in the residential sector.
Ease of doing business	Negative	Algeria's economy has been suffering for the past years due to government control and weak economic freedom. According to the Index of Economic Freedom prepared by the Heritage Foundation and The Wall Street Journal, Algeria has been ranked 102 out of 157 countries in the world in terms of enjoying the least economic freedom, and ranked 13 out of 17 in the Middle East and North Africa region (Refer appendix 5).
Liberalization and privatization of the banking	Positive	With the privatization and liberalization of the Algerian banking sector, many foreign commercial banks, such as

Population growth, demographics, and government support are key drivers for Algeria's residential segment

Political instability and security concern could negatively impact residential demand

sector	Citibank, Société Generale, the Arab Banking Corporation, BNPI-Paribas and Fransabank, have entered the country. Mortgage lending is expected to diversify and grow as more foreign banks enter this market.
--------	--

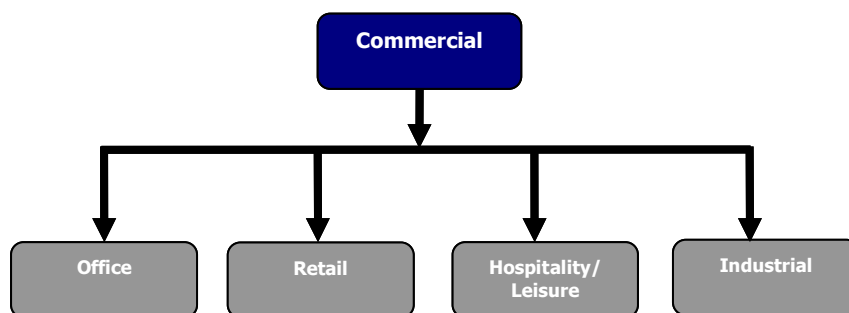
Exhibit 5: Population by Age Group (2006)



Source: National Statistics Office

II. Commercial Segment

Exhibit 6: Segments of Commercial Real Estate Segment



a) Office

The demand for modern office space in Algeria has increased in recent years, primarily in the capital city of Algiers. This is due to the increasing number of foreign companies (mainly oil and gas) setting up offices in Algeria to capitalize on the country’s rich hydrocarbon reserves. Added to that, the high oil price environment and liberalization of the financial services sector have attracted many foreign banks and oil & gas companies to Algeria. With the entrance of international players, such as Linde, HSBC, and Deutsche Bank, demand for quality office space in Algiers has increased. Another example of increased foreign interest is that of Sonatrach, the state oil corporation, where it awarded in June 2007 \$1.3 Bn contract to a consortium comprising Saipem of Italy and Lead Contracting for the construction of a crude oil treatment and stabilisation unit in the Hassi Messaoud field.

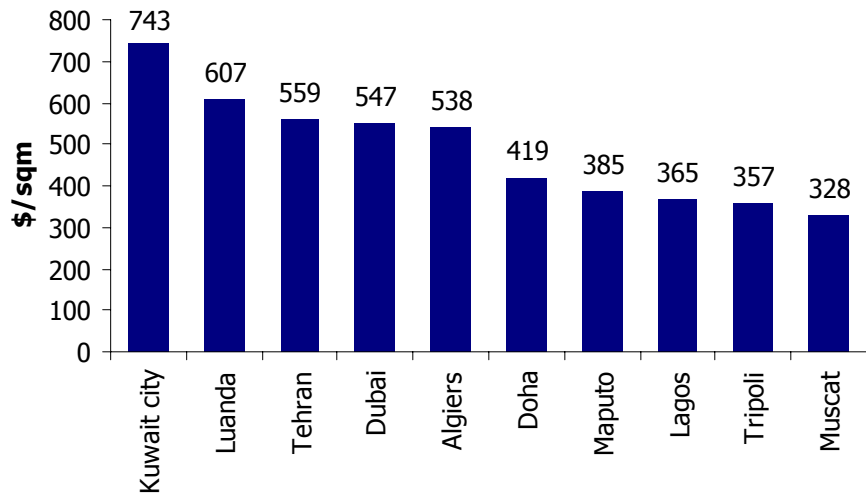
Demand for the office space has increased with entry of international companies

Prime office rental in Algiers stood fifth largest in MENA region

The surge in demand for office space has triggered an increase in office prices and rentals. The prime office rent in Algiers stood at \$538 per square

meters (sqm) (Refer to exhibit 7), ranking the fifth in the Middle East and Africa region (MENA) at the end of 2006.

Exhibit 7: Office Rents in Middle East and Africa, \$/sqm (2006)



Prices and rentals are expected to maintain upward momentum

Source: Cushman & Wakefield

We expect prices and rentals in the office sub-segment to maintain their upward momentum. The continued increase is based primarily on expectations of foreign companies entering several sectors, such as hydrocarbons, banking, real estate and construction, telecommunication, healthcare, and tourism.

b) Drivers of the office sub-segment

Improving business environment on the back of rising oil prices augurs well for office segment

Demand Driver	Signal	Justification
Developing business environment	Positive	Algeria has been enjoying strong economic growth primarily due to increasing hydrocarbon prices and gas exports. The country's current account surplus accounted for 24.4% of its GDP in 2006, compared to 20.7% in 2005. This surplus is expected to be invested in developing infrastructure and other sectors of the economy attracting additional foreign investments to the country.
New projects in the hydrocarbon sector	Positive	Algeria has the eighth largest gas reserves in the world with proven reserves of 161.7 trillion cubic feet as of January 2007. The rich availability of hydrocarbon reserves coupled with rising oil prices is expected to attract many foreign multinational companies in the oil & gas sector.
Favorable investment climate outside energy sector	Positive	An often difficult business regulatory environment as evidenced by Algeria's failure to date to join the WTO limited foreign investment outside the energy sector. However, Algeria's continued efforts toward WTO enrollment and the 2005 ratification of the EU Association Agreement, indicate that Algeria is welcoming increased foreign investments across most sectors. Foreign

investors receive non-discriminatory treatment. Government claims that 62 and 67 public enterprises were privatized in years 2006 and 2007 respectively.

The retail sector is still weak compared to other sectors

c) Retail

The retail sector in Algeria is still weak compared to other sectors. Excluding Algiers, and Oran and its suburbs, the retail sector in the rest of the country is underdeveloped. While Algiers is home to a variety of retail stores, the majority of towns have small family-owned shops, farmer's markets, and temporary roadside stands.

However, the growth in Algeria's real estate sector has spilled over to the country's retail sector where it is witnessing a major transformation through improved standards. Algeria also is experiencing an increasing trend towards the development of shopping malls and hypermarkets. This trend is being driven by the increasing purchasing power of Algeria's population affected by rising oil prices and sustainable economic growth. Emaar Properties PJSC under its \$20 Bn project plans to develop two large shopping malls, and retail outlets in downtown Algiers. The increasing presence of foreign players has led to the gradual building up of retail space in Algeria.

Demand Driver	Signal	Justification
Consumer dynamics	Positive	Economic growth led by rising oil prices has triggered growth in per capita income and purchasing power of consumers. Algeria's GDP per capita has increased at a CAGR of 14% over the period 2001–2006 to reach \$3,413 in 2006. This, coupled with the rising population, has fueled retail consumption and contributed to the new trend of purchasing high-end retail products from malls. Consequently, investments in the construction of shopping centers and malls are on the rise, driving demand in the retail real estate sector.
Favorable regulations	Positive	Algeria's improving foreign investment regulations have encouraged many foreign multinational companies, to enter the retail sector. This has attracted a number of multinationals to open malls and hypermarkets in Algeria. For instance, France's Carrefour retail group intends to open 18 hypermarkets in Algeria by the end of 2012 with its local partner ARDIS, an affiliate of the Arcofina group. Furthermore, France's Auchan group plans to open 10 hypermarkets spanning over 12,000 sqm near Algiers. The country's likely enrollment accession to the WTO would also attract many other multinational companies to the retail sector.

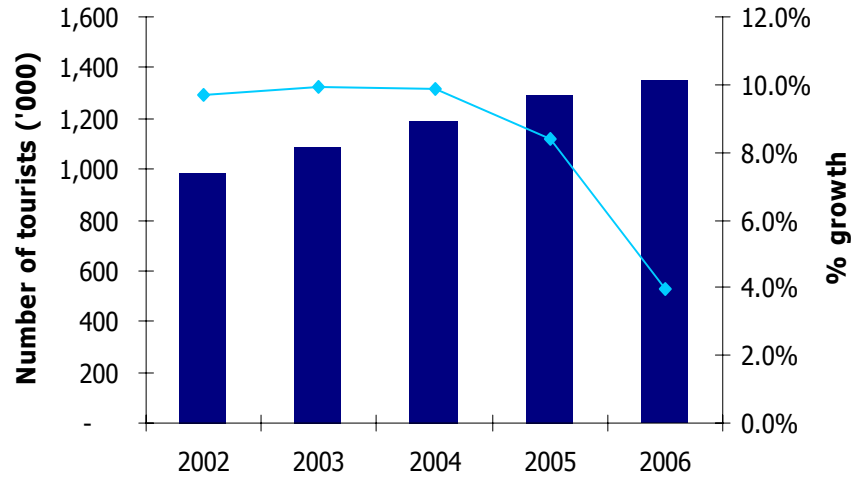
Algeria's diverse landscape offers strong potential for developing the tourism sector

d) Hospitality & Tourism

Algeria has strong tourism potential on account of its diverse landscape. The Algerian tourism sector has been witnessing strong growth in the last few years, thereby becoming one of the key factors fueling the real estate boom in the country. In 2007, 6.3% of GDP was contributed by the hospitality and tourism sector. The total number of international tourists visiting Algeria

increased by 4% y-o-y to 1,344,000 in 2006 (Refer to exhibit 8). A growing economy and government efforts to revitalize tourism activity are propelling growth in Algeria's tourism sector.

Exhibit 8: Number of tourists visiting Algeria (2002–2006)



Source: Ministry of Tourism, Algeria

Many hotels are entering the Algerian real estate market

The current capacity of hotels in Algeria is incapable of accommodating the number of tourists expected to visit the country. Furthermore, the country lacks sufficient number of international hotels and resorts where tourists bed stands at 81,000 as compared to 220,000 in Morocco, and 222,000 in Tunisia. According to a study conducted by the Accor group, Algerian cities critically lacked accommodation and the country needs around 36 mid-market hotels to meet demand. This scenario is leading to an increase in the number of hotel rooms and beds in Algeria. Many foreign hotel groups are also entering the Algerian market with Marriott International being the recent entrant. Marriott International plans to manage a new 274-room JW Marriott hotel in Algiers under a management agreement reached with Societe de Development Hotelier.

Algeria intends to attract 3 Mn tourists by 2013. To accommodate the large number of tourists visiting Algeria, the government has been encouraging investments in developing hotels, roads, and transport infrastructure. For instance, the Public works Authority of Algeria plans to spend \$8.2 Bn in large public works projects, such as the East-West Highway and on upgrading secondary roadways. According to World Tourism Organization, Algeria's total travel & tourism operating expenditures in 2007 are expected to total \$155.9 Mn. By 2017, this spending is forecast to total \$286.7 Mn, or 1.1% of total government spending.

e) Drivers of the hospitality and tourism segment

Demand Driver	Signal	Justification
Strong government initiatives	Positive	The government has been promoting the country as a tourist destination through the development of tourism infrastructure. The Algerian government has set up a tourism development program identifying 174 tourism expansion zones (ZETs) for infrastructure development and investment incentives. Foreign companies can develop projects in these zones from Algiers and Oran to Jijel as well as in the interior parts of Algeria. The Algerian government has allocated \$140 Bn for the development of the tourism sector over the period 2005-2009 under the ZET program. The government has also launched a program to privatize hotels through a tendering process, which is expected to generate attractive investment opportunities.
Improving transportation infrastructure and services	Positive	The hospitality and tourism sector in Algeria has also been boosted by the improving transportation infrastructure and services within the country. For instance, the government plans to spend \$60 Bn in large transportation infrastructure projects such as railways, ports, and airport modernization over the period 2005–2009. Growing investments in improving the transportation infrastructure is likely to boost demand in the real estate and construction sector.
Political instability	Negative	The political turmoil and war against terrorism in Algeria could negatively impact foreign investment in the tourism sector. This, in turn, could negatively affect the growth of the real estate and construction sector.

Government has been promoting tourism through investment in tourism infrastructure

f) Industrial

Given the current high level of industrial activity, the sector is set to have a positive impact on Algeria’s growing real estate market. The industrial segment in Algeria has primarily benefited from higher hydrocarbon prices and the rich availability of gas reserves; this, in turn, has led to higher expenditure by the public and private sectors in various industrial infrastructure projects. Algeria has positioned itself as one of the leading natural gas producers in a short period of time with proven reserves of 161.7 trillion cubic feet as of January 2007. State-owned company Sonatrach plans to invest over \$32.4 Bn between 2006 and 2010. Around two-thirds of this investment (\$21 Bn) will be in upstream activities split between gas and oil. Another \$6.4 Bn will be allocated for midstream activities and pipelines, and \$5 Bn for downstream investment. The rapidly

Strong government support coupled with rich availability of hydrocarbon reserves will likely facilitate growth in the industrial property segment

expanding hydrocarbon sector in Algeria is attracting huge foreign investment. This has fueled the demand for industrial property in the country.

Besides, the hydrocarbon sector has been receiving complete support from the Algerian government. According to the new Hydrocarbons Law which was promulgated in 2005, Algeria further opened the sectors of oil and gas exploration, exploitation, refining, transportation, storage, and distribution to foreign players in 2006. Meanwhile, Algeria abolished the provisions of sales restrictions in oil and gas supply contracts to encourage foreign enterprises to invest and participate in exploration activities in Algeria.

Furthermore, the real estate and construction sectors growth in Algeria, coupled with rising government spending on infrastructure, has led to the increase in factories specifically in the steel and cement sectors. Egypt based Orascom Construction Industries (OCI) has launched its new steel fabrication plant in Algeria which will span a surface area of 100,000 sqm. Orascom also plans to build a 1,500 t/d capacity Greenfield white cement plant in the north-western part of Algeria near the ports of Oran.

Government is encouraging setting up of light, medium, and heavy industries

The government of Algeria is also encouraging the setting up of light, medium, and heavy industries by offering various incentives. Within the industrial sector, foreign investments in infrastructure, such as transport, logistics, and telecommunications, are expected to increase substantially. Furthermore, strong government support to the industrial sector is expected to attract more investments in industrial properties. Considering the level of industrial activity and the support offered by the government, we believe that the industrial segment holds strong potential to contribute significantly to growth in Algeria's real estate sector.

3. Construction quality and contracting environment

Algeria has faced difficulty in generating investor interest in major real estate and construction projects during the past years. This can be primarily attributed to high level of bureaucracy, shortage of skilled workers, and barriers to foreign investments in the country's real estate sector. Recently however, the government has been moving towards liberalization. It has been playing a more positive role in attracting foreign investments through the introduction of new laws to ease restrictions on doing business in Algeria. Government is providing investors with the following provisions:

Government is attracting foreign investments through new flexible laws & regulations

- a) Exemption of custom duties on certain imported goods
- b) VAT exemption on some goods and services directly involved with the investment implementation
- c) Transfer tax exemption, for all real estate purchases made for the specific purpose of the investment.

In addition to the above mentioned incentives, special incentives are also offered for investments in special development zones and for privileged investments. Such incentives incorporate:

- a) Partial or total state funding for infrastructure investments
- b) Exemption for ten years from the settlement of corporate income tax, gross income tax, flat rate payment and tax of professional activity
- c) Exemption for ten years from property taxes;
- d) Additional incentives to improve or facilitate the investment, such as the carry-forward of losses and depreciation.

In addition the Algerian government is signing several bilateral investment agreements for the protection and promotion of investments.

Government's effort to improve the investment climate has led to the entry of several international players mainly in the large scale construction projects, which is contributing to the improvement in construction quality.

4. Role of FDI in the real estate sector

Seeking to diversify and modernize the economy, the Algerian government has embarked on an aggressive liberalization and privatization program to attract foreign direct investment. In 1993, the government adopted its primary investment code, legislative decree No. 93-12, which guarantees investment advantages, free transfers of income, and equal treatment for domestic and foreign investors. In August 2001, a new privatization law was passed for accelerating the privatization of public enterprises in Algeria where the government privatized 62 enterprises from 2003 to 2005. In 2005, the government privatized 50 state-owned enterprises, including hotels, flourmills, cement factories and some light manufacturing industries. Algeria's focus on aggressive liberalization and privatization of the economy has resulted in strong growth in FDI in the last few years. Total FDI increased at a CAGR of 41% to reach \$14 Bn in 2006 (Refer exhibit 9). Of the total FDI, 20% was invested in the real estate, public works and transportation sectors. The growing FDI in Algeria's non-hydrocarbon sector can positively contribute to growth in the country's real estate and construction sectors.

Exhibit 9: FDI flow in Algeria (2002–2006)

	2001	2002	2003	2004	2005	2006
Total FDI in \$ Bn	2.6	3.7	4.9	7.4	11.2	14.4
y-o-y % growth	85.0%	40.9%	32.7%	51.4%	51.6%	28.7%

Source: Economic Intelligence Unit

5. Key Risks

A- Security concern

The increasing security concern in Algeria remains a major risk for investors. The recent (September 2007) suicide bomb attacks have increased the threat to Algeria's internal security. We believe that such issues hold the potential to delay, if not derail, the government's effort to liberalize the economy and to attract foreign investment. This, in turn, could negatively impact the growth potential of Algeria's real estate and construction sectors.

B- High level of bureaucracy

The Algerian government is focusing on liberalizing and privatizing the economy. However, as mentioned earlier, the country continues to face the problems of a) high level of bureaucracy; and b) lack of transparency in awarding construction contracts. These factors could act as significant barriers to investment in the sector.

6. Conclusion

The real estate and construction sector in Algeria holds significant growth potential, as rising oil prices continue to propel strong economic growth. Growth in the sector has been further supported by factors such as a) growing population; b) high proportion of youth in the population; c) strong government support; and d) rising tourism. Gains from high oil prices

and the resultant current account surplus are being channeled toward building infrastructure facilities.

Currently, all the segments of the Algerian real estate market — residential, commercial, industrial, and retail — are experiencing increased demand. The residential segment is facing a shortage of 1 Mn housing units. The Algerian government plans to bridge the shortage of housing units by 2009, through national housing programs. However, we believe that the government could miss its target of building 1 Mn housing units by 2009, due to lack of resources and absence of big international contractors. Consequently, we expect demand to outpace supply in the medium term. However, we believe Algeria's efforts to privatize and liberalize the economy will attract more foreign contractors to the country. This could accelerate the growth and enhance the quality of housing supply in the country. Similarly, we expect demand in the office segment to remain firm as more foreign multinationals enter Algeria, wanting to capitalize on the country's rich hydrocarbon reserves.

In the near to mid-term, several structural triggers are in place to sustain long-term growth in the Algerian real estate and construction sector. We expect fundamentals for the real estate and construction sector to remain sound. However, the increasing security concern in Algeria, coupled with the high level of bureaucracy, remains as a main concern to investors.

7. Major real estate & construction projects in Algeria

a) National housing and health program-Algerian government:

Under the program, the government announced plans to build 1 Mn housing units, 17 major hospitals, connect an additional 1Mn houses with natural gas, and provide electricity to 400,000 existing homes. The government estimates this project will cost around \$11 Bn.

b) Fertilizer complex:

The project is a joint venture between Orascom Construction Industries (OCI) and the Algerian state-owned oil & gas company Sonatrach with Uhde GmbH (Uhde). The project entails development and construction of a fertilizer complex which will be located in the industrial zone of Arzew near three major Algerian ports on the Mediterranean coast. The complex will consist of an ammonia/urea production unit of 1.1 Mn tonnes per year and a second ammonia production unit with a capacity of 0.77 Mn tonnes per year. The total cost of project is estimated at \$160 Mn. The first unit is expected to start operations end 2010, and the second unit, six months later.

c) Dubai based Emaar properties plans to invest \$20Bn in Algeria's real estate and construction sector. Emaar's future projects of significance include:

I) Waterfront City – Algiers Bay-Emaar properties:

The project is an integrated development of residential, commercial, retail, leisure, & entertainment facilities. The project will be spread over 2.6 Mn sqm. It also entails development of parks, a 20-meter wide promenade, a fountain park, a water sports center, and a cultural center.

II) Gare D'Agha project- Emaar properties:

The project involves renovation of Algiers' famous grand old railway station. The project also entails development of modern amenities for travelers through world-class hotels and shopping malls. Development also envisages

the construction of three mixed-use towers of 9, 15, and 18 floors. The project will cover a total area of 62,458 sqm.

d) Highway development project- Highway public corporation

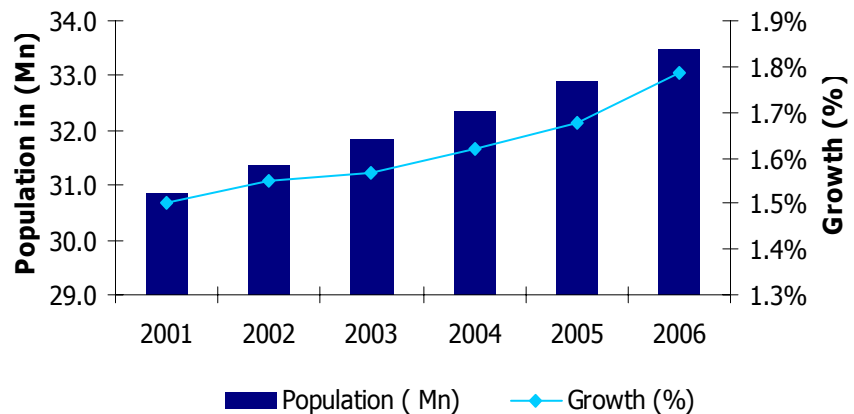
The project includes construction of 1,200 km highway with six lanes, 20 interchanges, and 14 tunnels. The estimated cost of the project is AD341 Bn and is expected to be completed in February 2010.

Appendix: 1 Macro Economic indicators

	2001	2002	2003	2004	2005	2006
Nominal GDP (AD Bn)	4,257	4,542	5,267	6,128	7,499	8,220
Nominal GDP growth	3.2%	6.7%	16.0%	16.3%	22.4%	9.6%
GDP per capita (\$)	1,787	1,819	2,136	2,627	3,111	3,413
Average Lending rate (%)	19.7	15.3	14.3	11.8	13.1	12.9
Average deposit rates (%)	7.7	8.5	8.4	6.6	5.1	5.2
Inflation, consumer prices	104.2	105.7	108.4	112.2	114.0	116.9
Annual change in inflation (%)	4.2	1.4	2.6	3.6	1.6	2.5
Current account balance \$ Bn	7.1	4.4	8.8	11.1	21.2	27.9
Money supply (AD Bn)	393	408	444	503	574	640

Source: IMF, Economic Intelligence Unit (EIU), National Statistics Office

Appendix 2: Algeria Population (2001-2006)



Source: National Statistics Office

Appendix 3: Distribution of credit by Sector (2001-2006)

AD Bn	2001	2002	2003	2004	2005	2006
Public sector	740.3	715.5	791.4	859.3	895.7	933.32
Private sector	337.7	551	588.5	675.4	882.5	1153.1
Local administration	0.2	0.3	0.3	0.3	0.1	0.1
Total	1,078	1,267	1,380	1,535	1,778	2,087

Source: IMF

Appendix 4: Consumer price index (2001-2005)

	2001	2002	2003	2004	2005
Foodstuffs, beverages, and tobacco	604.3	606	629.6	652.9	648
Clothing and shoes	439.3	443.9	443.8	445	445.8
Housing costs	622.4	622.5	633.2	644.1	730.6
Furniture	373.2	374.8	373.2	372.4	371.4
Health and medical care	644	660.5	667	666.9	674.4
Transportation and communications	499.9	514.4	543.3	601.1	660.1
Education and entertainment	464.5	469.2	470.3	474.2	475.4
Other services	668.3	707	709.5	735.2	734.8
General index	557.5	565.5	580.2	600.8	610.6

Source: IMF

Appendix 5: Algeria's economic freedom score (2001-2008)

Economic freedom score	2001	2002	2003	2004	2005	2006	2007	2008
Total Average score	55.2	60	54	54.9	50.3	53.4	52.2	55.7
Regulation	50	50	50	50	50	71.8	73.7	72.7
Trade	54.6	55.1	45.4	50	49.4	56	56	68.8
Fiscal	76.4	76.7	76.8	82.8	82.6	82.6	82.6	77
Government	57.9	75.6	54.9	50.6	48.5	49.4	47.9	74.6
Monetary	78.2	82.7	78.8	81	80.1	78.8	80.6	80.2
Investment	50	70	70	70	50	50	50	40
Financial	50	50	30	30	30	30	20	30
Property Rights	30	30	30	30	30	30	30	30
Corruption	50	50	50	50	26	27	28	31
Labor	N/A	N/A	N/A	N/A	56.3	58.3	53.7	52.3
Total MENA average score	54	54	56	55	55	57	57	56
* 100 = most free								

Source: Heritage Foundation and The Wall Street Journal

Disclaimer

This report has been prepared and issued by Kuwait Financial Centre S.A.K (Markaz), which is regulated by the Central Bank of Kuwait. The report is intended to be circulated for general information only and should not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction.

The information and statistical data herein have been obtained from sources we believe to be reliable but in no way are warranted by us as to its accuracy or completeness. Opinions, estimates and projections in this report constitute the current judgment of the author as of the date of this report. They do not necessarily reflect the opinion of Markaz and are subject to change without notice. Markaz has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn.

This report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance. Kuwait Financial Centre S.A.K (Markaz) does and seeks to do business, including investment banking deals, with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report.

Markaz Latest Published Research

S No	Title	Release Date	Research Highlights
1	GCC Equity Funds: The Asset Allocation Challenge	September 2006	Issues behind asset allocation for GCC equity funds. The report examines the asset allocation pattern among GCC equity fund managers.
2	GCC Leverage Risk: How real it is?	November 2006	Examining the risk behind increased exposure of the GCC financial system to stock market. The report considers four key variables: Size, Asset Intermediation, Cross border activity and Capital market representation. The report also analyses the linkage between bank credit growth and interest rate margin.
3	GCC for fundamentalists: A top-down framework	December 2006	Establishing a framework involving fundamental variables affecting GCC stock markets. The report examined nine important variables: economic factors, valuation attraction, economic liquidity, fund managers average, earnings growth potential, moving average, investor sentiment, geopolitical developments and market liquidity.
4	Managing GCC Volatility: Strategies and Tactics	February 2007	Devising risk-based portfolio strategy to benefit from the high-risk environment of the GCC stock markets. The report discusses four strategies: Relative vol, Contrarian, Technical and Options-based strategy.
5	Derivatives Market in GCC: Cutting a (very) long market short	March 2007	Examining the need for introduction and growth of derivatives market in GCC. The report examines the limitations of GCC capital markets and how introduction of derivatives can overcome some of these limitations.
6	To Leap or To Lag: Choices before GCC Regulators	April 2007	Examining the evolution and progress of GCC capital market structures relative to MENA and BRICS. The report benchmarks GCC capital market regulatory progress vis-à-vis Mena and BRIC countries and provides a road map.
7	Syria: Real Estate Update	April 2007	Presenting an overview of Syrian real estate market including the demand and supply drivers.
8	GCC Asset Allocation	Since May 2007 (Monthly)	Presenting asset allocation strategy for GCC stock market using an in-house proprietary model. The report also analyses the performance of GCC equity funds.
9	Markaz Volatility Indices (MVX)	Since June 2007 (Monthly)	Computing and disseminating series of indices to cover GCC and other important capital markets focusing on market volatility.
10	A Gulf Emerging Portfolio: And Why Not?	June 2007	A Study on Saudi, Kuwait, and UAE for Portfolio Enhancement
11	Saudi Arabia: Real Estate Overview	July 2007	Detailed review of real estate segment of Kingdom of Saudi Arabia including demand/supply analysis and other drivers propelling the market.
12	Qatar: Real Estate Overview	September 2007	Detailed review of real estate segment of Qatar including demand/supply analysis and other drivers propelling the market.

To obtain a print copy, contact:

Kuwait Financial Centre "Markaz" - Client Relations & Marketing Department

Tel: +965 224 8000 Ext. 1804

Fax: +965 2414499

Postal Address: P.O. Box 23444, Safat, 13095, State of Kuwait

Email: info@markaz.com

Fax: +965 2414499

Postal Address: P.O. Box 23444, Safat, 13095, State of Kuwait

Email: info@markaz.com