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COMPARATIVE ANALYSIS OF EXCHANGE RATES AND CURRENCY CONVERTABILITY IN DIFFERENT COUNTRIES

Abstract: this article provides an exploration of exchange rates and currency convertibility, essential concepts in international economics. It introduces the basics of exchange rates, distinguishing between fixed and floating rates, and elucidates the significance of currency convertibility. The article also touches on factors influencing exchange rates, such as economic indicators, political stability, and market sentiment.

Keywords: fixed exchange rates, floating exchange rates, convertible currency

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СРАВНИТЕЛЬНЫЙ АНАЛИЗ ОБМЕННЫХ КУРСОВ И КОНВЕРТИРУЕМОСТИ ВАЛЮТ В РАЗНЫХ СТРАНАХ

Аннотация: в этой статье излагаются основные понятия международной экономики - обменные курсы и конвертируемость валют. Рассмотрены основы валютных курсов, проводится различие между фиксированными и плавающими курсами, а также разъясняется значение конвертируемости валют. В статье также рассматриваются факторы, влияющие на обменные курсы, такие, как экономические показатели, политическая стабильность и настроения на рынке.

Ключевые слова: фиксированные обменные курсы, плавающие обменные курсы, конвертируемая валюта.

Exchange rates and currency convertibility play a vital role in global economic interactions. When a country has poor currency convertibility, meaning it is difficult to swap it for another currency or store of value, it poses a risk and barrier to trade with foreign countries who have no need for the domestic currency [1].

An exchange rate is the value of one country's currency compared to another. Exchange rates fluctuate based on various factors, such as economic conditions, inflation rates, and political stability. A currency may be convertible on current account (that is, exports and imports of merchandise and invisibles) only. A currency may be convertible on both current and capital accounts [3].

Some countries fix their exchange rates to another currency or a basket of currencies. This is like putting a price tag on their currency, and it remains relatively stable. However, maintaining this stability may require government intervention.

In contrast, many countries allow their currency's value to be determined by market forces. Supply and demand in the foreign exchange market influence the floating exchange rate, making it more flexible but potentially subject to volatility [2].

When a currency is fully convertible, it means it can be easily traded and exchanged on the global market without restrictions. Many major currencies, such as the U.S. Dollar and the Euro, fall into this category.

Some countries restrict the convertibility of their currency to prevent excessive capital outflows or to maintain control over their monetary policy. This means their currency may be challenging to exchange or trade freely on the international market.

Factors like inflation rates, interest rates, and economic growth play a significant role in determining exchange rates. A country with a strong and stable economy is likely to have a more valuable currency [4].

Political events and stability also impact exchange rates. Countries with stable political environments are generally more attractive to investors, positively influencing their currency's value. The real exchange rate (RER) is the purchasing power of a

currency relative to another at current exchange rates and prices. It is the ratio of the number of units of a given country's currency necessary to buy a market basket of goods in the other country, after acquiring the other country's currency in the foreign exchange market, to the number of units of the given country's currency that would be necessary to buy that market basket directly in the given country [5].

The perceptions and expectations of traders and investors in the foreign exchange market can cause rapid changes in exchange rates. News, rumors, or economic reports can trigger market movements.

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