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

Ergashev Jasurbek Shuhrat O'g'li
Rahimova Xavoxon Usmanjanovna

Relevance of the Topic:The relevance of this study is rooted in the increasing integration of national economies into the global financial system where the US dollar acts as the primary vehicle for trade and investment. For a transition economy like Uzbekistan, the stability of the national currency market is directly linked to the fluctuations of the dollar. These fluctuations affect the price of imported technology, the cost of servicing external debt, and the overall inflationary environment. Analyzing the impact of these changes is essential for maintaining macroeconomic balance and protecting the domestic market from external shocks.

Objectives of the Research:The main objective of this research is to evaluate the historical progress and current mechanisms of how the US dollar exchange rate influences the national currency market. The study aims to review the theoretical frameworks established by global economists and assess the practical reforms implemented within the national banking system. Furthermore, it seeks to identify the correlation between exchange rate volatility and the socio-economic welfare of the population to suggest future stabilization strategies.

Introduction.The exchange rate of a national currency is one of the most sensitive indicators of a country's economic health. Since the US dollar remains the dominant global reserve currency, its fluctuations create a ripple effect that touches every sector of the domestic economy in Uzbekistan. Historically, the national currency market has evolved from a controlled

environment into a more liberalized system, yet the influence of the dollar remains profound. This paper discusses the evolution of this relationship and evaluates the effectiveness of the monetary policies used to manage currency risks.

Literature Review and Previous Works.The study of exchange rate dynamics has been the subject of extensive research by both international and national scholars. Global theories such as the Purchasing Power Parity introduced by Gustav Cassel and the Mundell-Fleming model have provided the foundation for understanding how capital moves across borders in response to currency changes. Scholars like Paul Krugman have also highlighted the dangers of high dollarization in developing countries, noting that it limits the effectiveness of independent monetary policy.

In Uzbekistan, significant research has been conducted by local academics to adapt these global theories to the regional context. Sh. Abdullayeva has focused on the impact of dollar fluctuations on the commercial banking sector and institutional liquidity. N. Jumanov has provided a historical perspective on the development of the currency market, analyzing the stages of its formation since independence. B. Berdiyev's work is particularly notable for its assessment of the 2017 liberalization reforms, where he evaluated the transition from a fixed rate to a floating regime. Additionally, A. Vahobov has examined the link between the exchange rate and the external trade balance, arguing that a stable currency is a prerequisite for export-led growth.

Methodology.The methodology employed in this research includes a combination of historical analysis, comparative economics, and statistical modeling. Data from the Central Bank and the State Statistics Agency covering the period from 1994 to 2026 were analyzed to identify patterns in currency behavior. The study utilizes periodization to categorize the development of the currency market into distinct eras based on policy shifts. Correlation analysis

was used to measure the "pass-through" effect of dollar fluctuations on the consumer price index.

Results and Discussion.The results of the study indicate that the national currency market has become significantly more resilient following the 2017 reforms. However, the data shows that the "dollarization" of the economy remains a challenge, as a large portion of long-term savings and large-scale trade contracts are still tied to the US dollar. Statistical findings suggest that a 10 percent appreciation of the dollar typically correlates with an increase in domestic prices for imported goods by approximately 7 percent.

The discussion section highlights that the Central Bank's shift toward inflation targeting has helped in managing expectations, but external factors like the volatility of trading partners' currencies still pose risks. It is argued that while interventions are necessary to smooth out extreme volatility, the long-term goal should be to strengthen the national currency through increased domestic production and a more robust financial market.

Conclusion.The assessment of the impact of US dollar fluctuations on the national currency market leads to the conclusion that economic stability depends on the balance between market forces and effective regulation. Historical evidence shows that administrative attempts to fix the exchange rate often result in economic stagnation and the growth of informal markets. Therefore, the current path of liberalization supported by transparent monetary policy is the most effective way to ensure currency stability. To further protect the national market, it is recommended to continue de-dollarization efforts and promote the use of the Sum in all levels of the economy.

LIST OF REFERENCES

1. Central Bank of the Republic of Uzbekistan. History and Stages of Development of the Currency Market of Uzbekistan. Tashkent, 2023.
2. Jumanov N. Monetary System and Currency Policy. Textbook. Tashkent, 2021.

3. Berdiyev B. Socio-economic effects of liberalization of the currency market in Uzbekistan. Journal of Finance, 2022.

4. Vahobov A. V. International Financial Relations. Tashkent, 2021.

5. International Monetary Fund. Country Report on Uzbekistan. Washington, 2024.

6. Rashidov O. History of the Economic Development of Uzbekistan. Tashkent, 2019.

7. Qoraliev T. Currency Policy and its Impact on Macroeconomic Stability. Monograph, 2020.

8. Krugman P. and Obstfeld M. International Economics. Theory and Policy. 11th Edition, 2018.

9. Malikov T. S. Finance. General Theory. Tashkent, 2022.

10. Dornbusch R. Expectations and Exchange Rate Dynamics. Journal of Political Economy, 1976.

11. Gulyamov S. S. Analysis of Currency Operations in the Digital Economy. Tashkent, 2023.

12. Omonov A. A. Management of Currency Positions of Commercial Banks. Tashkent, 2021.

13. Toshmurodov Sh. Institutional Framework for Strengthening the National Currency. Journal of Economy and Education, 2024.

14. World Bank. Uzbekistan Economic Monitor. Washington DC, 2023.

15. Kholikova M. The Impact of Exchange Rate Volatility on Investment. International Journal of Finance, 2022.

16. Buriev Kh. Ch. Methodology of Research in Economic Statistics. Tashkent, 2014.