
Exchange Policy of the Central Bank of Uzbekistan

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Annotation: Improving the exchange rate policy of the Central Bank plays an important role in ensuring the stability of the national currency and increasing the export potential of the country's residents. In particular, improving exchange rate policy prevents an increase in the real exchange rate of the national currency in relation to the national currencies of the countries that are the country's main trading partners.

The article develops scientific proposals aimed at improving the exchange rate policy of the Central Bank of the Republic of Uzbekistan.

Keywords: National currency, foreign currency, exchange rate, exchange rate policy, exports, imports, deficit, inflation, devaluation.

INTRODUCTION: The Development Strategy of New Uzbekistan for 2022-2026, approved by the Decree of the President of the Republic of Uzbekistan dated January 28, 2022 No. PF-60, further development of the export potential of local industries, introduction of standards that meet foreign markets and international requirements, and popular attract brands, increase the share of the private sector in exports to 60%, increase the export of motor vehicles by 3 times and reach 1 billion US dollars, increase the export of tourism, transport, information and communication, including software and other services by 1.7 times or 4.3 billion Conversion to the US dollar, increasing the number of exporting enterprises from the current 6,500 to 15,000 are recognized as priorities for increasing the country's export potential [1]. This, in turn, creates the need to improve the exchange rate policy of the Central Bank.

MATERIAL AND METHOD. According to a group of economists, the exchange rate policy is a component of the monetary policy of the Central Bank and is the main factor in ensuring the stability of the national currency, the financial and credit system and the financial market. [2].

H. Mendonsa and B. The results of the research carried out by Tiberto showed that the primary condition for ensuring the stability of the national currency is trust in the Central Bank, because only when this trust exists, it is possible to neutralize the effect of the decrease in the exchange rate of the national currency on inflation. [3].

T. Bobakulov scientific works, issues of improving the practice of using monetary policy instruments of the Central Bank of the country and ensuring the stability of the national currency were studied. Based on the results of the research, he concludes that the transfer of a part of the additional foreign currency income received as a result of the cyclical increase in the prices of exported products from the country to the Central Bank of the Republic increases the possibility of its foreign exchange intervention and refinancing loans. [4].

According to the conclusion of A. Ismailov, "by increasing the volume of swap operations of the Central Bank of the Republic of Uzbekistan with foreign currencies and gold and introducing the determination of the nominal exchange rate of the national currency in relation to the "currency basket" consisting of the US dollar, euro and Japanese yen, the national currency - the rate of devaluation of the soum should be reduced. Taking into account the instability of the exchange

rates of the international reserve currencies, in our opinion, in order to ensure the stability of the nominal exchange rate of the national currency of the Republic of Uzbekistan, the soum, it is necessary to introduce the determination of its exchange rate in relation to the "currency basket" consisting of the US dollar, euro and Japanese yen. As a result, the fluctuation range of the nominal exchange rate of the soum will be significantly reduced." [5].

ANALYSIS AND RESULTS

The national currency is the soum, and all currency units in circulation in our republic are banknotes. They are provided with the assets of the Central Bank of the Republic of Uzbekistan. The currency parity of the soum is determined against the US dollar. It uses the method of comparing the purchasing power of the soum and the US dollar.

Table 1. The deficit of the foreign trade balance in the Republic of Uzbekistan, the rate of inflation and the annual growth rate of the money supply [6]

Category	2018	2019	2020	2021	2022
Foreign trade balance deficit, mln. US dollars	5299	6833	6043	8850	11035
Inflation rate	14,3	15,2	11,1	10,0	12,3
The growth rate of the money supply (in terms of M2 monetary aggregate)	9,3	4,7	9,8	10,1	23,4

From the data of Table 1, it is clear that the amount of the foreign trade balance deficit in our republic had a tendency to increase in 2018-2022.

This creates a strong pressure on the nominal exchange rate of the national currency and is a negative situation from the point of view of ensuring macroeconomic stability. In 2018-2022, the inflation rate was relatively high. among other things, the inflation rate has increased significantly in 2022 compared to 2021.

Also, during the analyzed period, the annual growth rate of the money supply was relatively high. One of the urgent problems related to the improvement of the exchange rate policy of the Central Bank is the fact that most of the conversion operations are carried out in US dollars and many leading currencies of the world are not used as objects of exchange in conversion operations.

Table 2. The currency composition of conversion operations carried out at the Republican Currency Exchange in Uzbekistan[7], in percent

Indicators	2018	2019	2020	2021	2022
Share of US dollar in conversion operations	96,1	95,6	89,9	99,9	99,9
Share of euro in conversion operations	3,9	4,4	10,1	0,1	0,1
Share of other currencies in conversion operations	0,0	0,0	0,0	0,0	0,0
Conversion operations - total	100,0	100,0	100,0	100,0	100,0

From the data of Table 2, it is clear that the absolute majority of the conversion operations carried out in the Republican currency exchange in 2018-2022 were carried out in US dollars. Moreover, during the analyzed period, conversion operations with leading currencies other than the euro were not carried out. This is a negative situation from the point of view of improving exchange rate policy. The reason for this is that the establishment of complex implementation of conversion operations with leading currencies allows, firstly, to increase the volume of currency operations; secondly, it creates the necessary conditions for increasing the effectiveness of currency risk management.

CONCLUSION

In the process of writing a scientific article, we formed the following conclusions:

- In the Development Strategy of New Uzbekistan for 2022-2026, the issue of increasing the country's export potential is recognized as a necessary condition for ensuring macroeconomic growth, which creates the need to improve the exchange rate policy of the Central Bank;

- Trust in the Central Bank is an important and basic condition for ensuring the stability of the national currency, because only when this trust exists can the impact of the decrease in the exchange rate of the national currency on inflation be neutralized;
- The high rate of depreciation of the national currency against the US dollar in our republic in 1994-2023 indicates that the Central Bank has not improved the exchange rate policy;
- The amount of the foreign trade balance deficit in our republic had a tendency to increase in 2018-2022. This creates a strong pressure on the nominal exchange rate of the national currency and is a negative situation from the point of view of ensuring macroeconomic stability;
- The inflation rate was relatively high in 2018-2022. Including, the inflation rate increased significantly in 2022 compared to 2021;
- The annual growth rate of the money supply was relatively high in 2018-2022;
- The fact that the absolute majority of the conversion operations carried out in 2018-2022 in the currency exchange of the Republic were carried out in US dollars, and the fact that no conversion operations were carried out with leading currencies other than the euro during the analyzed period is one of the urgent problems related to the improvement of the exchange rate policy of the Central Bank.

In our opinion, the following actions should be taken to improve the exchange rate policy of the Central Bank of our republic:

1. To ensure the stability of the nominal exchange rate of the national currency, first, it is necessary to reduce the amount of the foreign trade balance deficit by implementing non-tariff restrictions on the import of goods; secondly, it is necessary to introduce the procedure for determining the nominal exchange rate of the soum not only against the US dollar, but against the "currency basket" consisting of the leading world currencies, the US dollar, the euro, the Japanese yen, and the Swiss franc; thirdly, it is necessary to reduce the annual growth rate of the money supply in order to improve the regulation of money supply.

The analysis carried out during the research showed that the presence of a large deficit in the country's foreign trade balance and the tendency to increase the amount of this deficit in 2018-2022 creates a strong pressure on the nominal exchange rate of the national currency.

Also, the presence of a strong connection between the growth of the inflation rate and the money supply, the existence of a direct connection between the state budget deficit and the inflation rate, the presence of a connection between the inflation rate and the economic growth rate determines that inflation is one of the main factors affecting the stability of the national currency.

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