

# **INFLATION TARGETING AS A STRATEGY OF MONETARY POLICY: FOREIGN AND DOMESTIC EXPERIENCE**

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Economic growth of any country is possible only if there is a stable and low level of inflation; therefore, ensuring price stability is a priority. In today's economic theory, there is no clear and unambiguous definition of the concept of "inflation targeting", there are different approaches to its interpretation and, therefore, it is necessary to clarify the essence of inflation targeting.

In the article, it is analysed the economic essence of inflation targeting and substantiated the advantages and disadvantages of its application. Also, the main preconditions for the introduction of inflation targeting are determined, in particular: the central bank must have legal and economic independence; the development of technical infrastructure, which involves the availability of qualified analysts and the availability of statistical basis for predicting a reliable inflation rate; developed financial system – stable banking system, developed financial market, highly liquid government securities market; a combination of perfect economy structure, a minimal level of dollarization and resistance to fluctuations of the exchange rate and world prices for raw materials.

The advantages of introducing inflation targeting are determined, in particular: ensuring transparency and flexibility of monetary policy, which involves connecting with the markets and the public; the reduction of inflationary expectations on the part of economic agents in view of the clarity of the declared central bank intentions regarding the restriction of price dynamics; expansion of the possibility of conducting an independent monetary policy with the realization of tasks for solving internal problems of the economy; increasing the level of flexibility in the process of implementing monetary regulation and the ability to respond more actively to changing the macroeconomic situation; the establishment of a clear target for the long-term perspective and the commitment of the public announcement of inflation indicators. The efficiency of inflation targeting in Ukraine in 2016 is analysed.

The experience of many countries in regard to the introduction and effective use of inflation targeting is explored, and recommendations on the implementation of successful measures in Ukraine are developed, as well as the positive effects of using inflation targeting.