Testing the impact of the money supply on economic growth in Algeria 1980-2022

اختبار تأثير المعروض النقدي على النمو الاقتصادي في الجزائر 1980–2022.

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Abstract:

This research paper investigates the relationship between money supply and economic growth in Algeria from 1980 to 2022, using GDP growth as the primary indicator of economic growth. It examines both modern and traditional theories of economic growth and applies the VAR (Vector Autoregression) model to analyze internal variables and time lags for more accurate insights. The results show that sudden changes in the money supply can have adverse effects on economic growth. Specifically, a 1% increase in GDP growth impacts the money supply by 0.17 after one period and 0.43 in the preceding period. GDP growth is influenced by its own past values (0.13) and the money supply (0.38) in previous periods, with a constant effect of 1.50 when the money supply increases by one unit.

Keywords *Money supply; VAR model; economic growth; simultaneous ntegration shocks; Granger test.*
Jel Classification Codes: *C32, O47, P35, E42, E51*

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INTRODUCTION

The money supply is a crucial economic topic that has garnered significant attention from economists both in theory and practice. It occupies a prominent position in economic literature because of its vital role in promoting economic stability, given its strong interconnection with a range of other economic variables.

In Algeria, understanding the true impact of money supply changes on various economic variables such as production, employment, inflation, and balance remains challenging. With the shift towards a market economy, there has been an increased focus on monitoring the money supply. Money has begun to fulfill its essential roles as a means of income, capital circulation, and development. This realization led to the implementation of the Monetary and Loan Law 90-10 and its subsequent amendments, reflecting an acknowledgment of its effects on production, distribution, interest rates, and other economic factors.

The main question :

What role does Algeria's monetary policy play in regulating the money supply and its impact on economic growth?

Premise:

The efficiency of Algeria's core monetary policy in managing the money supply is a crucial factor in driving economic growth.

I.Cash supply:

I-1 the notion of money supply:

Money, defined as a medium of exchange that facilitates the trading of goods and services, refers to the money supply as the total amount available to a society during a specific period. This amount is regulated by the Monetary Authority.. (Ali, 2008, p. 49)

Before defining the money supply, it’s crucial to consider different views on money. Fisher sees it as a legal value, a universally accepted property right in exchanges, while others view it as a functional value, suggesting money exists only if it serves a specific purpose. (ilmen, 2010, p. 03)

Keynes expands money supply to include Treasury bills and term deposits. It represents all available payment instruments over time and evolves with changes in monetary tools and economic systems. (al-Asar & Riad , 2000, pp. 54-55)

I-2development of the monetary bloc in Algeria

Through stabilization and structural adjustment programs with international financial institutions, Algeria aimed to control monetary expansion and ensure macroeconomic stability. Despite these efforts, monetary supply continued to grow rapidly post-programs, influenced by various time factors and its composition. In Algeria, the money supply includes a narrow base (M1) of highly liquid instruments like demand deposits and postal account deposits, a broader measure (M2) including term and savings deposits, and an even broader measure (M3) that encompasses financial

instruments with uncertain liquidity such as stocks and bonds. The study will use tables and graphs to analyze these monetary developments during the adjustment programs. (Moussaoui, 2012).

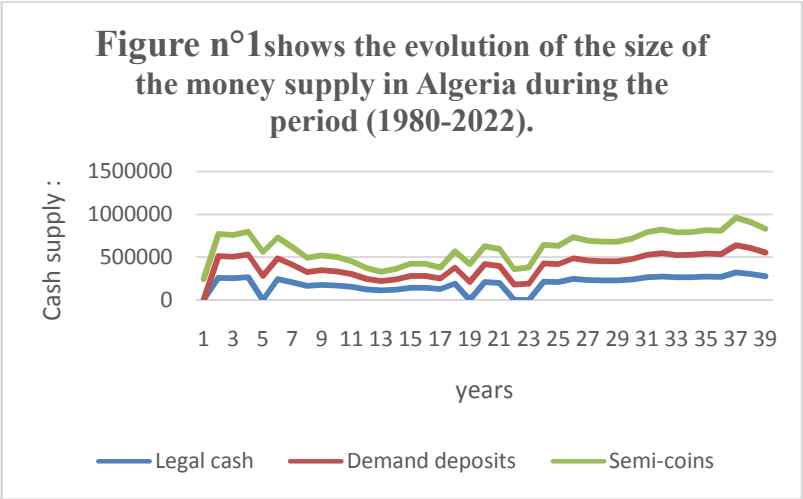
I-2.1 Money supply in Algeria grew significantly (1980-2022).

To analyze the money supply situation in Algeria, we include a table displaying the evolution of M1, M2, and M3. Our study primarily focuses on the changes in the total money mass.

Table n°1:Tracks money supply growth in Algeria (1980-2022).

years	**1980**	**1981**	**1982**	**1983**	**1984**
Legal cash	191875	190097.7	221403.3	236665.3	242547.3
Demand deposits	191870	190098	221406	236660	242550.6
Semi-coins	191880	190096	221400.6	236670.6	242544
Years	**1985**	**1986**	**1987**	**1988**	**1989**
Legal cash	256162	252661	265571	279419.9	242655
Demand deposits	256155	252670	265561	279410	242653
Semi-coins	256170	252651	265580	279410	242652
Years	**1990**	**1991**	**1992**	**1993**	**1994**
Legal cash	205905	163704	173140	167015	151062
Demand deposits	205900	163704	173130	167000	151062
Semi-coins	205901	163705	173150	167000	151063
Years	**1995**	**1996**	**1997**	**1998**	**1999**
Legal cash	123898	110020	120272	141256	140693
Demand deposits	123888	110018	120273	141257	140690
Semi-coins	123900	110020	120269	141255	140694
Years	**2000**	**2001**	**2002**	**2003**	**2004**
Legal cash	126090	189499	209080.7	209397	197550
Demand deposits	126104	189496	209081	209390	197552
Semi-coins	126103	189497	209082	209404	197551
Years	**2005**	**2006**	**2007**	**2008**	**2009**
Legal cash	179425.7	190946.3	213646	209953	243869
Demand deposits	179425	190947	213645	209952	243869
Semi-coins	179427	190946	213647	209951	243872
Years	**2010**	**2011**	**2012**	**2013**	**2014**
Legal cash	230182	226872	226519	239095	264360
Demand deposits	230182	226870	226514	239094	264367
Semi-coins	230183	226874	226514	239105	264368
Years	**2015**	**2016**	**2017**	**2018**	**2019**
Legal cash	273336	262948	264429	271929	268465
Demand deposits	273337	262944	264424	271927	268462
Semi-coins	273335	262952	264434	271928	268463
Years	**2020**	**2021**	**2022**		
Legal cash	320039	303132	276352		
Demand deposits	320041	303133	276349		
Semi-coins	320038	303131	276347		

Source: Banque d'algèrie statistiques



Source: prepared by the researchers using Excel

Table (01) and Figure (01) reveal that between 1980 and 1988, Algeria's legal tender money grew from 191,875 to 279,419.9, demand deposits from 191,870 to 279,410, and semi-money from 191,880 to 279,410.

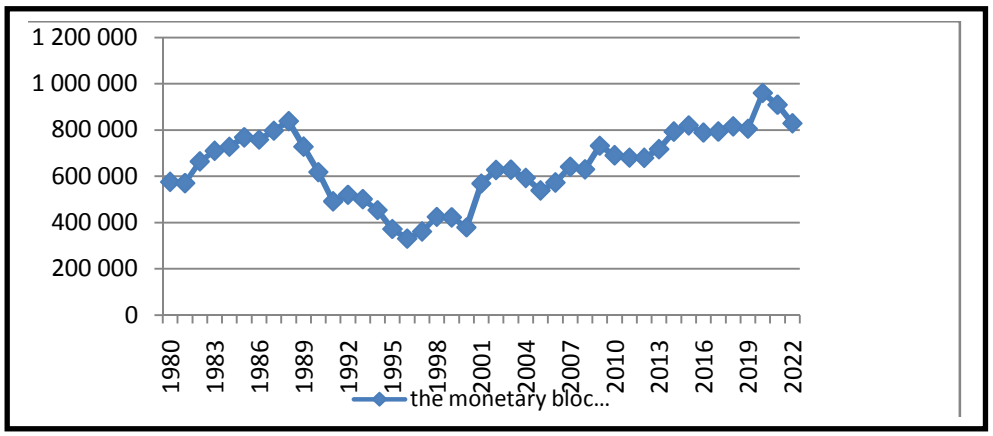
Between 1989 and 2000, Algeria experienced a rapid decline in the size of the money supply. The volume of legal tender decreased from 242,655 to 126,090, demand deposits fell from 242,653 to 126,104, and quasi-money dropped from 242,652 to 126,103.

Between 2001 and 2008, Algeria saw fluctuations in the money supply, with legal tender increasing from 189,499 to 209,953, demand deposits rising from 189,496 to 209,952, and quasi-money growing from 189,497 to 209,951.

Between 2009 and 2015, the money supply showed significant growth. Legal money increased from 243,869 to 273,336, demand deposits rose from 243,869 to 273,337, and quasi-money grew from 243,872 to 273,335, as depicted in the graph (Figure 02).

From 2016 to 2022, the money supply increased significantly. By 2020, legal tender reached 320,039, demand deposits rose to 320,041, and quasi-money reached 320,038.

Figure n°2 Monetary Block M growth in Algeria (1980-2022).



Source: prepared by the researchers using Excel

According to Table (01) and Figure (03), the monetary bloc increased from 57.56 in 1980 to 61.77 in 1990, then fell to 37.83 by 2000. It surged from 56.85 in 2001 to 82.00 in 2015, and further grew to 82.90 by 2022.

II-.Economic growth:

Economic growth is the increase in an economy's output of goods and services, driven by factors like land, labor, capital, and organization. It indicates a positive change in production levels over time, leading to higher national income. (Goodwin et al., 2014, p. 719).

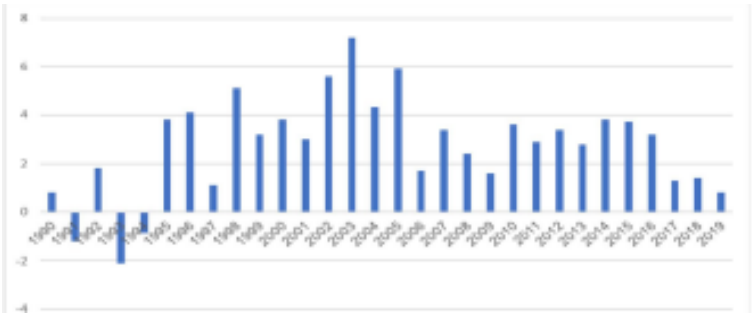
I I-.1 Types of economic growth :(Benbar, 2011, p. 60)

II-1.1Extended economic growth*:* This type of growth occurs when income grows at the same rate as the population, resulting in a static per capita income.

II-1.2 Intensive economic growth *:*This type of growth happens when income expands more rapidly than the population, causing per capita income to rise.

II-*3 Economic growth trends in Algeria.*:Algeria is striving to improve its economic performance, yet the recorded growth rates are still below the target. The figure below shows the trends in economic growth rates over the study period.

Figure n°3The progression of economic growth rates in Algeria during the period 1990-2019



Source: prepared by researchers based on (World Bank Open Data, 2020)

Algeria's economic growth rates have fluctuated significantly. They were low and negative from 1990 to 1995, improved between 1996 and 1999, peaked at 2.7% in 2003, and dropped during the 2008-2009 financial crisis. Growth stabilized between 2014 and 2016 but declined again to 0.8% in 2019, influenced by global oil prices and external factors. (Madani, 2017).

Despite significant efforts, Algeria's economic and investment policies lack sectoral diversification, leading to weak and unsustainable growth. Heavy reliance on hydrocarbons and global oil market conditions causes fluctuating economic performance, compounded by inefficiencies in the industrial sector. (Hafasi & Khalil, pp. 137-156).

III. Analysis of money supply and GDP growth in Algeria (1980-2022).

III-1 Descriptive analysis of broad money supply trends.

The table displays the ratio of the broad money supply to GDP in Algeria from 1980 to 2022, highlighting the changes in money supply rates over time for analysis.

Table n°2:Displays broad money supply trends in Algeria (1980-2022).

years	1980	1981	1982	1983	1984	1985
Cash supply	57,5625	57,0293	66,421	70,9996	72,7642	76,8486
years	1986	1987	1988	1989	1990	1991
Cash supply	75,7983	79,6713	83,824	72,7964	61,7711	49,1113
years	1992	1993	1994	1995	1996	1997
Cash supply	51,942	50,1015	45,3187	37,1694	33,0058	36,0814
years	1998	1999	2000	2001	2002	2003
Cash supply	42,3768	42,2077	37,8297	56,849	62,7242	62,8191
years	2004	2005	2006	2007	2008	2009
Cash supply	59,2653	53,8277	57,2839	64,0937	62,9858	73,1609
years	2010	2011	2012	2013	2014	2015
Cash supply	69,0547	68,0616	67,9544	71,7297	79,3095	82,0007
years	2016	2017	2018	2019	2020	2021
Cash supply	78,8844	79,3287	81,5785	80,5391	96,0118	90,9395
years	2022					
Cash supply	82,9048					

Source: prepared by researchers based on World Bank data

Table No. (02) shows significant fluctuations in Algeria's broad money supply, ranging from 33.01% to 96.01%. The average is 64.69% with a median of 66.42%, indicating left-skewed distribution. The standard deviation is 15.70%, and variability is low, with a coefficient of variation of 0.266%.

III -2 descriptive analysis of GDP growth:

The table displays Algeria's GDP growth rates from 1980 to 2022, allowing for an analysis of the changes and trends in growth rates over this period.

Table n°3: Shows GDP growth trends in Algeria (1980-2022).

years	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
GDPGR	0,7906	3	6,4	5,4	5,6	3,7	0,4	-0,7	-1	4,4
years	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDPGR	0,8	-1,2	1,8	-2,1	-0,9	3,8	4,1	1,1	5,1	3,2
years	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
GDPGR	3,8	3	5,6	7,2	4,3	5,9	1,7	3,4	2,4	1,6
years	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDPGR	3,6	2,9	3,4	2,8	3,8	3,7	3,2	1,3	1,2	1
years	2020	2021	2022							
GDPGR	-5,1	3,4	3,2							

Source: prepared by researchers based on World Bank data

Summary: Table No. (03) shows Algeria's GDP growth rates fluctuating from 5.09% in 2020 to 7.2% in 2003, with an average of 2.58% and a median of 3.20%. The data is left-skewed with a skewness of 0.61%, a standard deviation of 2.45%, and a coefficient of variation of 0.94%, indicating minimal variability.

IV .Measuring money supply shocks on Algerian GDP growth (1980-2022).

To assess the impact of money supply changes on GDP growth in Algeria (1980-2022), we will use the VAR vector autoregression model. This approach requires identifying relevant interacting variables based on economic theory and determining the time lags for these variables, ensuring precision in the analysis.

IV -1 The VAR model's mathematical formula:

$$X_t = \sum_{i=1}^{n} A_i X_{t-1} + U_i$$

X_t represents one of the variables used in the study, and the self-regression vector model helps us to write a function for each variable in itself with a slowing period and in other variables with slowing periods.

IV -2 The variables under study:

The study included:

- Cash Supply Rate (CSR): Indicates the rate of cash supply.

- Gross Domestic Product Growth Rate (GRGDP): Refers to the rate of GDP growth.

Variables are kept in their original form due to similar units, with data sourced from the World Bank, as shown in the table.

Table n°4: Shows GDP and money supply rates in Algeria (1980-2022). Unity%

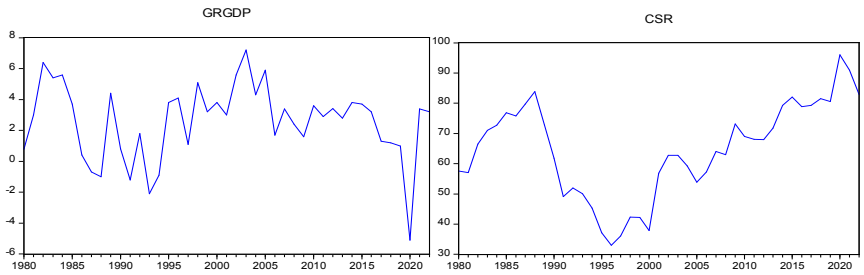
years	DGPG (% Per nnum)	Money supply in a broad sense (%Of gross domestic product)	years	DGPG (% Per nnum)	Money supply in a broad sense (%Of gross domestic product)
1980	0,7906	57,5625	**2002**	5,6	62,7242
1981	3	57,0293	**2003**	7,2	62,8191
1982	6,4	66,421	**2004**	4,3	59,2653
1983	5,4	70,9996	**2005**	5,9	53,8277
1984	5,6	72,7642	**2006**	1,7	57,2839

1985	3,7	76,8486	**2007**	3,4	64,0937
1986	0,4	75,7983	**2008**	2,4	62,9858
1987	−0,7	79,6713	**2009**	1,6	73,1609
1988	−1	83,824	**2010**	3,6	69,0547
1989	4,4	72,7964	**2011**	2,9	68,0616
1990	0,8	61,7711	**2012**	3,4	67,9544
1991	-1,2	49,1113	**2013**	2,8	71,7297
1992	1,8	51,942	**2014**	3,8	79,3095
1993	−2,1	50,1015	**2015**	3,7	82,0007
1994	−0,9	45,3187	**2016**	3,2	78,8844
1995	3,8	37,1694	**2017**	1,3	79,3287
1996	4,1	33,0058	**2018**	1,2	81,5785
1997	1,1	36,0814	**2019**	1	80,5391
1998	5,1	42,3768	**2020**	−5,1	96,0118
1999	3,2	42,2077	**2021**	3,4	90,9395
2000	3,8	37,8297	**2022**	3,2	82,9048
2001	3	56,849			

Source: prepared by researchers based on World Bank data

Original Series:

Figure n°4 The curve of broad money supply and GDP growth in Algeria (1980-2022).



Source:prepared by researchers using the EViews program

The figures above show trends in Algeria's broad money supply and GDP growth from 1980 to 2022. While GDP growth remained stable without a clear trend, the money supply fluctuated, increasing steadily from 1980 to 1995 before facing seasonal variations. Both metrics exhibited

annual fluctuations, with GDP growth largely affected by seasonal factors and changes in the money supply.

IV -3 Determining time lags in the VAR model:

To determine the optimal number of idling periods, we use quantitative criteria, specifically relying on the following two criteria in our study:

-Akaike Criterion (AIC) : $AIC(P) = Ln\left|\sum_{e}\right| + \frac{2k^2 p}{n}$

-Shwartz Criterion(SC) : $SC(P) = Ln\left|\sum_{e}\right| + \frac{K^2 P.Ln(n)}{n}$

The optimal time lags are determined by finding the lowest Schwartz Criterion value.

Table n°5: Identifying time lag degrees in the VAR model

VAR Lag Order Selection Criteria						
Endogenous variables: GRGDP CSR						
Exogenous variables: C						
Sample: 1980 2022						
Included observations: 37						
Lag	**LogL**	**LR**	**FPE**	**AIC**	**SC**	**HQ**
0	-239.9292	NA	1638.484	13.07725	13.16433	13.10795
1	-204.1885	65.68557	294.8603	11.36154	11.62277*	11.45364
2	-197.3291	11.86504*	253.2935	11.20698	11.64236	11.36047
3	-191.5437	9.381716	231.3524*	11.11047*	11.72000	11.32536*
4	-188.0196	5.333694	239.9288	11.13620	11.91989	11.41248
5	-183.7124	6.053404	240.0517	11.11959	12.07743	11.45727
6	-181.5350	2.824716	271.7512	11.21811	12.35010	11.61719

Source:prepared by researchers using the EViews program

Table No. 05 shows that the optimal lag for both money supply and GDP series is one period, as it provides the lowest Schwartz Criterion value.

IV -4 time series stability test:

Table No. 05 indicates that a lag of one period is optimal for both the money supply and GDP series, as it yields the lowest Schwartz Criterion value.

Premise: $H_0 : \phi_1 = 1$; $H_1 : \phi_1 \langle 1$

- If it is $t_{tab} \langle t_{\phi_i}$: we accept the null hypothesis that the series Unstable

- If it is $t_{tab} \rangle t_{\phi_i}$: we accept the alternative hypothesis that the series Stable.

Table n°6: stability test for ADF and phi- Per Level 5% sign

extended Dickey – Fuller / ADF				
	Without(constant and time)	**Constant and time**	**constant**	
CSR	0.3113340	-1.409757	-1.136292	**Calcul**
	-1.948886	-3.520787	-2.933158	**Criti**
GRGDP	-1.627609	-4.324877	-4.358138	**Calcul**
	-1.948886	-3.520787	-2.933158	**Criti**
phillips – Perron / PP				
	Without(constant and time)	**Constant and time**	**constant**	
CSR	0.241127	-1.409757	-1.282001	**Calcul**
	-1.948886	-3.520787	-2.933158	**Criti**
GRGDP	-2.463161	-4.430925	-4.460557	**Calcul**
	.1.948886-	-3.520787	-2.933158	**Criti**

Source:prepared by researchers using the EViews program

Based on Table 06, the stability test results show that the money supply rate series (CSR) is unstable (H0 accepted), while the GRGDP series is stable since its calculated values exceed the critical values.

IV -5 removing the instability of the original CRS chain:

After applying first-order differencing to the original series:

D (CRS)=CRSt-CRSt-1, we get the first-order difference series denoted by the symbol D (CRS), represented in the following table:

Table n°7: stability test for ADFand PP Level 5% signi

	extended Dickey – Fuller / ADF			
	Without(constant and time)	**Constant and time**	**constant**	
Variants	-5.200194	-5.099171	-5.168176	Calcul
	-1.949097	-3.523623	-2.935001	Criti
	phillips – Perron / PP			
	Without(constant and time)	**Constant and time**	**constant**	
CSR	-5.153463	-5.031604	-5.117224	Calcul

	-1.949097	-3.523623	-2.935001	Criti

Source:prepared by researchers using the EViews program

IV -*6 VAR model estimation for both DCSR and GRGDP:*

After assessing the stability of the CSR and GRGDP series—first differencing for CSR and original for GRGDP—and determining the model's time lag, we estimate the VAR model for the cash offer rate (CSR) and GDP growth rate (GRGDP).

IV -*6.1 estimated model:*

DCRS = 0.17357203243*DCRS(-1) +0.434061207618*GRGDP(-1) - 0.642983404304

GRGDP=0.130289232661*DCRS(-1) +0.385787643753*GRGDP(-1) + 1.50175751769

IV -7 common integration testing:

After examining the GRGDP and CSR time series, we apply the Johansen-Juselius test to determine the number of long-run cointegration vectors. The trace test is used to test the null hypothesis that the number of cointegration vectors is less than or equal to \(q \) versus the alternative that it is greater than \(q \). The test is computed using the following formula:

$$\lambda_{trase}(r) = -T \sum_{i=r+1}^{n} In\,(1 - \hat{\lambda})$$

Where : $\lambda_n \ldots\ldots\ldots\ldots \lambda_{r+1}$

The results shown in the following table determine the joint integration of the studied variables:

Table n°8: results of the Johanson –Juselius test for joint integration.

Sample (adjusted): 1983 2022				
Included observations: 40 after adjustments				
Trend assumption: Linear deterministic trend				
Series: DCRS GRGDP				
Lags interval (in first differences): 1 to 1				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized	**Eigenvalue**	**Trace**	**0.05**	**Prob****
No. of CE(s)		**Statistic**	**Critical Value**	
None *	0.439889	29.66164	15.49471	0.0002
At most 1 *	0.149492	6.476853	3.841466	0.0109

Source:prepared by researchers using the EViews program

Based on Table 09, the calculated value exceeds the critical value of 15.49471 at the 5% significance level. Thus, we accept the alternative hypothesis, indicating a long-term equilibrium relationship between the money supply rate and GDP growth rate.

IV -8 Testing the causality between money supply and GDP growth:

To determine the direction of the relationship between the money supply rate and GDP growth rate, we conduct the Granger causality test. This test reveals whether the relationship is causal, unilateral, or bidirectional. The mathematical relationship is tested as follows:

$$DCRS_t = \sum_{i=1}^{m} a_i DCRS_{t-i} + \sum_{j=1}^{n} b_j GRGDP_{t-j} + U_t \ldots\ldots\ldots\ldots (1)$$

$$GRGDP_t = \sum_{i=1}^{m} a_i GRGDP_{t-i} + \sum_{j=1}^{n} b_j DCRS_{t-j} + U_t \ldots\ldots\ldots\ldots (1)$$

Premise: $H_0 : J = 1, b = 0$

-If H_0 is rejected, the money supply rate causes GDP growth.

- If H_0 is rejected, GDP growth rate causes the money supply rate.

Mutual causality exists if both relationships are realized.The results are shown in the following table :

Table n°9: Granger test results for causality between money supply and GDP growth

Pairwise Granger Causality Tests			
Sample: 1980 2022			
Null Hypothesis:	**Obs**	**F-Stat**	**Pro.**
GRGDP does not Granger Cause DCRS	41	1.05359	0.3112
DCRSdoes not Granger Cause GRGDP		5.89398	0.0200

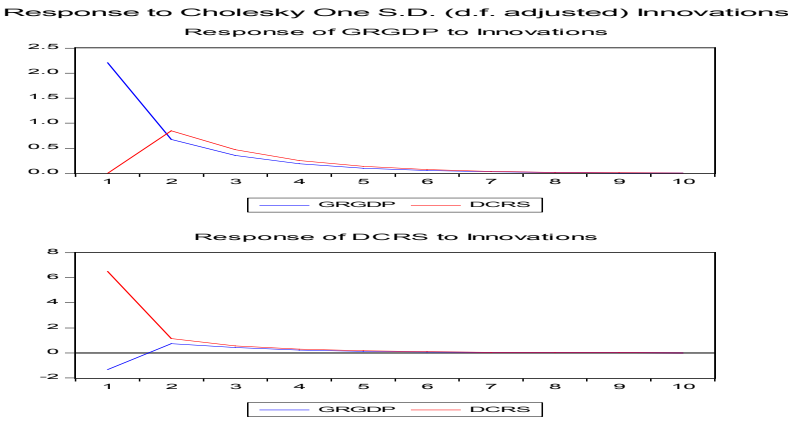
Source:prepared by researchers using the EViews program

The table shows that GRGDP does not cause DCRS (probability > 0.05), but DCRS causes GRGDP (probability < 0.05).

IV -9 analysis of the response function of the reaction:

This function tracks how variables respond to sudden one-standard-deviation shocks, showing the impact of the money supply rate on GDP growth. The response of GDP growth to shocks in the money supply rate is illustrated in the following figure.

Figure n°5 Analysis of response functions for money supply and GDP growth in Algeria (1980-2022).



Source: prepared by researchers using the EViews program

The first figure shows a sharp initial decline in GDP growth due to money supply shocks, with the decline becoming gradual and leveling off. It also reveals varied behavior in early periods and similar trends later, reflecting variable interactions.

V.Analysis of results:

V-.1 Economic Analysis:

V-1.1 Through the following prescribed form:

DCRS = 0.17357203243*DCRS(-1) +0.434061207618*GRGDP(-1) - 0.642983404304

GRGDP = 0.130289232661*DCRS(-1) + 0.385787643753*GRGDP(-1) + 1.50175751769

- The money supply rate is affected by 0.17 from its own past value and 0.43 from the previous GDP growth rate, both showing steady increases.

- The GDP growth rate is influenced by 0.13 from its own past value, 0.38 from the money supply rate, and a constant of 1.50.

V-2 statistical analysis:

- The (R^2) coefficient for the money supply rate series is 0.05, meaning only 5% of its variation is explained by GDP growth rate changes, with 95% due to other factors, including randomness..
- The (R^2) coefficient for GDP growth rate is 0.25, meaning 25% of its variation is explained by the money supply rate, with 75% due to other factors..
- **Akaike Indicator**: The Akaike values are 4.497111 for GRGDP and 6.700949 for DCRS, suggesting the model's explanatory power is moderately acceptable.
- **Schwarz Index**: The Schwarz values are 4.622494 for GRGDP and 6.826333 for DCRS, indicating a somewhat acceptable model quality, with lower values suggesting a better fit.

V-3 standard interpretation:

V-3.1 as for the stability of the studied variables:

Testing stability shows that the CSR series is unstable, while the GRGDP series is stable, as its calculated values exceed the critical values at the 5% significance level.

V-3.2 determining the degree of time lag:

Testing the time lag of the two series (DCRS and DRGDP) showed that the minimum AIC and SC values are 01, indicating a one-period lag (01) for estimating the VAR model.

V-3.3 simultaneous integration testing:

The simultaneous test shows a long-term equilibrium relationship between the money supply rate and GDP growth rate, as the calculated value $\lambda_{trace} = 29.66164$ exceeds the critical value of 15.49471 at a 5% significance level, supporting the alternative hypothesis.

V-3.4 causal relationship test: Upon testing, we found that

-GRGDP It does not cause DCRS

- DCRS Causes of GRGDP.

V-3.5 shock analysis:

After testing, we found that a one-standard shock in the money supply shows differing behavior in the first two periods and similar behavior in the remaining ones, due to their interactions.

VI. Hypothesis testing:

The hypothesis that Algeria's monetary policy effectiveness in managing the money supply promotes economic growth is rejected in this study, as our findings show that a one-standard shock in the money supply negatively impacts economic growth by the same measure.

VII.Recommandations:

Enhance Monetary Policy Transparency: The Central Bank of Algeria should release regular monetary policy reports to boost trust and stability.
Control Inflation: Monetary policy should control inflation with tools like interest rates to boost purchasing power and stability.
Support Productive Sectors: Channel money supply into agriculture, industry, and technology to diversify the economy and stimulate growth.
Promote Fintech Support fintech to enhance financial inclusion and cash distribution efficiency.
Monitor Capital Flows: Manage foreign capital to stabilize exchange rates and the investment environment.
Coordinate Policies: Improve coordination between fiscal policy and the central bank for macroeconomic stability.
Enhance Data Analysis: Strengthen data analysis for more informed monetary policy decisions.
Reform Banking: Focus banking reforms on supporting productive projects and improving loan effectiveness.

VIII.Conclusion:

In conclusion, effective money supply policy is vital for Algeria's economic stability and growth. It must address inflation, exchange rate volatility, and resource dependence. Coordinating with fiscal policies, enhancing transparency, and adopting fintech can improve stability and growth. Policymakers need to balance flexibility and stability to support productive sectors and economic diversification amidst global pressures.

IX.Références

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