

**Exchange Rate Adjustment and Balance of Payments Dynamics in Algeria:
An Empirical Assessment (2005–2024)****تعديل سعر الصرف وديناميكيات ميزان المدفوعات في الجزائر: تقييم تجريبي (2005–2024)****ELMERAHI BACHIR**

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Received: 17/01/2026**Accepted:** 24/05/2026**Published:** 12/06/2026**Abstract:**

This study examines the effect of exchange rate adjustment on the balance of payments in Algeria over the period 2005–2024, with particular emphasis on the roles of the real exchange rate, inflation, and trade openness. Using an econometric framework supported by standard diagnostic tests, the analysis provides evidence on the magnitude and transmission channels through which exchange rate movements influence external balance outcomes in a hydrocarbon-dependent economy. The results indicate that real exchange rate depreciation has a positive and statistically significant effect on the balance of payments, suggesting that exchange rate adjustment contributes to external improvement mainly through valuation effects associated with foreign-currency-denominated export revenues. Trade openness also exerts a strong and significant positive impact, reflecting the dominant role of hydrocarbon exports in generating foreign exchange inflows. By contrast, inflation displays a negative but statistically insignificant effect, highlighting the limited relevance of traditional price-competitiveness channels under administered prices and partial exchange rate management. **Keywords:** Exchange Rate Adjustment; Balance of Payments; Real Exchange Rate; Trade Openness;; Algeria **JEL Classification Codes:** F31, F32, F41, O55.

ملخص:

تهدف هذه الدراسة إلى تحليل أثر تعديل سعر الصرف على ميزان المدفوعات في الجزائر خلال الفترة 2005–2024، مع التركيز بوجه خاص على دور سعر الصرف الحقيقي، ومعدل التضخم، والانفتاح التجاري. وبالاعتماد على إطار قياسي مدعّم بمجموعة من الاختبارات التشخيصية القياسية، تقدم الدراسة أدلة تجريبية حول حجم وقنوات انتقال تأثير تحركات سعر الصرف على أوضاع التوازن الخارجي في اقتصاد يعتمد بدرجة كبيرة على المحروقات. وتشير النتائج إلى أن انخفاض سعر الصرف الحقيقي يمارس أثراً إيجابياً ومعنوياً إحصائياً على ميزان المدفوعات، بما يعكس مساهمة تعديل سعر الصرف في تحسين الوضع الخارجي أساساً من خلال آثار التقييم المرتبطة بعائدات الصادرات المقومة بالعملة الأجنبية. كما يظهر الانفتاح التجاري أثراً إيجابياً ومعنوياً قوياً، وهو ما يعكس الدور المهيمن لصادرات المحروقات في توليد تدفقات العملة الصعبة. في المقابل، يتبين أن معدل التضخم له أثر سلبي لكنه غير معنوي إحصائياً، مما يبرز محدودية قنوات التنافسية السعرية التقليدية في ظل وجود أسعار إدارية ودعم حكومي وإدارة جزئية لسعر الصرف. وتخلص الدراسة إلى أن تعديل سعر الصرف يمكن أن يدعم تحسين ميزان المدفوعات في الجزائر، غير أن تحقيق توازن خارجي مستدام يظل مرهوناً بتنفيذ إصلاحات هيكلية مكاملة تهدف إلى تنويع الصادرات وتعزيز القدرة التنافسية للقطاعات غير النفطية.

كلمات مفتاحية: تعديل سعر الصرف؛ ميزان المدفوعات؛ سعر الصرف الحقيقي؛ الانفتاح التجاري؛ الجزائر.

تصنيفات JEL : F31, F32, F41, O55.

Exchange Rate Adjustment and Balance of Payments Dynamics in Algeria: An Empirical Assessment (2005–2024)

1- Introduction

External imbalances remain a persistent challenge for many developing and resource-dependent economies, where fluctuations in export revenues, limited production diversification, and exposure to external shocks often place sustained pressure on the balance of payments (BOP). In this context, exchange rate adjustment has frequently been adopted as a key macroeconomic policy instrument aimed at restoring external equilibrium and preserving foreign exchange reserves. The theoretical rationale underlying this policy emphasizes improvements in price competitiveness, reallocation of resources toward tradable sectors, and correction of relative price distortions. However, empirical evidence suggests that the effectiveness of exchange rate adjustment in improving the BOP is far from uniform and depends critically on structural and institutional characteristics.

Standard international macroeconomic theory identifies several channels through which exchange rate movements affect the BOP. The elasticity approach predicts that currency depreciation improves the trade balance when export and import demand elasticities are sufficiently large, while the absorption and monetary approaches highlight the role of income, expenditure, and financial conditions (Krugman, Obstfeld, & Melitz, 2018, pp. 471-476). Nevertheless, these mechanisms may operate weakly in developing economies characterized by rigid import demand, shallow financial markets, and limited export diversification. In such settings, exchange rate depreciation can lead to higher domestic prices, increased production costs, and deterioration of real incomes, potentially offsetting any gains from improved competitiveness.

Algeria provides a particularly informative case for examining the exchange rate BOP relationship. As a hydrocarbon-dependent economy, Algeria relies heavily on oil and gas exports for foreign exchange earnings, while remaining highly dependent on imports of capital goods, intermediate inputs, and essential consumer products. Export prices are largely determined in international markets and are therefore weakly responsive to exchange rate movements, whereas import demand exhibits low short-run elasticity. Since the mid-1990s and more markedly following the collapse of global oil prices in 2014 the Algerian dinar has undergone several episodes of adjustment aimed at mitigating external imbalances. Despite these measures, the BOP has remained highly sensitive to oil price fluctuations, raising concerns about the effectiveness of exchange rate policy as a standalone adjustment mechanism (IMF, 2023, p. 56).

Recent empirical studies on Algeria and comparable resource-rich economies report mixed results. While some evidence supports the existence of a long-run improvement in the trade balance following depreciation, these effects tend to be delayed and contingent upon favorable external conditions and supportive fiscal and structural policies (Boughezza & Rebei, 2019, p. 89). Moreover, short-run effects are often adverse, reflecting inflationary pressures and the high import content of domestic production. This empirical ambiguity highlights an important gap

in the literature regarding the conditions under which exchange rate adjustment can contribute to sustainable BOP correction in hydrocarbon-dependent economies.

Against this background, the present study investigates the impact of exchange rate adjustment on the balance of payments in Algeria using a comprehensive econometric framework that captures both short-run dynamics and long-run relationships. By focusing on a resource-dependent developing economy, this paper contributes to the literature by reassessing conventional theoretical predictions in a context where price elasticities, structural rigidities, and external shocks play a dominant role. The findings are expected to offer relevant policy implications for exchange rate management and external sector sustainability in Algeria and similar economies.

The structure of the paper is organized as follows. Section 2 provides an overview of the pertinent theoretical foundations and empirical studies. Section 3 outlines the data sources and the methodological framework adopted in the analysis. Section 4 reports and discusses the empirical findings, while Section 5 concludes the study by highlighting the main conclusions and drawing relevant policy implications.

2- Literature Review:

The relationship between exchange rate adjustment and the balance of payments (BOP) occupies a central position in international macroeconomic theory and policy analysis, particularly for developing and resource-dependent economies such as Algeria. Exchange rate adjustment whether through devaluation, depreciation, or regime reform is commonly adopted to address persistent external imbalances, especially chronic current account deficits and pressure on foreign reserves. The theoretical justification and empirical effectiveness of this policy, however, remain contingent upon structural, institutional, and macroeconomic conditions.

From a theoretical perspective, the elasticity approach provides the earliest analytical framework linking exchange rate movements to the BOP. According to this approach, a depreciation of the domestic currency improves the trade balance if the sum of export and import demand elasticities exceeds unity, a condition known as the Marshall–Lerner condition (Krugman, Obstfeld, & Melitz, 2018, pp. 471-474). In the Algerian context, this condition is theoretically problematic due to the country's heavy reliance on hydrocarbon exports, which are largely price-inelastic and denominated in foreign currency, while imports particularly capital and intermediate goods—are essential and relatively inelastic. As a result, exchange rate depreciation may increase the import bill without generating a proportional increase in export volumes, thereby limiting its effectiveness in improving the BOP.

The absorption approach, originally developed by Johnson (1958), offers an alternative explanation by emphasizing the gap between national income and domestic absorption. This framework suggests that exchange rate adjustment can only improve the external balance if it leads to a reduction in domestic absorption relative to output (Edwards, 1989, pp. 30-33). For

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Algeria, empirical studies indicate that exchange rate depreciation has often been accompanied by expansionary fiscal policies and rising public expenditure, particularly during periods of high oil revenues, which neutralize the contractionary effect required for BOP improvement. Consequently, the absorption approach helps explain why repeated devaluations of the Algerian dinar have not consistently corrected external imbalances.

Monetary and portfolio balance theories further extend the analysis by incorporating capital flows, money supply, and expectations. In these frameworks, exchange rate adjustment affects the BOP not only through trade flows but also via financial channels and asset reallocation (Obstfeld & Rogoff, 1996, pp. 67-70). In Algeria, where capital controls remain significant and financial markets are underdeveloped, the capital account response to exchange rate changes is relatively weak. However, depreciation can still generate inflationary pressures through higher import prices, eroding real incomes and potentially worsening the current account through higher nominal import values (IMF, 2022, p. 41).

Empirical evidence on the exchange rate BOP nexus in Algeria and similar economies is mixed but increasingly nuanced. Recent time-series and ARDL based studies focusing on Algeria find that exchange rate depreciation exerts a statistically significant but delayed effect on the trade balance, consistent with the J-curve hypothesis (Boughezza & Rebei, 2019, pp. 201-203). In the short run, depreciation tends to worsen the trade balance due to rigid import demand and contractual pricing, while modest improvements may emerge only in the long run. Nonetheless, these improvements are often fragile and highly dependent on global oil prices, underscoring Algeria's vulnerability to external shocks.

More recent contributions emphasize the role of structural factors and exchange rate regimes. According to the (IMF, 2023, pp. 55-57), the effectiveness of exchange rate adjustment in Algeria is constrained by limited export diversification, high import dependency, and weak non-hydrocarbon competitiveness. Studies adopting structural VAR and nonlinear models suggest that exchange rate adjustment alone is insufficient to restore BOP equilibrium unless accompanied by fiscal consolidation, industrial diversification, and trade facilitation reforms (Chekouri & Merzoug, 2021, p. 89). These findings align with broader evidence from resource-rich economies, where depreciation may even deteriorate the BOP through inflationary and cost-push effects.

In summary, the recent literature suggests that while exchange rate adjustment remains a potentially useful policy instrument, its impact on the balance of payments in Algeria is conditional rather than automatic. The dominance of hydrocarbons, low price elasticities, and weak transmission mechanisms significantly limit the corrective power of exchange rate movements. Contemporary research increasingly converges on the view that exchange rate policy must be embedded within a broader macroeconomic and structural reform framework to generate sustainable external balance improvements.

3- Model Estimation and Results Analysis:

After identifying and describing the study variables, the model is specified on the basis of these variables in order to examine the effect of exchange rate adjustment on the balance of payments equilibrium. The model can be expressed in the following mathematical form:

$$BOP_t = \beta_1 RER_t + \beta_2 INF_t + \beta_3 OPEN_t + C_0 + \epsilon_t$$

where C_0 denotes the constant term; β_1 and β_2 and β_3 represent the coefficients of the explanatory variables in the model; ϵ_t is the stochastic error term; and t indicates the sample period.

Table (1): Results of the model estimation over the study period

Dependent Variable: BOP				
Method: Least Squares				
Date: 01/12/26 Time: 18:10				
Sample (adjusted): 2006 2024				
Included observations: 19 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
RER	0.012396	0.005251	2.360575	0.0322
INF	-0.534015	0.918564	-0.581359	0.5696
OPEN	0.911177	0.195050	4.671510	0.0003
C	-0.467071	0.121836	-3.833595	0.0016
R-squared	0.635847	Mean dependent var		0.010326
Adjusted R-squared	0.563016	S.D. dependent var		0.115748
S.E. of regression	0.076515	Akaike info criterion		-2.117993
Sum squared resid	0.087818	Schwarz criterion		-1.919164
Log likelihood	24.12093	Hannan-Quinn criter.		-2.084343
F-statistic	8.730495	Durbin-Watson stat		1.132963
Prob(F-statistic)	0.001368			

Source: Eviews output

Based on the table, the estimated model results are as follows:

$$BOP = 0.012396 RER - 0.534015 INF + 0.911177 OPEN - 0.467071 + \epsilon_t$$

After obtaining these results, we proceed to test the parameters of the estimated model. This is done from three perspectives: first, the statistical perspective to determine their significance; second, the economic perspective to assess their consistency with economic theory and previous empirical studies; and finally, the econometric perspective.

4 - Statistical Testing of the Parameters

From an inferential perspective, the evaluation of the estimated parameters begins with an individual assessment of each explanatory variable's significance, relying on the Student's t -test alongside the coefficient of determination (R^2). In a subsequent step, the

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joint explanatory power and overall validity of the regression model are examined through the Fisher (F) test.

4-1- Student's t -test:

The Student's t -statistic serves as a key inferential tool for determining the statistical relevance of the estimated coefficients in a multiple linear regression framework. Specifically, it enables an assessment of whether each explanatory variable exerts a statistically significant influence on the dependent variable. This evaluation is conducted by formulating and testing the appropriate null and alternative hypotheses associated with the estimated parameters.

- **Null hypothesis (H_0):** The parameters are not statistically significant

$$H_0: \beta_0 = \beta_1 = \beta_2 = \beta_3 = 0$$

- **Alternative hypothesis (H_1):** The parameters are statistically significant

$$H_1: \beta_0 \neq \beta_1 \neq \beta_2 \neq \beta_3 \neq 0$$

At a 10% significance level (i.e., a 90% confidence level), the probability value (*Prob*) reported in parentheses in the estimated model above is examined. If this value is less than 0.1, the alternative hypothesis is accepted and the null hypothesis is rejected, indicating that the parameter is statistically significant. Accordingly:

With respect to the coefficient β_1 associated with the real exchange rate, the estimated probability value falls below the 5% significance threshold. Consequently, the null hypothesis is rejected in favor of the alternative, confirming that β_1 is statistically significant. This result indicates that the real exchange rate exerts a significant effect at the 95% confidence level.

In contrast, the coefficient β_2 corresponding to the inflation rate is characterized by a probability value exceeding 10%. As a result, the null hypothesis cannot be rejected, leading to the conclusion that β_2 lacks statistical significance. This finding suggests that inflation does not exert a statistically significant influence at the 90% confidence level.

For the coefficient β_3 of the independent variable trade openness, the probability value is less than 0.05. Hence, the null hypothesis is rejected and the alternative hypothesis is accepted, which means that β_3 is statistically significant and that OPEN has a statistically significant effect at the 95% confidence level.

4-2- Coefficient of Determination (R^2) Test:

The estimated value of the coefficient of determination is 0.635847, which is relatively close to unity. This indicates that the explanatory variables account for approximately 64% of the variations in the balance of payments, represented by the current account. The remaining 36% is explained by other factors not included in the model and captured by the error term. This

result is further supported by the adjusted coefficient of determination ($\bar{R}^2$), which equals 0.563016. Moreover, this regression is not spurious, as evidenced by the Durbin–Watson statistic, which is greater than the coefficient of determination ($DW > R^2$).

4-3- Fisher Test:

To assess the overall statistical significance of the estimated model, the Fisher (F) test is employed to examine the joint significance of all parameters simultaneously, based on the following hypotheses:

- **Null hypothesis (H_0):** There is no relationship between the independent variables and the dependent variable; that is, the model is not statistically significant.
- **Alternative hypothesis (H_1):** There is a relationship between the independent variables and the dependent variable; that is, the model is statistically significant.

Alternatively, the test can be conducted using the probability value of the Fisher statistic. If this value is less than 0.05, the alternative hypothesis is accepted. For the model under study, the Prob (F -statistic) is much lower than 0.05; therefore, the alternative hypothesis is accepted, indicating that the model is statistically significant as a whole. Consequently, based on the statistical evaluation, the model is deemed statistically acceptable.

4.4. Economic Interpretation of the Parameters

The estimation results indicate that the relationship between the explanatory variables and the dependent variable is consistent with the findings reported in previous empirical studies.

- The real exchange rate (RER) has a positive and statistically significant effect on the balance of payments at the 5% level ($\beta = 0.0124, p = 0.032$). This result implies that a real depreciation of the Algerian dinar contributes to an improvement in the balance of payments. This finding aligns with the elasticity approach, which predicts that depreciation enhances external competitiveness and improves the trade balance when price effects dominate quantity rigidities (Krugman, Obstfeld, & Melitz, 2018, pp. 471-476). In the Algerian context, this result can be explained by the structure of exports, which are dominated by hydrocarbons priced in foreign currency. A depreciation of the dinar mechanically increases export revenues when expressed in domestic currency, thereby improving the current account balance (IMF, 2022, p. 41). Similar results are reported by (Boughezza & Rebei, 2019, pp. 201-204), who find that exchange rate depreciation exerts a positive long-run effect on Algeria's trade balance, albeit with delayed adjustment. However, this improvement largely reflects valuation effects rather than genuine gains in export diversification or non-hydrocarbon competitiveness.
- The inflation rate exhibits a **negative but statistically insignificant coefficient** ($\beta = -0.534, p = 0.569$), suggesting that inflation does not have a direct and measurable impact on Algeria's balance of payments during the study period. This outcome is consistent with the argument that domestic inflation affects external balance mainly through its interaction with the real exchange rate rather than as an independent channel (Obstfeld & Rogoff,

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1996, p. 70). In Algeria, the limited impact of inflation can be attributed to price controls, subsidies, and administered exchange rate policies that partially shield domestic prices from external shocks. Moreover, since hydrocarbon exports are priced on international markets, domestic inflation has little influence on export revenues, weakening its transmission to the balance of payments (IMF, 2023, p. 56).

- Trade openness (OPEN) has a positive and highly significant effect on the balance of payments at the 1% level ($\beta = 0.911$, $p < 0.001$). This result indicates that increased integration into international trade is associated with an improvement in Algeria's external balance. This finding is consistent with empirical evidence suggesting that openness can enhance export capacity and foreign exchange earnings in developing economies, particularly when export revenues are driven by natural resources (Edwards, 1989). For Algeria, higher trade openness primarily reflects increased hydrocarbon exports rather than a balanced expansion of both exports and imports. As noted by the World Bank, periods of increased openness have coincided with higher energy export revenues and improved current account positions. Nevertheless, the strong positive coefficient should be interpreted with caution, as it does not necessarily indicate structural transformation or reduced import dependence.

5- Econometric Testing of the Parameters:

For the econometric evaluation of the model parameters, several diagnostic tests are conducted, including the stationarity of the squared residuals, the Durbin–Watson test, the normality test of the residual series, and the heteroskedasticity test.

5-1- Stationarity of the Squared Residuals:

Based on Table 02 and the evolution of the autocorrelation coefficients of the squared residuals, it is observed that all these coefficients lie within the confidence bounds. In addition, the probability of the Q-Stat is greater than 0.1. Therefore, it can be concluded that the squared residuals are stationary.

Table (2): Evolution of the autocorrelation coefficients of the squared residuals.

Date: 01/13/26 Time: 17:47
Sample: 2005 2024
Included observations: 19

Autocorrelation	Partial Correlation	AC	PAC	Q-Stat	Prob
		1 0.124	0.124	0.3431	0.558
		2 -0.144	-0.162	0.8303	0.660
		3 -0.088	-0.049	1.0232	0.796
		4 -0.166	-0.177	1.7518	0.781
		5 -0.020	0.004	1.7635	0.881
		6 -0.331	-0.418	5.1297	0.527
		7 -0.006	0.084	5.1309	0.644
		8 0.028	-0.216	5.1602	0.740
		9 -0.107	-0.145	5.6146	0.778
		10 0.192	0.053	7.2561	0.701
		11 0.049	-0.067	7.3768	0.768
		12 -0.076	-0.285	7.7023	0.808

Source: Eviews output

5-2- Durbin–Watson Test:

This test examines whether the model suffers from autocorrelation. According to the estimation results of the proposed model, the Durbin–Watson statistic equals $DW=1.132963$, which lies between the lower bound $DL=0.86$ and the upper bound $DU=1.73$. In this case, the test result is inconclusive, corresponding to the region of uncertainty.

5-3- Normality Test of the Residuals:

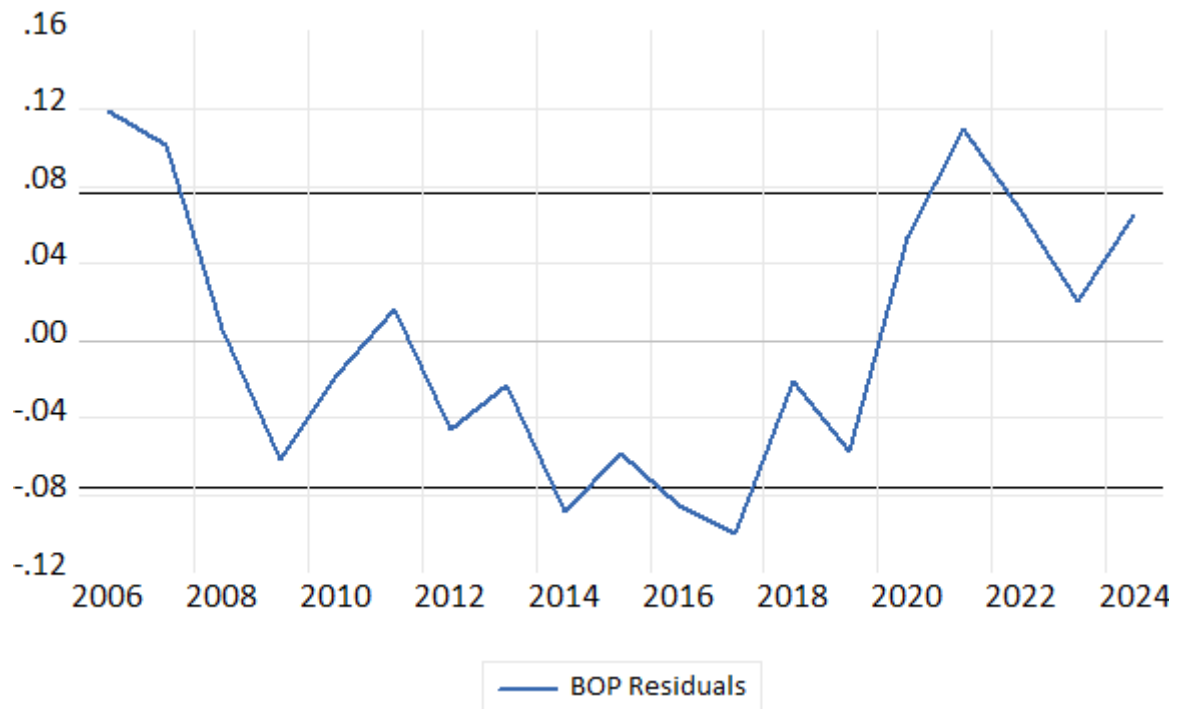
The residual series U_t , comprising 19 observations, captures the deviations between the observed values and those predicted by the estimated model. These residuals are obtained as the difference between the original series and the fitted values, as expressed by the following relationship:

$$\hat{u}_t = BOP_t - \widehat{BOP}_t$$

This series is illustrated in the following figure:

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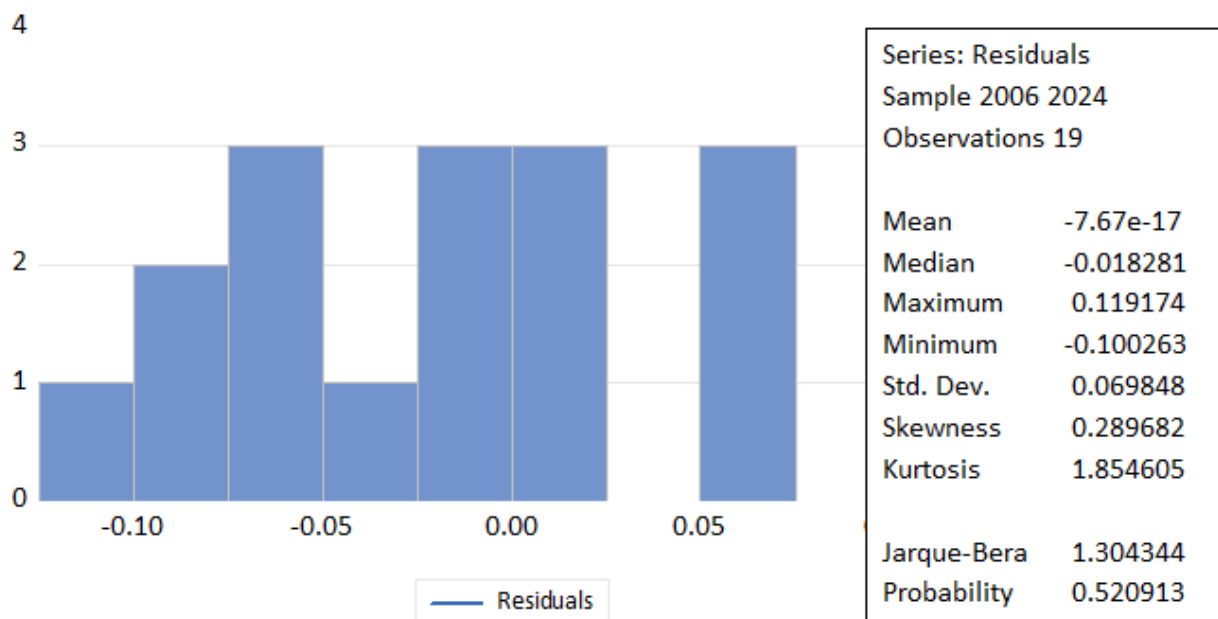
Figure (1): Graphical representation of the model residual series.



Source: Eviews output

To determine whether the residual series follows a normal distribution, the Jarque–Bera test is performed, as shown in the following figure:

Figure (1): Normality test of the residuals



Source: Eviews output

From the above figure, it is evident that the residuals are normally distributed (the normality assumption is satisfied), since the probability of the Jarque–Bera statistic is greater than 0.1. Accordingly, the null hypothesis of normality is accepted at the 90% confidence level.

5-4- Serial Correlation and Heteroskedasticity of the Residuals:

To test for serial correlation and heteroskedasticity in the residuals, the Breusch–Pagan–Godfrey test is employed, which is primarily based on the Lagrange Multiplier statistic, along with the ARCH test, which performs an autoregressive test of first-order variances. These tests are used to examine the null hypothesis of “no heteroskedasticity.” The results of both tests are reported in the following table:

Table (3): Tests for serial correlation and heteroskedasticity of the residuals.

Heteroskedasticity Tests	F-statistic	Prob
Breusch-Pagan-Godfrey	0.141636	F(3 ,15) 0.9334
ARCH	0.355061	F(1,16) 0.5596

Source: Eviews output

Based on the Fisher probability values obtained from the Breusch–Pagan–Godfrey and ARCH tests, which are both greater than 10%, the null hypothesis is accepted. This indicates that the residual variances are not time-dependent. Consequently, it can be concluded that the model is largely free from statistical problems.

6- Conclusion

This study has investigated the effect of exchange rate adjustment on Algeria’s balance of payments over the period 2005–2024, providing empirical evidence on the role of real exchange rate movements, inflation, and trade openness in shaping external balance outcomes. The findings indicate that exchange rate depreciation and trade openness contribute positively to the balance of payments, while inflation does not exert a statistically significant direct effect. These results reinforce the view that exchange rate policy can influence external balance, but its effectiveness is highly conditional on structural and institutional characteristics.

The positive role of exchange rate adjustment is consistent with recent research emphasizing the importance of relative price changes in facilitating external adjustment, particularly in economies facing recurrent external shocks (Ghosh, Ostry, & Qureshi, 2022). In the case of Algeria, exchange rate depreciation appears to support the balance of payments mainly through foreign-currency revenue valuation effects rather than through a broad-based expansion of non-hydrocarbon exports. This outcome aligns with evidence showing that in commodity-exporting economies, exchange rate movements often translate into nominal improvements in external balances without fundamentally altering export structures (Bems & Johnson, 2023).

The strong positive association between trade openness and the balance of payments highlights the relevance of external integration for sustaining foreign exchange inflows. However, recent

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studies caution that openness alone does not guarantee external sustainability when export baskets remain highly concentrated and import content of domestic production is high (Calì, Cantore, & Piermartini, 2021). For Algeria, increased openness continues to be closely linked to hydrocarbon exports, implying that external balance improvements remain vulnerable to global energy price volatility and demand conditions.

The absence of a significant inflation effect suggests that traditional price-competitiveness channels may be weakened in economies with administered prices, subsidies, and partial exchange rate management. Recent macroeconomic evidence indicates that in such settings, inflation affects the balance of payments primarily through indirect channels such as real exchange rate misalignment and fiscal-monetary interactions rather than through direct trade responses (Ha, Kose, & Ohnsorge, 2023). This reinforces the argument that exchange rate adjustment alone cannot substitute for deeper structural reforms.

From a policy perspective, the results imply that exchange rate flexibility should be treated as a supportive, not dominant, instrument of external adjustment. Recent policy-oriented research stresses that sustainable balance of payments improvement in resource-dependent economies requires a coordinated strategy combining exchange rate management with fiscal discipline, export diversification, and productivity-enhancing reforms in tradable sectors (Di Bella, Dynnikova, & Slavov, 2022). Without such complementarities, the gains from exchange rate depreciation are likely to remain temporary and largely driven by external price cycles.

Future research could extend this analysis by incorporating nonlinear and regime-switching models to capture asymmetric responses of the balance of payments to exchange rate movements during periods of external stress. In addition, disaggregating exports into hydrocarbon and non-hydrocarbon components may provide clearer insights into the channels through which exchange rate adjustment affects Algeria's external position in the long run.

In conclusion, while exchange rate adjustment has played a meaningful role in Algeria's balance of payments dynamics, its effectiveness is constrained by structural dependence on hydrocarbons and limited export diversification. Achieving durable external balance therefore requires a comprehensive macroeconomic and structural policy framework in which exchange rate policy acts as a complementary, rather than solitary, adjustment tool.

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