

Public Spending and Inflation Dynamics in Algeria: An ARDL Approach

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Abstract: This study examines the impact of public expenditure on inflation in Algeria from 1990 to 2022, employing an econometric approach based on the Autoregressive Distributed Lag (ARDL) model. The results indicate a positive and significant long-term relationship between public spending and inflation, whereas the short-term effect proved to be weak and insignificant. The findings further suggest that the increase in government expenditure contributes to higher price levels, reflecting the Algerian economy's reliance on public spending as a driver of growth. The study recommends adopting prudent expenditure policies that focus on productive investment and avoiding excessive expansion of current expenditures to mitigate inflationary pressures and ensure macroeconomic stability.

Keywords: Public Expenditure, Inflation, Algeria, ARDL Model, Fiscal Policy, Economic Stability

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