



MASTERING YOUR MARKET UNDER AFCFTA - ALGERIA



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OVERVIEW OF ALGERIA

Algeria has a population of about 43 million and it is the largest country in Africa in terms of land mass. It is the fourth largest economy in Africa, and it is classified as an upper middle-income country. It is located in the North African region, south of Spain and separated from the European Union by the Mediterranean sea. The Algerians have experienced some high level of development due to the wealth that the government is generating from crude oil. The sales crude oil and its derivatives accounts for 60% of the revenue of the government and about 95% of the export revenues. Algeria is among the Middle east & North African (MENA) countries, and it is the most developed country in North African region. The combination of sizeable population coupled with good purchasing power has made this African market to become a place to explore by African exporter under AfCFTA.

ECONOMIC SNAPSHOTS

Algeria has a coastline of 998km and a predominantly Muslim country. The official language is Arabic, and French is the lingua franca. It is an upper middle-income country with a per capita income of about \$4,010 (2019 est.). The GDP was about \$170 billion in 2019 out of which the household consumption was 43.97% of the consumption components of the GDP. In the same year, services contributed 45.94% of the GDP while agriculture and industry contributed 11.97% and 37.41% respectively. The inflation rate is 1.9% (2019 est.), of the GDP was the literacy rate is 81.4% while the level of urbanization is 74.3% (2021 est.). The popu-



ECONOMIC SNAPSHOTS

lation of the country below 25years is about 44% and this is like the population between 25 and 54years which is about 43%. The major agricultural products produced in Algeria include wheat, barley, oat, grapes, olive, citrus, sheep, and cattle while the industries in the country produce petroleum, natural gas, light industries, mining, petrochemical, electrical, and foods processing.



MARKET CHALLENGES

Doing business in many African countries can be quite challenging because of infrastructural deficit. The challenges that any company that wants to do business in Algeria and many African countries will need to contend with include delay in custom clearance, language barriers, complex processes involved in setting up a business and trade policies that are protectionist in nature. Some of the business challenges that are very peculiar to operating in the Algerian

markets include: unstable regulatory framework which often change and unevenly applied, dominance of state owned companies which issues procurement contract amounting to about 20% of the GDP, the regulation on procurement favours low-cost bidders over high value bidders, and the financial regulations that cause delay in payment of buyers abroad.



IMPORT PRODUCTS

In 2019, the total import volume of the Algeria amounts to about \$40 billion. Some of the items imported and the amount include the following:

1. Machines — \$8.99B
2. Metals - \$4.14B
3. Chemical Products \$3.90B
4. Transportation- \$3.29B
5. Vegetable - \$3.29B
6. Mineral Products - \$2.68B
7. Plastics & Rubbers \$2.47B
8. Foodstuff - \$2.00B
10. Textiles- \$1.85B
11. Animal Products-\$1.69B
12. Instruments- \$897M
13. Animal & Veg— \$774M
14. Paper goods- \$742M
15. Stone & Glass - \$608M
16. Wood products- \$476M
17. Footware - \$338M
18. Weapons - \$111M
19. Animal Hides- \$103M
20. Precious Metals-\$23.6M
21. Art & Antiques— \$349k
22. Light Fixtures— \$124k
23. Seats— \$68.10K
24. Pens— \$23.60k
25. Brooms - \$18.70K

The total service import volume of Algeria in 2019 is about \$10.4 billion and some of the services imported include the following:

1. Transportation- \$3.61B
2. Business Serv. - \$3.23B
3. Construction— \$2.28B
4. Govt. services— \$485M
5. Personal Travel- \$443M
6. Insurance Serv— \$172M
7. Royalties- \$153M

MARKET OPPORTUNITIES

In spite of the challenges that confronts a business operating in Algeria, there are a lot of opportunities that can be explored by Nigerian businesses in this export market. These include the huge demand for services in the oil and gas sector and these include gas processing, site management, digital monitoring, and decision support. There is also a huge opportunity in Algeria for Nigerian exporters who are interested in selling different manufactured goods in the Algerian market. Some of the Nigerian processed Agro and manufac-

tured products with humongous demands that is worth billions and millions of dollars in the Algerian market include vegetable products, foodstuff, mineral products, paper goods, wood products, rubber and leather footwear, Animal products, precious metals etc.

MARKET ENTRY

As a result of the challenge of language barrier, cultural issues, bureaucracy, and difficulty in scheduling a meeting with top businesspeople and government official, a Nigerian business looking to enter the Algerian

market will need a local partner in the country. This local partner has to be a competent and credible agent distributor that has a very sound industry knowl-

edge, a good understanding of the language and the business culture and in some cases, a reliable contact with government official to help with government procurement. In

addition to this, engaging a local partner should be preceded with a due diligence done by a local attorney in the Algerian market. It is important for Nigerian

exporters to know that it

takes time to persuade decision makers of Algerian businesses and government agencies to adopt new products, services, and technologies. This means that exporters should have a long-term view of this market because there are no opportunities for quick sales in Algeria.

IMPORT DOCUMENTATIONS

The declaration to custom of imported goods must be done by an approved customs agent and this must be submitted to the custom bureau of entry of goods within 21days from the date of registration of documents. The documents required to clear the goods imported into Algeria which accompany the include custom declaration document

include: an invoice with a bank details for payment, a copy of the trade registration of importing company, transport document, border inspection document, a certificate of origin, the goods packing list, a copy of tax card of the importing company issued by the relevant fiscal authorities, the approval mandate issued to the custom agent engaged

to clear the goods, the certificates of quality and conformity issued by an independent third party inspection agent.

According to the government regulations, all items to be imported into the Algeria must be labelled in Arabic. Labelling in French in addition to Arabic is also helpful.

SELLING FACTORS

The Algerian economy has an adequately developed system of distribution with both wholesale and retail outlets. The selling of the wholesale imported goods, foodstuffs, industrial supplies, and equipment and mainly done by state-owned marketing companies. The private sector is just coming up in the wholesale trading, but they are the major players in the retail trading. The

promotional materials for sales should be done in both Arabic and French language. This should be done in such a way that it does not offend the culture and religion of the Algerians.

The Algiers International Trade Fair is an annual event that encompasses all the sectors of the Algerian economy. This is a very good avenue for exporters to promote its products in Algeria.

In addition to this, the use of radio, television and newspaper are becoming more effective in reaching consumers and business in Algeria.

Even though the Algerian consumers are looking to buy good quality product, yet they are very price sensitive.

PAYMENT & EXCHANGE

Generally, importers have experienced few problems in getting payment from Algerian companies. In 2009, the Algerian government issued a regulation that says that all importers with import volume more than \$40,000 per annum must do so using letter of credit as the payment method. In 2010, the government of Algeria also limited the tenor of deferred payment letter of credit to a maximum of 60 days after shipment. To effect payment on a letter of credit, the im-

porter will need to present an invoice showing the bank account details for payment with the custom clearance document.

The government of Algeria have a very tight exchange control regulation. The foreign exchange is only made available to importers that have the local currency equivalent in their account and the request must be supported by the requisite documents.

supported by the requisite

BUSINESS CULTURE

A simple handshake is very common during greeting. It is best for a woman to extend her hand first when greeting an opposite sex. Even though the Algerian tend to be direct in their style of communication, they are however not confrontation.

They avoid public criticism of people. An exporter should avoid discussing, religious, politics and sexuality issues until a good relationship has been established. While waiting to start a meeting, good topic of conversa-

tion includes sport, family, music, food and culture.

Just like many Mediterranean countries, their view of time is not strict but loose. So task and deadlines are less important to people and relationship.

During the month of Ramadan, an exporter visiting Algeria needs to avoid smoking, eating, or drinking in public places .

"There are no quick sales in Algeria, all exporters looking for market in Algeria have to think long-term in the market."



IN CONCLUSION

The Algerian market offers a great opportunity for African businesses to sell their products and services under the AfCFTA.

However, any business looking to enter this market must be ready to make the necessary certifications and adjustment in the product labelling.

It is also important to put the necessary structure in place to mitigate the risks posed by

the challenges in this market. This is why sourcing for a local partner and doing due diligence before engaging them becomes extremely important.

Finally, exploring avenues that allows an exporter to showcase the value of its products or services in this export market through programmes like Algiers International Trade Fair and mass media platforms like radio or

television should be explored.

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