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The Way Leading to Business

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BANCA UBAE' s CONSULTANT FOR ALGERIA

**Current and perspective
Business Opportunities
in MENA and Far East Countries."
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ROME**

AGENDA

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- 1.2 ECONOMIC OUTLOOK
- 1.3 FOREIGN TRADE

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COUNTRY OVERVIEW: POLITICAL OUTLOOK

□ THE POLITICAL SITUATION

- **The political situation in Algeria is evolving peacefully notwithstanding the social claims observed in 2011.**
- The Algerian population claims higher salaries and an improvement of the quality of life.
- In response to this, the government has taken important political actions, as for example the lifting of the “state of emergency” for the first time since 1999.

□ NEW MEASURES

- **The political powers have agreed to salary increase and have proceeded to massive housing distribution**
- Other important measures have been announced such as:
 - New electoral law
 - New political parties law
 - Review of the constitution
 - Opening of the “heavy medias” (television, radio)

COUNTRY OVERVIEW: POLITICAL OUTLOOK

❑ THE AIM FOR A CHANGE

- Unlike many other Arabic countries, **Algeria has a multipartite system characterized by full liberty of press and expression.**
- Nonetheless, **the desire for a more radical change is strongly observable among the majority of the population.**
- The civil society and the political parties call for a deep change of the political system but they wish that this will happen in a pacific and orderly framework.

❑ A RECENT CIVIL WAR

- Another important characteristic of Algeria is the civil war the country has witnessed in the nineties provoking around 150.000 casualties.
- This period has left its deep mark on the Algerian population, which now yearns to leave in peace, notwithstanding the overall difficulties.

COUNTRY OVERVIEW: ECONOMIC OUTLOOK

□ GOOD FINANCIALS

- The economic situation in Algeria is characterized by a financial affluence thanks to the revenues deriving from the hydrocarbons.
- The external debt of the country is nowadays completely repaid.
- The foreign reserves have reached USD 175 billion as at June 2011, i.e. around 4 years of importations.

□ POSITIVE TRADE BALANCE

- Algeria's exportations in 2011 will be equal to USD 60 billion and the importations to USD 45 billion.
- The trade balance is hence positive, equal to USD 15 billion.
- Even if an increase of the importations of consumer goods is observed, the trade balance will still remain positive.

□ THE ROLE OF HYDROCARBONS

- The country's exports are almost exclusively composed by hydrocarbons.
- Hydrocarbons export amounts to USD 58 billion, i.e. 97% of total exportations.
- The increase of the oil prices, and of the relevant revenues, has allowed the government to launch ambitious infrastructural programs.

COUNTRY OVERVIEW: ECONOMIC OUTLOOK

❑ STRONG PUBLIC EXPENSES

- **Important building sites have been started for the construction of motorways, dams, railways, housings.**
- The strong public expenses have nonetheless not yet allowed a significant reduction of the unemployment rate, which remains at high levels.
- The official unemployment rate is 10% but it disproportionately affects the young: the joblessness among the 20-24 age group is estimated to 32% and 21% of the graduates are without job.

❑ HIGH DIRECT INVESTMENTS

- **The foreign investments remain weak notwithstanding the high potentials of the country.**
- Restrictions on foreign investments will be maintained to protect Algeria's national economic interests and promote domestic industry.
- **In 2011 the direct internal investments have reached USD 3,5 billion.**

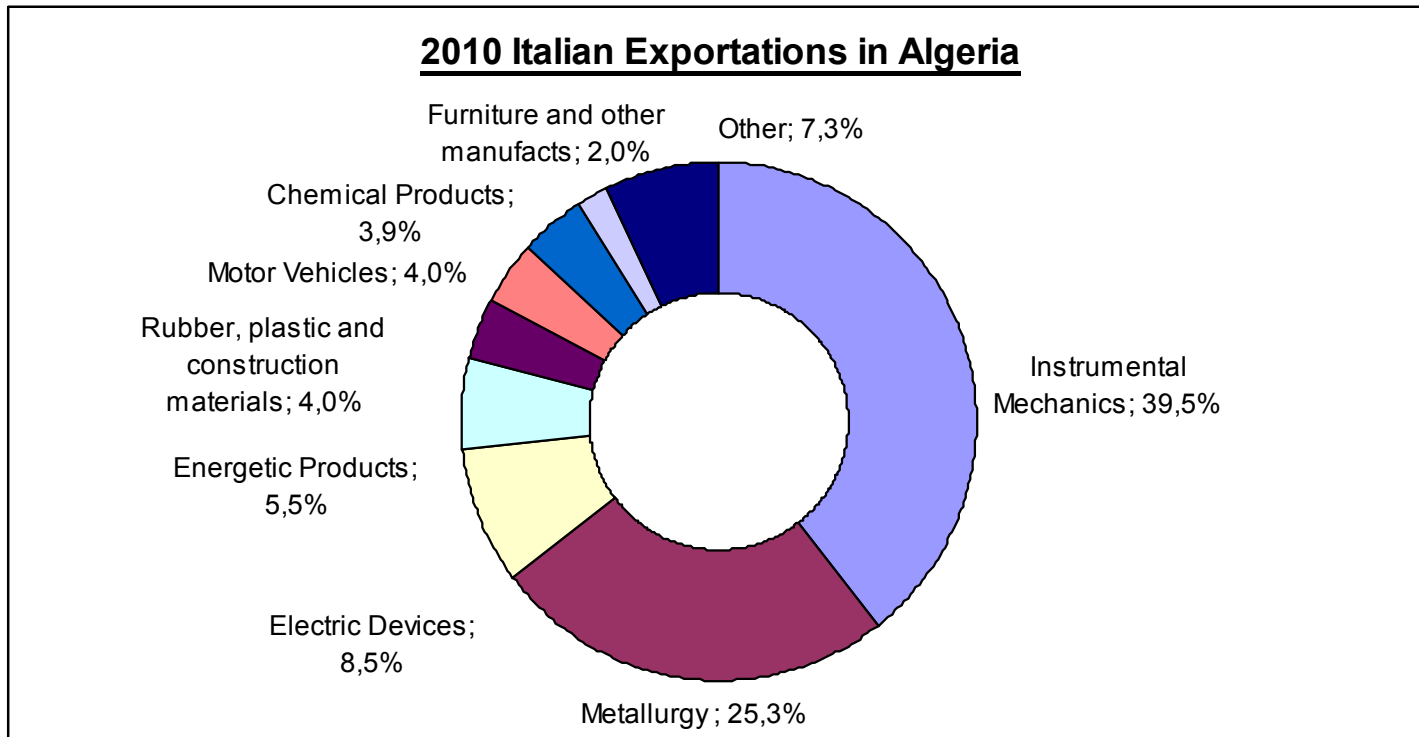
COUNTRY OVERVIEW: FOREIGN TRADE

□ THE TRADE BETWEEN ITALY AND ALGERIA

- **Italy is one of the main trade partners of Algeria: it is the third supplier country after France and China and the second country in terms of imports.**
- **In 2010 the Italian exports to Algeria have reached EUR 2,8 billion (+11% in comparison to the previous year).**
- **The Italian exportations in Algeria were mainly composed by:** metallurgical products, instrumental mechanics, electronic and electrotechnic materials.
- **In 2010 the Italian importations from Algeria have increased by 31% and have reached EUR 7,9 billion,** being composed almost exclusively by energetic products.

COUNTRY OVERVIEW: FOREIGN TRADE

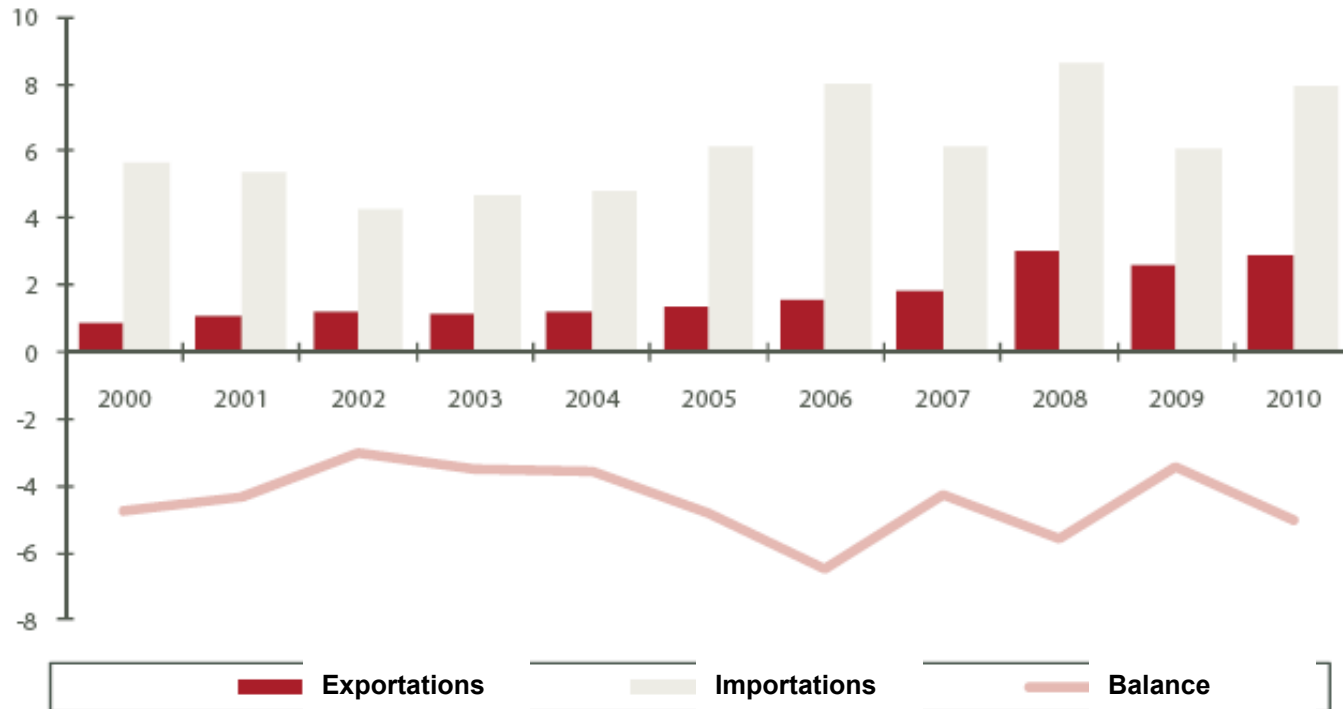
ITALIAN EXPORTATIONS IN ALGERIA



Source: SACE Country Report

COUNTRY OVERVIEW: FOREIGN TRADE

TRADE BALANCE ITALY - ALGERIA



Source: SACE Country Report



BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

□ A SIGNIFICANT MARKET

- With a population of 36 million of inhabitants and an increasing purchasing power, **Algeria represents the most significant market of the southern shore of the Mediterranean.**
- A new development program to be spread over up to 2014 has been recently approved.
- The development program plans the prosecution of the infrastructures investments.

□ THE LAUNCH OF NEW PROJECTS

- **The launch of new projects is planned in the following sectors:**
 - Roads and highways
 - Dams
 - Sea water desalinization plants
 - Steel industry
 - Housing
 - Automotive industry
 - Oil and petrochemical industries



BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

❑ DIRECT INVESTMENTS IN ALGERIA

- UNCTAD (United Nations Conference on Trade and Development) refers of an overall direct investment flow to Algeria of USD 2,8 billion in 2010.
- The increase in comparison to 2009 (+7,7%) is mainly referable to the new capital requirements for the banks (minimum share capital of DZD 10 billion).

❑ ITALIAN DIRECT INVESTMENTS IN ALGERIA

- **Italy is one of the main investors in Algeria with investments mainly concentrated in the electrical and energetic sectors** (ENI and ENEL are very active and have close ties with Sonatrach) and on a minor level in the construction and food sectors.
- Around 150 Italian companies are present in the country.



BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

□ MAIN PROJECTS

- **HOUSING:** construction of 2 million of new unities.
- **ROADS and HIGHWAYS:** construction of a new east-west highway in the southern part of the country + construction of many motorways for the connection of the main towns and ports to the two already existing highways that go from the Tunisian to the Moroccan borders.
- **AUTOMOTIVE INDUSTRY:** talks with main international automotive constructors are going on for the installation of automotive factories.
- **HYDRAULICS:** construction of new dams + construction of new sea water desalinization plants.
- **HYDROCARBONS & PETROCHEMICAL INDUSTRY:** development of a local industry for the transformation of oil and gas.
- **ELECTRICITY:** Sonelgaz (national electricity producer) forecasts to invest around USD 35 billion for the strengthening of the electricity production and distribution.

BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

❑ THE NEED OF MATERIALS AND SERVICES

- The a.m. investments will generate the need for materials such as cement and concrete.
- In the automotive industry the local factories will make use of local subcontracting.

❑ THE PRIVATE SECTOR

- Besides the public projects, there is a strong increase of the private sector's investments.
- The private sector is investing in all the industries: food-processing, pharmacy, spare parts, hydraulic, electrical materials, services...

❑ OPPORTUNITIES FOR THE ITALIAN COMPANIES

- The private companies strongly look for foreign partners for the production of all those goods that Algeria presently imports.
- **The Italian SME are particularly well placed in this sense.**



CONSULTANT ROLE AND SUPPORT

❑ A LONG-LASTING EXPERIENCE

- Banca UBAE's Algerian consultant, **Mr. Mustapha Attoui**, has a long-lasting experience in the local market.
- **Mr. Attoui has started its professional activity in the public banking sector** (at the beginning with Banque Nationale d'Algérie, where he functioned as Head of the International Division) **where he has worked for 22 years.**

❑ A DEEP KNOWLEDGE OF THE ALGERIAN MARKET

- Thanks to its long experience, **Mr. Attoui has a deep knowledge of the Algerian market.**
- Moreover, he maintains very tight and excellent relations with the local banks.
- **This allows the smooth execution of UBAE's banking activities, with major satisfaction of its clients.**



CONSULTANT ROLE AND SUPPORT

□ THE FOLLOW-UP OF THE LOCAL CHANGES

- Another important help that Mr. Attoui provides to Banca UBAE **is the constant monitoring of the evolution and changes of the country.**
- This allows UBAE to avoid the dangers and to seize the best opportunities.

□ THE HELP TO THE ITALIAN COMPANIES

- Banca UBAE's local consultant intervenes also as a consultant of the Italian companies that wish to establish their business in Algeria.
- He is also available to help the companies to seize business opportunities on the Algerian market and to obtain important information on administrative issues.