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ALGIERS- After more than one decade of a relatively comfortable financial position, Algeria has seen its means erode, in 2015, due to the steep decline in its oil revenues and an undiversified economy which is therefore unprepared to offset the effects of such a shock.

In a situation marked by the loss of nearly half of oil receipts, the government has been forced to set up the means to accelerate the country's economic diversification process to ensure the growth and free itself from the excessive dependence on hydrocarbons.

In fact, Algeria's resistance against the external shocks neatly diminished in 2015, resulting immediately in serious decline in foreign reserves, fall in the assets of the Revenues Regulation Fund (FRR) and a deficit of commercial balance, unseen for more than ten years.

Main barometer of the country's external financial health, the exchange reserves fell by almost \$30 billion within 12 months. They are expected to end the year of 2015 at \$151 billion against \$179 billion late 2014, according to the Bank of Algeria's forecasts.

In parallel, public saving paid in the FRR which posted record levels at the end of 2014, did not record any added value between January and late August, while withdrawals have accelerated.

Regarding the commercial balance, it recorded a \$10.8 billion deficit in 2015 because of the historic drop of export value and despite the fall in imports value.

But despite these negative indicators, the GDP growth seems to go the opposite direction and should continue its positive progress to reach 3% rate forecast by the International Monetary Fund (IMF) for 2015, but at a slower pace than in 2014.

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Moving toward an economy less dependent on hydrocarbons

With such deterioration of the country's major economic indicators and the risks it could induce on the objectives of growth and employment, the public authorities have urgently launched the process of building a diversified economy and less dependent on hydrocarbons in a bid to achieve emergence and 7% rate GDP growth as projected for 2019.

This objective had been expressed in the action plan of the government 2014 before being consolidated by measures and decisions contained in the Complementary finance act 2015 and Finance Act 2016.

Generally, those measures aim at boosting productive investment through tax measures, in parallel with the streamlining of business climate by improving access to funding and land bases so to forge a reliable national production tool up to the requirements of quality and price.

In order to address the impacts of the trade balance deficit, the government decided to introduce, as of January 2106, the system of import and export licences (authorizations) to control large flows of imports and related costs.

In the same regard, the consumer credit, frozen since 2009 to slow imports and limit the level of household debts, was re-introduced by Finance act 2015 with the double aim of stimulating consumption of the national product and creating growth.

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