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Countercyclical monetary policy in major economies of the former Soviet Union.

The global financial crisis of 2008-2009 stopped the recovery (growth) phase in most Commonwealth of Independent States (CIS) countries. As a result, the problem of the cycle regulation of economic processes became relevant. We analyzed the actual level of compliance regimes of monetary policies implemented by central banks in the major economies of the CIS at the peak phase and the recovery phase. We used an integrated approach, which provided retrospective analysis of the main instruments of monetary policy: interest rates, required reserves, foreign exchange interventions to support liquidity.

The analysis of dynamics of interest rates of the central banks of major countries of the CIS shows that only the National Bank of Kazakhstan has consistently used interest rates as a part of countercyclical policy. Other central banks did not use this tool as an active element of the monetary policy or applied it as a procyclical factor while focusing on goals that were not directly related to the regulation of the phase of economic cycle.

Other instruments of the monetary policy (required reserves, foreign exchange interventions to support liquidity) had mainly a neutral effect on the parameters of the economic cycle. Their use was determined by the factors that ensure a stable exchange rate dynamics, control of inflation, adequate liquidity in the banking system, creation of reserves, etc.

It seems appropriate to use a more active and effective countercyclical monetary policy by central banks in major economies of the CIS, which does not contradict the performance of their basic function to ensure the stability of the national currency. It should be emphasized that external (exchange rate) and internal (inflation) stability of the national currency is in direct correlation with the real GDP trend, and, therefore,

with phases and parameters of business cycles. Recently, the emphasis in the interpretation of the main function of the central banks of the CIS countries has been shifting from maintaining the stability of exchange rates to ensuring an acceptable level of inflation (introduction of inflation targeting).

To carry out a task of forming a more active and effective countercyclical monetary policy it is important to solve a number of objective problems in the regulation of economic processes. These problems lay within the competence of central banks and other government authorities. It is possible to highlight the following main problems that hamper the implementation of countercyclical monetary policy in most CIS countries. The first one concerns inaccurate forecasts of macroeconomic dynamics. To effectively use the countercyclical monetary policy tools, central banks should have timely and reliable estimates of changes in key macroeconomic parameters (especially GDP data), which define the phases of economic cycle. The development of quality macroeconomic models to predict the impact on the dynamics of monetary policy instruments of the macroeconomic key indicators (GDP, inflation, exchange rate) should also be ensured.

Secondly, the monetary policy model should be reformed to improve the efficiency of application of interest rates by central banks that influence the phase of economic cycle. It should be noted that during 2009-2010 some CIS countries took several measures to improve the efficiency of the interest rate channel of transmission mechanism. These measures and the formation of the necessary conditions for effective work with the long-term interest rate channel will use interest rate policy as a basic element of countercyclical monetary policy. This approach is entirely consistent with international experience.

Thirdly, it is necessary to ensure the coordinated use of other instruments of monetary policy (required reserves, foreign exchange intervention, liquidity support operations), which are mainly used for automatic control of the money market with objectives of countercyclical monetary policy. The solution of these problems will help to develop an effective countercyclical monetary policy, promote equilibrium of the money market and support sustainable economic growth in CIS countries.

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