

## **MONETARY POLICY OF THE CENTRAL BANK AND ITS ROLE IN ENSURING MACROECONOMIC STABILITY**

**Sayfullayev Sirojiddin Soli o'g'li**

Teacher of Tashkent Financial Institute

**Abstract:** In international practice, Central Banks in their countries based on existing macroeconomic indicators of the national economy (GDP growth rate, inflation rate, state budget deficit, balance of payments situation, amount of gold-currency reserves and other factors) develop and implement their own monetary policy. Central banks use various levers of monetary policy to implement these developed main directions. In international practice, the policy of stabilization means, first of all, maintaining balance in the macroeconomics, preventing a sharp drop in production and mass unemployment.

**Keywords:** inflation, targeting, macroeconomic indicators, GDP, GDP deflator

### **Introduction**

Modern development processes require rich experience in the economic sphere, as well as in other areas of the country, to conduct a strong macroeconomic policy, to be familiar with the most modern macroeconomic concepts, and to have deep macroeconomic analysis skills. For this reason, it is of practical importance to analyze the experience of economically advanced countries with rich experience in this regard in studying the laws of macroeconomic processes, macroeconomic problems, ways to solve them by conducting macroeconomic policy, using various models and following logical consistency. Developed and developing foreign countries have accumulated many years of extremely rich experience in implementing monetary policy, effective use of its indirect tools, solving macroeconomic and financial problems. Taking into account, we admit that it is important for the state to define the strategy of economic development, to regulate the economy without harming the market mechanisms. Taking into account the factors that determine the behavior of other subjects of the macro-economy, the state directs

them through the means at its disposal in order to ensure stable economic development.

These tools are fiscal (budget-tax) and monetary (money-credit) policy. First of all, foreign countries that ensure stable growth of their economy today use a number of macroeconomic indicators to analyze the development of their economy, identify problems in the development of the national economy, and develop measures for its further development.

**Table 3**

**Information on the main macroeconomic indicators of the Republic of  
Uzbekistan (as of January 1, 2022)<sup>1</sup>**

<b>Indicators</b>	<b>Bln. in soums</b>	<b>compared to 2021 (in percent)</b>
<b>Gross Domestic Product (GDP)</b>	<b>888 341,7</b>	<b>105,7</b>
GDP deflator	x	113,8
Volume of industrial products	551 050,9	105,2
Volume of consumer goods	197 892,7	119,4
Volume of agricultural products	364 522,8	103,6
The volume of investments in fixed capital	269 857,5	100,9
The volume of capital construction	130 767,1	106,6
Retail turnover	319 288,2	112,3

From the data in the table, we can see that by the end of 2022, the real growth rate of the gross domestic product (GDP) of our country is 5.7 percent, and its nominal volume is 888.3 trillion. amounted to soum. The amount of GDP per capita increased by 3.5% in real terms compared to 2021 and amounted to 24,919,700 soums.

<sup>1</sup> [www.stat.uz](http://www.stat.uz) Asosiy makroiqtisodiy ko'rsatkichlar-Milliy hisoblar.

As can be seen from the table below, the increase in the volume of production (services) was 5.2 percent in industry, 6.6 percent in construction, and 3.6 percent in agriculture. In 2022, the volume of gross added value created by all sectors of the economy will be 93.3% of the GDP (contribution to GDP growth is 5.4%), and the share of net taxes on goods in GDP will be 6.7% (contribution to GDP growth is 0.3 percent employment).

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### O'zbekiston Respublikasi yalpi ichki mahsulotining iqtisodiy faoliyat turlari bo'yicha shakllanishi (2023 yil 1 yanvar holatiga)<sup>2</sup>

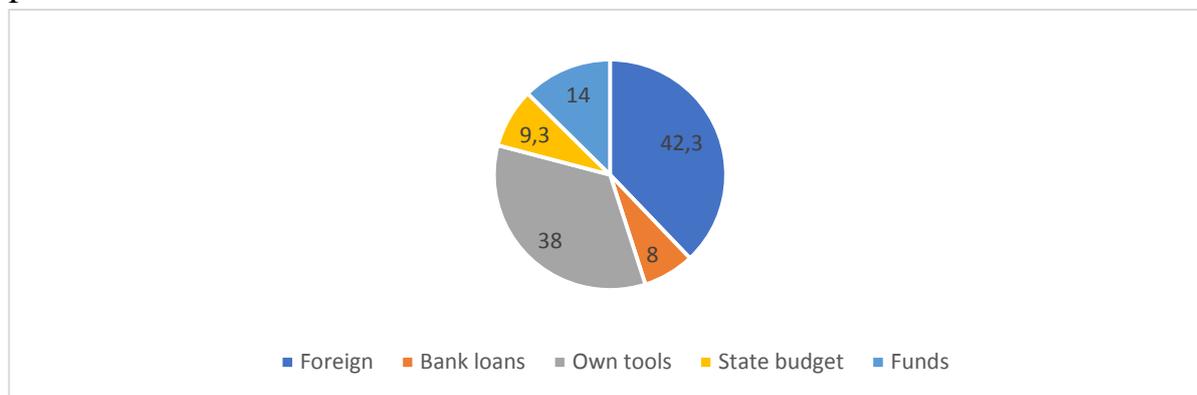
Indicators	Bln. in soums		Growth compared to 2021, %	Contribution of sectors to GDP growth %
	2021 yil	2022 yil		
<b>I. Gross domestic product, total</b>	<b>738 425,2</b>	<b>888 341,7</b>	<b>105,7</b>	<b>5,7</b>
<i>including:</i>				
Total added value of production industries	686 432,4	828 054,2	106,2	5,4
Net taxes on products	51 992,8	60 287,5	105,3	0,3
<b>II. Total added value of networks</b>	<b>686 432,4</b>	<b>828 054,2</b>	<b>106,2</b>	<b>5,4</b>
Agriculture and forestry, fishing	181 787,7	208 452,9	103,6	1,1
Industry (together with the construction sector)	232 535,7	276 227,0	105,5	1,7
industry	186 978,2	220 704,3	105,2	1,3
construction	45 557,4	55 522,7	106,6	0,4
Services	272 109,1	343 374,3	108,5	2,7
shopping, dining and accommodation services	46 750,0	57 801,7	109,3	0,4
transportation and storage, information and communication services	47 934,3	57 776,5	114,7	0,4
other service areas	177 424,8	227 796,1	106,6	1,9

Also, the analysis of the growth of the gross added value created in the economy by sectors shows that the share of the service sector was the highest in the formation of the gross domestic product, its 5.7 percent growth (2.7 percent of employment or total GDP 47 percent of growth) shows. The increase in the volume of added value in

<sup>2</sup> [www.stat.uz](http://www.stat.uz) Main macroeconomic indicators - National accounts. Formed by the author based on the data.

the industry was formed mainly due to the high growth rates in the mining and processing industries. By the end of 2022, the share of the service sector in GDP will be 41.5 percent, the share of industry will be 26.7 percent

percent, and the share of agriculture, forestry and water management was 25.1 percent.



**Figure 8. The level of distribution of investments in fixed capital in our country by sources (percentage of the total)<sup>3</sup>**

As can be seen from the figure, a 2.9% increase in the volume of fixed capital investments compared to 2021 also played an important role in the rapid growth of GDP. In particular, in 2021, the amount of investments in the economy of our republic from all sources of financing will be 239,552.6 billion. amounted to soum. Its share in GDP was 12.3% compared to 2020. 38% of total investments are own funds of enterprises and residents, 42.3% are foreign investments and loans, 8.0% are loans from commercial banks and other debt funds, 14.0% are the Republic of Uzbekistan Recovery and Development Fund. Armasi funds, 9.3 percent were financed from the state budget funds.

Also, the high real growth of GDP by the end of 2022 was positively influenced by the positive balance of the country's foreign trade balance. If we analyze the level of inflation in our country over a long period of time, one of the main factors that formed it was the constant increase of regulated prices.

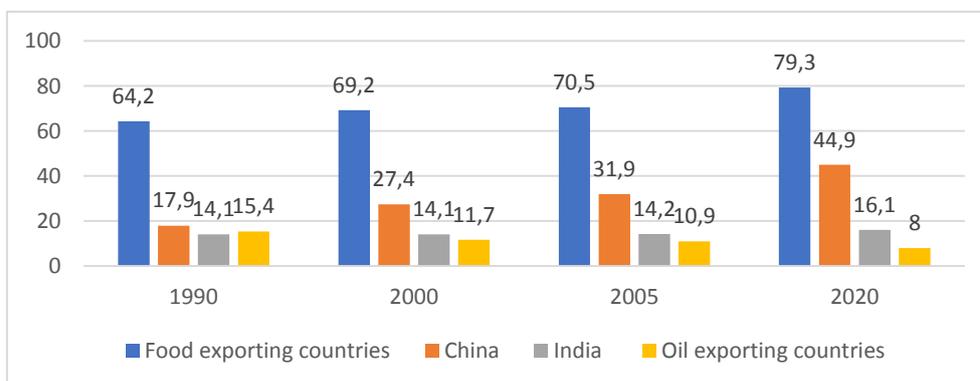
In the last 15 years, the prices of energy resources, utility services, socially important goods and services have been increased every year. (For example, in 2006-2010, electricity prices for the population increased by an average of 17.4 percent per

<sup>3</sup> Cbu.uz sayti ma'lumotlari asosida muallif tomonidan tuzildi. 11.05.2023y.

year, natural gas - by 44 percent, in 2011-2015 by 16.9 and 25.4 percent, respectively, in 2016-2019 by 15 .2 and over 16.1 percent). If the process of liberalization of regulated prices is postponed, the pressure of their increase to a certain extent in the coming years will remain on the inflation level. This, in turn, makes it difficult to reduce the inflation target to 5 percent by 2023.

Of course, the liberalization of regulated prices may put some pressure on the inflation rate in the short term, but it is an important factor for achieving macroeconomic stability in the long term. It is in the areas where prices are regulated by the state that the development of the competitive environment, the introduction of market mechanisms and the establishment of transparent rules of operation are of great importance in ensuring macroeconomic stability, in particular in reducing inflation. The import of chemical products, which are among the main goods imported to our republic, increased by 1.4% compared to 2016 (the share of the total import volume - 16.5%), the import of energy sources and oil products increased by 26.0% (5.7%), ferrous and non-ferrous metals While the import of services increased by 38.5% (9.8%) and by 20.9% (7.5%), the volume of import of machinery and equipment remained almost at the level of 2016 (growth rate 0, 8 percent). At the same time, the import of food products decreased by 11.5% (9.8% of import content).

The experience of developed countries, in particular, the banks of the USA and Japan, in limiting the growth rate of the money supply in circulation has shown that as a result of the application of this measure, the rate of macroeconomic growth slows down.



**Figure 9. The share of countries with different production and economic policies in the world GDP (percentage of the total)<sup>4</sup>**

As we mentioned above, the country, in line with its macroeconomic policy, affects the money supply through monetary policy, and through this, GDP. The increase in funds of the financial markets, including the stock market, leads to an increase in the country's GDP, which directly affects the development of national production, which ensures an increase in the standard of living of the population.

In 2017, the higher growth rates in the economies of the main trade partners of Uzbekistan compared to 2016 served to increase the external demand for goods and services produced in our country. During 2017, due to the extension of the agreement on limiting the volume of oil production and the maintenance of geopolitical tension in the Middle East, the price of Brent oil on the world market increased by 20.5% compared to 2016. This factor played an important role in the growth of the Russian economy by 1.5% in 2017, after a 0.2% decline in 2016.

At the end of 2017, the rate of economic growth in Kazakhstan significantly accelerated compared to 2016 (1.1 percent growth) and reached 4.0 percent. The analysis of the growth rate in 2016 at 6.7 percent shows that the formation of the inflation rate in 2017 was most affected by the change in the prices of food products.

It should be noted that although the formation of favorable external economic conditions for our republic in 2017 contributed positively to the processes of economic growth, the stable growth of the national economy was ensured mainly due to internal factors. In the implementation of the monetary and credit policy, the main task was to reduce the impact of monetary factors caused by the sharp increase in the volume of lending by commercial banks in the first half of 2017, and to prevent inflationary risks in the process of currency policy liberalization.

A number of non-monetary factors contributed to the increase in domestic prices during 2017, including the increase in gasoline and electricity prices in November 2017, the adjustment of domestic prices to the price levels in neighboring countries as a result of the liberalization of foreign trade, the weak competitive environment in the

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<sup>4</sup> <https://data.worldbank.org> Jahon YaIM ma'lumotlari.

import of products, and domestic construction products At the same time, the results of the conducted surveys show that the increase in the amount of wages and social payments in December 2017 affected the level of inflation in the economy through the growth of inflationary expectations. In particular, in addition to the increase of the refinancing rate of the Central Bank from 9% to 14%, the effective application of bank control allowed to moderate the growth rates of the volume of lending to the economy and the money supply in a short period of time.

### **Conclusion**

Determining the study and control processes implemented on the basis of the practical basis of the Bank's monetary policy and its instruments:

- acceptance of products from deposits as a direct resource at the request of commercial banks will ensure the impact on product liquidity, ensure the sp coefficient for its quality, increase product quality. This is determined by its own interpretation and reasons:

- deposits that have been demanded can be demanded by the owner in an unstable manner and at any time;

- refinancing policy, open policy and currency policy, which are traditional instruments of monetary and credit policy in developed countries, are activated to ensure market economic growth rates;

- the direct production of products as a direct resource on demand by commercial banks does not allow to ensure the relevant effect on the liquidity of the product, to realistically ensure the coefficient .

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