

WAYS TO PREVENT INFLATION THROUGH EFFECTIVE MANAGEMENT OF MONETARY POLICY

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ABSTRACT

This article analyzes the scientific theoretical aspects of inflation, the aspects that are neglected in its prevention, and the dynamics of inflation in Uzbekistan and word practice.

Keywords:inflation, creeping inflation, hyperinflation, external debt.

INTRODUCTION

Depreciation of money is understood as the purchase of goods and services for the same amount of money that will be less over time, that is, the amount of goods and services that can be purchased will decrease over time. For example, at the beginning of the year, buying for 100 thousand soums the amount of goods and services in possible daily consumption will decrease by the end of the year. This means buying the same goods and services in less quantity at the end of the year than at the beginning of the year for 100,000 soums.

The main indicator of inflation is the change in the consumer price index in a certain period. **Consumer price index**- reflects the average level of change in the general prices of certain goods and services based on household demand. This general indicator is calculated taking into account the price changes for each good and service in the consumer basket.

For a long time, the prices of goods and services have been stable, the medium-term rate of inflation in developed countries is around 2 percent, and this rate is relatively higher, around 2-6 percent, for countries that are developing and developing a market economy. found acceptable.

Today, there is a popular belief that any level of inflation has a negative side, and in fact, any level of inflation is not harmful to the economy. Low interest rate stable inflation is a natural process for economic growth.

Low inflation stimulates economic growth by creating additional demand in the economy. The total absence of inflation can reduce the rate of growth of the economy. Hyperinflation can derail the economy, leading to higher inflation in the future. From this point of view, a low level of stable inflation is positive.

ANALYSIS OF LITERATURE

A number of researches have been conducted in the literature related to the economy about the highly controversial opinions about inflation, its causes, inflation calculation methods and measures to reduce inflation.

According to the researches of some economists, inflation is an increase in the amount of money used in circulation due to the increase in the prices of services or goods and, as a result, the depreciation of the national currency.

Economists M. Polan and P. Guardlar conducted scientific research on inflation in 1969-1999, including 165 countries, and came to the following conclusions. According to them, there is a direct relationship between the rate of growth of money and the inflation rate, which are the main elements of inflation, and this is reflected in a number of statistical data. According to the analysis of P. Guard and M. Polan, the level of inflation can be divided into 3 parts - low, reasonable and high indicators. According to these indicators and their correlational analysis, they shed light on the relationship between the nominal exchange rate of the national currency and inflation.

After the 65th years of the last century, the correlation between unemployment and inflation determined by Phillips, that is, the conclusion that an increase in the level of unemployment at the national level causes inflation, was put forward. However, by the 1970s, this research did not gain practical importance, because according to the in-depth research of L. Catao and M. Terronza, it was proved that the growth of inflation was caused by errors in the management of the state budget. The persuasiveness of these studies is that these economists covered 107 countries and carried out research on the relationship between budget deficit and inflation for a period of 40 years, that is, until 2001.

According to another group of economists, including CH. Morris and G. Hess, low price growth had a negative impact on inflation dynamics. As a result, interest rates of bank loans cause not only inflation, but also surcharges, and the standard of living of the population begins to decrease.

Economists A. Kudrin and A. Pivovarova put forward the opposite ideas without confirming the above opinions. They argue that low inflation supports economic growth, and in this case, anti-inflationary policies increase unemployment and reduce economic growth.

If we look at the international experience today, according to the conclusions of several economists, the causes of inflation have been shown. They are divided into internal and external factors.

Internal factors:

- The crisis of the state's financial situation
- Budget deficit
- Money issue
- Acceleration of circulation of money in circulation
- Existence of monopoly in production and service
- The state has a monopoly on price formation

External factors:

- Monetary policy prevailing in the country
- Secret export of gold or currency
- External debt attraction

From the analysis, we can see that there are many factors that cause inflation, and economists have different opinions about it, and it is still the case today. But today, as the most important factor, they point to the reasons related to the currency policy, that is, the change in the amount

of money in relation to the mass of goods, the rise of the hidden economy, or the inability to effectively use the state's foreign debts. It is necessary to set strategic goals aimed at reducing the level of inflation based on these presented problems.

RESEARCH METHODOLOGY

In this article, the scientific-theoretical views, textbooks, and scientific articles of local and foreign economists on inflation, factors causing it, and prevention measures were comparatively analyzed. Analytical, monitoring, evaluation and other similar methods of analysis were used during the research.

ANALYSIS AND RESULTS

In 2022, the inflation rate in Uzbekistan was 12.3%. The press service of the State Statistics Committee reports on this reported.

In particular, the consumer price index by the Central Bank projected Corresponds to 12-12.5%. In December last year, goods and services in the consumer sector increased by an average of 1.2%. This indicator will be the same in December 2021 noted. For comparison, in December 2020, this figure was 1.5%, and in December 2019, it was 1.6%.

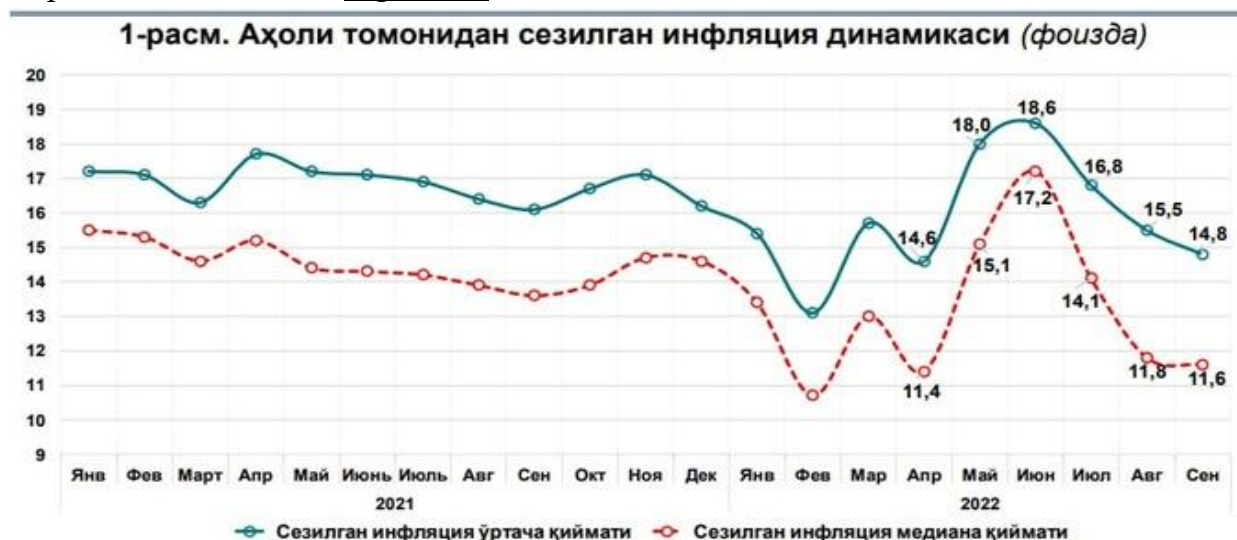
In December last year, food products took the leading place in the growth of prices and tariffs, and their prices increased by 1.7% on average.

Also, the prices of non-food goods increased by 0.8% and the provision of paid services to the population by 1.1%.

In addition, at the beginning of 2022, the annual growth rate of the consumer price index reached 9.8%. The regulator expects a decrease to 8.5-9.5% under the baseline scenario for 2023 predicted.

Experts according to, One of the main factors affecting inflation in Uzbekistan is inflation in trading partner countries. Because import inflation growth represents about 38% of core inflation.

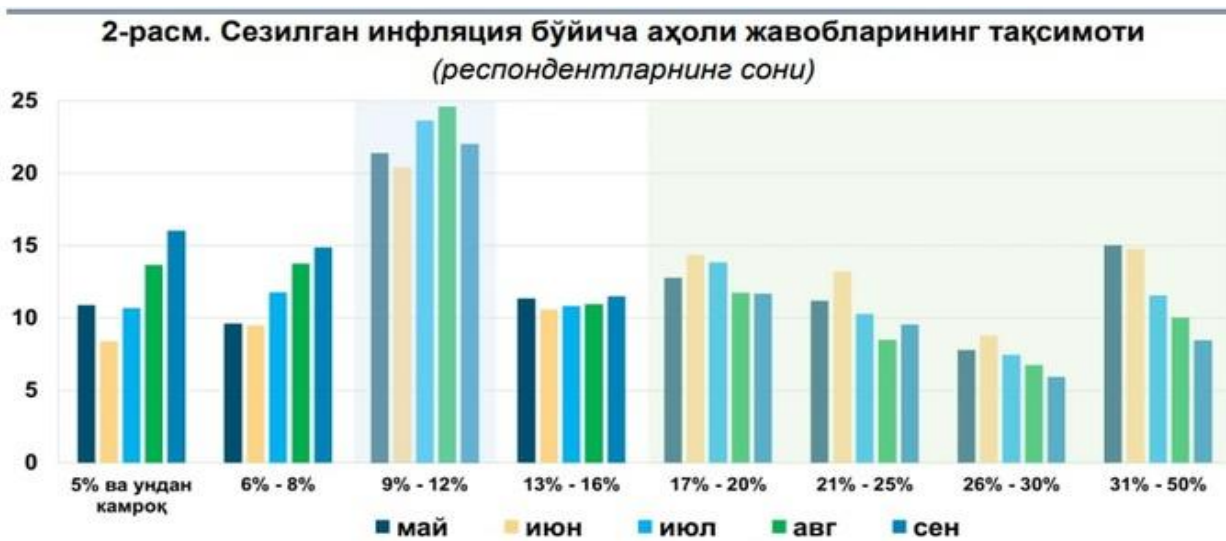
In addition, the population's inflation expectations for the next 12 months are 15.3%, and those of entrepreneurs are 14.3%. organized.



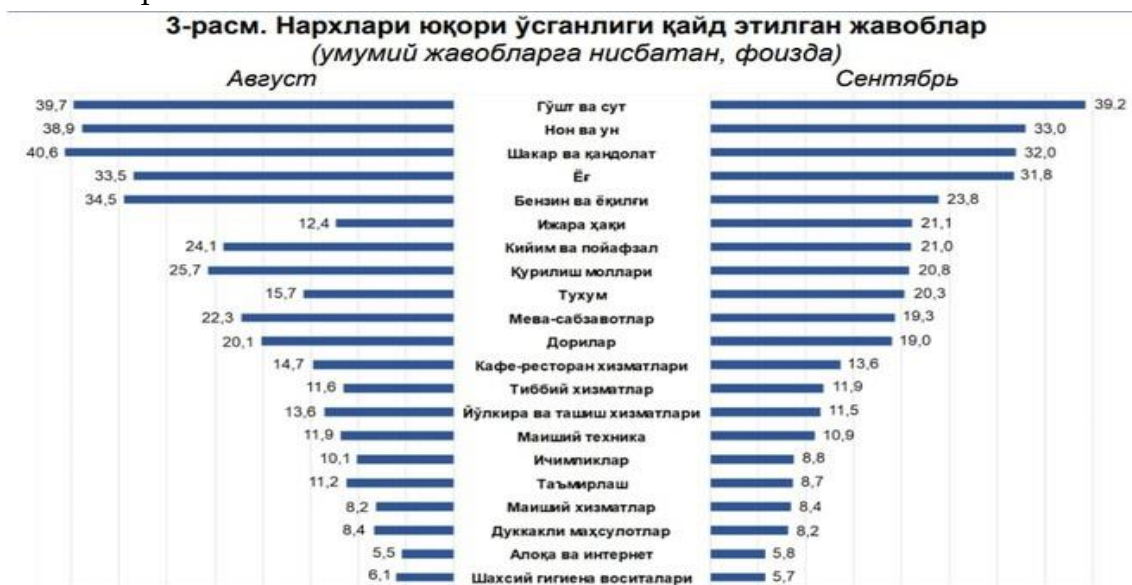
According to the MB report, the dynamics of inflation perceived by the population decreased in September and amounted to 14.8 percent. By regions, high indicators were recorded in Bukhara, Namangan regions and Tashkent city, and low indicators were recorded in Navoi, Andijan and Surkhandarya regions.

According to the results of the survey conducted in September of this year, the inflation perceived by the respondents continued its downward trend and amounted to 14.8 percent. About this in the report presented by the Central Bank was informed. In this case, the median value of the specified answers was around 11.6 percent.

At the same time, the percentage of respondents who felt inflation was below 8% has been steadily increasing since June (from 18% to 31%). Conversely, the percentage of those who felt an increase above 20 percent decreased significantly (from 37 percent to 24 percent).



Meat, milk, bread, flour, sugar, and fat products were shown to have increased prices in September as well as in August. However, the percentage of respondents who noted a high increase in the prices of bread, flour, sugar, gasoline and construction goods decreased compared to the previous month.



The impact of increased tourist arrivals on rental prices was reflected in respondents' responses in September. Also, respondents working in transport and communication services, trade, manufacturing and agriculture perceived inflation at a higher level.

In order to achieve the goal of curbing inflation, it is intended to use inflation targeting, which is used by most countries, that is, to achieve it through effective management of monetary and credit policy. What is inflation targeting? it is natural to ask that question. In this method, in order to achieve a certain level of inflation, the monetary policy mechanism is successively transferred to this mode and a specific indicator is determined. In Uzbekistan, the transition to the inflation targeting regime is being carried out step by step, and in 2023, an inflation rate of 5% has been set as a goal.

CONCLUSIONS AND SUGGESTIONS

In short, inflation occurs when the national currency depreciates on the territory of the country, and several factors affect its formation. In general, we can give examples of the existence of a monopoly in the issuance of paper money, the increase of public expenditure, the incorrect conduct of monetary policy, the backwardness of the domestic market, and unexpected natural disasters. Of course, in order to prevent inflation, the Central Bank and our government are taking necessary measures in our country. Additionally, based on the above analysis, we can make the following suggestions:

1. First of all, it is necessary to further improve the environment of the domestic market, that is, to form a competitive environment and provide all-round support to producers and service providers of consumer goods.
2. Reducing foreign borrowing, setting strategic, clear goals for the state credit policy.
3. More issuance of inflation-linked government securities, further development of the financial market in general.
4. Balancing the fiscal policy by reducing the budget expenses to the maximum.

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