

The Algerian Economy Between the Pandemic and The Outlook

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Abstract:

Since November 2019, the world has suffered from the dire consequences of the COVID-19 pandemic. No country has been spared socially or economically. Given the inevitability of this virus to spread, academic studies have been very active in understanding the factors that expect it to spread and how to respond to them. As for this paper, we would like to know more about the economic impacts of this epidemic on the Algerian economy in terms of effective sectors. And by using the scientific material (national statistics and reliable sources) that allow measuring the direct impact of the pandemic and how it will affect the Algerian economy.

The paper concluded the necessity of urgent intervention to decree control measures to diversify the economy by supporting small and medium enterprises while preserving the safety of the citizen.

Keywords: Algerian Economy; Covid-19; Small and Medium Enterprises; Oil sector; Banking and Financial Sector; Tourism and entertainment sector.

Jel Classification Codes : E01 ; N77 ; O11 ; O20.

1. Introduction:

Today, The Corona pandemic is the main concern in the most academic writings for its clear impact on development processes, especially after the total or partial closure of deferent institutions in society, which forced countries in the entire world to reconsider the policies followed. The economic repercussions have occupied a prominent place in the academic literature in light of this pandemic, and it is necessary to rally around the effects the pandemic has generated on the economies of countries. And like the countries of the world, Algeria is not immune to the picture. The Algerian economy has affected in many economic and social sectors by the results of the Coronavirus, and from here this study aims to measure the impact of the Corona pandemic on the economy in Algeria and find an answer to the following question : **“What the extent of Corona pandemic's effect on the sensitive economic sectors in Algeria?”**

This research sought to show the effect of this pandemic on the Algerian economy from a sectoral angle and track the effects of this impact, using the method of secondary research, Through extensive literature reviews and statistical collection of data from reliable data sources .Thus , this research paper represents:

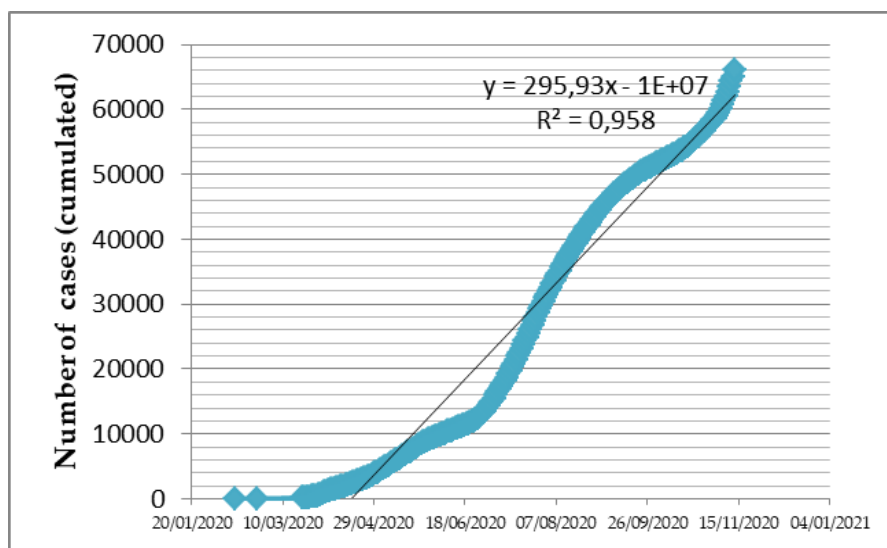
- A wide window for the controversy over the impact of the pandemic on the Algerian economy.
- A study of the most important dates that drew a map of the Corona virus towards the Algerian economy.
- A rare reference for studies dealing with the impact of the health crisis "Corona virus" in Algeria.

2. Key dates for the outbreak of the pandemic in Algeria.

In this section, we show the development of the Covid-19 epidemic from the first case registered on February 25 until November 13, 2020. Next, we propose a diagram that describes the dynamics of Covid-19's evolution. This representation based on information and instructions provided by the Ministry of Health and Hospital Reform in Algeria (MSPRH, 2020).

The graph n°1 shows an uptrend in new confirmed cases per day, which shows that Covid-19 is still in the spreading phase. The base reproduction rate (R_0) for the month of March was (1.97), for the months of April and May it is 1.2 and 1.1 respectively. The basic reproduction rate of Covid-19 in Algeria is relatively low compared to its value defined by the WHO which is 2.5 (April 2020). The countries most affected by Covid-19 recorded a very high (R_0) in the period of strong spread of the virus, its value was between 3 and 4 in the month of January in Wuhan (Chong et al 2020) and 3 , 1 between end of February and mid-March in Italy .The value of R_0 in Algeria remains higher than 1, which explains the upward trend of new cases recorded. This situation requires the maintenance of the protective device against the virus until the basic reproduction rate decreases below 1. (kasi, 2020)

Figure (1) : Evolution of the Covid-19 pandemic in Algeria.



The source: Established from information provided by the Ministry of Health and Hospital Reform in Algeria; (MSPRH, 2020)

3. Corona pandemic implications on the Algerian economy.

The widespread spread of the new Corona virus has led to panic and a revolution in the economic balances, and no one will be able to deny the economic and financial repercussions of the COVID 19 crisis on the economy and on Algerian enterprises in a more specific way.

But it is worth noting that it is very difficult to define the impact of this epidemic at the national or regional level. At present, studies conducted, whether qualitative or quantitative, are only based on rough estimates and partial due to the ambiguity that still prevails. And the accuracy of the numbers will only be achieved through a better future vision of collateral damage.

A study published by the United Nations in July 2020 on the impact of the current health crisis on the Arab world confirmed the negative repercussions and suffering that the epidemic has brought on the Algerian economy. (United Nations, 2020) .

From a macroeconomic standpoint, all economic aggregates show a decline that gets worse over time. We mention in particular:

- A significant decline in economic activity in Algeria, and was severely affected by the health crisis and the drop in crude oil prices, despite the agreement obtained by OPEC +, as confirmed by the indicators contained in the IMF's World Economic Outlook report. (FMI, 2020).

- Growth in Algeria will decline by 6.4% for the current year, according to the latest report on the World Economic Outlook issued in June 2020, while the International Monetary Fund expected, in April 2020, a growth of 6, 2% for the year 2021. (Mehenni, 2020)

- A decrease of 5.2% in Algeria's GDP in 2020. This sharp contraction will be cyclical, and possibly related to the spread of Covid-19 and its implications on the country's economy, because it had expected a strong acceleration of growth in 2021. (statista, 2020)

- During the first two months of the 2020's year, foreign trade recorded a decline in exports by 27.89% compared to the results of the same period in 2019 and a deficit in the trade balance by 27.89%, or about \$ 1.23 billion .(Douane algerienne, 2020)

4. Principals sectors affected.

From point view of main economic sectors in the Algerian economy, which considered the top of the list in the vital sectors, we find the following:

4.1 Oil sector.

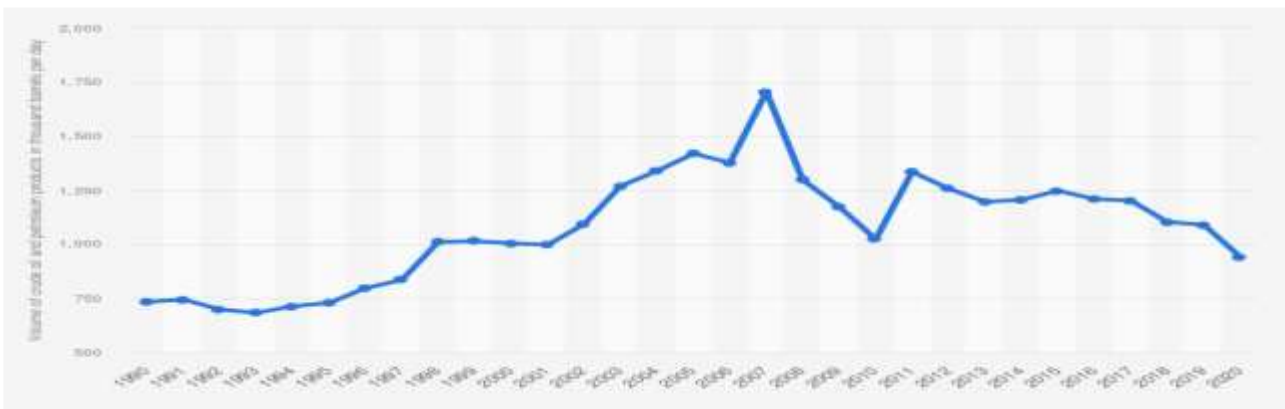
Oil is the main part of Algeria's exports. In light of the decline in global demand rates, especially from China, as well as the failure of the OPEC group to adhere to the decision to reduce oil production, in trying to control global oil markets, and to stop the oil price slide to low levels, a recovery in oil prices in the coming period is unlikely, especially after Saudi Arabia has approved its intention On increasing its oil production, during the first two months of 2020, to 10 million barrels per day. Consequently, in a region dependent on oil revenues, the low price of oil leads to lower government revenues, which directly affects the financial space available to Algeria in the case of an economic depression.

Economists point out that Algeria's losses from the decline in oil prices in global markets reached record levels during the first three months of 2020, which exceeded \$ 2 billion.

The average price of Algerian oil, "Sahari Blend," was about \$ 23.25 per barrel, which led to losses estimated at \$ 24 million per day, based on Algeria's previous daily production prior to the OPEC + meeting, which estimated at one million and 50,000 barrels. (Bornan, 2020)

The double whammy of OPEC+ and the slashing of capital and operational expenses in the upstream sector has also entailed an array of immediate consequences, most notably decreasing crude exports. Crude exports oscillated in the June-August 2020 period between 0.25-0.3mbpd, beating multi-year highs, effectively halving from the average level of the past year (0.55mpbd, see Graph 2). (Katona, 2020).

Figure (2): Algerian Crude Exports in 1999-2020 and Major Export Outlets (million barrels per day)



The source : OPEC 2021 .

4.2 Banking and Financial Sector

It is now rescheduling loan repayments (OECD, 29 April 2020), while the government continues to guarantee public sector wage payments and support consumer prices. (Folliot, 2020, p. 14)

The outlook for MENA's current account and fiscal balances has also deteriorated. Driven by lower oil export revenue, declines in other fiscal revenues, and the high expenditures required to respond to the pandemic, the region's current account and fiscal balances in 2020 are forecast at -4.8% and -10.1% of GDP respectively, much lower than the forecasts from October 2019. Public debt is projected to rise significantly in the next few years, from about 45% of GDP in 2019 to 58% in 2022. (WB, 2020).

4.3 Tourism and entertainment sector

The tourism sector and the entertainment industry (such as cinema and theaters) are among the sectors most affected by the spread of the new Corona virus, as it negatively affected both the supply and demand sides, as a natural result of travel bans, airport closures and the role of entertainment as a precaution to limit the spread of the virus. This situation has caused heavy losses, as the tourism sector revenues have decreased by 80% and about one hundred thousand people have become unemployed in the same sector due to the closure of many travel agencies and tourism institutions.

The exit strategy for partial containment imposed to limit the spread of the epidemic has been incremental. The ban on vehicle traffic between 29 regions of the country lifted on August 9, 2020 by the government, which accompanied by the gradual reopening of mosques, beaches and places of relaxation. This allowed a group of the population to go on vacation to relax, "but this must be done inside the country due to the closure of the Algerian borders." This prompted officials from the tourism sector in Algeria to ratify the COVID-19 prevention protocol and implement it in cooperation with the Ministry of Health and the reform of hospitals ; From August 15, 2020 onwards. It is now important to visualize the impact of COVID-19 on the tourism needs of the Algerian people. The tourist desires that citizens hope to be fulfilled are determined by the actors in the tourism sector in all their forms, specifically during the period of the COVID-19 pandemic, when the risk of contamination with the virus still exists. (Madani, et al., 2020, p. 3)

4.4 Transport sector

The transport sector is one of the sectors most affected by the Coronavirus crisis. Many passenger transport vehicles have stopped operating for more than three months. A situation that affected almost many businesses.

The loss in the volume of land transport business within the Algerian region is very large, reaching 50%. In Algiers, such as, the Urban and Suburban Transport Company (ETUSA) lost 30% of its sales since the beginning of the epidemic, according to what the general manager of the company Yassin Karim said. (Aichoune, 2020)

Likewise, the Algerian Maritime Transport Group has recorded a significant percentage of losses (GATMA), not to mention the unemployment awaiting taxi drivers who are struggling to make ends meet. (Anon., 2020)

The pandemic has also caused significant losses estimated at 50% of the Algerian National Railway Transport Company (SNTF) business. As for the "calculation of the real impact of the Covid-19 epidemic on passenger traffic and SNTF revenues, it will be determined at the end of next November, during the annual evaluation" of the railway activity, said the company's CEO, Yassin Bin Jaballah. It is also expected that "these losses will increase if the situation continues for an additional period, because" the company relies on 50% of its revenues to run it. (AKILA, 2020)

Regarding the conditions of workers subject to the quarantine imposed due to the epidemic, 58% of the company's workers, or 2,200 out of a total of 3,800 workers, have been placed on leave, and maintenance and cleaning workers have been kept. (Alouache, 2020)

As for air transport, according to the table n° 1 , the national airline has reduced the amount of 8 million passengers, resulting in a loss of revenues of 0.79 billion \$, risking 169,800 jobs and 3.1 billion \$ contributing to the Algerian economy .(IATA, 2020) .

Table (1) : Latest impact estimâtes on Algerian air transport.

	Revenue	Potential	Potential jobs impact	Passenger	Passenger	Revenue
Algerian air transport	-0.79	-3	-169,800	-58%	-5.8	-0.79

The source: (IATA, 2020).

4.5 small and medium enterprises

SME are the hardest hit by this pandemic, as evidence of this, 22% of these enterprises in Algeria have laid off at least half of their employees and have seen a 60% drop in their sales. This is what emerged from a study conducted in April by Business Academy Evidencia, a management and consulting training center with 250 business leaders. (Evidancia, 2020) .

According to the results of this study, 22% of the managers interviewed stated that they laid off half of their employees, which represented a significant figure for only two weeks of the first confinement . Also,The disruption of supply systems and the reduction in the volume of production led to a drastic decrease in the percentage of sales, reaching 60%.

The same study confirmed that more than half of the companies surveyed face problems paying salaries (58.4%) and difficulties in cash flow (54.3%), and they intend to postpone their investments and reduce their communications and marketing budget.

More than three-quarters of firms cannot make their fixed cost payments while only 27% of firms pay their fixed costs (salaries, rents and other inputs) and 13% do not have the resources to pay the costs as 28% postponed payments and 14% have lowered costs in contrast to 07% Who had to borrow.

While more than half of companies (55%) saw a loss between 50% and 90% of their sales during the first weeks of closing. This reflects a sharp drop in income as a result of the impact of the health crisis. (Evidancia ,2020)

5. Measures taken

As a result of the pandemic implications, the Algerian government has taken a package of measures which dominated by austerity (Minna, 2020), thus three types of measures have taken:

5.1 Cooperation and integration agreements to stimulate the economy and employment:

The CPA BANK and the CGCI foundation have begun to strengthen and support the financing system for small and medium-sized companies and even micro enterprises since the beginning of the pandemic as a national policy to stimulate the economy. Knowing that there are 1.3 to 1.5 million institutions active across the country, 95 percent of them are medium, small and mini-enterprises, and the CPA BANK finances 20 percent of this fabric of institutions, equal to 100,000 institutions .(APS, 2020)

In addition, two agreements were signed between a hotel and tourism complex and mineral baths, and various partners and tourist dealers, aiming to establish a committee to oversee the revival of tourism activities after the end of the health risks resulting from the Corona epidemic, as well as the inclusion of rail transport in the field of promoting national tourism. (CIP , 2020)

5.2 Assistance measures for companies, jobs and income.

The Algerian government is enacting a set of exceptional decrees aimed mainly at: (Dallal & Federica, 2020) .

- Supporting the work of small and medium-sized companies and adapting to the crisis, by helping them use digital technologies and reach new markets.
- Maintaining the workforce by postponing payments such as taxes, service payments, rent, social security contributions, and more.
- And the adoption of structural measures: such as postponing the payment of bank loans and compensation for companies that have lost their business.
- Other measures: including reducing utility bills.

5.3 Measures to protect workers.

Whether inside his place of work or from a distance. The government has activated executive decree No. 97-474 issued on December 8, 1997, which stipulates the rules for work between the employer and the employee in the context of work from home in general, but no provision was mentioned in an emergency like the one we are living in. Therefore, Executive Decree No. 20-69 of March 21, 2020 (JORADP, 2020) came to fill this legal void. However, the rules for applying remote work have not been formally defined. (SMT, 2020)

6. Conclusion:

The health crisis in Algeria "is a severe blow to many sectors that are already in crisis, after a difficult year 2019, marked by a very sharp slowdown in economic activities;

According to this research paper, most types of economic companies, especially SME and their employees, are the most affected by the pandemic.

The research paper also emphasized the long-term damage to the Algerian economy, which would affect the public treasury as a result of postponing many receivables and revenues, and thus negatively affect economic growth. Especially in light of the decline in oil prices, which is the only source of Algerian wealth, in addition to the weak tourism infrastructure and the absence of a logistical base for supplies.

It is therefore essential to take urgent measures to safeguard jobs and make sure the businesses are sustainable.

These measures should be characterized by:

- Diversity: through the multiplicity of sectors that will be affected by these measures, including agriculture, tourism, energy ... etc.
- Rigor in implementation: the need for an authority to examine the application of these measures and control that by framing them with deterrent regulatory texts.
- Sustainability: it is imperative to take measures that guarantee sustainable development and the health and safety of the citizen.

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