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Effect of exchange rate on international competitiveness and production efficiency of the monetary policy of the Republic of Kazakhstan

The exchange rate is an important indicator of macroeconomic change and it has significant impact on the economy. It shows a direct impact on the competitiveness of national products on the world market, the investment climate in the country, the circulation of money and inflation. Exchange rate and currency convertibility regime significantly affects the migration of capital. For investors is very important dynamics of the national currency for the analysis of the profitability of investments and the stability of its receipt. Currency convertibility regime determines the possibility of repatriation of income investors. Thus, the dynamics of the exchange rate is a reflection of the entire reproduction process in the national economy. In view of the above, it is especially important to study the mechanism of formation of the exchange rate and its impact on the pace and structure of economic development of the country.

Key words: exchange rate, international competitiveness, monetary policy, exchange rate regime, repatriation.

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Өндірістің халықаралық бәсекелестігіне және ҚР ақша-несиелік саясаттың тиімділігіне валюта курсының әсері

Валюталық курс маңызды макроэкономикалық көрсеткіш болып табылады және оның өзгерісі экономикаға айтарлықтай әсер етеді. Ол әлемдік нарықтағы ұлттық өнімнің бәсекеге қабілеттілігіне әсер етуін, елдегі инвестициялық ахуалды, ақша айналымы мен инфляцияға тікелей әсер ететінін көрсетеді. Валюталық курс пен валюталардың айырбасталымдық режимі капиталдардың миграциясына елеулі әсер етеді. Инвесторлар үшін ең маңызды – салымдардың табыстылығы мен табыс алудың тұрақтылығын саралау үшін ұлттық валюта курсының динамикасы. Валютаның айырбастылық режимі инвесторлардың табысын репатриация мүмкіндігін айқындайды. Осылайша, валюта курсының динамикасы ұлттық экономикадағы ұдайы өндірістік үдерістің көрінісі болып табылады. Жоғарыда айтылғанға байланысты, валюталық курсты қалыптастыру механизмі мен оның ел экономикасының даму қарқыны мен құрылымына әсерін зерттеу айтарлықтай маңызды болып табылады.

Түйін сөздер: валюта курсы, халықаралық бәсекелестік, ақша-несиелік саясаты, валюталық режим, девальвация, репатриация.

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Влияние валютного курса на международную конкурентоспособность производства и эффективность денежно-кредитной политики РК

Проблемы регулирования валютных отношений и степени вмешательства государства занимают важное место в денежно-кредитной политике РК. Эта проблема проявляется, когда нарушается адекватность валютного режима состоянию мировой и национальной экономик. Валютный курс является основным макроэкономическим показателем и его изменение значительно воздействует на экономику страны и в том числе на денежно-кредитную политику страны. Валютный курс показывает непосредственное воздействие на конкурентоспособность производства на мировом рынке, инвестиционный климат в стране в целом и на инфляцию. Валютный курс и режим конвертируемости валют воздействуют на миграцию капиталов. Таким образом, динамика валютного курса является отражением всего воспроизводственного процесса в национальной экономике. В связи с этим актуальным является изучение механизма формирования валютного курса и его влияние на темпы и структуру экономического развития страны.

Ключевые слова: валютный курс, международная конкурентоспособность, денежно-кредитная политика, валютный режим, девальвация, репатриация.

**EFFECT OF
EXCHANGE RATE
ON INTERNATIONAL
COMPETITIVENESS
AND PRODUCTION
EFFICIENCY OF THE
MONETARY POLICY
OF THE REPUBLIC OF
KAZAKHSTAN**

Era of globalization is characterized by ever-increasing mutual influence of different countries against each other. Growing and acquires new features not only the competition between sectors and individual countries, but also between intercountry associations. In connection with this increased attention to the role of key macroeconomic parameters, the change of which can stimulate the growth of international competitiveness of the national economy. One of the most important of these parameters is the exchange rate. Therefore particularly important research activities of the state to influence the exchange rate in order to increase the competitiveness of the economy. Currently, the exchange rate began to actively influence the profitability of exports and imports, the domestic price level, the financial condition of individual companies and the country as a whole, the standard of living of the population. In this regard, a significant relevance is the study of issues of the ruble exchange rate policy and its impact on the national economy.

Exchange rate – the «price» of the currency of one country, expressed in monetary units of foreign or international currency units. Externally, the exchange rate seems to participants as the exchange rate conversion of one currency to another, determined by supply and demand in the currency market. However, the cost basis of supply and demand is the purchasing power of the currency, which expresses the average national price levels for goods, services and investments. Factors affecting the exchange rate, are: the state of the economy, macroeconomic indicators, inflation rate, interest rates, the activities of the foreign exchange markets, currency speculation, monetary policy, balance of payments, international migration of capital, the degree of use of the national currency in international payments, acceleration or delay of international settlements, the political situation in the country, the degree of confidence in the currency at the national and international markets.

The devaluation of the currency

Kazakhstan – a country with a very vulnerable situation in the world. Not developing innovative technologies, the country runs the risk of permanently maintain a strong gap between developed and developing countries, while maintaining the appearance of moving

forward and developing. The state does not seek to create their own database, would enable him to be independent (or dependent to a lesser degree) on the conditions of a changing world. In the context of the daily worsening of the interdependence of countries in the world (due to globalization), each country is increasingly in need of conditions of stability and reliability of the world system.

After the financial crisis in 2008, most Western economies began to show a slight increase in the economy only in 2012-13. The developing countries began to show slowing production in 2014-15. Nearest neighbors of Kazakhstan – China and Russia – are also experiencing difficult times: anti-Russian sanctions have been imposed, the ruble collapsed, were destabilized relations with Western countries; China started the recession, manufacturing has reduced turnover and GDP began to fall. Since 2014 began to take shape and the unstable situation in the energy market: the oversupply of «black gold» has led to a drop in oil prices: January 20, 2016 it reached \$ 28 per barrel. Kazakhstan, as a country exporting oil resources (60% of revenue from exports accounted for the sale of oil), was in a quandary. Since 2014 Kazakhstan's macroeconomic indicators showed a clear trend towards recession: GDP growth in 2014 fell by 1.7% compared to 2013 and amounted to 4.3%, in 2015 GDP growth in Kazakhstan has been forecasted at the level of 1-2%. Other macroeconomic indicators, such as retail trade turnover, exports, imports, industrial output has also been reduced. In view of reduction in demand for oil in Kazakhstan the share of exports (the main item of government revenue) was reduced by 25-30%. Worsening macroeconomic indicators has led to a deterioration in the micro-economic indicators: slowed revenue growth in the population, the National Bank has limited consumer credit, demand shrank, the liquidity conditions in the second-tier banks violated because due to external factors in the weakening of the national currency, which has provoked the country's leadership to devalue the currency several times, and then let it float freely. The growth of the mass of money, and, as a consequence, the growth of goods and services prices in the country has allowed the government to keep the relative economic growth at the same level, thereby creating the illusion of maintaining control over the situation.

Devaluation or a currency crisis in the country, caused by the inability of the state to suppress a strong impact shatters from the changing world.

Weak tenge became a good example of the weakness and backwardness of the national economy in need of reform and innovation, which depends on costly oil and dollar receipts.

Devaluation in Kazakhstan – a reaction and effect. This tool is absolutely necessary for the application, which allows the state to delay the onset of the worst scenarios for the country: the devaluation creates the appearance of increased trade balance, however, causes a loss of confidence in the national monetary policy. Monetary policy becomes even more tightly tied to the exchange rate. Devaluation fears cause inflation, reflecting weak domestic demand and the administrative control of prices.

The subsequent chain of problems once again indicates that the state – the entire organism, in which the deterioration of some indicators gives rise to other problem areas. One vector development of foreign economic relations (focus on Russia and Central Asia), the dollarization of the economy, dependent on oil prices in aggregate and individually affect the figures in the country: the underdevelopment of the socio-economic sphere, distrust of the authorities, rising unemployment and crime and corruption system, the currency crisis, etc. In the case of Kazakhstan as the output should not be considered solely the Reformation and focus on diversification of the economy – it is necessary to change the vision and approach to the situation.

Import substitution.

There are a number of industries that are in need of import substitution. According to the analysis conducted by the PNP in 2015 exclusively for the procurement of public and quasi-public sector and subsoil, in 10 industries identified 147 headings. The priority products, based on such factors as the largest volume of imported goods, the presence of domestic producers of these goods and the economic feasibility of production in Kazakhstan. In terms of money, out of more than 150 billion tenge.

For these positions median import exceeds 90%, and in some areas it reaches 95%. That is, for a variety of headings, our economy is import-dependent. Import substitution we have, so to speak, is unpopular. It is not always perceived correctly. Many people believe that when comes to talking about import substitution, it automatically comes to violations of competition restricting access of foreign suppliers and manufacturers in the market of Kazakhstan. In fact it is not. We are proceeding from the fact that, obviously, there are large reserves in the domestic market, and not all companies are oriented

to export. And our state support measures are aimed primarily at supporting competitive companies that are export-oriented. And often we hear the argument that if you are competitive on the international market, then you will automatically substitute imports domestically. Unfortunately, we see in reality, these two processes are often intertwined. There is a clear exit strategy for the company to export that does not involve actively in the domestic market. And, on the other hand, there are those who work in the domestic market, there is a problem with access to the procurement and so on, but they do not consider the current phase of the export term. Therefore, we say that the need to maintain competitive production, which are focused both on the export and the domestic market. We believe that those who work for the most part, or only in the domestic market, it is necessary to support all those measures of state support, which receive export-oriented production. That is, we offer all major government program to focus, inter alia, on import substitution to export orientation on a par with the criterion would be the base for support measures in import substitution.

Regarding funds for import substitution, they do not stand out. The problem is – increasing productivity, an increase in the share of exports, but specifically any funds for import substitution are not laid. It is a process that develops due to manual mode, we offer a platform for meeting GMP manufacturers and buyers. I was recently on a business trip to Tatarstan, where the practice of holding a large forum in which suppliers are the days. The emphasis is on local producers. This format is required, it just allows you to identify opportunities of Kazakhstani producers and give them a chance to show the face of goods, or to meet with those who take decisions on future work. This is especially true in terms of reduced demand. Therefore, we are confident that stimulate import substitution due to government support measures still needed.

Floating exchange rate of tenge

The decline of the national currency, as mentioned, can be caused by inflation. But it is itself an important factor in rising prices and falling purchasing power of money in relation to goods and services. The fact that the national importers compensate for losses from the devaluation of the national currency, raising prices of imported goods in the domestic market. The rise in prices for im-

ported goods leads to a general increase in prices in the country. Reduced rate stimulates exports and consequently activates the balance of payments. National exporter benefits from the depreciation of the national currency, getting more of the national currency in the sale of export proceeds in foreign currency on the domestic currency market. National importer, on the other hand, loses by buying foreign currency at a higher price. With regard to exchange rate appreciation, the real appreciation of tenge leads to a reduction in the release of sectors a significant portion of the product which is exported (fuel, forestry, chemicals and petrochemicals, non-ferrous metals). At the same industries, mainly oriented to the domestic market, the impact of strengthening of tenge is either positive or insignificant. First of all, the strengthening of the ruble increased competition between domestic and foreign goods, which (if it does not exceed the adaptation capacity of enterprises) is the main driving force of innovation development and modernization of production. Strengthening tenge leads to lower real interest rates, stimulating investment demand. Improving access to high – productive foreign equipment can seriously speed up the modernization of the economy.

The real exchange rate is one of the most important macroeconomic indicators, which determines the competitiveness of domestic producers relative to foreign ones. Therefore, changes in the real exchange rate may have an impact on economic growth. The greatest importance of this figure acquires in those countries where a large part of export-oriented production. Kazakhstan refers specifically to this group of countries. The gradual strengthening of tenge allows you to more efficiently bathe the modern imported equipment, much needed industry of Kazakhstan. However, it is hardly advisable to artificially accelerate the process of strengthening of tenge, for it may lead to the fact that some insufficiently modernized industry simply lose their competitiveness. The result will be a further shift towards a raw material orientation of the Kazakh economy and the loss of potential GDP growth in a certain part of the manufacturing industry. In other words, we need optimum, and it is likely to «moderately weak» zone, not «strong» tenge. But the situation will be different depending on the use of domestic or imported raw materials.

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