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Strategijski menadžment i sistemi podrške odlučivanju u strategijskom menadžmentu

Tema skupa

Strategijski menadžment- determinante razvoja i efikasnost poslovanja

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PROMENA NA INTERVALUTNATA VREDNOST – RAST NA EKONOMIJATA ILI KONKURENTSKA PREDNOST-		
<p>Apstrakt: Jedno od najčешće analizovanih питања, које заслужује посебну пажњу је интервалутна врједност валуте, док оно на чему се ставља посебан акценат је промјена и импликације промјене интервалутне врједности. У раду биче анализована промјена интервалутне врједности као последичну величина или промјена интервалутне врједности као иницијалну величину. Такође чемо урадити осврт импликације промјене интервалутне врједности у правцу њеног девалвирања што би значило за Републици Македонији у напорима укључивања државе у нову економију. Пре свјега акценат биче стављен на поливалентности овог питања потребу комплексног анализовања новонасталих промјена, детерминаната од круцијалног значаја које усмјерују ефекте девалвације с циљем да се сагледају праве резултате девалвације на извозу и увозу и дали ја све то могуће имајући у виду величине економије и тржишта.</p> <p>Као монетарну мјеру у савременим увјетима привређивања коју монетарне власти преузимају је смањење интервалутне врједности домаше валуте, то јест врше девалвацију, с надом да че се саздати преувјете генерирања извоза и смањенје увоза.</p>		
Кључне речи: Intervatutna vrednost, ekonomski rast		
FLUCTUATION OF INTERCURRENCY VALUE - ECONOMIC GROWTH OR COMPETITIVE ADVANTAGE		
<p>Abstract: Today one of the key question is the intercurrency value of the currency and it's variations and implications.</p> <p>In this paper the main aim is to analyze the fluctuation of the intercurrency value as a resultant or initial size. Also we will make a review of the implications of intercurrency value fluctuation in way of it's devaluation and what does it means for Macedonia. The key point is to make and introduce the need of complex analysis of the new changes, determinations which influences to the effects of devaluation in order to recognize the real effects for export and import.</p> <p>In contemporary conditions the key measure that takes monetary policy is decreasing of interchange value of domestic money i.e. devaluation with hope to create preconditions for export stimulation.</p>		
Key words: interchange value, economic growth		

1. INTRODUCTION

In the contemporary monetary policy intercurrency value is very important, especially their implications. One of the most used measures of monetary policy is decreasing the intercurrency value of domestic money as a key prerequisite for increasing the export and decreasing the import.

Operating with the exchange rate in fact means process of adaptation of the domestic economy to the changes in the foreign market, i.e. adaptation to the changes in the world market implied by general development, development in engineering, technology, or by that which is taken as an aggregate indicator –conjugating movements. It means that realization of stabile macroeconomic movements within national economy, realization of internal economic and monetary balance, are the basic preconditions for the rate stability. Disturbing of the internal balance implies a change in the intercurrency value of the domestic currency, because disproportions of the internal relations are reflected on the foreign trade area.

Economic crisis after big economic recessions teach us that medicines for diagnosed crisis, do not change. After the Big economic depression (1929-32), in the direction to one of the more significant solutions for coming out of the crisis, the instruments competitive depreciation and devaluation were used. Today, several years after the official announcement of the financial crisis, which rapidly transformed into world economic crises, the therapy remains unchanged, the history is repeated. So, during 2010, the minister for finances of Brazil, warned on the danger from modified currency game (Brazilian currency was losing value in relation with the dollar, i.e. USA artificially kept the dollar low value, in order to promote export of American companies). Two years later, Japan joined these struggles, overflowing the market with Yens and weakening the currency in that way. Later, ECB implemented a programme (through redemption of state bonds), in order to encourage inflation in Euro zone.

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Establishing of intercurrency values

In monetary theory and practice there are several ways to establish the intercurrency value.

According to T. Jovanovski (Jovanovski. T., 1995, p.47) establishing of intercurrency relations is effected according to the following three ways:

- Establishing of intercurrency value on the basis of parity of currencies buying powers.(Burda M. & Wyplosz Ch, 2001, p. 211) If we take a definition for buying power as a starting base, i.e. that the buying power is an ability with a single monetary unit to buy defined quantity of goods and services, it seems that the established intercurrency relation should be formed on that level on which it will be possible, with a defined currencies transfer and converting from one country to another, to buy the same quantum of goods and services, which would have been bought with that currency before its converting in the country where it has been declared as legal and definite paying instrument.

- Establishing of intercurrency value of the domestic currency on the basis of common denominator. The establishing of intercurrency value by this procedure is made in that way that the monetary authority determines the intercurrency value, having in mind the mutually accepted criteria.

- The third way for establishing the intercurrency value of the domestic currency, starts with the fact that the foreign currency exchange rate is a price of the unit foreign currency which is considered as a commodity, in fact it reflects the buying power, but this time, in relation to only one commodity. (Burda M.& Wyplosz Ch., 2001, p. 445) Here, we understand the influence of the market mechanism on the exchange rate forming, its fluctuation upwards and downwards depending on the conditions on the foreign currency market, under the influence of the offering and demand, of course implicated by the disparity of the buying powers as an expressed tendency for coming closer to the real rate. (Jovanovski. T., 1995, p. 253)

Today, one of the most important question is does establishment of the intercurrency relations is only the theoretical category?

Each country intends to form the exchange rate and to keep it on a level that fits the economic policy, which should not mean more significant deviation from the real rate.

The real rate of equilibrium – is that one which maintains the equilibrium of the paying balance within defined time interval and maintains that equilibrium without interventions in view of import restrictions, foreign currency control from the one hand, and on the other, the condition for internal equilibrium (stable operating conditions, low-in any case one-figure inflation, low unemployment rate) has been met. It is not strange that during the establishing the exchange rate, the monetary authority cannot establish objectively and relevantly the

relation of the internal and external value of the money. As a result of that, during its forming, the exchange rate can be overrated or underrated.

We have overrated exchange rate when domestic value of the currency is less than the foreign one, which means that the currency has depressed, and we have case of appreciated exchange rate, but it has not depreciated yet and as a result of that, the goods and services from outside are more competitive, which causes their increased absorption in our market, while on the other hand, there is an export destimulation which presses the payment balance, and this is especially expressed in conditions of high liberalization degree of the economy. As a blatant example we can take R. Macedonia that in 1993, 1994 did not harmonize, as a result of the inflation, domestic prices with the world prices, i.e. as a result of not reimported inflation (for both years 153, 4%), a significant disproportion between domestic prices and the prices of other national economies appeared, but in 1997 the currency depreciated and the disparity was removed.

On the other hand, the underrated currency appears in case when the foreign value of the currency is less than the domestic one, and with that the foreign goods and services are less competitive compared to the prices in the country with underrated currency, and that implies increased realization of domestic production.

The emergence of these changes in the exchange rate depends on the following determinates: the relative price level, relative tariffs and quotas, demand for import and export and productivity relative to other currencies. (Mishkin F. 2007)

2. DEVALUATION: CONDITIONS AND EFFECTS

With devaluation as a formally legal act (Burda M. & Wyplosz Ch. 2001, p. 276), monetary authority tries to remove the overestimation of its own currency. In the newly-created situation, in which some leveling of domestic and foreign prices has been made, it is expected the following effects to be realized:

- Expansive exportability – increase of the economic entities' export in the national economy, and in the country as a whole, with which significant foreign currency revenue will be realized;
- Reduced importability – decrease of the import as a result of higher prices and substitution of foreign products with products and services of domestic production;
- On the basis of realization of the previous effects, improvement of balance of payments position is expected, which in a case of deficit, would mean it's decreasing.

However, realization of peripheral effects is in causality with the fulfillment of defined preconditions and in this direction, for more detailed review on the devaluation influence, the influence on these variables and necessity of existence of some presumptions; we shall elaborate separately each of a.m. target variables.

Short review of the movements of some more important currencies on the world stock exchanges.

EUR / USD



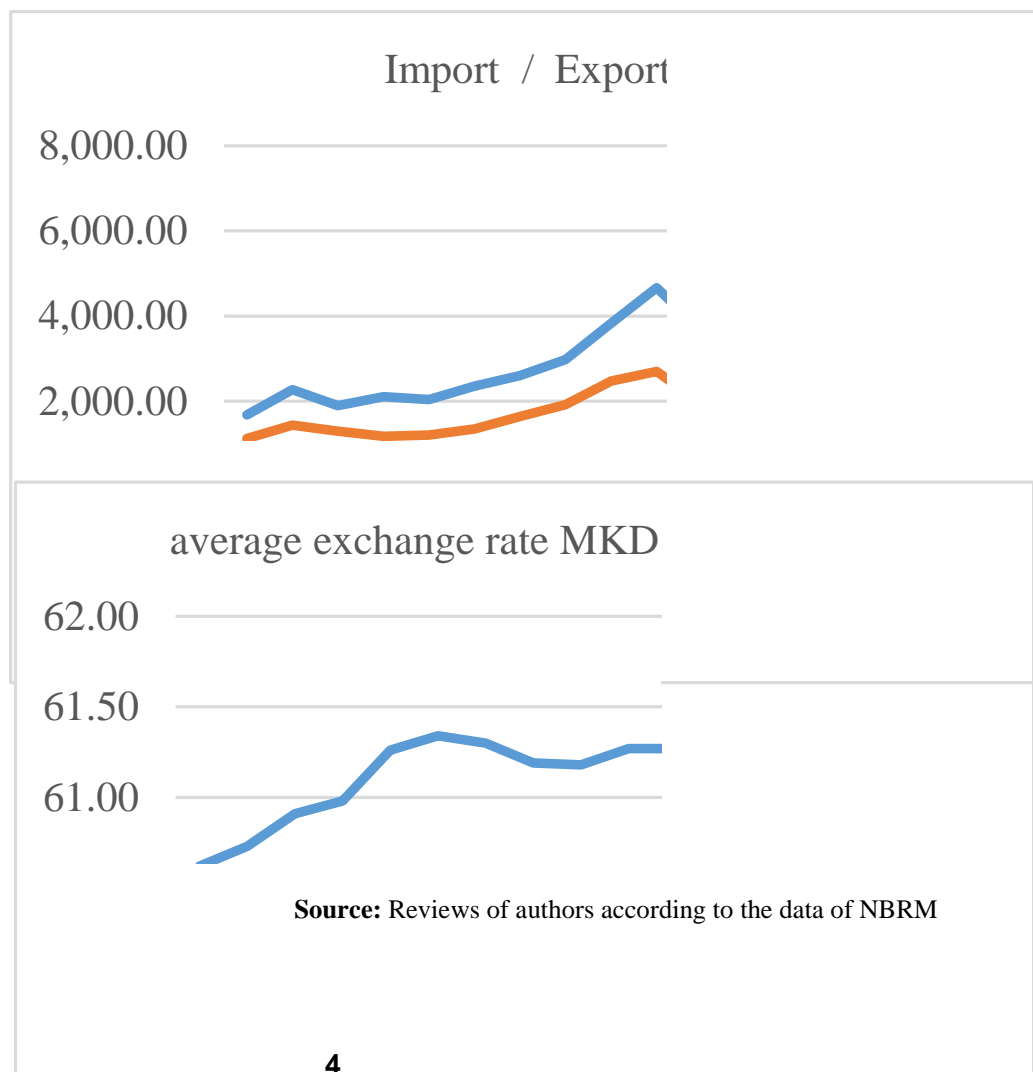
EUR/GBR



Source: Market of values Forex

One thing that would be concluded on the first sight from the act of devaluation, is that by decreasing the intercurrency value of the domestic currency, the export possibilities of the economic entities increase, the exportability of the total potential in the national economy is increased, too, while on the other hand, there is a tendency for export decreasing due to the increase of the exchange rate. Quantification of these changes supports this statement.

Graph 1: Review of the movements in Republic of Macedonia in the last 17 years (from 1999 to 2015)



From the reviews, it can be concluded that in R. Macedonia there is a high level of correlation between the importing and exporting component, which is conditionally independent of the change of the average exchange rate. But, should we want to base the analysis on scientific foundations and to pretend with it to relevant objectivity and impartiality in diagnosing determinants and their effects, it is indispensable to incorporate into the analysis many other determinants, which from their side can have crucial influence on channeling devaluation effects (Beg D., & Fisher S. 2000g. p.507) (in respect whether the effects will be with positive or negative sign).

As determinants of crucial importance that direct devaluation effects in order they have positive or negative connotation, are the following preconditions:

The basic preconditions for exportability increasing are:

- Favorable business climate – creation of presumptions for offering increase within the national economy, of which part will be surely intended for export, and due to the previous overrated currency the products were not competitive, but with the devaluation (depending on overestimation and devaluation degree) new possibilities for increasing domestic offering open, and because of the increased competitive power and export increasing;
- Concerning the previous effect, it would be totally reflected in the same ratio for which currency correction has been made in the form of devaluation, provided the import elements are not incorporated in the products intended for export, because they amortize the positive effect, which really would not be a case in R. Macedonia due to the prior confirmed conditional import-export connection (for concrete confirmation of this effect, more detailed analysis of the structural connection both on the import side and the export side as well , is needed).
- One of the determining preconditions for realizing the positive effect of devaluation and increasing the export is elasticity of foreign demand for domestic goods on the prices level. Although the previous two preconditions for increasing the export have been met, it will not happen should the degree of elasticity of the foreign demand for domestic goods on the prices level is not on a satisfactory level. It is logical to expect, due to the negative correlation of demand with prices, to have elastic demand for the domestic offering, because lower prices would mean higher demand. But, only if the degree of elasticity of foreign demand for domestic goods on the prices level is higher than 1 (one), we can talk about the elasticity of the foreign demand for domestic goods on the prices level and positive influence of the change in the intercurrency value on the export. Should this elasticity degree is equal 1, the devaluation positive effects are annulled, and negative effects are possible (they will be elaborated further). The elasticity of foreign demand for domestic goods on the prices level itself is determined by:
a) export structure. It is commonly accepted that the countries producers of basic products have low elasticity degree, while the producers of final products can expect realization of positive effects; b) competitive ability of the exporting country in relation to both the importing country, and to the countries that appear with the same products in the market of the country importing that product, and with that it is potential competition.

Preconditions for importability decreasing are:

- The basic presumption for real decreasing of import is existence of domestic, competitive production of course, with which the products, services of import origin would be substituted by products, services of domestic origin. Having in mind that, as a rule, it is expected the domestic consumption to react by decreasing the demand for imported (foreign) goods, which are automatically expressed by higher prices (become expensive). In this respect, the degree of elasticity of the domestic demand for imported goods is of high importance. Only in conditions of existence of high degree of elasticity of domestic demand for imported goods on the prices level, positive effects can be expected. The analysis of import structure most often shows that a high degree of elasticity is a characteristic of consuming goods. On the contrary, for countries pretending to realize developing dimension, which means necessity for import of an equipment, the elasticity of the demand for equipment relating the prices, is in question. It is generally accepted in the economic theory, and the practice empirically confirms that, that the equipment which is indispensable factor for economic growth, and the total economic growth, has low elasticity coefficient, and due to this, realization of unfavorable effect of the devaluation;

3. DEVALUATION INCORPORATION INTO THE ECONOMIC PACKAGE OF MEASUREE, AS A PRECONDITION FOR REALIZATION OF POSSITIVE EFFECT

Effective realization of the devaluation aims, which understands the strategic aims of the economic policy as well, is possible only by strategic establishment of the economic policy, that fits the principles of cybernetic systems. That means the sub-systems aims to be in function of the realization of the system aims, viewed in its globality. The one-sided, fragmentary watching, without establishing correlation general-special, special-general, amortizes scientific validity of the research. The global, and first of all complex character of the problems, in the actual ambient order the need of a scientific analysis, based on theoretic-methodological principles, with the one aim – to present clear picture for transmissioning mechanism for solving the problem. Having in mind the above, consistently respecting the presented determinants for efficient impulses conveying, we can conclude that the effective influence, the conveying of positive impulses and sterilization of negative connotations on the prices rise by the act of devaluation, will depend only on the fact how much it is supported by the other instruments of economic policy. Frequently, due to the low rate of domestic demand for foreign goods elasticity, instead the positive effects, the negative ones are realized. By increasing the prices of the goods and services offered in the domestic market from the import, the prices of the goods and services produced by us are increased, too, and for which production it is indispensable to build in some import elements. With that, and with the increase of oil derivatives that are imported, some negative effects appear, which are multiplied, and with that prices increasing, the money buying power decreases and inflation movements occur.

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