UNBALANCE OF STATE FINANCE
AS A FACTOR OF COURSE AND PRICE INSTABILITY

The change in the monetary policy regime of the National Bank of Ukraine envisaged a shift to inflation control and a refusal to regulate the hryvnia exchange rate, since inflation targeting requires interference in the exchange rate of the national currency. However, effective implementation of inflation targeting implies a balance of public finances in order to avoid fiscal dominance, which significantly limits the independence of the central bank. This means that budget revenues should be high, budget deficits minimal or none at all, and the internal financial market sufficiently developed. At the same time, there are so far major risks to price and exchange rate stability in the country, due to the current imbalance of public finances, whose consideration is gaining momentum.

The issues of balance of public finances, budget deficit and sources of its coverage are devoted to the work of such foreign and domestic scientists as J. Stiglitz, M. Fleming, I. Glotova, E. Tomilina, R. Volkov, I. Bogdan, T. Bogdan, S. Bukovinsky, V. Geyets, V. Zimovets. Influence of foreign portfolio investments on exchange rate stability and inflation was investigated by E. Bublik, A. Galchinsky, O. Dzublyuk, A. Drobyazko, V. Kozyuk, S. Koroblin, S. Moiseyev, N. Sheludko, S. Shumska, V. Yurchishin.

The article deals with the conditions of effective realization of inflation targeting, among which the main ones are floating exchange rate regime and balance of public finances. The factors that influence the volatility of the hryvnia exchange rate and the reasons for the imbalance of the state budget are analyzed. It is emphasized that the state budget deficit in the country at the present stage of economic development is large, and one of the main sources of its repayment - the issue of government securities carries exchange and price risks. The state debt of Ukraine has been evaluated and it is shown that it exceeds the level of the maximum permissible one. In order to balance the state budget, it is proposed to follow fiscal rules.