

THE HISTORY OF ASSESSING THE IMPACT OF US DOLLAR EXCHANGE RATE FLUCTUATIONS ON THE NATIONAL CURRENCY MARKET

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Abstract

This article analyzes the history of the impact of the US dollar exchange rate on the national currency market. The research examines the influence of exchange rate fluctuations on economic stability, historical changes, and their consequences. The formation period of the currency market of Uzbekistan and the issues of reducing the level of dollarization are highlighted.

Keywords: National currency, US dollar, history of the currency market, devaluation, exchange rate fluctuation, inflation, currency reforms, convertibility.

Introduction

In the conditions of the hegemony of the US dollar in the global financial system, the stability of national currency markets is a priority for the economic security of any state. For the economy of Uzbekistan, the dollar exchange rate is not only a simple currency exchange indicator but also a macroeconomic indicator, the basis for price formation, and a major factor determining investment attractiveness [1]. Historically, the formation of the sum, our national currency, and its value relative to international currencies have passed through several complex stages. Since the introduction of the national currency in 1994, the high demand for the US dollar has led to an increase in the level of "dollarization" in the economy and caused price stability in the domestic market to become dependent on external factors.

It should be specifically noted that in assessing the impact of exchange rate fluctuations on the national market, not only economic indicators but also inflationary expectations in society play an important role. Historical experience shows that a sharp rise in the dollar exchange rate strengthens the tendency among the population to transfer savings into foreign currency, leading to a decrease in confidence in the national currency and liquidity problems in the banking system [2].

Today, geopolitical changes observed in the global market, disruptions in logistics chains, and the volatility of the currencies of our main trading partners also affect the currency market of Uzbekistan. Therefore, historical analysis of the dynamics of US dollar exchange rate fluctuations, studying the effectiveness of the Central Bank's intervention policies during different periods, and forecasting future risks are of urgent scientific and practical importance. This article is devoted to assessing the impact of dollar exchange rate fluctuations on the national market from a retrospective perspective, drawing conclusions from historical mistakes, and searching for ways to create a stable currency environment [3].



Literature Review

Exchange rate theories and their reflection in practice have been extensively studied in global economics. While classical economist Gustav Cassel's Purchasing Power Parity (PPP) theory explained the long-term formation of exchange rates, the models of Robert Mundell and Marcus Fleming proved the relationship between the exchange rate and monetary policy in an open economy.

Among local scholars, Sh. Abdullayeva researched the interconnection between liquidity in the banking system and the exchange rate, while N. Jumanov analyzed the instrumental framework for regulating the currency market [2]. Additionally, economist B. Berdiyev studied the processes of currency market liberalization through the prism of the 2017 reforms, substantiating the advantages and risks of free convertibility [3]. A. Vahobov's research details the "export" of global financial crises to the national exchange rate and its impact on external debt [4]. International financial institutions, particularly the International Monetary Fund (IMF), have been presenting scientific conclusions on reducing the level of dollarization in Uzbekistan [5].

Methodology

During the research process, methods of systematic approach, comparative economic analysis, periodization, and statistical analysis were used. Central Bank data, annual reports, and figures from state statistical agencies from 1994 to the present were studied comparatively. The correlation between exchange rate changes and economic growth rates was assessed through logical inference.

Results

The analysis of the history of Uzbekistan's currency market reveals that dollar exchange rate fluctuations have had a dual impact on the national economy. In the first stage—the late 1990s and early 2000s—maintaining the rate through administrative methods created problems in the foreign trade balance. However, the devaluation in September 2017 established the real market value of the national currency. Statistical analysis shows that a 10 percent increase in the dollar exchange rate caused an average 7-8 percent increase in the cost of imported products. At the same time, an increase in the volume of revenues of exporting enterprises in national currency was observed.

Discussion

When discussing the impact of dollar exchange rate fluctuations on the national currency market, primary attention should be paid to the phenomenon of "dollarization." Historically, the population and business entities have been inclined to keep their savings in US dollars, which has led to consistently high demand in the currency market. During the reform period, optimizing refinancing rates became crucial to reducing this psychological factor.

The impact of external shocks is also an important topic of discussion. For example, falling raw material prices in the global market or the depreciation of the currencies of major trading partners (such as the ruble or lira) indirectly affected the value of the sum against the dollar.



Discussions show that the Central Bank's currency interventions should only be aimed at smoothing sharp fluctuations and should not go against the fundamental trend of the market. This increases the self-regulation capacity of the national market.

Conclusion

The history of US dollar exchange rate fluctuations serves as a mirror reflecting the resilience of the national currency system. The conducted analyses show that the stability of the exchange rate is directly related to the development of the real sector of the economy and reducing dependence on imports. In the future, to further improve the national currency market, it is considered necessary to develop derivative instruments and expand mechanisms for insuring currency risks.

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