The effectiveness of monetary management in enhancing the liquidity of Algerian Economy During Crises: An Analytical Study (2014–2023)

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Abstract

The study aimed to highlight the effectiveness of monetary management in maintaining financial and economic stability in Algeria as it is the first line of defense against the various crises that Algeria experienced during 2014-2023, as the Bank of Algeria relied on a package of facilitative measures to maintain monetary rigidity. The descriptive and analytical approach was used. To display and analyze the most important indicators

The study concluded that the use of monetary policy tools, such as refinancing banks and releasing additional liquidity from the compulsory reserve, had a significant impact in mitigating the financial and economic effects of these crises on the Algerian economy.

Keywords: Monetary policy; monetary indicators; bank liquidity; crises; Algerian economy.

Jel Classification Codes: E52 ; E59 ; E51 ; G0 ; E60

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1. Introduction:

The Algerian economy has faced numerous financial crises over the past decade, with significant disruptions stemming from the 2014 oil crisis and the 2019 COVID-19 pandemic. These events severely impacted the nation's economic and financial stability, necessitating intervention by monetary policy authorities. To mitigate the repercussions of these crises and safeguard the resilience of Algeria's monetary and economic systems, the implementation of effective monetary policy tools and frameworks became essential. These measures aimed to enhance liquidity, strengthen financial capacity, and maintain economic dynamism. Moreover, ensuring national currency stability emerged as a crucial objective. As the primary institution responsible for overseeing the banking system, the Bank of Algeria has played a pivotal role in managing liquidity and regulating monetary flows to address and reduce the adverse effects of these crises on the country's financial and economic performance.

1.1. Research Problem:

Between 2014 and 2023, Algeria faced a series of economic challenges that significantly affected the level of banking liquidity. These challenges began with the oil crisis in 2014, continued with the COVID-19 pandemic in 2019, and were compounded by imported inflation in 2023, which further eroded purchasing power. Against this backdrop, the central research question of this study emerges:

How effective is monetary management in enhancing and supporting the liquidity of the Algerian economy after the coalition of crises during the period 2014-2023?

To address this overarching question, the study poses several sub-questions:

- What defines the effectiveness of monetary policy?
- What were the key legal and regulatory reforms in Algeria's monetary policy framework between 2014 and 2023?
- What were the major crises Algeria encountered during this period, and how did they impact the economy and currency stability?
- How successful has the Bank of Algeria been in managing liquidity to confront these crises? What monetary policy tools were utilized in this effort?

1.*2*.Research Hypotheses:The study is guided by the following hypotheses:

- Achieving financial and economic stability requires effective monetary policy in conjunction with other complementary policies.
- Liquidity is a key driver in stimulating and stabilizing the economy during crises.
- The Bank of Algeria's strategic selection and implementation of monetary policy tools have been critical in ensuring the resilience of the Algerian economy during periods of crisis.

1.3.Research Objectives:

The research addresses a topic of considerable importance, particularly in understanding how economies respond to crises and mitigate their adverse effects. For Algeria, evaluating the effectiveness of monetary policy is essential in light of persistent challenges, such as declining oil revenues since 2014 and the need to sustain developmental financing. This study also aims to assess how monetary policy has been used to maintain financial and economic stability in the aftermath of the 2019 COVID-19 crisis and to counter the inflationary pressures witnessed since early 2023, which have threatened the purchasing power of the national currency.

The specific objectives of this study include:

- Presenting the various crises that Algeria experienced between 2014 and 2023 and their direct effects on the economic and monetary conditions, with a focus on the role of the Central Bank in managing these challenges.
- Discussing and analyzing the most important crises - the oil crisis in 2014, the Covid-19 pandemic in 2019, and imported inflation in 2023 - and their impact on economic indicators and balances .
- Presenting and analyzing the effectiveness of monetary management in mitigating the effects of these crises and maintaining monetary policy and economic stability through optimal utilization of policy tools and enhanced liquidity management.

1.4.Research Methodology:

To address the research problem, the study employs a descriptive and analytical approach, which is well-suited to the topic. The methodology involves:

- Defining the concept of monetary policy effectiveness, with a focus on the key legal and regulatory reforms implemented in Algeria to strengthen its monetary policy framework.
- Analyzing the economic and monetary crises experienced between 2014 and 2023, with an emphasis on their impact on key monetary and economic indicators.
- Evaluating the mechanisms employed by the Bank of Algeria to address these crises, including their effectiveness in mitigating their severity and restoring stability to the Algerian economy.

1. 5.Previous Studies:

❖ **Study of Grace Ibrahim and Chechen Ramzi:** Title: **"Effectiveness of Monetary Policy During the Transition Phase" (2021)**

This study aimed to highlight the effectiveness of monetary policy in Egypt during its transition to a market economy. It investigated:

- The ability of traditional monetary tools to ensure monetary stability and alleviate inflationary pressures.
- The role of unconventional monetary policy tools, such as zero interest rates and asset purchasing programs, during economic crises.

- The study examined whether Egypt's monetary policies achieved the primary goal of monetary stability during its economic transformation.
  - **Methodology**: Analytical and comparative approach.
  - **Findings**: The study concluded that the ineffectiveness of monetary policy in Egypt was due to structural imbalances rather than an inability to manage money supply. Addressing these imbalances is essential for achieving sustainable economic development.

❖ **Study of Bohla Khadija and Hamou Mohammed: Title: "Effectiveness of Traditional and Non-Traditional Monetary Policies in Achieving Financial Stability in Algeria" (2021).**

This study examined the role of monetary policy in stabilizing Algeria's financial system during the oil price crisis of 2014, which led to severe banking liquidity shortages.

Problem Statement: The study explored how unconventional monetary tools could address financial crises and monetary imbalances caused by the oil crisis.

- **Methodology**: Deductive approach using descriptive and analytical techniques.
- **Findings**:
- Traditional monetary tools in Algeria failed to provide sufficient liquidity to support economic recovery.
- The Bank of Algeria implemented quantitative easing for the first time, which gradually restored monetary and economic stability.
- While quantitative easing carried risks, it proved effective in addressing the crisis, as evidenced by similar applications in countries like the US, UK, and Japan.

❖ **Study of Soufan Eid and Tayeb: Title: "Effectiveness of Non-Traditional Monetary Policy Approaches in Achieving Financial Stability: The US Federal Reserve as a Model" (2018)**

This study evaluated the success of unconventional monetary policies implemented by the US Federal Reserve following the 2008 global financial crisis.

- **Problem Statement:** The research focused on the effectiveness of unconventional tools, such as the zero-interest rate and quantitative easing, in stimulating demand and restoring financial stability in the US.
- **Methodology**: Descriptive and analytical approach.
- **Findings**: The study confirmed that the Federal Reserve's temporary unconventional policies successfully revived the US economy and stabilized financial and economic indicators.
- **Unique Contribution:** The study focused on the period 2014-2023, analyzing the overlapping crises in Algeria, including the 2014 oil crisis, the 2019 global health crisis, and 2023 imported inflation. It highlighted monetary policy mechanisms addressing each crisis individually.

2. Definition of Monetary Policy Effectiveness

Amid global financial and economic crises, central banks have recognized the importance of achieving financial stability as a core monetary policy goal (Ramzi, Ne'mat Ibrahim Al-Shishini, 2021, p. 35). Financial stability ensures the resilience of the financial system to shocks, minimizing disruptions in financial intermediation, and supporting real economic activity(Muhammad Idris, 2021, p. 22).

- Effectiveness refers to the extent to which the central bank, through its tools, achieves objectives such as targeted inflation rates, economic growth, employment, and external balance (Fatiha Bennani, 2017, p. 97).
- It is also defined as the ability of monetary policy to influence economic activity to meet predefined objectives (Swedish, Siham , 2010, p. 85).
- Alternatively, it represents the impact on national income resulting from specific changes in monetary policy variables (Zirar & Mohamed , 2013).

3. Regulatory and Legal Reforms in Algeria's Monetary Policy:

Key developments in Algeria's monetary and banking laws include:

- **Law No. 90-10 (1990):** Established the framework for Algeria's banking system and the powers of the Central Bank.
- **Order No. 03-11 (2003):** Introduced reforms enhancing the flexibility of monetary policy management.
- **Regulation No. 09-02 (2009):** Standardized monetary policy operations and defined tools used by the Bank of Algeria
- **Order No. 10-04 (2010):** Prioritized price stability as a monetary policy goal.
- **Monetary and Banking Law No. 09-23 (2023):** Modernized banking operations to address economic and financial challenges, including support for Islamic and green finance. key features of the 2023 law:
    - Expanded the scope of monetary policy tools to accommodate modern financial practices.
    - Allowed the Central Bank to provide emergency liquidity to solvent banks facing temporary crises.

4.Managing Monetary Policy in the Algerian Economy During the Period 2014-2023:

The economic and financial developments Algeria experienced during the period 2014-2023 significantly impacted bank liquidity. These effects were directly linked to the turbulence in the global oil market and the substantial decline in oil prices. This period marked a critical turning point for public treasury revenues starting in 2014 and, more broadly, for the monetary and economic landscape of the country.

4.1 The 2014 global oil crisis and Its Repercussions on Monetary Indicators:

The Algerian economy initially enjoyed an average annual growth rate of 13.4% in monetary indicators since 2000, with the monetary aggregate M1 continuing to rise until 2014, achieving a growth rate of 16.4%.

However, this growth drastically slowed following the crisis, dropping to 3.6% in 2015 due to a 13.3% decrease in demand deposits in banks, directly attributable to the repercussions of the 2014 oil crisis.

Similarly, the growth of the broader money supply (M2) stagnated, recording an increase of just 0.13% in 2015 and 0.81% in 2016. In contrast, other indicators saw an uptick due to a 10.3% rise in time deposits within sectors of economic activity unrelated to hydrocarbons. (Triennial Statistical Bulletins, 2019).

Table N°1: Monetary Indicators During the Period 2014-2018 (in billions of dinars)

Years	Cashblockinterviews			Moneysupply-M2-			
	Loanstotheeconomy	Netloanstothestate	netexternalassets	-Quasi money -Q1	Money -M1-	Growthrat % eM2 -	**TotalmoneysupplyM2**
2014	6504.6	-3235.4	15267.2	4083.	9603	14.6 2	**13686.8**
2015	7277.2	-1992.4	15522.6	4443.	9261.1	0.1 3	**13704.5**
2016	7909.9	2682.2	12596	4409.	9407	0.81	**13816.3**
2017	8880	4691.9	11227.4	4708.	10266.	8. 40	**14974.6**
2018	9976.3	6325.7	9485.6	5232.	11404.	11. 10	**16636.7**

source: Prepared by the researcher based on statistical bulletins for the mentioned years(Bank of Algeria) Date of access: 09/20/2024. Available at: https://www.bank-of-algeria.dz/indicateurs-monetaires

It is worth noting that 2015 represented a pivotal year for monetary sector aggregates, as the banking liquidity surplus declined for the first time during years of financial abundance. This shift resulted from the significant deterioration in international oil prices, which negatively impacted financing and development operations, as well as the public treasury's allocations from oil revenues. Since the 2014 crisis, net foreign assets ceased to be a source of monetary expansion. The decline in oil prices also caused a 41.1% drop in demand deposits related to the hydrocarbon sector, while the balance of payments recorded a deficit of $27.54 billion in 2015.

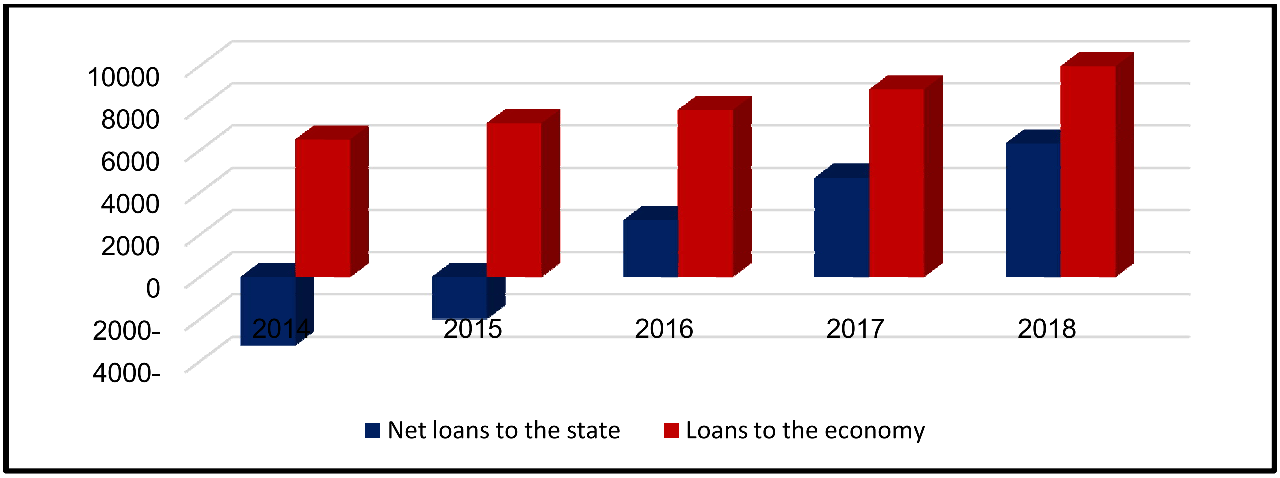
4.2 Lending Channel as a Tool to Address the Crisis and Enhance Liquidity:

Due to the decline in oil revenues since the 2014 crisis, coupled with the depletion of the Revenue Regulation Fund and a drop in foreign exchange reserves, the state's position shifted from a net creditor to a net debtor to the banking system. This resulted in increased banks' receivables from the state. Monetary policy responded by injecting liquidity into the economy through the lending channel. This was particularly evident after the government encouraged various economic sectors under Investment Law 16-09, providing incentive benefits, particularly to the private sector.

In 2015, loans directed to the economy reached 7277.2 billion dinars, emerging as a key source of monetary expansion for Algeria)Ouarti Chahra; MoussaouiRiyadh(2023 ،ص. Loans to public institutions amounted to 688.23

billion dinars by the end of 2015, while loans to the private sector, encompassing both businesses and households, rose by 14.95%—an increase of 466.6 billion dinars compared to the end of 2014. Conversely, net loans to the state decreased from 3235.4 billion dinars in 2014 to 1992.4 billion dinars in 2015, reflecting efforts to finance management, equipment budgets, and local development projects heavily reliant on oil revenues, as illustrated in the following figure:

Fig N° 1: Annual development of loans during the period 2014-2018 (in Billions of Dinars)



Source: Prepared by the researcher based on statisticl bulletins for the mentioned years.(the Bank of Algeria)Date of access: 08/26/2024. Available at:https://www.bank-of-algeria.dz/indicateurs-monetaires.

A set of economic conditions during this period significantly impacted the monetary and financial state of the Algerian banking system. Chief among these was the 2014 oil crisis, which led to substantial monetary issuance in 2017 through the direct purchase of treasury bonds. Since March 2017, deficits amounting to 1000 billion dinars)Republic, Official Gazette of the Algerian(2017 ، were addressed under "Article 45 bis" of Order No. 03-11. This period was marked by increased banking liquidity, with banks resorting to refinancing to support lending expansion. Consequently, monetary growth developed at a rate of 8.4% in 2017 and 11.1% in 2018.

4.3 The Covid-19 Crisis and Its Economic Effects:

The global Covid-19 health crisis caused an unprecedented economic catastrophe since the Great Depression. The pandemic disrupted global economic growth, leading to a 3.3% decline in 2020. Developed and emerging economies experienced negative production balances and rising unemployment rates. This downturn was partially mitigated by central banks implementing unconventional measures and policies to stimulate supply and demand. These macro-prudential policies were designed to address financial crises when traditional channels were ineffective in maintaining price stability.

In Algeria, the Covid-19 crisis significantly impacted economic performance. The gross domestic product (GDP) shrank by 5.1% in 2020, and external balances deteriorated markedly. The balance of payments recorded a deficit of (-$16.37 billion), while the trade balance showed a deficit of (-$13.62 billion). Foreign exchange reserves eroded from $62.75 billion in 2019 to $48.17 billion by the end of 2020, as shown in Table 02. Fluctuations in currency exchange rates exacerbated these effects, leading to a 9.09% depreciation of the Algerian dinar against the US dollar and a 16.9% decline against the euro)International Monetary Fund (2021 ،

Table N°2: Impact of the Covid-19 Pandemic on External Balances During 2019-2021

Balances Years	balance %Payments	%Tradebalance			billion(reserves dollars)
		%Imports	Exportsoutside %Fuel	exports %Fuel	
2019	-16.93	-44.63	2.07	33.24	**62.75**
2020	-16.37	-35.55	1.91	20.02	**48.17**
2021	-1.48	-37.46	4.5	34.06	**54.6**

source: Prepared by the researcher based on statistical bulletins for the mentioned years (the Bank of Algeria). Date of access: 13/11/2024. Available at :https://www.bank-of-algeria.dz/indicateurs-monetaires

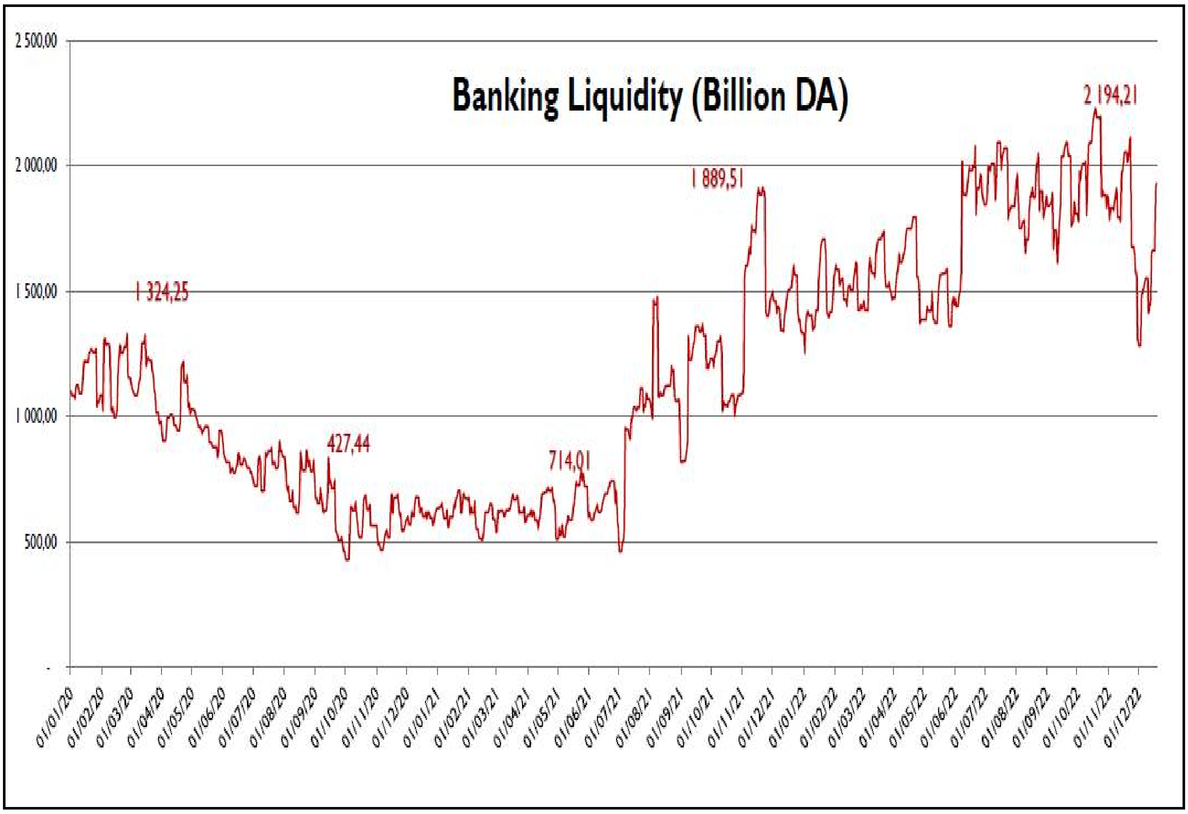
Most financial performance indicators also witnessed a decline, prompting the Bank of Algeria to re-adjust its monetary policy to mitigate the negative effects of the epidemic on the national economy. Emergency and bold measures were adopted to address the situation, primarily aimed at supporting private-sector institutions producing goods and services by increasing their financing and ensuring the greatest amount of banking liquidity, which rose by an estimated 36.1%. Additionally, reducing the mandatory reserve ratio from 6% to 3% significantly contributed to stabilizing some indicators and improving others in 2021.

5. Banking Sector Financing Operations and Crisis Response:

Amid the continuing repercussions of the global health crisis and rising inflation rates globally due to energy price hikes and food supply chain disruptions since March 2020, many countries resorted to monetary policy tools such as reducing mandatory reserve ratios. Others extended repayment periods for open market operations, while countries with room to maneuver reduced policy interest rates to minimum limits.

Given the ineffectiveness of these traditional monetary policy tools, international central banks adopted expansionary policies to ensure easy liquidity access. Measures included long-term refinancing operations for commercial banks and quantitative easing (QE) operations to enable lending and support economic growth. In response, the Bank of Algeria implemented several measures starting in early 2021 to strengthen the banking sector's resilience, monetary stability, and economic recovery **(see Figure 02).**In line with the overall economic policy, a special refinancing program was launched in July 2021 to inject additional liquidity, ease precautionary measures, and adjust the mandatory reserve rate.

Fig N° 2:Liquidity Evolution During 2020-2022 (in Billion DZD)



source: Bank of Algeria, General Directorate of Credit and Banking Regulation. Publication date: 02/07/2023, access date: 09/25/2024. Available at:https://www.bank-of-algeria.dz/stoodroa/2023/02/SESSION

5.1 Refinancing Program:

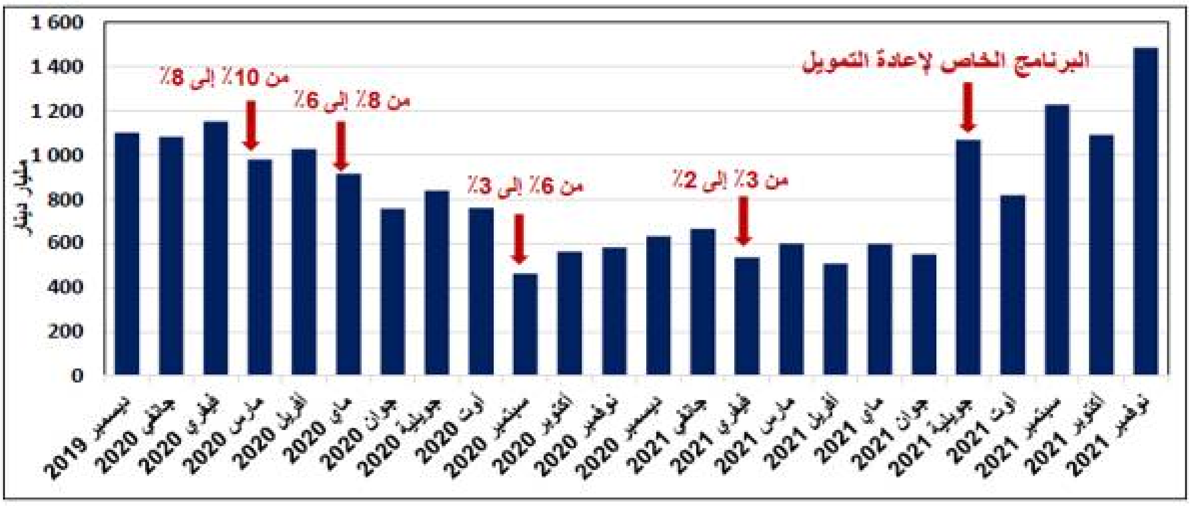
The COVID-19 pandemic severely disrupted economic activity from 2019 to 2021, necessitating swift and strategic responses from Algeria's monetary authority. Unlike typical circumstances that focus primarily on demand-side measures, the monetary policy shifted to influencing supply to stimulate economic recovery. In line with global trends, Algeria implemented accommodative monetary policies, including the launch of a refinancing program on July 1 /2021. (refinancing program Regulation No. 02-2021 , 2021) .

This program allocated 2,100 billion DA to refinance banks over one year. To enhance the borrowing capacity of commercial banks, the Bank of Algeria increased the thresholds for negotiable public bonds accepted as collateral in monetary policy operations. Within this framework, four refinancing operations were conducted in 2021 (General Directorate of Credit and Banking Regulation, 2023) :

- **First operation**: July 7, 2021, amounting to 396.11 billion DA.
- **Second operation**: August 4, 2021, amounting to 443.89 billion DA.
- **Third operation**: September 8, 2021, amounting to 420 billion DA.
- **Fourth operation:** November 3, 2021, amounting to 420 billion DA.

The total liquidity injected through this program reached 1,680 billion DA, of which 508.78 billion DA directly contributed to increased banking liquidity. This refinancing initiative became a pivotal instrument in stabilizing the banking sector and revitalizing Algeria's economy in the post-pandemic era, as illustrated in the accompanying figure

Fig N° 3: Refinancing Mechanisms During (2019-2021)



source : Bank of Algeria, General Directorate of Credit and Banking Regulation. Publication date: 07/02/2023, access date: 09/25/2024. Available at:https://www.bank-ofalgeria.dz/stoodroa/2023/02/SESSION

5.2 Reducing the Reserve Requirement Ratio:

One of the most significant monetary policy tools used by central banks is the minimum reserve requirement. This tool is aimed at influencing the volume of liquidity and the levels of credit granted by commercial banks. Central banks often reduce the mandatory reserve ratio when adopting an expansionary monetary policy, thereby providing additional liquidity to enable commercial banks to expand credit issuance.

In Algeria, the Bank of Algeria continued its efforts to revive the economy through facilitating measures adopted since 2020. These included reducing the reserve requirement ratio to 2% after it had been set at 3% (the compulsory reserves system Instruction No. 02-, 2021) at the beginning of February 2021. Notably, this ratio was reduced three times in 2020:

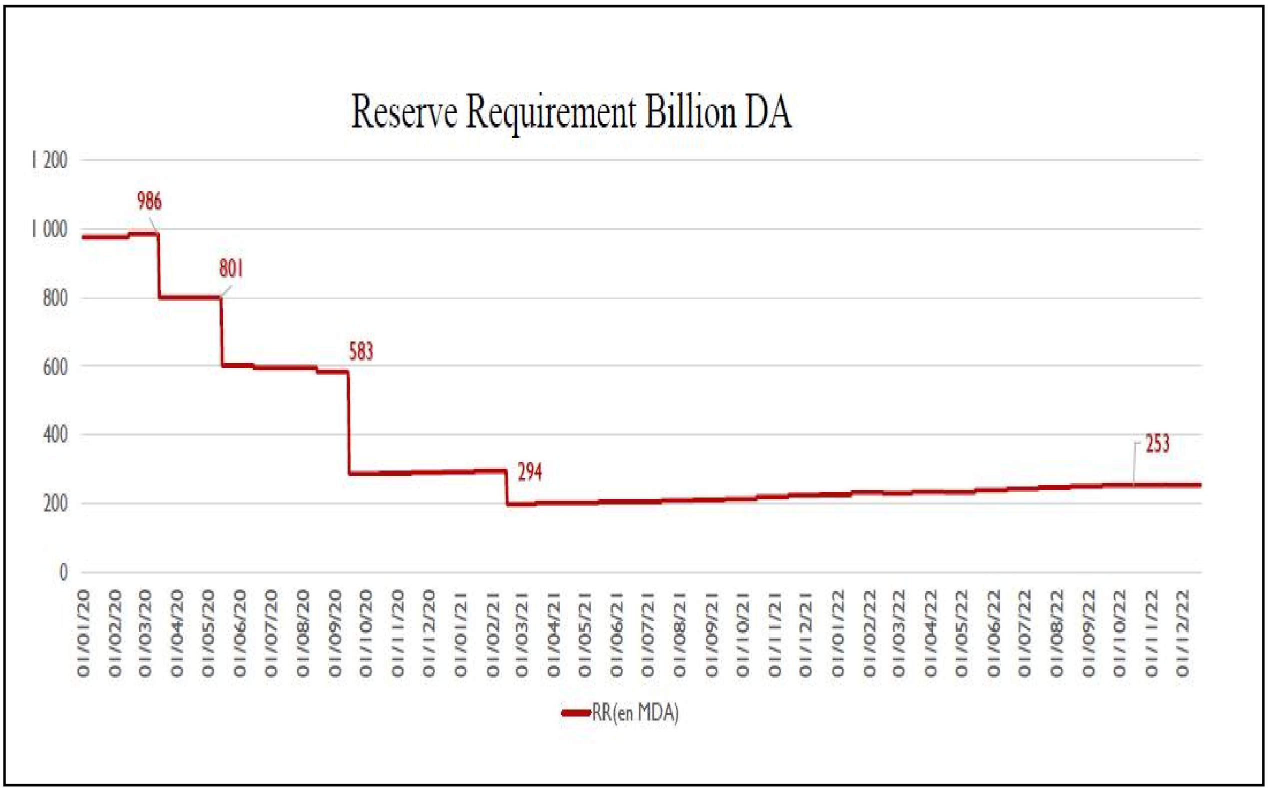
- From 10% in 2019 to 8% in March 2020.
- Further reduced to 6% in May 2020.
- Finally decreased to 3% in September 2020.

These reductions aimed to release additional liquidity to banks, bolstering their financing capacity. In 2021, the guiding interest rate for main refinancing operations was also set at 3%, following a reduction of 0.25% (25 basis points). This measure was intended to stimulate and expand credit facilities, providing support for reviving the national economy while ensuring the banking system remained capable of financing economic activity without incurring additional costs. (the compulsory reserves system Instruction No. 09-, 2020) .

As part of an exceptional precautionary package to counter the economic consequences of the COVID-19 pandemic, the Bank of Algeria introduced several measures on April 6, 2020, aimed at increasing banks' and financial institutions' lending capacity to individuals, businesses, and economic sectors impacted by the crisis. These measures, which remained in effect until the end of March 2022, included:

- Exempting banks and financial institutions from forming the mandatory safety cushion deducted from private funds (Gita Gopinath, 2023, p. 16).
- Extending the grace period for paying loan installments or rescheduling them, particularly for customers affected by the pandemic, while continuing to finance them with loans.
- Reducing the minimum liquidity ratio of banks and financial institutions to 60%, thereby increasing the available financing volume.

Fig N° 4: Minimum Mandatory Reserve During 2020-2022

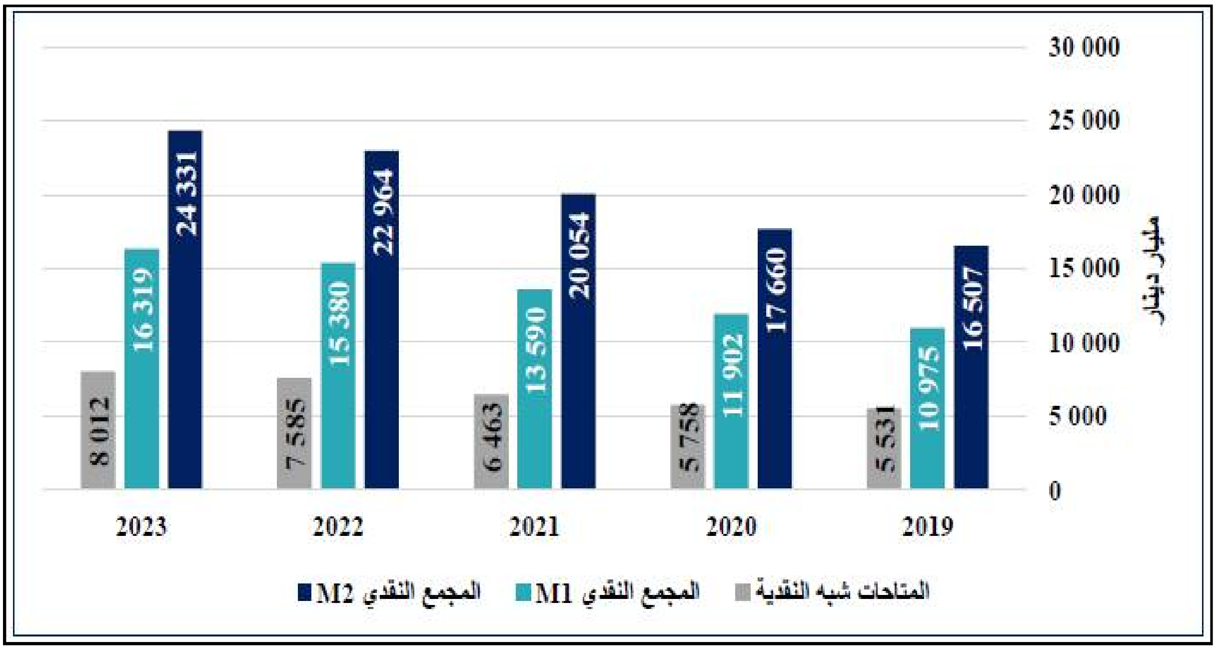


source :Bank of Algeria, General Directorate of Credit and Banking Regulation, publication date 07/02/2023, access date 09/25/2024, website: https://www.bank-of-algeria.dz/stoodroa/2023/02/

As noted above the effectiveness of the measures taken by the Bank of Algeria to support the stability of the financial and economic situation during the difficult period of the pandemic. Specifically, reducing the compulsory reserve by releasing additional liquidity into the economy.

Additionally, the Bank implemented a special refinancing program for banks, directly contributing to the increase in the money supply. By the end of 2023, the balance of this program amounted to 1628 billion dinars, as shown in the following figure:

Fig N° 5: Money Supply Development from 2019 to 2023.



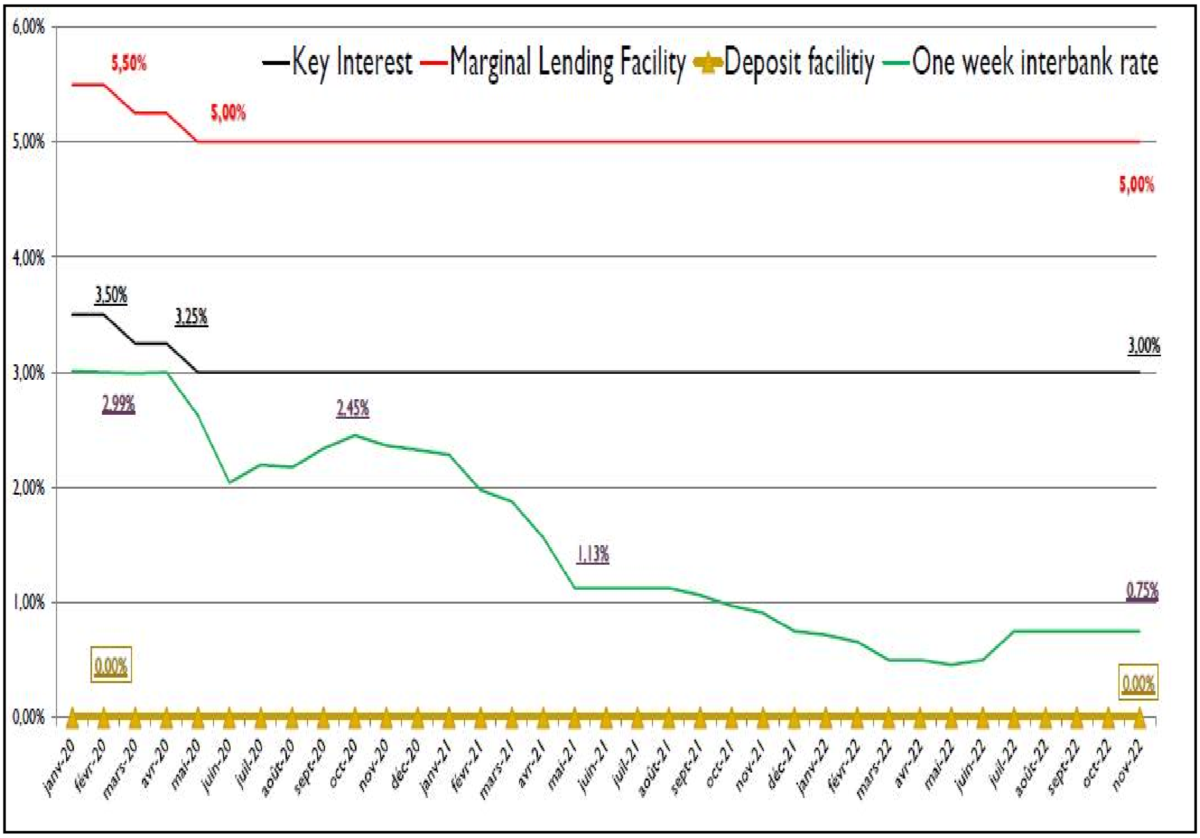
source : Bank of Algeria, "Annual Report on Economic and Monetary Development 2023," p. 41, Publication June 2024, Access date: 10/07/2024, website: https://www.bank-of-algeria.dz/indicateurs-monetaire

5.3 Inflationary Pressures After COVID-19 and Mechanisms to Mitigate Them:

In response to persistent inflationary pressures since 2022, many central banks in both advanced and emerging economies have tightened monetary policies by raising key interest rates. As for Algeria, despite ongoing geopolitical tensions and fluctuations in the hydrocarbon market, the Algerian economy performed relatively well in 2023, particularly in terms of exports and state revenues. This improvement helped alleviate inflationary pressures by the end of 2023 (General Directorate of Credit and Banking Regulation,, 2023) .

However, maintaining the targeted inflation rate remains a priority for the Bank of Algeria in managing its monetary policy. To achieve this, the Bank uses the available tools in a coherent, organized, and calculated manner (Chahida, kifani, 2020, p. 105)in line with the monetary and banking law. Faced with predominantly imported inflation, the Bank of Algeria opted to keep the key interest rate unchanged at 3% **(as shown in Figure 06)**, one of the lowest rates in the Middle East and North Africa region. This decision aims to enhance economic growth dynamics during the post-COVID period while utilizing exchange rate and monetary policy tools that specifically target potential inflationary liquidity (Annual Report on Economic and Monetary Development 2023, 2024, p. 40)

Fig N° 6:Guiding Interest Rate and Interbank Interest Rate for 2020-2022.



source :Bank of Algeria, "Annual Report on Economic and Monetary Development 2023," p. 40, Publication date: June 2024, Access date: 10/07/2024, website https://www.bank-of-algeria.dz/indicateurs-monetaire

From the figure above, it can be observed that the Bank of Algeria made two consecutive reductions to the discount rate, on March 10 and April 29, 2020. The rate was reduced by 25 basis points each time, from 3.5% to 3.25%, and then from 3.25% to 3%, with the goal of lowering borrowing costs for families and businesses and facilitating bank lending operations at reasonable rates. The inflation levels, particularly core inflation, recorded in Algeria in 2022 and 2023 were lower than those observed in many emerging and developing economies, especially with the downward trend in the second half of 2023. This reflects the tangible effects of the measures taken within the framework of monetary policy management and exchange rate policy.

The stable performance of the balance of payments, with surpluses recorded in the overall balance for 2022 and September 2023—amounting to $18.47 billion and $6.61 billion, respectively—has allowed for the rebuilding of an important buffer against external shocks. (Quarterly Statistical Bulletins " Third Quarter 2023 No 64, 2024, p. 15) This buffer is represented by foreign exchange reserves, which totaled $1683.6 billion in 2022 and $1531.1 billion in September 2023. Additionally, the low level of external debt has shielded Algeria from fluctuations in international interest rates. Contributing to addressing national economic indicators. In 2022 and 2023, the central bank raised the dinar's exchange rate against the currencies of its trading partners, which helped mitigate the effects of imported inflation.

6. CONCLUSION:

Monetary policy is a crucial tool for addressing financial and economic crises, which often arise unexpectedly and disrupt national economies. It plays a vital role in managing money supply, stimulating economic activity, and protecting economies from financial shocks. This study illustrates how Algeria, despite facing severe liquidity shortages and revenue declines due to the 2014 oil crisis, effectively employed monetary policy as an expansionary tool. By reducing lending interest rates, particularly for the private sector, the monetary authority was able to mitigate the crisis's impact. Similarly, during the economic downturn caused by the 2019 COVID-19 pandemic, Algeria's monetary authority implemented bold measures, such as quantitative easing, refinancing banks, lowering policy interest rates, and reducing interbank and mandatory reserve rates.

These actions facilitated lending and ensured liquidity flowed into the economy, demonstrating the effectiveness of expansionary monetary policy during the pandemic. Key findings highlight Algeria's success in using monetary policy to mitigate financial shocks and support economic activity through legislative and institutional reforms, such as:

- ✓ Expanded Lending Activity: Net liquidity injections for state loans amounted to 687.2 billion DA, while banking channels injected 881.5 billion DA into economic activities, showing consistent growth since 2016, with a 12.3% growth rate in 2018.
- ✓ Recovery in Banking Liquidity: Banking liquidity rebounded to 1,331.95 billion DA in 2021, after a sharp 40.95% decline in 2020 due to the pandemic, reflecting an impressive growth of 110.64%.
- ✓ Inflationary Control Measures: In response to inflationary pressures following significant liquidity growth in 2021 and 2022, the reserve requirement ratio was raised to 3% in April 2023, alongside the reinforcement of liquidity recovery measures initiated in 2020, reaching 600 billion DA.

These policies underscore the strategic role of Algeria's monetary authority in managing crises and achieving a balance between economic recovery and inflation control.

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