



*The effectiveness of fiscal policy in curbing inflation rates:
A standard study of the Algerian economy for the period between
1993 and 2022*

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Abstract

This study examined the application of Auto-regressive distributed lag model (ARDL) bound test on some selected macroeconomic variables spanning from 1990-2022 obtained from the World Bank, International Monetary Fund, Bank of Algeria . The data were analyzed using the E-views 9.0 software. F-statistic of 5.334538 was found to be higher than the critical value of 2.62 in the Lower Bound I(0) and 3.79 in the Upper bound I(1) at the 5 % level, thus null hypothesis was rejected. ARDL (1,1,0,0,0, 1) was found to be the best fit model for showing a long run and short-run relationship. There is a long-run relationship among INF, DEP, PP, DPI, EX, RO which means that the variables under study are co-integrated. The results showed that the increase in internal debt by 1% will lead to an increase in the inflation rate by 46%,

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and the tax revenues, there is a positive non-significant effect of 48% in the inflation rate.

✓ **Keyword**

fiscal policy, inflation , *ARDL Model*.

1. INTRODUCTION

The phenomenon of inflation is considered one of the most important economic issues that most economies of the world suffer from at different degrees of development, so many economists have focused on this issue by studying and analyzing it to identify its causes and try to address it and reduce its rates. Among these economic policies, we find fiscal policy. The study of the issue of the impact of fiscal policy on inflation is in two directions, the first is that fiscal policy, if it is expansionary, is considered by most economists, especially the classical ones who reject the idea of state intervention in the economy, as a cause of inflation. The second is called a contractionary or restrictive fiscal policy, as it can control inflation rates in several ways, the most important of which is demand-side suppression. Algeria, like most countries in the world, has experienced changes in the level of inflation rates, depending on economic and political fluctuations

Problem of the study In light of the above, this paper seeks to answer the following question: Can fiscal policy tools succeed in stabilizing the general level of prices and thus contain inflationary pressures the Algerian economy for the period between 1993 and 2022?

2. Hypotheses of the study:

The existence of a positive impact of public expenditure and tax policy in containing the phenomenon of inflation *the Algerian economy for the period between 1993 and 2022*.

3. Previous studies:

3.1 Arab studies:

- **Ali Meked and Aladdin Ashit's** the study titled "The Impact of Monetary and Fiscal Policies on Inflation: The Case of the Algerian Economy (1990/2015)" (M'kaid & A'chiat, 2017) published in the Journal of the Institute of Economic Sciences, Algeria. The study aimed to highlight the impact of monetary and fiscal policies in limiting the level of inflation in the Algerian economy by using the ARDL methodology. The study concluded that the impact of fiscal policy on inflation through the budget constraint is more effective than monetary policy, whose role was limited to the impact of the real exchange rate in the short term, and this can be explained by the fact that inflation in Algeria is not monetary inflation but is due to structural and external causes
- **Mortada Hussein Lafta AL-Bdairi's study** entitled "The impact of public spending on inflation in Iraq for the period (2003-2017)")" (AL-Bdairi, 2017) published in Kirkuk University Journal of Administrative and Economic Sciences in a special issue. This study aimed to clarify the impact that spending policy can have on the continuous rise in the general level of prices in the Iraqi economy and the complex negative social economic effects it will have. The study relied on quantitative analysis tools in the impact measurement process through the use of Dickey Fuller in analyzing the relationship between variables. One of the most important results was that the increase in general expenditures (consumption and investment) and consumption in particular leads to inflationary gaps compared to investment expenditures.
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entitled "A standard study to assess the role of fiscal policy tools to address the issue of inflation in Sudan during the period (1990/2018) (Abdullah, 2022) Article published in the International Journal of Economic Studies No. 20, this study aimed to know the role of fiscal policy tools in addressing the phenomenon of inflation so that economic stability occurs, the model was estimated by autoregression of distributed lag (ARDL). One of the most important findings was that public spending and taxes did not play the role of addressing inflation, as they were with inflation in one direction, and according to the researchers' opinion that fiscal policy tools did not address the issue of inflation as a result of the obvious imbalance in public spending and taxes.

3.2 Foreign studies:

- **George Maha, Daniela Viorica - Mircea Asandului, Damlupu, Livia "**

The asymmetric effects of fiscal policy on inflation and economic activity in post-communist European countries (1995 -2019) (George Maha, 2021)The study aimed to highlight fiscal policy on both inflation and economic activity on a sample of 12 countries, 6 of which belong to the European Union and 6 others outside the European Union, the study used the (PMG) Pooled Mean Group model. The study found that in the long run there is a negative impact of fiscal policy on both inflation and economic activity, while in the short run the effects are not significant.

Godly Otto, Wilfred I, UKpere's The Impact of fiscal policy on inflation in Nigeria (Godly Otto, 2015) . The study aimed to clarify the impact of fiscal policy on inflation in Nigeria, the study used ordinary least squares regression analysis and concluded that fiscal policy affects inflation and this effect remains very limited, as inflation in Nigeria is more affected by the scarcity of goods, corruption, multiple taxes and high cost of borrowing.

4. Theoretical literature:

4.1 Inflation: When defining the concept of inflation, we find that many economic researchers limit the concept to the process of rising prices, and this rise may be the indicator of inflation, and if so, the rise in prices meets the definition of inflation, the indicator of inflation, and the cause of inflation.

Keynes defined real inflation as "an economic condition in which there is no further increase in aggregate demand" (Dawood, p. 243), and here Keynes indicates that the cause of inflation is an increase in aggregate demand that leads to an increase in prices because the production component is in full operation, and therefore the consumption and investment spending in society will not translate into an increase in production but will translate into an increase in prices. Therefore, inflation represents the pressure of aggregate demand for goods and services (Dawood, p. 244) .

4.2 Theories explaining the phenomenon of inflation: Despite the consensus that inflation is the continuous rise in the general level of prices for a significant group of goods and services for a continuous period of time, there is a clear difference between the various economic schools and ideas about the causes of its occurrence and ways of treating it. We will summarize the most important of these explanations and relate them to each economic thought

- **Classical monetary theory:**

The monetary theory explanation of the inflation phenomenon goes back to the intellectual vision of the classical school, where the latter presented its explanation of the phenomenon based on Fisher's equation of exchange, which involves the statement that the price level changes according to the change in the quantity of money and the speed of its circulation (Hamdy Abdel-Azim, 2007 , p. 29), that is, an

increase in the quantity of money leads to an increase in prices in the same proportion (Fouad, 1958, p. 400), and therefore the change in the quantity of money is inversely related to its value, and at the same time represents a major factor for inflationary pressures and Fisher formulated his exchange theory as follows (Fouad, 1958, p. 400):

The second formula was developed by Cambridge economists "Marshall" and "Pigou", which was known as $MV=PT$ monetary balances, by adding some fundamental modifications, the most important of which is the idea of the demand for money "i.e. the number of money balances that individuals want to keep for transaction purposes along with their supply", and the addition of new goods and services was able to link the quantity of money with the national product, which changes with its change as in the following formula (AL-Bdairi, 2017, p. 271):

$$MD=\frac{1}{v} PY=KPY$$

▪ **Keynesian theory:**

The Keynesian interpretation of the inflation phenomenon started from the fluctuations that occur in aggregate supply versus aggregate demand, which includes consumption, investment, and government spending by relying on the idea of the multiplier and accelerator in explaining inflation trends instead of the quantity of money that the classics focused on in explaining inflation (Sami, 1982, p. 115), thus contradicting the interpretation of the classical quantity theory of money. Keynes distinguished between two cases of the effect of the interaction of supply and demand forces on the general price level (Ramzy, 1986, pp. 10,11):

The first: Before productive capacities reach their peak in production, as any increase in demand will cause a corresponding increase in the supply of goods and services, and here inflationary trends emerge and the economy has not yet reached the level of full employment.

Second: Second: when production capacities have reached their maximum, i.e., there will be no effect of the increase in aggregate demand on the increase in real aggregate supply and thus the emergence of inflationary rises (Sohair, 2003, p. 230)

- **School of monetarists:**

Monetarists rejected the trade-off between inflation and unemployment in the long run and thus criticized Keynesianism's neglect of the role of monetary policy in stabilizing the economy (Al-Affendi M. A., 2020, p. 58).

The monetarist school led by Milton Friedman considers inflation to be a monetary phenomenon, as it attributes its occurrence to the excess money supply and the subsequent increase in incomes without being accompanied by an increase in the commodity supply, which inevitably leads to higher prices (M'kaid & A'chiat, 2017, p. 76) , and he formulated the relationship between the quantity of money and the general level of prices in the form of a new picture (Ahmed E. E., 2008, p. 62).

$$M = f(P, R_b, R_e, \frac{1}{p} \frac{dP}{dL}, w, y, u)$$

- **The School of Rational Expectations:.**

The general theoretical model on which this school is based in its explanation of inflation is the political economy model, where the school assumes the efficiency of the expectations of different economic units to make fiscal and monetary policies effective in achieving economic stability, meaning that if individuals realize in advance that the government will increase the money supply in the future, economic participants will use this knowledge to align their behavior with the increase in prices that will occur.

- **Supply-side economics:**

It emerged in the early 1980s and is also known as "Reaganomics" after former US President Ronald Reagan, who was a great enthusiast for this type of policy based on stimulating the aggregate supply side as a pillar to stimulate economic activity (Ahmed K. A., 2021, p. 2) , and came against Keynesian ideas calling for the need for state intervention to improve economic performance (Al-Haykani & Al-Musawi, 2020, p. 58). They also questioned the credibility of the trade-off between inflation and unemployment in the Philips curve, whether in the short or long term. They also disagreed with the monetarists because they gave exaggerated importance to the monetary factor and neglected the real side of the economy

5. Fiscal policy

5.1 Definition of fiscal policy:

The origin of word "fisc" comes from an old French word "fisc", meaning money or treasury, but within the sources of development that accompanied societies and the emergence of new tasks in various economic fields, its concept expanded to mean the study of the financial activity of the government economy.(Fiscal policy explains all the changes made by the government at the level of expenditures and revenues to influence economic results, as the government can affect economic activity, which is often measured by GDP, in the short term (Weinstock, 2021, p. 01). It can also be defined as the government's use of taxes and public expenditures to achieve macroeconomic goals (Godly Otto, 2015, p. 123)

As for the main tasks of fiscal policy, we find (Feboryshyna, 2020, p. 29):

- Calming the fluctuations of the economic cycle, ensuring sustainable economic growth, achieving a high level of employment, and reducing inflation rates, the latter of which is what interests us most in this research paper, as fiscal policy seeks to achieve this task using its interventionist tools, which we summarize in the following.

5.2 Fiscal policy tools:

To achieve a number of macroeconomic objectives, including controlling inflation, the state intervenes with its fiscal policy using several tools.

- **Public Expenditure Policy:**

It is defined as "the set of rules, procedures, and instructions related to public spending to achieve the state's goals, economic stability, development, and directing economic activity" (Abdulhameed, 2015, p. 40).

- **Tax policy:**

Tax policy is one of the fiscal policy tools that the state resorts to frequently in times of recovery and inflation, and it can be defined as "the set of integrated programs that the state plans and implements using all its actual and potential tax sources, to create desirable economic, social and political effects and avoid undesirable effects to contribute to the achievement of society's goals (Younis Ahmed Al-Batriq, 2002, p. 12).

- **borrowing Policy (Public Debt Management):**

The state sometimes resorts to borrowing from individuals, banks or other financial institutions to cover expenditures in the event of a shortfall in cyclical revenues.

6. Data analysis and study methodology:

an econometric study of the impact of fiscal policy on inflation in the Algerian economy during the period (1993-2022). This part of the study aims to assess the relationship and measure the impact of fiscal policy tools on inflation in Algeria during the period from 1993 to 2022 , using time series analysis tools and co-

integration We used The ARDL autoregression model developed by Pesaran (1999) Shin, Pesaran et al. This method has advantages over previous cointegration methods such as the Engle-Granger method and the Johansen method, So that the ARDL technique does not need all the variables under study to be integrated of the same degree, it can be applied when all the variables are integrated of the first order or integrated of the degree of zero or when there is a combination between them The only condition for the application of this test is that it is not stable at the second level I (2)‘ The ARDL model is relatively more efficient in the case of small or limited samples. It also allows for unbiased estimators in a long-term model.

6.1 Data Analysis:

We determine the variables of the study according to economic theory, that is, we build an economic econometric model that includes the inflation rate as a dependent variable and each of public expenditures, internal debt, public revenues, exchange rate and oil price as stable variables and the symbols of the variables were as follows:

A. Inflation Rate Code (INF)

B - Exchange rate symbol EX

c. Internal debt symbol DPI

w - Petroleum Price Code PP

C - Overhead Code DEP

H - Public Revenue Code RF

Data source is: World Bank, International Monetary Fund, Bank of Algeria

The spatial framework of the study is in Algeria, while the study period extends from the period 1990-2022

6.2 Study Form:

Through some previous studies, it is possible to formulate and estimate the standard model for financial policy and inflation so that the formulation of the model is one of the first and most important stages of building the standard model and the form of the function is as follows:

$$INF = f(PP, DPI, EX, DEP, RF)$$

6.3 Study Methodology:

▪ Time Series Stability Test:

A stable time series is a series in which the intermediate level does not change for a relatively long period of time, and the time series is completely stable if the following conditions are met: (Thiombiano, 2008, p. 223)

$$E(X_t) = m \quad \forall t \in T$$

$$V(X_t) = \sigma^2 \quad \forall t \in T$$

$$\text{Cov}(X_t, X_s) = \gamma(t-s) \quad \forall t, s \in T, t \neq s$$

▪ Dickey-fuller Augmented:

For the ADF test, we use the least squares method to estimate the following models (Bourbonnais, 2009, p. 235). For each variable studied, the ADF test is more sophisticated than the DF test because it takes into account the incoherence of errors:

$$\text{Form (1)} \dots \Delta x_t = [\alpha_0 + \alpha_1 x_{t-1}] - \sum_{j=2}^p \alpha_j \Delta x_{t-j} + \varepsilon_t$$

Form (2) $\Delta x_t = [\Delta x]_{t-1} - \sum_{j=2}^p \phi_j [\Delta x]_{t-j+1} + C + \varepsilon_t$

Form (3) $\Delta x_t = x_{t-1} - \sum_{j=2}^p \phi_j [\Delta x]_{t-j+1} + C + bt + \varepsilon_t$

where: $p = \phi - 1$, (p degree of delay) determined using Schwarz and Akiaki coefficients

ΔX : First differential of variable x

ε_t : White noise and the following hypotheses are tested:

$\phi_1 = 0$: H_0

$\phi_1 < 0$: H_1

Using the least squares method, we estimate the parameter (ϕ_1) in models (1)(2)(3) respectively, and obtain $[t\phi]_j$ which is subject to the Student distribution:

If $[t\phi]_j$ is greater than the tabular critical values, it means that there is a single root and therefore we accept the null hypothesis ($(H)_0$), and the string is unstable.

▪ **Philip Perron test** (Perron, 1988, p. 335)

This test is based on estimating the models of Dickie Fuller's simple test itself without adding slow difference boundaries, and the estimation process is using the least squares method. (OLS) This test differs from the Dickey-Fuller test (DF) in the way it addresses the existence of a subjective correlation between errors, where the Dickey-Fuller test relies on a parametric correction process by adding a certain number of slowing differences to the variable, while the Philip Perron test relies on a non-parametric correction of the instability of variance and the state of correlation.

Before carrying out the measurement process, and considering that the study variables, some of which take real values and some of which take percentages, we

enter the logarithm on these variables in order to achieve homogeneity between them, we get the following results:

Table 1: Stability Test

Variables	ADF test		PP test		Decisions
	Level	1 st difference	Level	1 st difference	
INF	-1.747333	-4.208511	-1.640536	-7.420493	I(1)
PP	0.323345	-4.743249	0.358298	-4.483147	I(1)
DPI	-0.965103	-1.858774	-0.795848	-3.374681	I(1)
EX	1.545756	-3.445515	1.976978	-4.854429	I(1)
DEP	-2.58249	-1.994403	-7.005741	-10.84170	I(0)
RF	2.336548	-2.091249	3.873155	-2.963712	I(1)

Source: Based on EvIEWS9 outputs

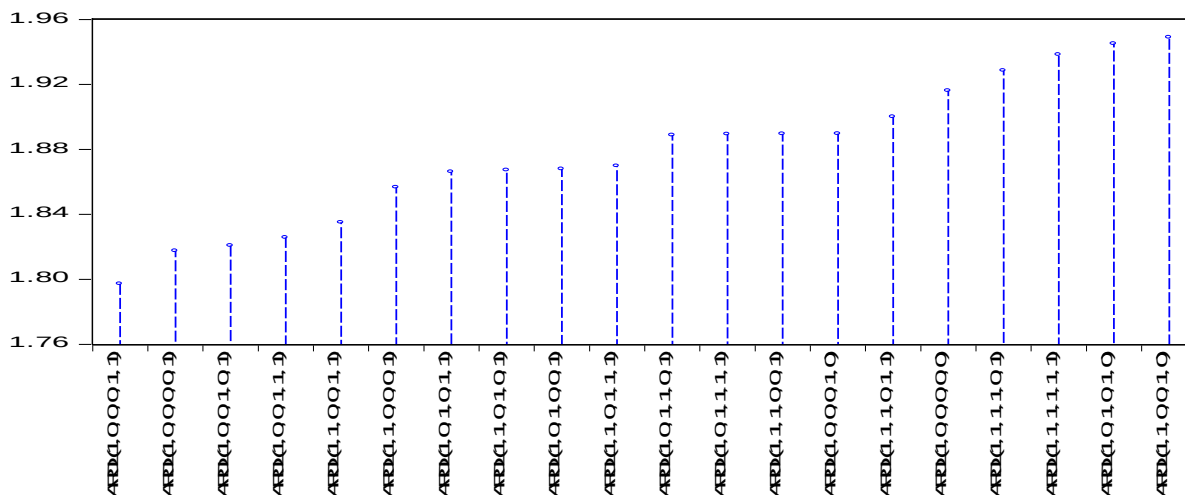
After conducting the stability test for time series at the first level and difference, we noticed that the variables under study are stable in the first difference and in the level, That isintegrated from the grade I(0) and I(1).

▪ **Choose optimal slowdown intervals for the model:**

Through the following figure, which shows the sum of the possible models when changing the degrees of slowing down the model variables, after determining the score of 1 according to the statistics (Schwarz Information Criterion), from which it is clear that the model (1,1,0,0,0, 1) ARDL is the optimal model and has the lowest value according to the statistics (AkaikeInformation Criterion)

Figure 2: Test results of optimal slowdown periods

Akaike Information Criteria (top 20 models)



• Boundary test results:

To test for a long-term equilibrium relationship between model variables, Pesaran et al (2001) proposed the calculation of the F-statistic. The results of the F-statistic test are shown in the following table:

Table (02): ARDL Bounds Test

ARDL Bounds Test		
Date: 02/20/24 Time: 23:51		
Sample: 1994 2022		
Included observations: 29		
Null Hypothesis: No long-run relationships exist		
Test Statistic	Value	K
F-statistic	5.334538	5
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	2.26	3.35
5%	2.62	3.79
2.5%	2.96	4.18
1%	3.41	4.68

Source: Based on Eviews9 outputs

From Table (03), we can see that the value of $F_{cal} = 5.334538$, which is greater than the value of the upper limit $I(1) = 3.79$. At a significant level of 5%, we accept hypothesis $[H_1]$ and reject the hypothesis H_0 that is, there is a long-term

relationship between the variables of the study and this is according to the theory of Fisher and Pesaran

▪ **Results of estimating long-term and short-term parameters:**

The following table shows the results of estimating both the long-term model and the short-term model after determining the optimal number of slowdown periods based on the lowest value of the Akaike and Schwars criteria within the framework of the general ARDL model, where the best ARDL model was proven (1,0,0,0,1, 1).

Table (03): Estimation results of the long-term model and the short-term model.

ARDL Cointegrating And Long Run Form				
DependentVariable: INF				
SelectedModel: ARDL(1, 0, 0, 0, 1, 1)				
Date: 02/21/24 Time: 00:03				
Sample: 1993 2022				
Includedobservations: 29				
CointegratingForm				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(PP)	-1.087661	0.419698	-2.591533	0.0174
D(DPI)	0.540454	0.271128	1.993355	0.0600
D(EX)	-5.963479	1.388322	-4.295460	0.0004
D(DEP)	0.211805	0.263626	0.803430	0.4312
D(RF)	4.517747	1.527245	2.958102	0.0078
CointEq(-1)	-1.160491	0.184715	-6.282602	0.0000
Cointeq = INF - (-0.9372*PP + 0.4657*DPI -5.1388*EX + 0.4841*DEP + 1.6807*RF + 10.1824)				
Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
PP	-0.937242	0.378413	-2.476770	0.0223
DPI	0.465712	0.199119	2.338865	0.0298
EX	-5.138757	0.835205	-6.152689	0.0000
DEP	0.484118	0.352980	1.371516	0.1854
RF	1.680744	0.476545	3.526935	0.0021
C	10.182437	2.622063	3.883368	0.0009

Source: Based on Eviews9 outputs

▪ **Estimators of long-term parameters:**

When estimating the long-term parameters, we obtain the autoregressive equation for the parameters of the estimated model:

$$\text{INF} = 10.182437 - 0.937242 \text{ PP} + 0.465712 \text{ DPI} - 5.138757 \text{ EX} + 0.484118 \text{ DEP} + 1.680744 \text{ RF}$$

- A significant positive effect of the variable internal debt rate, so that an increase in internal debt by 1% will lead to an increase in the inflation rate by 46%, which is inconsistent with economic theory, which states that the state resorts to internal debt in order to absorb the monetary mass and thus curb the demand side, which leads to a decrease in the price level and thus a decrease in inflation rates.

-There is also a significant positive effect of public expenditures of 168 percent, which is consistent with economic theory.

-As for tax revenues, there is a positive non-significant effect of 48%, which is also inconsistent with economic theory, which considers that raising tax rates will lead to the absorption of the monetary mass, which leads to lower inflation rates, but in this case, tax revenues failed to achieve this, and on the contrary, we find it consistent with the theory of supply-side economics, which considers that increasing tax pressures will lead to higher prices and thus higher inflation rates

-A significant negative effect of the price of oil on the inflation rate, i.e. when an increase in the price of oil by 1% will lead to a decrease in the inflation rate by 93%, which is not consistent with economic theory.

- There is also a significant negative effect of the exchange rate on the inflation rate, i.e., a 1% increase in the exchange rate will lead to a decrease in the inflation rate by 513%, which is not consistent with economic theory.

▪ 5.7 Estimation of short-term parameters and error correction model:

From the results shown in the table above, it is clear that the ECM error correction limit (-1) was negative (-1.160491) and significant at the level of significance 5%, and this indicates a long-term equilibrium relationship between the model variables and that 116.04% of short-term errors can be automatically corrected in the long term.

▪ Studying the validity of the ARDL form:

To determine the validity of the model, tests must be carried out that allow us to ensure that the study model is free of the problem of serial correlation, the problem of heterogeneity of variance, and the normal distribution of the remainders, and in the case of confirming that the model is acceptable, and that the results are correct and not misleading, we test the stability of the model to ensure whether the latter contains structural changes by conducting a test of the stability of the model parameters.

The diagnostic tests were in the following table:

Table 4: Results of the Remaining Estimation of the Model

Diagnostic test of the model	
Model	Test Type
(0.2153) 1.674742	LM _(F) Test (P-Value)
(0.6603) 0.197601	Heteroskedasticity _(F) Tes (P-Value)
(0.431836) 1.679419	Normality (JB) test(JB)(P-Value)
Stable	CUSUM
Stable	CUSUMSQ

Source: This table is prepared based on the outputs of Eviews 9 See appendices

To detect the existence of the autocorrelation problem, we rely on the LM TEST As for the problem of instability of variance, we rely on the Heteroskedasticity test ARCH, and for the model, the errors of the model must be sequentially independent, and this is noted through Table (06) that the value of (2) Prob Chi-square is greater

than 5%, <0.2153 0.05 when testing the degree of correlation 2, and therefore we accept the null hypothesis, which states that there is no self-correlation between the remainders and reject the alternative hypothesis.

We also note from Table (06) that the value of Prob Chi-square (1) is greater than 5%, i.e. <0.6603 0.05, which confirms the null hypothesis, i.e. the existence of the problem of instability of error variance.

Through Table (06) that the test of the normal distribution of residues according to Jarque-Bera we note that the probability accompanying this statistic is equal to (0.431836), which is greater than the level of significance 5%, and therefore the hypothesis of no- H_0 is accepted, which is that the residue series follows the normal distribution.

In order to ensure that the data used in this study is free of any structural changes, one of the appropriate tests must be used, such as the cumulative sum of the residual residuals (CUSUM), as well as the cumulative sum of the squares of the residual residuals (CUSUM of Square), and these two tests are one of the most important tests in this field because they clarify two important things: showing the existence of any structural change in the data, and the stability and harmony of long-term parameters with short-term parameters.

The structural stability of the estimated parameters of the error correction formula of the self-regressive model of distributed time slowness is achieved, if the graph of the tests of both CUSUM and CUSUM of Square falls within the critical limits at the level of 5% significance, i.e. the error curve lies within the domain of two standard deviations (2SE), we reject the nihilistic hypothesis H_0 at the level of 5% significance that the parameters are stable throughout the study period.

7. Conclusion:

This study examined the impact of fiscal policy instruments represented by public revenues, public expenditures, and internal debt on the inflation rate in Algeria from 1993 to 2022, where the theoretical framework addressed the review of the theoretical literature on inflation, while in the standard framework we projected this on inflation in the Algerian economy, where the study concluded a number of results, which are listed below:

A significant positive effect of the variable internal debt rate, so that an increase in internal debt by 1% will lead to an increase in the inflation rate by 46%, which is inconsistent with economic theory, which states that the state resorts to internal debt in order to absorb the monetary mass and thus curb the demand side, which leads to a decline in the price level and thus lower inflation rates.

increase in internal debt by 1% will lead to an increase in the inflation rate by 46%, which is consistent with economic theory.

As for tax revenues, there is a positive non-significant effect of 48%, which is also inconsistent with economic theory, which considers that raising tax rates will lead to the absorption of the monetary mass, which leads to lower inflation rates, but in this case, tax revenues failed to achieve this, and on the contrary, we find it consistent with the theory of supply-side economics, which considers that increasing tax pressures will lead to higher prices and thus raise inflation rates

A significant effect of the price of oil on the inflation rate, i.e. when an increase in the price of oil by 1% will lead to a decrease in the inflation rate by 93%, which is not consistent with economic theory.

- There is also a significant negative effect of the exchange rate on the inflation rate, i.e. when the exchange rate rises by 1%, the inflation rate will decrease by 513%, which is inconsistent with economic theory.

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