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THE POSITIVE IMPACT OF THE DEVALUATION OF NATIONAL CURRENCY ON AZERBAIJAN'S MANUFACTURING INDUSTRY

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***Abstract**: It should be noted that while calculating the level of dependence on imports, exports are also taken into account. It is therefore advisable to analyze the level of self-sufficiency as an indicator that more fully reflects the effects of devaluation.*

An important part of currency risk protection is the projection of exchange rates, interest rates, securities rates and other such indicators.

***Keywords:** export, import, national economy, risk.*

***JEL** Classification: G11, G15*

The analyses of impact of exchange rate

We have created a model of the company's impact on currency risks, but these risks are only associated with consumption, production, and sales. All of this is the company's main activities.

We did not therefore address the issues of assessing foreign currency loans, deposits, foreign securities portfolios, as well as other related foreign next change transactions.

On the other hand, only in connection with the exchange rate growth, we explained the model.

This is due to the shock of Azerbaijan's last currency appreciation. It is clear that the national currency's depreciation has the opposite effects:

• profit-raising impact — the cost of imported goods in mantas decreases, expenses decline, and as a result in come in mantas increases;

• negative effect: firstly, the importation of goods into the country is boosted; secondly, export competition is worsening; Manat (Azerbaijan Currency Unit) prices need to be reduced; and this reduces Manat profit.

As you can see, there are positive and negative sides in any economic process and the change in the exchange rate.

Remember that the manat's devaluation had a positive impact not only on the dairy industry, but also on other non-oil sector industries.

The amount of imports of basic food items in to the country has decreased over the period under examination. Confectionery and other sweet bread and bakery products are correlated with the largest decrease in this predictor (51.6 percent).

There are also goods that are still being imported into the country in large quantities, following a decrease in reliance on imports. However, according to 2016 data, sugar production was 94.1 percent dependent on import raw material; a sugar factory operates in the republic.

There is also a high degree of dependence on refined rice imports (90.0 percent). The main reason for this is this product's low level of production in our community. The same is true for tea (importation dependence is 60.6%).

Note that when calculating the level of import dependency, export volumes should also be taken in to consideration. It is therefore advisable to analyze the impact of devaluation, since this is one of the key indicators of the country's level of self-sufficiency.

An important element of currency risk management is the prediction of exchange rates, interest rates, bonds and other such indicators.

For forecasting, the following methods are used in many cases:

-technical and fundamental research;

-market-oriented analytical methods;

-econometric methods;

- analyses the retrospective of exchange rates

In some cases, however, expert valuation is more effective, based on subjective knowledge and intuition.

We said earlier that the negative effects of foreign currency depreciation can have even worse implications for companies and the economy. So the price of goods and services manufactured in the country is

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rising, the inability to compete is dropping. As a result, the following negative effects have appeared on local national firms:

• The amount of companies ' export products is declining, local companies ' profits are dropping, and the country's gross domestic product is falling.

• Import is welcomed, national companies operating on the local market face competition in prices. As a result, they are losing a cert a market segment and income is falling.

As you can see, the national currency revaluation poses an even greater there at to the domestic economy.

Experts are well aware that devaluation of currency is beneficial in countries with a normal level of import dependency, and revaluation is risky. This is particularly important for export-dependent countries (e.g. Germany, Malaysia, Japan, etc.) They are plummeted in Japan at the end of the last century. As a result, the U.S. sent strong protest notes there a tending to increase customs duties on Japanese goods. Similar situations are currently taking place between China and the United States, China and Europe.

Such an acute situation has not been observed in Azerbaijan yet. We should, however, look at issues related to reducing these threats.

Japan is often faced with a situation like this. Financial hedging and operational hedging are used by companies in this country. To determine the efficacy of this technique, four parameters are used (Aliev, Gasimov, Adigozalov, 2014).

Scenario of currency rate strategy

1. Choosing the selling currency (the value of the national currency in the total amount of settlements).

For example, large segments of foreign markets are dominated by many Japanese companies. They are trying to sell their money in yen rather than in US dollars. They thus insure against their national currency's growth. There are some issues, however. The fact is that in international markets, some companies do not have competitive ability. These businesses are heavily dependent on what currency the customer will choose to purchase their products. The choice of currency does not depend solely on the company's competitive performance. There are other considerations here: goods, size of the company, trading partner, country of trade, financial indicators, etc. All of this plays a major role.

Therefore, companies that trade in national currency at 100 percent are not reliant on the possibility of exchange rate adjustment. Foreign currency trading companies, however, face this threat and are forced to hedge financially.

2. "Seasoning and netting." This criterion relates to financial hedging, as described in section.

The marriage and netting strategy is regarded as a good tool against the sudden devaluation of the national currency in terms of operational hedging. It therefore reduces the influence of exchange rate shifts.

International experiences suggest that multinationals facing a sudden revaluation of the national currency prefer to sell their goods produced in other countries at their businesses. And in some cases, they also boost these enterprises output capacity. It should be noted, however, that not every company has the opportunity to open its own business in another country, especially in the country which buys the company's products. For example, if businesses use local raw materials and are unable to pay in foreign currency, they cannot use the "marry and netting" method (Hasanov, 2013).

In such situations, receiving a loan in foreign currency is another way. The client, however, faces the threat of devaluation of the national currency in this situation.

Studies show that the "marry and netting" method's efficacy depends heavily on the first criteria, i.e. currency choice. So, if the national currency is given preference in transactions, this approach will be more efficient. It is necessary to determin the minimum risk margin under a simple risk assurance model for goods insurance, which also takes account of insurers' risk of becoming insolvent (Dosescu, 2018).

Conclusion

The implementation of fiscal monetary measure pursued social and strategic aspects. The social aspect of this measure is given by raising the minimum revenue and by increasing the amount budgetary yields to maintain the course in a sustainable margin for the citizens. The perspective strategic aspect of this measure is the potential increase / attraction of foreign direct investment and the creation of new tax bases (jobs, profit tax) as a result of the relaxation of taxation work (Leonida, 2019).

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