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THE SIGNIFICANCE OF FOREIGN EXCHANGE MARKET IN STRATEGIC ECONOMIC DEVELOPMENT OF UZBEKISTAN

The article researches the theoretical aspect of foreign exchange market and its essential place in the economy, its impact on economic development made by current monetary reforms, the importance of liberalizing foreign exchange market and its prospects, besides analyses data related to main indexes of foreign exchange market took place last year. Changes, touched banking system activity, were seen separately. There are some recommendations and the opinion of the authors at the end.

Key words: Foreign exchange market, export, import, rate of exchange, currency, investment, liberalization.

Maqolada valyuta bozorining iqtisodiyotdagi o'рни, monetary islohotlar natijasida uning iqtisodiyotga bo'lgan ta'siri va valyuta bozorini liberalizatsiyalash zarurligi ko'rib chiqilgan. Undan tashqari, o'tgan yilgi ma'lumotlar ham ko'rib chiqilgan. Alohida bank tizimining faoliyatida bo'lgan o'zgarishlar tahlil qilingan. Oxirida mualliflarning tavsiyalari va fikrlari berilgan.

Kalit so'zlar: Valyuta bozori, eksport, import, almashtirish kursi, valyuta, investitsiyalar, liberalizatsiya.

В статье исследуются теоретические аспекты валютного рынка и его необходимое место в экономике, его влияние на экономическое развитие в результате монетарных реформ, необходимость либерализации валютного рынка и ее перспективы, кроме того, анализируются данные, связанные с главными показателями валютного рынка за прошедший год. Отдельно рассмотрены изменения, затронувшие деятельность банковской системы. Даны рекомендации и мнение авторов в конце.

Ключевые слова: Валютный рынок, экспорт, импорт, обменный курс, валюта, инвестиции, либерализация.

One of the most important components of any country's economy is doubtlessly stable foreign exchange market, serving international circulation of goods and service, forming exchange rate under the influence of demand and supply, being as an instrument for protection from different monetary risks. Depending on country's position and processes happening in world economy each state sets own purposes and methods of currency policy.

Usually this policy is held to strengthen inside position of national currency, to accumulate international reserves, to control the movement of national and foreign capital. The currency policy, directed for short-term in order to regulate currency exchange and transactions, is called current currency policy. Changes in the currency

system, realized with reforms in this sphere during long-term period is structural currency policy.

Market regulation of exchange rates is relied on demand and supply, however, permanent exchange fluctuations might have a negative impact on both national and world economy, which lead to severe social consequences. Therefore, state regulation will remove negative consequences through efficient currency policy. The prime methods of currency policy are currency intervention, currency restrictions, controlling the currency convertibility, valuation and the diversification of international reserves.

Generally, processes in foreign economic activities are closely related to national currency exchange. So, import and export of goods depend on this exchange. National currency depreciation is proportional to the growth of export value; as the rate regarding foreign currency falls, exporters get more profit and their proceeds increase due to high demand.

On the other hand, because of the cost of imported goods and service rise in national currency, the demand for them will fall. It can be concluded that national currency devaluation will stimulate export, develop entrepreneurship in the country. Profitability of export activity grows up, as a result the total income of the population will boost.

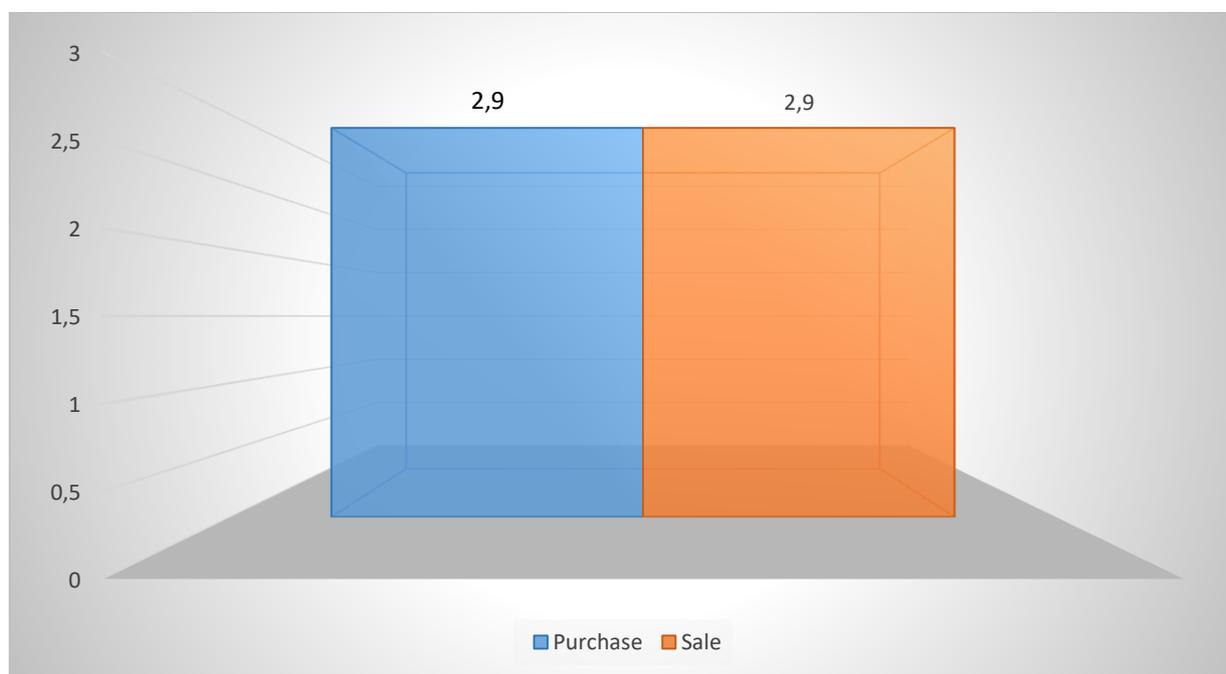
According to the first point of the third direction in “Strategy of actions in five main directions of the development of Republic of Uzbekistan in 2017-2021 years”, connected with liberalization and development of economy for steady state development and rising the stability of macroeconomic condition in the Republic of Uzbekistan, it is planned to upgrade the monetary policy and make provisions for effective monetary regulation and support the national currency’s stability [1]. In accordance with this, in Uzbekistan number of reforms was performed in 2017, which facilitated deep changes in all fields of economy and created large opportunities to improve investment climate in the country, to strengthen foreign economic activity, to rise the price competitiveness of domestic goods and services and to hold effective monetary policy.

Especially, the reforms related to monetary policy had a huge influence on financial-banking sector, lifting up the operations, held between commercial banks and customers to completely new level and supplying free access for banks to foreign exchange. The President’s decree adopted on the 2nd of September of 2017 “On the foremost measures for monetary policy realization” sets number of steps, which are necessary to carry out for structural transformation and further liberalization of currency market of Uzbekistan. The given actions are firstly directed to creation of necessary conditions, which let the citizens buy and sell foreign currency, as well as use it freely.

Also such steps assume broad use of financial levers to create the competition in currency market, consolidating monetary policy positions when stimulating export

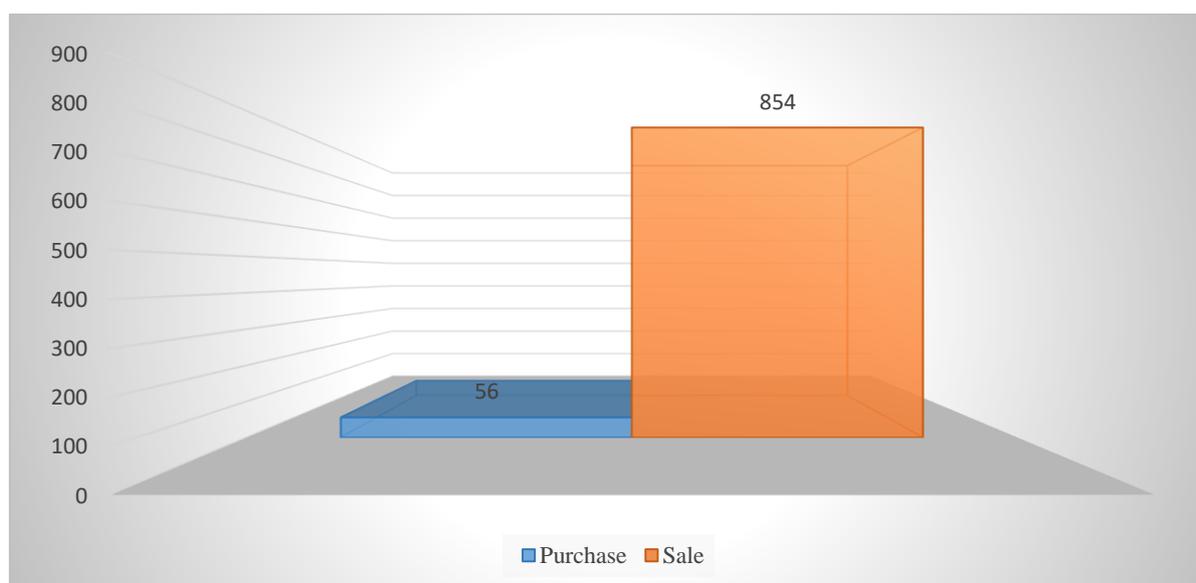
and diversifying different spheres of economy. Finally, they will play a big role in achieving aims, connected with setting rates based on market mechanisms. In order to give domestic products worthy place in an international market, special attention is devoted to development of business atmosphere by active attraction of foreign investments, providing with more workplaces relied on optimization of currency market activity. Taking into account probable negative consequences of currency market liberalization, important actions are enforced to keep the national currency stable with strict monetary policy and banking activities to rise the hardiness of commercial banks against risks.

So, in the beginning of last year, in September, juridical people got opportunities to pay current international operations such as paying off a credit, the import of goods and service in foreign currency; individuals can sell currency at exchange offices of commercial banks, sole entrepreneurs, who import food products, are allowed to acquire foreign currency through banking accounts. As a result, the activity of economic entities with purchasing and selling foreign currency rose sharply. Particularly, last year, exactly from September to December purchasing and selling of foreign currency by economic entities reached 2,9 billion dollars, 76 % of total imported products. The value of cash currency sold by individuals to commercial banks during that period was 854 million dollars. Foreign currency sales to individuals were characterized with high growth every month and reached 22,3 million dollars in December.



Pic. 1 Currency exchange operations conducted with legal entities from September to December in 2017 (billion dollars)

Source: www.financist.uz The overview of foreign exchange market of Uzbekistan according to 2017 year's results



Pic. 2 Currency exchange operations with individuals from September to December in 2017 (million dollars)

Source: www.financist.uz The overview of foreign exchange market of Uzbekistan according to 2017 year's results

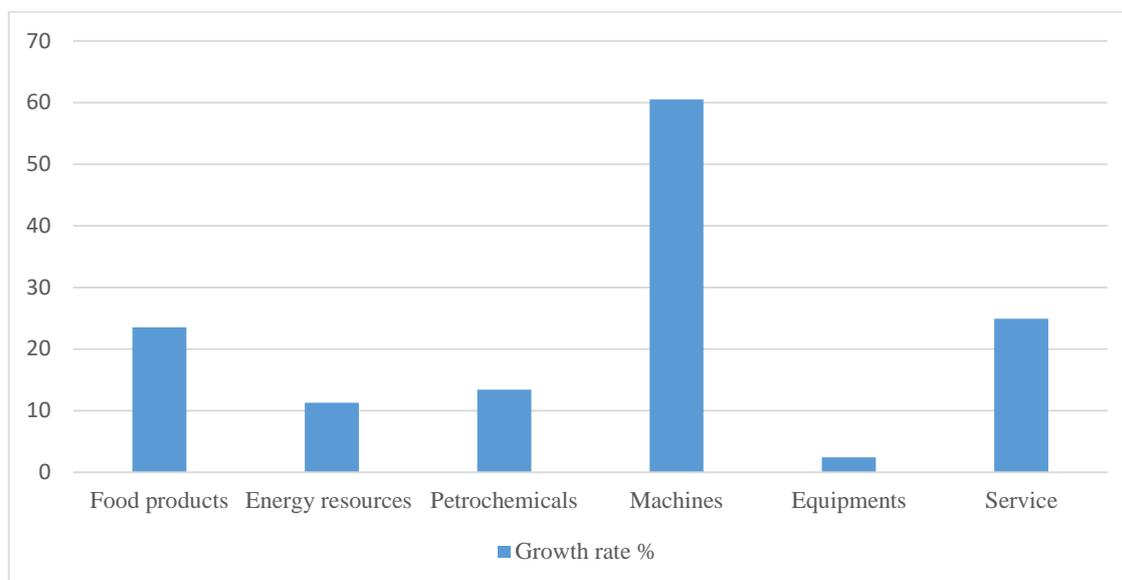
The changes include also the activity of commercial banks: so, banks have a right to determine conditions of giving and paying off credits in foreign currency, based on credit policy, different monetary risks of commercial banks belong to their competence and they are considered to be an enterprising risk and banks can freely set the commission when purchase-selling operations of foreign currency take place [2].

Overall, the liberalization of foreign exchange market influences positively on economy. In long-term period enactment of free currency will let producers acquire raw materials, buy import equipment with less production costs. Expanding the country's export potential with investment flow to various spheres of economy will rise occupation and total income, the main side will lead to the creation of important preconditions for further integration to international trade.

Furthermore, if the quantity of enterprises rise in domestic market, it will facilitate the competition between them and be reflected at economic effectiveness. The export potential will be actually risen with fast rates if the business activity is on the high level too. Business activity, in its turn, is inseparably connected with economic reforms in the country, which help to provide with favorable conditions for entrepreneurs. In particular, Uzbekistan is on the top list of ten countries among 190 all over the world, holding a lot of reforms to reach high results in improving the business atmosphere.

Moreover, our country succeeded in number of indexes, presented in the World Bank's data, definitely defining indexes such as business doing easiness – 74th place, enterprise registration – 11th place, connection to water supply system – 27th[3]. Further definite measures for optimizing export and import, improving logistical system, reducing taxes on entrepreneurs, protecting investors, creating a good investment climate and stimulating credits will urge our country to develop the rating and achieve high results. These have already reflected in the economic development

of our country: the foreign trade turn of Uzbekistan grew up to 16,7 % towards last year during 9 months in 2017.

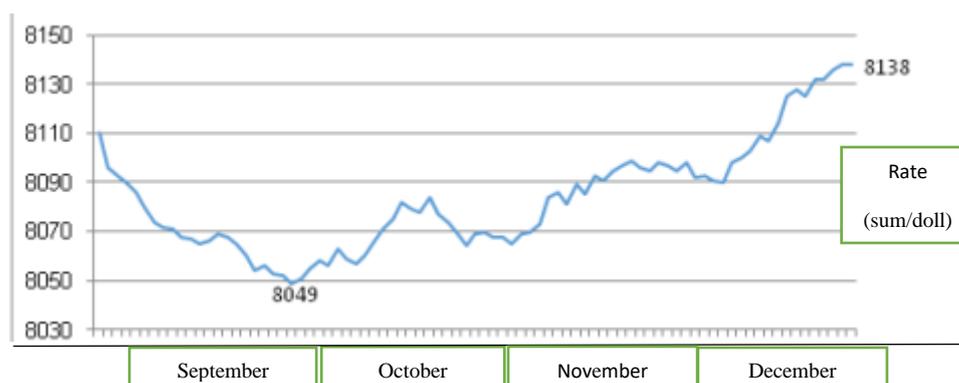


Pic. 3 Export growth as a percentage during 9 months in 2017 towards 2016

Source: www.cbu.uz. The main directions of monetary policy for 2018.

It is seen in the chart, large growth of foreign trade turn describes the export of food products (growth rate is 23,5 %), machines and equipment (60,5 % and 2,4 %) and service (10,8 % and 24,9 %).

On the whole, these reforms opened large opportunities for economic growth in long-term period. The reforms boosted forcefully the export, that plays a key role in GDP (Gross Domestic Product) growth. As the result of foreign exchange market liberalization from September till December last year, the exchange rate changed within 8049,00-8138,00 sums for 1 US dollar, that is given below:



Pic. 4 The Dynamics of exchange rate of sum towards US dollar from September till December in 2017

Source: www.financist.uz The overview of foreign exchange market of Uzbekistan according to 2017 year's results.

In future, making the national currency cheaper will definitely affect inside financial-banking system: the real cost of deposits in foreign currency will rise by exact percent, estimated in national currency, the yield of investment portfolio and stocks will change, and certainly, the investment attraction of the country will improve. The liberalization of the money market in the Republic of Uzbekistan and measured monetary policy, directed to keeping the market prices at stable level in

conditions of high inflationary expectations, more foreign investment attractions and stimulating the entrepreneurship in the country will play the significant role in developing the economy. In particular, formation of exchange rates relied on market instruments is one of the prime questions in 2018, and special attention needs to be devoted, which related to Central Bank’s interventions aimed at “sterilization” of extra liquidity and money supply in economy with the help of monetary operations [4].

In conclusion, the further measures pointed to carrying out effective monetary policy, raising the commercial banks’ activity and respectively, the development of competition between them, as well as increasing the number of firms, exporting their goods to foreign countries will certainly bring foreign exchange market and the economy of our country as well to the new more advanced level.

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