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Measuring the impact of the exchange rate on the Algerian balance of payments: An econometric study using different time frequencies MIDAS during the period (2000-2023)

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***Abstract*---**This research paper aims to measure the impact of the exchange rate on the Algerian balance of payments, as one of the main variables that affect the balance of payments. In order to achieve the objective of the study and try to answer the main question, various applied literature that tried to address the relationship between the two variables were addressed, as well as trying to analyze various previous studies on the subject, where the standard approach was relied on using the mixed time series model **MIDAS PDL ALMON** During the period 2000 _ 2023. The study concluded that there is a direct impact of the exchange rate on the balance of payments quarterly, and that the total effects are due by 69% to the changes in the daily exchange rate and to achieve compatibility of the effect, the daily exchange rate data must be delayed to 5 days.

***Keywords*---**Balance of payments, Exchange rate, MIDAS, Algeria.
Jel classification: F32; F31; E36

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1. Introduction:

The exchange rate plays several roles in the economy, as it is the only way through which the direction of the policy of dealing with the outside world can be controlled in the economic aspect in general and the commercial aspect in particular. Its real position in the economy appears when it is relied upon as a mechanism to balance the balance of payments, which is mainly due to the essential nature of the exchange rate function of linking the national economy and the global economy through the settlement of exchanges, through the clearance of receivables and the receipt of dues from the outside world, in terms of the holistic view of the exchange rate.

But due to its complex nature because it is basically a price for the price device, in the sense that it is a price for a price, hence the complexity. But thanks to the attention paid by economists to study and analyze it, especially in the twentieth century, the exchange rate has been much detailed, leading to the classification of several systems in it confined between two pillars: the fixed exchange rate system and the flexible exchange rate system. There was a discrepancy between the two systems in terms of mechanism of action and technique of use, so that all policy efforts and objectives are directed. Cash to protect and defend the exchange rate to remain constant in the fixed exchange rate regime, without paying attention to other factors. While in the flexible system all efforts are directed towards creating balance and stability in the real aspect of transactions between the country and the outside world.

In order to illustrate how the exchange rate is used by the economies of countries in a rational way, exchange rate policies have also been classified, including the control policy and the reduction policy, which are adopted in already weak economies, such as in Algeria. Freedom politics are an integral part of financial globalization.

As for the Algerian economy, which is known for its inability to reach the integration of performance between its various sectors, it is an absolute unitary economy through its dependence on rents represented by the hydrocarbon sector. Its balance of payments is rarely stable and unbalanced as a result of being affected by shocks affecting the hydrocarbon sector. If the Algerian economy were to rely on sectors other than hydrocarbons, shocks would be reduced, so that if the price of one commodity changes to one dollar, the balance of payments will be affected by more than one percent, and that commodity is the barrel of oil, which in turn is the most important and perhaps the only commodity that controls the final balance of the balance of payments. Therefore, it is imperative for those in charge of running Algeria's economic system to rely on an exchange rate that is in line with its reform programs in the first place, and with comprehensive and sustainable development plans in the first place. In order to reach positive results, the general situation of the country's economy requires getting out of unilateralism on oil, but rather diversifying and expanding the country's resources and limiting and restricting the country's imports from the outside world, because they represent the largest part of the balance of payments expenditures in addition to being inflexible, which makes them incompatible with

the flexibility of the country's resources, and this is the essence of the problem that causes the imbalance in the balance of payments.

When the diversification of the productive base of the country, which is mainly the driver of the structure of the economy as a whole, is reached, there will be no strong response to the balance of payments to fluctuations affecting the oil sector, as the diversity of the country's exports reduces the dependence of the balance of payments on oil price turbulences, breaks dependency, liberalizes the economy and balances, which results in stability in the national economy, and is not affected by fluctuations that affect international markets, thus addressing the poor situation of the balance of payments.

The research problem is to know the impact of exchange rate fluctuations on the balance of payments, and more precisely: **to what extent do exchange rate fluctuations affect the Algerian balance of payments during the period 2000-2023?**
In light of the above problem, the research proceeds from the premise that the exchange rate positively affects the balance of payments in the long run.

The subject of our study is to measure the impact of the exchange rate on the balance of payments, so the scope of our study is to verify the existence of the impact of the exchange rate on the Algerian balance of payments in particular, and our study covers the period from 2000 to 2023.

The main objective of this study is to examine the impact of the exchange rate on the balance of payments of the country with a special reference to Algeria, while the special objectives are to study and analyze the impact of exchange rate behavior on the balance of payments from an econometric perspective, with an attempt to highlight the exchange rate variable as one of the elements affecting the balance of payments, which represents one of the indicators of external balance on the one hand, and the most prominent elements contributing to international economic integration on the other hand.

2. The relationship between the exchange rate and the balance of payments

Here are many studies and researches that discuss the relationship between the exchange rate and the balance of payments in theory. This topic is part of the field of international economics and is used by economists and analysts to understand the impact of changes in the exchange rate and their impact on the balance of payments of the country.

Historically, the classical theory of international trade by the British economist David Ricardo is an important reference in understanding the relationship between the exchange rate and the balance of payments. According to this theory, the exchange rate is determined by the fundamental factors of the economy, such as the supply and demand for currency and differences in interest rates between countries. The exchange rate can affect the balance of payments by affecting a country's trade and foreign investment (Méchel, 1999, p. 10)

Another theoretical model that discusses the relationship between the exchange rate and the balance of payments is the Mundell-Fleming model. This model provides a framework for understanding the impact of monetary and fiscal policies on the balance of payments and exchange rate. The model assumes the existence of cross-border capital movements and their impact on the exchange rate and balance of payments (mundell & Robert, 1963)

According to The Expected Purchasing Power Parity Theory, it is believed that the appreciation of the exchange rate will eventually lead to an increase in the inflation rate in the country, which negatively affects the competitiveness of exports and leads to an improvement in the balance of trade and thus affects the balance of payments (Gustav, 1961)

The Economic Growth and Exports Theory believes that an increase in a country's economic growth will lead to an increase in demand for the national currency and thus an increase in its value against foreign currencies. This ultimately leads to an improvement in the balance of payments.

According to the floating exchange rate system, the exchange rate is determined by the forces of supply and demand in the global market, so exchange rate changes reflect shifts in trade and capital relations between countries, and directly affect the balance of payments (Mairic, Richard, & Paul, 1985)

The Foreign Direct Investment Theory suggests that FDI inflows may affect the exchange rate and balance of payments. For example, a depreciation of the exchange rate can make investment in a country more attractive, increasing the volume of inflows into the country and positively affecting the balance of payments (Jhon & Alan, 1985)

Another theory that explained the relationship between the exchange rate and the balance of payments is The Monetary Approach, which focuses on the relationship between the money supply and the exchange rate, and suggests that changes in a country's money supply affect the value of the national currency and thus affect the balance of payments.

According to The Speculative Approach, psychological factors and expectations for market traders affect the exchange rate, and therefore can affect the balance of payments. For example, negative expectations of currency depreciation can lead to negative capital inflows and a negative impact on the balance of payments (Harry, 1972).

According to The External Financing Gap Theory, the exchange rate is an indicator of a country's external financing deficit. If there is a deficit in external financing, it may lead to pressure on the value of the national currency and a negative impact on the balance of payments (Nureldin, 2001) .

We recall that these theories are just theoretical frameworks for understanding the possible relationship between the exchange rate and the balance of payments. Actual results and their interpretations may vary according to the specific economic and political conditions of each country.

3. Review of applied literature

A number of studies have tried to investigate the nature of the relationship between the exchange rate and the balance of payments in particular, and among these studies we mention the following:

A study (Imoisi, 2012) in which he studied the relationship between exchange rate variations and the position of the balance of payments during the period 1960-2013. The researchers relied on the OLS and ECM method to analyze the data, and the results showed that the exchange rate has a significant impact on the balance of payments position during the study period.

A study (Nawaz, Rizwan, & Rana, 2014) is a study that aims to determine the impact of the exchange rate on the Pakistani balance of payments by collecting monthly data for each of the balance of payments and exchange rate starting from January 2007 until October 2013 for a period of seven years, based on the official website of the State Bank of Pakistan and in order to achieve the purposes of the study, various tests were resorted to as the root of the unit and the ARDL test. In addition to Granger's causes, the results of this study revealed a positive significant correlation between the balance of payments and the exchange rate, so the stability of the exchange rate would create positive effects in the environment, leading to increased investment, which improves Pakistan's balance of payments.

A study (Priyatharsiny, 2017), which sought to study the impact of the exchange rate on the balance of payments during the period 1978 to 2016 based on Sri Lanka data by relying on joint integration and error correction models, and the results revealed a positive and important relationship in the long term of the exchange rate with the balance of payments. The researcher stressed that the devaluation of the currency under the fixed exchange rate or allowing the decline under the freely floating exchange rate system of the local currency against the foreign currency can be used as a short-term and long-term political measure to correct the situation of the balance of payments imbalance.

A study by (Aidi, Suleiman, & Saidu, 2018), which aims to study the relationship between the exchange rate, inflation and the Iraqi balance of payments using time series data for the period 1986-2015, and using the OLS method, the study revealed that the exchange rate and inflation have statistically significant negative effects on the balance of payments during the study period.

A study of (Nawanekezie & Onyiro, 2018) which aims to study the impact of exchange rate fluctuations on the Nigerian balance of payments during the period 1981-2016. This has been done using annual data covering each study period and analyzing them through ECM. The study tests showed an integration relationship between the variables, and the study also revealed a long-term relationship between exchange rate fluctuations and the balance of payments.

A study by (Nwachukwu, 2021) which aims to study the impact of the exchange rate on the Nigerian balance of payments. Data was collected from the Statistical Bulletin of the Central Bank of Nigeria for the period 1981-2019, and using VECM to analyze the data, the results of the study revealed a positive

relationship between the balance of payments and the exchange rate in Nigeria, and that the exchange rate has a significant impact on the balance of payments in Nigeria, in addition to a causal relationship between exchange rate fluctuations and the Nigerian balance of payments.

A study (chi & Hong, 2022), which focuses on the impact of the exchange rate on the Vietnamese balance of payments, data was collected from the Central Bank of Vietnam for the period from 2000 to 2020 and using the ARDL model, the results of the study showed that the foreign exchange rate has a positive and noticeable impact on the balance of payments, which means that when the foreign exchange rate is stable, it is reflected in a developed and efficient economic environment.

A study (kanar & Bahar, 2022), which aims to verify the impact of the exchange rate on the Iraqi balance of payments on the one hand and the impact of the exchange rate on economic growth on the other hand between 2004 and 2019, in addition to examining the direction of the exchange rate of the Iraqi dinar for the mentioned period and how this affected the trade budget and economic growth, using the ARDL model and the results of this study showed that each increase in the exchange rate has a positive and noticeable impact on economic growth and trade balance in Iraq.

(Oladipupo & Onotanyohuwo, 2011) also analyzed the impact of the exchange rate on the balance of payments in Nigeria during the period between 1970-2008 using the least squares method OLS The researchers concluded that there is a significant impact of the exchange rate on the balance of payments, as the decline in the exchange rate can lead to an improvement in the balance of payments position.

Study of (Ukangwa, Onyenze, & Uke-ejibe, 2022). which aims to analyze the impact of the exchange rate on the balance of payments in Nigeria, using secondary data derived from the Statistical Bulletin of the Central Bank of Nigeria during the period 1981-2021. This study was conducted using the ARDL model in order to estimate the immediate and long-term effects of the exchange rate on the balance of payments, the results of the study showed a long-term equilibrium relationship between the exchange rate and the balance of payments, and the results also showed that the exchange rate has a negative and significant impact on the balance of payments in the short term only.

After reviewing the literature, we noticed that studies that looked at the relationship between the exchange rate and the balance of payments are rather rare at the level of Algeria, despite the sensitivity of the economy to variables, and there is no consensus among the literature on the relationship between the relevant variables. Therefore, this study seeks to fill the gaps identified in the mentioned literature.

4. Exprimental

In this part of the study, we will try to build a standard model that shows the relationship between the exchange rate and the Algerian balance of payments during the period 2000-2023.

4.1 Model and study variables:

The MIDAS model is a mathematical tool used to analyze the regression between data being published at different frequencies. These models rely on the interpretation of a variable measured at a low frequency (such as quarterly) as a function of the current and past values of another variable measured at a higher frequency (such as monthly or daily). In other words, the values of a variable measured at a low frequency are used to illustrate the past and current values of another variable measured at a higher frequency. Hence, these values are used to analyze the relationship between the two variables, where the dependent variable (measured at a different frequency) using the independent variable (measured at a different frequency). The regression model has been formulated (Nawaz, Rizwan, & Rana, 2014):

$Y_t=Bx_t+ f(\lambda_1, \lambda_2, x^h_{t/s})+\varepsilon_t$

t: dependent variable measured at low frequency over the interval
XT: independent variable measured at high frequency and studying its effect on the dependent variable during the period
***f*:** A function showing the effect of high frequency data on low frequency
$x^h_{t/s}$**:** Set of weighting functions showing the effect of high frequency data during the period on low frequency data during the period t
H: Number of variables
β: Parameter of the total effect of the high frequency variable in the low frequency variable
2λ 1,λ : partial effect parameters for each frequency interval S in the interval
ε_t**:** Random error limit

Through this part of the research, the impact of the exchange rate on the balance of payments will be addressed using the standard approach, we will measure the response of the external sector represented by the balance of payments according to quarterly data (BP) as well as monetary policy represented by the exchange rate according to daily data (EX), during the period from 2000 to 2023.
Based on the above, the general form of the model can be presented in the following relationship:

BP= f(EX)

4.2 Using the MIDAS model to measure the impact of the exchange rate on the balance of payments balance in Algeria
To estimate the effect of the exchange rate with daily frequency on the balance of payments balance at a quarterly frequency in Algeria using the MIDAS model, we propose the mortar weighting function using the EVIEWS12 program, where the results are as follows:

Table (01): Outputs of the impact of the exchange rate on the balance of payments using the pd almon Midas model

DEPENDENT VARIABLE: BP				
METHOD: MIDAS				
DATE: 02/28/24 TIME: 08:29				
SAMPLE (ADJUSTED): 2013Q2 2022Q4				
INCLUDED OBSERVATIONS: 39 AFTER ADJUSTMENTS				
METHOD: PDL/ALMON (POLYNOMIAL DEGREE: 3)				
AUTOMATIC LAG SELECTION, MAX LAGS: 30				
CHOSEN SELECTION: 5				
VARIABLE	Coefficient	Std. Error	t-Statistic	Prob.
C	-7.055052	2.688051	-2.624598	0.0129
BP(-1)	0.790726	0.104073	7.597773	0.0000
PAGE: EX SERIES: EX(-15) LAGS: 5				
PDL01	3.087597	1.980465	1.559026	0.0 283
PDL02	-2.836883	1.688790	-1.679832	0.0 022
PDL03	0.493900	0.283089	1.744682	0.0101
R-SQUARED	0.693967	Mean dependent var		-2.952205
ADJUSTED R-SQUARED	0.657963	S.D. dependent var		3.726473
S.E. OF REGRESSION	2.179389	Akaike info criterion		4.515175
SUM SQUARED RESID	161.4910	Schwarz criterion		4.728452
LOG LIKELIHOOD	-83.04592	Hannan-Quinn criter.		4.591697
DURBIN-WATSON STAT	1.506369			
EX(-15)	Lag	Coefficient	Distribution	
	0	0.744613	*	
	1	-0.610569	*	
	2	-0.977952	*	
	3	-0.357533	*	
	4	1.250685	*	

Source: Prepared by researchers based on the outputs of the Eviews12 program

It is clear from the above table that the weighting function used after adjusting the optimal delays (PDL=3) i.e. the polynomial weighting function of the third degree, and we find that 5 delay periods were selected to interpret the high frequency variable (exchange rate) in the low frequency variable (balance of payments balance) using the standard (AIC). This leads to the estimation of the model in which the random error values are as low as possible according to the following figure:

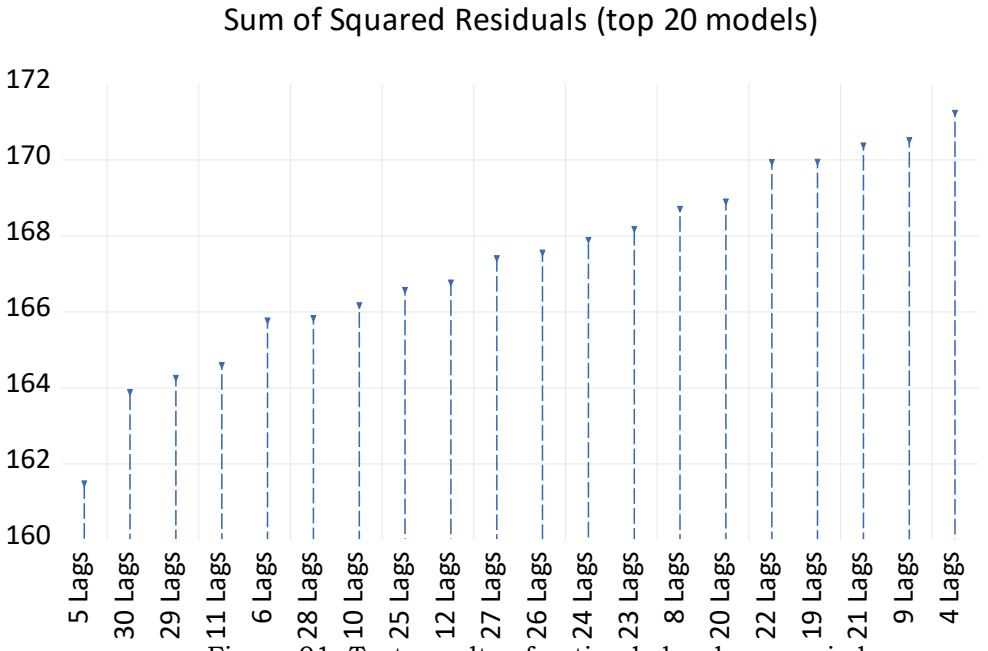

Figure 01: Test results of optimal slowdown periods
Source: Prepared by researchers based on the outputs of the Eviews12 program

The results of the figure show us that 5 optimal slowdown periods were tested to estimate the effect of the exchange rate on the balance of payments balance frequency variable, meaning that we need exchange rate data for 5 days to be able to interpret the balance of payments balance changes for each quarter.

4.2.1 Analysis of the impact of exchange rate values on the balance of payments balance

Table 1 shows us the results of estimating transactions and t-statistics for the low frequency variable (balance of payments balance)
Where we get the following form:

$$BP_T=0.0744\ EX_T +3.08_{EX(T-15)\ /s} -2.836\ _{EX(T-15)\ /s} +0.493\ _{EX(T-15)\ /s}$$

So that there is a direct and immediate effect of the exchange rate on the balance of payments, increasing the exchange rate by one unit leads to a rise in the balance of payments by 3.08 billion dollars, which is consistent with the economic theory, which emphasizes that the balance of payments balance is

closely related to changes in exchange rates, where in theory the exchange rate can be of a positive or negative relationship with the balance of payments balance and the table also shows us that there is a direct relationship between the price of Exchange and balance of payments After a week, the impact becomes negative, and the coefficient of determination $R^2 = 0.693$ was recorded, which indicates that the total effects on the balance of payments are due by 69% to exchange rate changes, while 31% are due to other random factors that were not included in the model, while the gaps indicate Lag_3 Lag_4 Lag_2 Lag_1 Lag_0 indicates that the model is less accurate in transferring the daily effect of exchange rate fluctuations to the quarterly balance of payments balance, and the DW=1.5 statistic indicates no autocorrelation.

The pd almon Midas model was assigned to the test of optimal slowdown periods, which are evident from Figure 2, according to the (AIC) test, where it was found through the table that the weighting coefficients were all significant:
Prob PDL(01) = 0.02<0.05
Prob PDL(02) = 0.00<0.05
Prob PDL(03)=0.01<0.05

As for the effect, he adopted the rotational formula (positive effect by one week and negative effect by the following week).
It was also found that the balance of payments for the period (Q) responds to the previous period (Q-1) with a positive effect of 0.79 and this can be clarified according to the following justice:
$BP_Q = -7.05 + 0.79\ BP_{Q-1} + \varepsilon_T$

4.3 Model quality test (residual diagnosis)

The results reached so that the significance of the weighting parameters of Almon and the quality of the estimated model where we can explain 69% of the changes in the balance of payments and the following rest of the tests confirm the quality of the model valid for prediction

- **Comparison between real and predictive values**

To study the quality of the estimated model, the real values must be compared with those estimated, and this is done through the following figure:

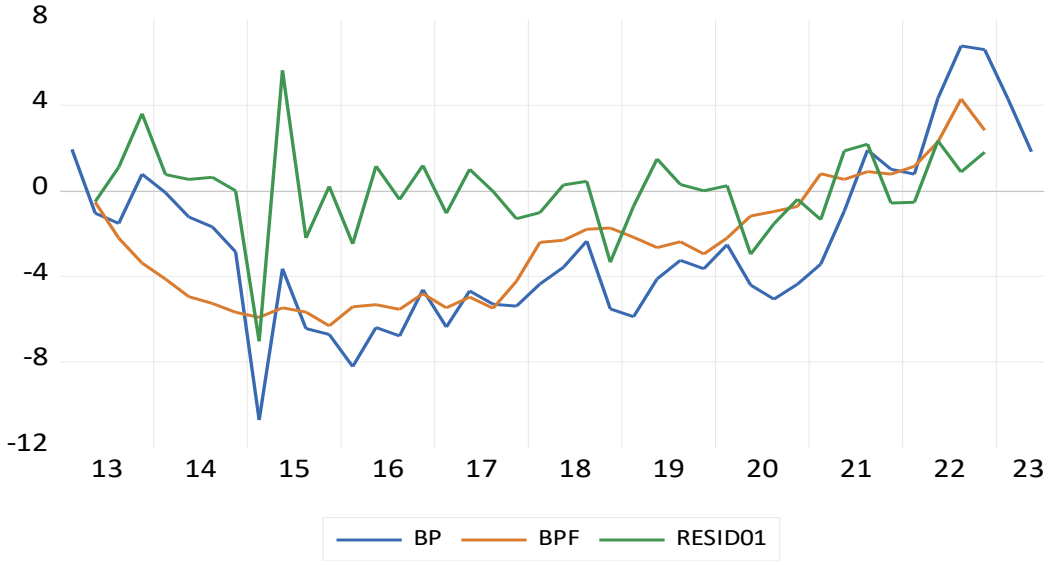

Figure 02: True values, estimated values and residues (model quality)
Source: Prepared by researchers based on the outputs of the Eviews12 program

It is clear from the figure the extent of convergence of the real values and predictive values of the model, which indicates the quality of the estimated model and the possibility of relying on it in interpreting and analyzing the results

- **Random error limit distribution test About normal distribution**

The nature of the distribution of residues is revealed based on the (JB) test, which is based on knowing the extent to which the residues follow the normal distribution, the results of which are evident through the following figure:

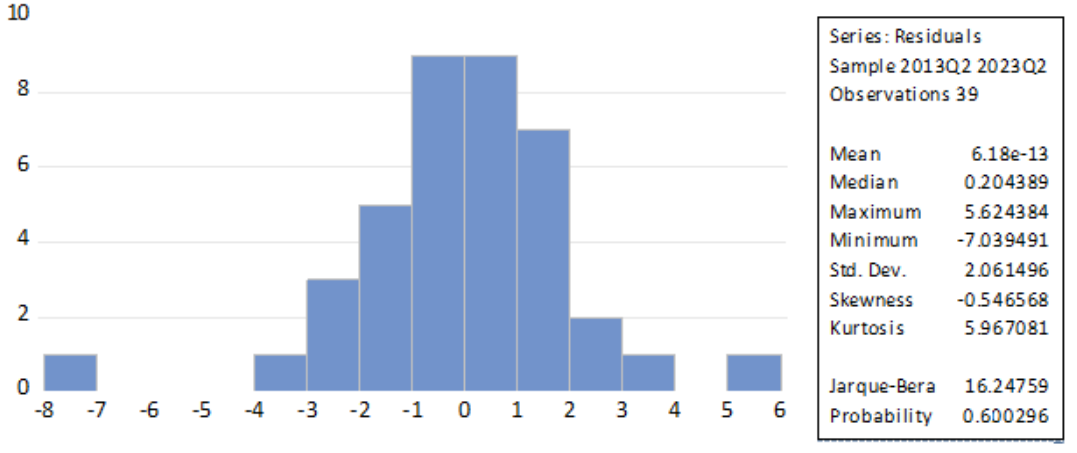

Figure 03: JB test for model remainders
Source: Prepared by researchers based on the outputs of the Eviews12 program

The figure above shows that the test result was insignificant, and that the residues are distributed around the center and almost disappear at the extremities, while the value of $Prob_{JB}$=0.06 >0.05 was recorded, indicating that the residuals of the model follow the normal distribution.

- **Test for the absence of self-correlation between values limit Random error:**

To test the absence of autocorrelation between the residues, we rely on the autocorrelation test, the results of which are illustrated by the following figure:

Table 02: Autocorrelation Test

Date: 02/28/24 Time: 22:33
Sample (adjusted): 2013Q2 2022Q4
Included observations: 39 after adjustments

Autocorrelation	Partial Correlation		AC	PAC	Q-stat	Problem*
. |** |	. |** |	1	0.347	0.347	5.0583	0.025
.*| . |	**| . |	2	-0.094	-0.243	5.4381	0.066
.*| . |	. | . |	3	-0.092	0.040	5.8107	0.121
. | . |	. | . |	4	-0.039	-0.045	5.8799	0.208
. | . |	. |*. |	5	0.055	0.083	6.0234	0.304
. | . |	.*| . |	6	0.007	-0.070	6.0258	0.420
.*| . |	.*| . |	7	-0.103	-0.076	6.5572	0.476
.*| . |	. | . |	8	-0.078	-0.008	6.8722	0.550
. | . |	. | . |	9	-0.040	-0.040	6.9591	0.641
. | . |	. | . |	10	-0.040	-0.041	7.0461	0.721
. | . |	. | . |	11	-0.015	-0.002	7.0592	0.794
. | . |	.*| . |	12	-0.057	-0.069	7.2486	0.841
. | . |	. | . |	13	-0.056	-0.015	7.4415	0.878
. | . |	. | . |	14	0.046	0.056	7.5743	0.910
. |*. |	. | . |	15	0.085	0.031	8.0595	0.921
. | . |	.*| . |	16	-0.049	-0.116	8.2245	0.942

***Probabilities may not be valid for this equation specification.**
Source: Prepared by researchers based on the outputs of the Eviews12 program

It is clear from the table that the Q-star test is insignificant and that the columns are within critical limits, which obliges us to accept the null hypothesis and say that there is no subjective correlation between the values of the random error limit

- **Random error limit chain stability test**:

To ensure that the data used is free of any structural changes in it and that the model is valid for prediction, it must be based on the PP test, which enables us to

test the stability of the residue series, and the results are clear through the following table

Table 03: Stability test for residue series

UNIT ROOT TEST RESULTS TABLE (PP)		
Null Hypothesis: the variable has a unit root		
	At Level	
		RESID01
With Constant	t-Statistic	-7.8211
	Prob.	***0.0000***
		***
With Constant & Trend	t-Statistic	-7.7100
	Prob.	***0.0000***
		***
Without Constant & Trend	t-Statistic	-7.9309
	Prob.	***0.0000***
		***

Source: Prepared by researchers based on the outputs of the Eviews12 program

It is clear from the table that the p-values of the three models according to the PP test are less than the level of significance (0.05%) and therefore the residual series is stable

- **Predictability Test**

MIDAS models have a unique feature, which is the possibility of taking advantage of the full information available for the high frequency variable, and from it in light of the available data for the exchange rate, imports can be predicted until the first quarter of 2024

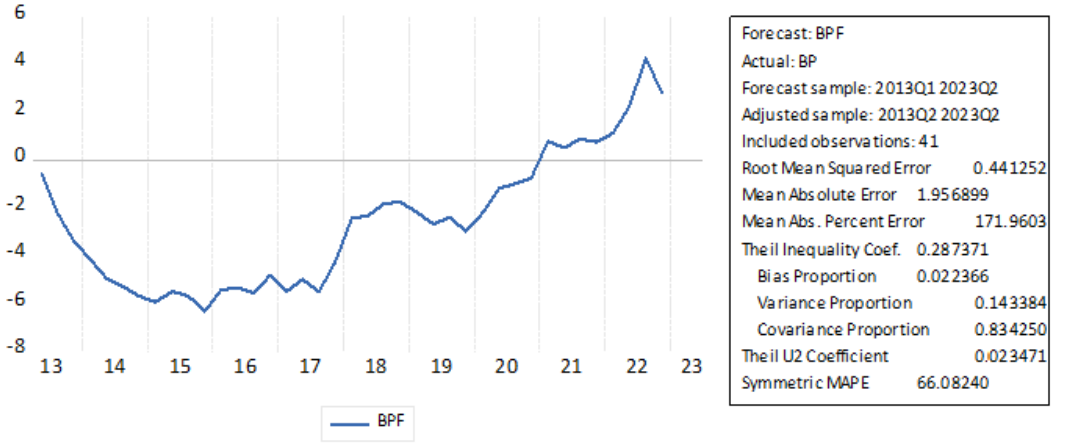

Figure 04: Balance of Payments Balance Forecast Results
Source: Prepared by researchers based on the outputs of the Eviews12 program

It is clear from the figure that the value of the coefficient of RMS=0.44, which is close to zero, and the coefficient of Theil = 0.023, which is also close to zero, and therefore we can adopt the numbers that were predicted using the model

Results of the standard study:

_ There is a positive effect of negative values of the balance of payments balance on the period Q by a factor of 0,79
_ The balance of payments responds to changes in high exchange rate frequencies alternately, with the real-time effect recording 0.74
_ The optimal slowdown periods for the estimated model are 5 slowdowns, indicating that the weekly frequency of the exchange rate explains the quarterly frequency of the balance of payments balance in an optimal manner.

5. Conclusion

At the conclusion of this work, we conclude that there is a close relationship between the exchange rate and the balance of payments. Exchange rate changes affect the balance of payments, and vice versa. When there is a change in the exchange rate, it affects a country's trade. For example, when the national currency appreciates, it can allow a country to import goods and services at a lower cost, increasing its imports and increasing the balance of payments deficit. On the other hand, the depreciation of the national currency may increase the cost of imports and reduce exports, contributing to a balance of payments surplus.

As for the impact of the exchange rate on the balance of payments in Algeria, it requires intensive attention and study. Understanding this complex relationship is critical to achieving economic stability and promoting sustainable growth in the country. We can also answer the problem posed and say that the exchange rate positively affects the Algerian balance of payments during the study period, which is consistent with theoretical and applied studies, while the applied study found a positive relationship between the exchange rate and the balance of payments in the long term, as the increase in the exchange rate leads to an increase in the balance of payments**.**

These important findings can be applied in practice to improve Algeria's balance of payments. Decision makers and economic officials should take into account the impact of the exchange rate when developing economic policies and actions, and ensure that these policies are balanced and sustainable. Based on the evidence from the study, there are several recommendations that could contribute to improving economic performance and enhancing the stability of Algeria's balance of payments. Here are some basic recommendations

- **Promoting economic reforms:** The Algerian government should continue to promote economic reforms to improve the business environment and attract foreign direct investment. This will contribute to enhancing the competitiveness of the Algerian economy and increasing exports, leading to an improvement in the balance of payments.

- **Diversification of the economic base:** Algeria should diversify its economic base by developing sectors other than oil and gas. Manufacturing, agriculture, tourism and services can be promoted to boost exports and strengthen the balance of payments.
- **Enhancing fiscal sustainability**: The government should focus on enhancing fiscal sustainability by increasing non-oil revenues and improving public debt management. Sustainable fiscal policies can contribute to boosting confidence in the economy and improving balance of payments performance.
- **Promoting regional economic integration:** Economic cooperation with neighboring countries and promoting regional integration can be an opportunity to expand the export base and enhance trade. Developing trade and investment links with other countries can contribute to improving the balance of payments.

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