THE IMPACT OF MONETARY POLICY ON THE ECONOMY

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Annotation: This article analyzes the economic essence of monetary policy, its main tools and goals, as well as the impact of this policy on economic processes on the example of the Republic of Uzbekistan. Through monetary policy, indicators such as inflation rate, money supply, interest rates, and exchange rates are managed and aim to promote economic growth.

Key words: Monetary policy, central bank, inflation, interest rate, monetary policy, economic growth.

Annotatsiya: Ushbu maqolada pul-kredit siyosatining iqtisodiy mohiyati, uning asosiy vositalari va maqsadlari, shuningdek, O‘zbekiston Respublikasi misolida ushbu siyosatning iqtisodiy jarayonlarga ta’siri tahlil qilinadi. Pul-kredit siyosati orqali inflyatsiya darajasi, pul massasi, foiz stavkalari va valyuta kurslari kabi ko‘rsatkichlar boshqarilib, iqtisodiy o‘sishni rag‘batlantirish maqsad qilingan.

Kalit so‘zlar: Pul-kredit siyosati, markaziy bank, inflyatsiya, foiz stavkasi, monetar siyosat, iqtisodiy o‘sish.

Monetary policy (or monetary policy) is a tool used by the state to regulate the circulation of money in the economy, ensure price stability, and maintain macroeconomic indicators in balance. Monetary policy is mainly implemented by the central bank and its main goals are to control inflation, support economic growth, stabilize the employment level, and balance the balance of payments.

The essence and main types of monetary policy

Monetary policy is implemented in two main forms:

1. Expansionary policy - used during an economic crisis or recession and is aimed at increasing economic activity by increasing the money supply and reducing interest rates.

2. Restrictive policy - used when inflation is high or when the economy is "overheating". It slows down economic activity by reducing the money supply and increasing interest rates.

Monetary policy tools

Central banks conduct monetary policy through the following main tools:

Discount policy (interest rate policy) - setting interest rates on loans granted by the Central Bank to commercial banks.

Required reserve ratio - setting the share of reserves that commercial banks must maintain with the Central Bank on customer deposits.

Open market operations - injecting or reducing the money supply into the economy by purchasing or selling government securities.

Foreign exchange market interventions - are carried out to stabilize the exchange rate.

Modern directions of monetary policy in Uzbekistan

The Central Bank of the Republic of Uzbekistan conducts an independent monetary policy. In recent years, a number of reforms have been implemented in the country to reduce inflation, simplify monetary policy, and ensure openness.

The main directions are:

Transition of monetary policy to an inflation targeting system;

Keeping the growth of the money supply under control;

Ensuring the free convertibility of the national currency;

Promoting the formation of interest rates based on market mechanisms.

The Central Bank began to gradually transition to an inflation targeting system starting in 2020. The main focus of this system is on price stabilityand inflation within specific target indicators. The main goal is to maintain the inflation rate around 5% by 2025.

Impact of monetary policy on the economy

A properly conducted monetary policy leads to the following positive results:

Inflation stabilization;

Support for economic growth;

Increase in investment;

Ensuring external economic balance.

However, an incorrectly conducted monetary policy can also lead to negative consequences in the economy, such as a sharp increase in inflation, depreciation of the national currency, and a decrease in investment activity.

Conclusion. Monetary policy is an important macroeconomic management tool in the economy of any state. The reforms carried out in Uzbekistan in recent years, especially the transition to an inflation targeting system, serve to stabilize the country's economy and increase its investment attractiveness. In the future, it is necessary to increase the effectiveness of policies in this area by developing openness, forecasting capabilities and market mechanisms.

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