ҚАЗАҚСТАН РЕСПУБЛИКАСЫ ҒЫЛЫМ ЖӘНЕ ЖОҒАРЫ БІЛІМ МИНИСТРЛІГІ
МИНИСТЕРСТВО НАУКИ И ВЫСШЕГО ОБРАЗОВАНИЯ РЕСПУБЛИКИ КАЗАХСТАН
MINISTRY OF SCIENCE AND HIGHER EDUCATION OF THE REPUBLIC OF KAZAKHSTAN

Л.Н. ГУМИЛЕВ АТЫНДАҒЫ ЕУРАЗИЯ ҰЛТТЫҚ УНИВЕРСИТЕТІ
ЕВРАЗИЙСКИЙ НАЦИОНАЛЬНЫЙ УНИВЕРСИТЕТ ИМЕНИ Л.Н. ГУМИЛЕВА
L.N. GUMILYOV EURASIAN NATIONAL UNIVERSITY

ТЕҢГЕГЕ 30 ЖЫЛ

«ҰЛТТЫҚ ВАЛЮТАНЫҢ ТҰРАҚТЫЛЫҒЫ МЕМЛЕКЕТТІҢ ҚАРЖЫЛЫҚ ҚАУІПСІЗДІГІН ҚАМТАМАСЫЗ ЕТУ ФАКТОРЫ РЕТІНДЕ»

Қазақстан Республикасының ұлттық валютасының 30 жылдығына арналған халықаралық ғылыми-тәжірибелік конференциясының

МАТЕРИАЛДАР ЖИНАҒЫ

СБОРНИК МАТЕРИАЛОВ

Международной научно-практической конференции, посвященная 30-летию национальной валюты Республики Казахстан

«СТАБИЛЬНОСТЬ НАЦИОНАЛЬНОЙ ВАЛЮТЫ КАК ФАКТОР ОБЕСПЕЧЕНИЯ ФИНАНСОВОЙ БЕЗОПАСНОСТИ ГОСУДАРСТВА»

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«STABILITY OF THE NATIONAL CURRENCY AS A FACTOR OF ENSURING FINANCIAL SECURITY OF THE STATE»

АСТАНА, ASTANA,
2023

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ASTANA, 2023

ӘОЖ 336(075.8)
КБЖ 65.261
М17

М17 «Ұлттық валютаның тұрақтылығы мемлекеттің қаржылық қауіпсіздігін қамтамасыз ету факторы ретінде» Қазақстан Республикасы Ұлттық валютасының 30 жылдығына арналған халықаралық ғылыми-тәжірибелік конференциясы. – Астана: Л.Н.Гумилев атындағы ЕҰУ, 2023. – 787 б. Международная научно-практическая конференция, посвященная 30-летию национальной валюты Республики Казахстан **«Стабильность национальной валюты как фактор обеспечения финансовой безопасности государства».** – Астана: ЕНУ имени Л.Н. Гумилева, 2023. – 787 с. International scientific and practical conference dedicated to the 30 thanniversary of the national currency of the Republic of Kazakhstan **«Stability of the national currency as a factor of ensuring financial security of the state».** – Astana: L.N. Gumilyov ENU, 2023. – 787 p.

ISBN 978-601-337-909-8

Халықаралық ғылыми-тәжірибелік конференцияның еңбектер жинағында мемлекеттің қаржылық қауіпсіздігін қамтамасыз ету және Қазақстан Республикасы ұлттық валютасының тұрақтылық факторлары қарастырылған.

В сборнике трудов международной научно-практической конференции рассмотрены факторы обеспечения финансовой безопасности государства и стабильности национальной валюты Республики Казахстан.

In the collection of works of the international scientific and practical conference, factors of ensuring the financial security of the state and the stability of the national currency of the Republic of Kazakhstan are considered.

ISBN 978-601-337-909-8 **ӘОЖ 336(075.8)**
КБЖ 65.261

Thus, the innovative activity of personnel is an integral part of the innovative activity and development of the organization. Its manifestation varies depending on the extent to which the organization itself manifests itself in the field of innovation, but for high innovative activity of personnel it is necessary to have all the specified organizational prerequisites. Consequently, the following are important for determining the innovative activity of personnel: the ability and readiness to perceive innovations, the readiness to transform and implement innovations, the readiness to mobilize their own resources and to renew and self-realize them. At the same time, the innovative activity of personnel is determined by the ability and readiness of the organization itself to form and effectively use the innovative potential of each employee.

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THE INFLUENCE OF GLOBAL CURRENCY MARKETS ON THE ECONOMY: EXAMINATION OF ELEMENTS SHAPING FOREIGN CURRENCY EXCHANGE RATES AND THEIR CONSEQUENCES ON ECONOMIC CONDITIONS

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ANNOTATION

The article "The Influence of Global Currency Markets on the Economy: Examination of Elements Shaping Foreign Currency Exchange Rates and Their Consequences on Economic Conditions" presents a thorough exploration of the intricate interplay between global currency markets and the broader economic landscape. Spanning six pages, the article dissects the various elements that impact foreign currency exchange rates, including interest rates, inflation, and central bank policies. It offers valuable insights into how exchange rate fluctuations can significantly influence economic conditions, trade competitiveness, investment patterns, and key macroeconomic indicators. Additionally, the article delves into different exchange rate regimes, shedding light on their implications and discussing strategies for mitigating currency-related risks.

Rich in essential concepts and real-world examples, this article serves as an invaluable resource for economists, policymakers, and businesses alike, equipping them with a deeper comprehension of how global currency markets exert a profound influence on economic dynamics. It illuminates the multifaceted nature of exchange rates and their pivotal role in shaping the contours of international trade, investment, and the overall economic well-being.

KEYWORDS: Global currency markets, exchange rates, foreign exchange, economic conditions, currency valuation, forex market, exchange rate mechanisms, interest rates, inflation, economic indicators.

INTRODUCTION

The economy of any given state is significantly influenced by exchange rates. Successful management of exchange rates is crucial for the effective operation of the national economy. This necessitates a comprehensive study of this subject. Exchange rate fluctuations are closely tied to market conditions. Therefore, the exchange rate is subject to a variety of factors, including the state of the balance of payments, disparities in interest rates among different countries, the extent to which a currency is used in international transactions, speculative currency trading, and the activities within currency markets, as well as inflation, among other factors discussed in this article. The potential consequences of these factors on exchange rates are outlined, with examples provided. We also delve into the impact of these variables on Kazakhstan, including the relationship between the growth of the money supply, the monetary base, and inflation.

Furthermore, this article analyzes the direct influence of exchange rates on various economic aspects, such as foreign trade, capital flows, interest rates, business development, the purchasing power of the population, and overall economic growth. An assessment of the exchange rate situation in the Republic of Kazakhstan is conducted, with a particular emphasis on the factors that exert the most significant influence, including the floating ruble exchange rate, changes in the refinancing rate, fluctuations in oil prices, and the challenges associated with refinancing external debts. To address these issues and stabilize the ruble, a series of measures is proposed. Implementation of these measures is expected to have a positive impact on stabilizing the ruble exchange rate and improving the overall economic situation in Kazakhstan.

The significance of this subject matter stems from the imperative need for long-term exchange rate forecasting and planning, which in turn plays a pivotal role in shaping the economic trajectory of a nation. It is also crucial to conduct an in-depth examination of the manifold factors that exert their influence on exchange rate fluctuations. This is because the effective formulation of a state's economic policies hinges on the competent management of its currency and exchange rates.

Presently, an array of factors, intrinsically linked to prevailing market conditions, wields considerable influence over long-term exchange rate movements. These fluctuations, driven by shifts in currency supply and demand, cause the exchange rate to deviate from its intrinsic value, notably its purchasing power. The multifaceted nature of exchange rates is intertwined with various economic parameters, including price dynamics, cost structures, interest rates, monetary variables, the balance of payments, and a plethora of other interrelated aspects.

Further the main functions of the exchange rate will be outlined. To start with, in international trade, goods and services are exchanged between countries, which also implies the exchange of national currencies. This implies the need to establish the ratio of the value of one currency to another for the mutual exchange of currencies in the trade of goods, services, as well as in the movement of capital and loans. When exporting domestic goods, the exporter is forced to exchange the proceeds received in foreign currency for the national one, and when importing goods into the country, the importer, on the contrary, must purchase foreign currency to pay for goods imported into the country.

Secondly, the exchange rate serves as an indicator for comparing prices of different countries, as well as for comparing the development of world markets.

Finally, the exchange rate helps with the periodic revaluation of foreign currency accounts of firms and banks.

In Kazakhstan, it is commonly asserted by experts that our inflation is primarily a result of structural factors rather than monetary issues, emphasizing the necessity for structural reforms. While there is certainly validity in this perspective, it does not encompass the complete picture. But the statement made by the former chairman of the National Bank of Kazakhstan, Grigory Marchenko, who emphasized that the National Bank does not engage in the excessive printing of money, and that the growth of nominal GDP outpaces the growth of monetary aggregates. While this statement holds some truth, it lacks relevance because the growth of the money supply should be compared to the growth of real GDP, not nominal GDP.

The significance of global currency markets cannot be overstated, as these markets act as a bridge connecting national economies in an increasingly interconnected global landscape. The exchange rates of foreign currencies play a pivotal role in shaping economic conditions, influencing trade flows, investment decisions, inflation levels, and overall economic stability. Understanding the elements that shape foreign currency exchange rates and the consequences of these fluctuations is essential for businesses, policymakers, and investors aiming to navigate the complex dynamics of the global economy.

There are factors that shape foreign currency exchange rates. Starting with interest rates, which plays a vital role in shaping foreign currency exchange rates due to their impact on capital flows. Higher interest rates attract foreign investors seeking higher returns, driving up demand for the local currency and strengthening its value. Conversely, lower interest rates may lead to capital outflows, weakening the local currency.

Inflation differentials between countries significantly impact foreign currency exchange rates. Countries with lower inflation rates tend to have stronger currencies as their purchasing power remains relatively stable. Higher inflation levels erode the value of a currency, reducing its purchasing power and leading to a depreciation in the exchange rate.

The trade balance, represented by the current account, is a critical determinant of exchange rates. A country experiencing a trade surplus (exports exceed imports) tends to have a stronger currency as there is demand for its goods and services. Conversely, a trade deficit leads to a weaker currency, reflecting a higher demand for foreign goods.

Capital flows, including foreign direct investment, portfolio investment, and speculative flows, exert significant influence on exchange rates. Favorable investment opportunities and investor sentiment towards a particular country can attract capital inflows and strengthen its currency. Conversely, economic uncertainties or a lack of confidence may lead to capital outflows and currency depreciation.

Geopolitical events such as political instability, wars, sanctions, and geopolitical tensions contribute to exchange rate volatility. These events can disrupt economic activities, alter investor sentiment, and lead to increased risk perceptions, which impact currency valuations.

There are also several consequences it can lead on economic conditions, which is given below.

Exchange rate fluctuations directly affect a country's competitiveness in international trade. A strong domestic currency makes exports more expensive, leading to a decrease in demand, while imports become cheaper, fostering increased consumption of foreign goods. Conversely, a weaker currency boosts exports and discourages imports, enhancing domestic industries.

Exchange rates are directly linked to inflation levels within an economy. A depreciation in th e exchange rate leads to higher import prices, resulting in imported inflation. This can reduce consumers' purchasing power and increase the cost of living, potentially impacting overall economic conditions.

Exchange rate fluctuations can significantly impact investment decisions, particularly for international businesses. Significant currency volatility poses risks, as it can erode profits and disrupt investment strategies. Conversely, strategic hedging and currency speculation can be utilized to mitigate risks and capitalize on exchange rate movements.

Exchange rate stability is crucial for maintaining economic stability. Excessive currency fluctuations can impair economic planning, disrupt business operations, and deter foreign investment. Central banks and monetary authorities play an instrumental role in managing exchange rates to preserve stability by employing various tools such as interest rate adjustments and foreign exchange interventions.

CONCLUSION

In conclusion, the influence of global currency markets on the economy is undeniable. Exchange rate fluctuations driven by factors such as interest rates, inflation, trade balance, capital flows, and geopolitical events significantly shape economic conditions. Understanding these elements and their impact on various sectors is essential for policymakers, investors, and businesses to navigate the complexities of the currency market effectively. Striking a balance between exchange rate stability and flexibility is crucial to foster economic growth and stability in an increasingly interconnected global economy.

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