

ється сьогодні, повинна мати — предметний зміст [3], що зумовить у людей активне спонукання мислити та аналізувати, відстоювати свої позиції і навчитися конкретизувати свої цілі, не відводячи її у глухий нерозсудливий кут. Організаційно ЗМІ повинні управляти подачею інформації так, щоб психологічно не травмувати та не нашкодити психіці людини.

Сьогодні необхідно брати до уваги регулювання комунікаційним процесом так, щоб реципієнт не відчував фізичне знесилля і зупинку працездатності. Новина повинна стимулювати і організовувати людину до позитивних дій.

Кавали ЗМІ повинні намагатися змінити управлінський курс

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### **MONETARY POLICY OF THE BANK OF LATVIA IN THE EUROZONE INTRODUCTION CONDITIONS**

**ANNOTATION:** The objective of this article is to follow the main trends in the development in the Latvian's monetary policy and the European Monetary system accession process, with a focus on the local currency stability problems. It discusses the process and strategies for choice of the strategy as well as the main issues that have arisen in the accession process. The objective fully corresponding to the article's research object, i.e. to a monetary policy of the Bank of Latvia. Regarding the developed countries the general monetary policy objectives deals not only with

maintenance of stability of the exchange rate and general price level, but also with stimulation of economic development, growth of employment and incomes of the citizens. The period from 2005 till 2013 is being investigated. The author uses a wide range of research methods, such as: grouping method, method of comparison of financial ratios, etc.

**KEY WORDS:** Bank of Latvia, monetary aggregate, monetary instruments, monetary policy.

The monetary policy instruments of the Bank of Latvia are already in line with those used in the euro area. Like the European Central Bank, the Bank of Latvia also uses the reserve requirements, market operations, as well as standing facilities of lending and deposit of funds. Assets of Bank of Latvia including gold and exchange currency reserves, serve as maintenance of money issue in Latvia. External reserves of Bank of Latvia which include gold reserves and foreign currency, and also currency from basket SDR in the end of 2012 has reached 7366,1 mill. lats (in 2003 — 830,5 mill. lats).

2008 marked a turning point in Latvia's economic development, which began to decelerate after several years of buoyant growth. Insufficient improvement in performance and efficiency of national economy, public administration and public services structure reduced the overall economic competitiveness, which was particularly influenced by recession in the export market. First signs of a slowdown of the economic growth became apparent in the second half of the year, when the implementation of the anti-inflation plan produced by the government, moderation of funding from parent bank and tightening of the banks' lending policies resulted in a rather abrupt deceleration of the domestic lending growth. The reasons of failures of monetary policy include the methods of monetary regulation used by the Bank of Latvia. There is a danger of traps in the course of application of the monetary policy instruments. It is necessary that the Bank of Latvia should carefully chose the necessary financial tools of monetary policy.

The major quantity indicator of monetary circulation is the money supply representing a total purchasing volume and legal tenders, which serve for economic circulation of financial recourses of private persons, enterprises and state. The analysis of structure and dynamics of money supply has a great significance for development of reference points of the monetary policy of central bank. Let's review the monetary parameters presented in table 1.

Table 1.

THE BASIC INDICATORS OF MONETARY POLICY  
IN LATVIA FROM 2005 TILL 2013 [1] (MILL. LATS)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
GDP (Current prices)	9059.1	11171.6	14779.8	16243.2	13070.6	12784.1	14275.2	15519.8	16386.2
Growth GDP (%)	121.0	123.3	132.3	109.9	80.5	97.8	111.7	108.7	105.6
M0	1350.7	2248.8	2471.2	2111.5	1645.8	1755.2	2168.9	2 667.7	2 562.3
M2X	3905.8	5479.9	6171.3	5931.4	5796.2	6390.0	6486.1	6 706.1	6 491.3
Growth M2X (%)	138.7	140.3	112.6	96.1	97.7	110.2	101.5	103.4	96.7
M2X / M0 (%)	289.2	243.6	249.7	280.9	352.2	364.1	299.1	251.4	253.3
GDP / M2X	2.3	2.0	2.3	2.7	2.3	2.0	2.2	2.3	2.5

The velocity of money testifies the communication between monetary circulation and processes of economic development. Aggravation of the macroeconomic risks and lower savings induced acceleration of the velocity of money, growing from 2.3 in 2007 to 2.7 in 2008. Resident financial institution, non-financial corporation and household deposits with MFIs decreased by 205.9 million lats or 3.9% in 2008 in comparison with an increase of 16.9% in 2007. In 2005, the velocity of money made 2,3 times per year. The economic situation stimulated the decrease of rate of the money turnover from 2.7 in 2008 till 2.5 in 2013. In relation to this parameter Latvia approaches to the developed countries where the speed of money turnover does not exceed 1.5 times. The decrease of rate of turnover of monetary volume (in 1.5 times) for the last 8 years cannot lower the negative influence of prompt monetary growth which increases more than by 40 % in 2006.

The behaviour of the monetary aggregates in 2008 mirrored the sharp downturn of the economic development with both domestic and external demand shrinking, as well as the impact of the global financial crisis on the Latvian banking system and money market. In 2009 M2X decreased by 2.3% (a growth of 10.2% in 2010) and amounted to 5796.2 million lats at the end of 2009 (see table 1). With the economic development coming to a halt in the second half of the 2008, banks cutting down on their lending business remarkably and confidence with regard to the financial sector deteriorating. The negative rate of the monetary expansion was primarily a result of the decelerating growth of MFI loans to the private sector, with the total loans outstanding shrinking in the last three year of the 2000s.

The monetary situation in Latvia is characterized also by other parameters: monetary multiplier ( $M2X/M0$ ) and velocity of money (nominal GDP/M2X). The great importance has monetary multiplier — a parameter describing the opportunities of economy as a whole and banking system in particular to increase a money stock in a turnover. Its size pays off as the attitude of M2X to monetary base (M0). The monetary multiplier is necessary to control over the monetary volume dynamics and the rate of inflation in Latvia. In 2013, the monetary multiplier has decreased essentially, and by the end of the year it consisted 253.3 % (in 2010 — 364.1%).

Monetary base M0 decreased by 14.6% in 2008 and totalled 2111.5 million lats at the end of the year, whereas the cash component of the monetary base grew to 48.2% in comparison with 42.5% at the end of 2007. Deposits from credit institutions and other financial institutions held by the Bank of Latvia declined by 328.3 million lats or 23.1% in 2008 as opposed to a 21.0% increase in 2007. For the

second consecutive year, the demand for cash decreased, and currency in circulation shrank by 31.4 million lats or 3.0% (by 2.3% in 2007).

Nevertheless, Latvia experience significant economic growth beginning in 2005 with EU accession. This followed the U.S. strategy to prevent an economic recession through asset inflation following the collapse of its stock markets in 2000. The USA and other developed countries flooded a world economy cheap credit resources. Thus, developed countries created credit found its way into Latvia through Swedish banks. Combine with EU structural funds, the Latvian economy headily increased of GDP, until the inevitable global economy crisis led to Latvia's disastrous fall. But, Latvia's economy was not purely the victim of induced events. The Bank of Latvia and other state regulators are also responsible.

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## **УДОСКОНАЛЕННЯ ПРОЦЕСУ ПРИЙНЯТТЯ ІНВЕСТИЦІЙНИХ РІШЕНЬ**

АНОТАЦІЯ. Теоретично обґрунтовано необхідність подальшого розвитку і вдосконалення економічного механізму управління інвести-