MICROECONOMIC FOUNDATIONS OF MARKET EQUILIBRIUM AND PRICE FORMATION: ANALYSIS BASED ON THE EXAMPLE OF THE UZBEK ECONOMY

Shukurova Khayriniso Zokir qizi
Termiz Institute of Economics and Service,
Faculty of Economics and Information Technologies,
Department of Accounting and Auditing

Abstract: This article provides a theoretical and practical analysis of core microeconomic concepts such as demand and supply equilibrium, price mechanism, and resource allocation. Factors influencing the formation of market equilibrium in Uzbekistan, and how consumer and producer decisions are coordinated through market prices, are examined. The article also offers recommendations for increasing market efficiency through the preservation of microeconomic equilibrium.

Keywords: microeconomics, demand and supply, price mechanism, market equilibrium, consumer behavior, producer, resource allocation.

Microeconomics is the field of economics that studies how individual economic agents—namely consumers and producers—make decisions. It explains how prices are formed, how consumers make choices, the volume of production, use of resources, and the behavior of firms in the market, all of which contribute to the formation of general market equilibrium.

In market economies, the laws of demand and supply intersect at the point of equilibrium, where price is determined. Price functions not only as a monetary value but also as a signal in the market. It informs producers what to produce and consumers what to buy. Thus, economic resources are directed toward their most efficient use.

In Uzbekistan, the pace of transition toward free market mechanisms has accelerated in recent years. Especially, the liberalization of prices, increased competition in the goods and services sectors, and economic reforms that enhance purchasing power have had a direct impact on market equilibrium. For example, the gradual alignment of prices for strategic resources such as fuel, gas, and electricity with market principles has altered producers' resource usage strategies, which in turn affects resource allocation, production costs, and ultimately, product prices.

Consumer behavior also plays a significant role in market equilibrium. Changes in income structure, price sensitivity (elasticity), and the ability to assess opportunity costs influence consumer choice. For instance, the growing demand for healthy lifestyles has increased demand for organic food, health-conscious products, and fitness services. This has changed the composition of supply and led to the emergence of new producers in the market.

The ability of prices to respond to changes in demand and supply—price elasticity—is a central tool in microeconomic analysis. In Uzbekistan, the demand for some goods remains inelastic (e.g., bread, flour, medicines), while it is elastic for others (e.g., smartphones, entertainment services). Government price regulations for socially significant goods impose constraints on free market price formation in those sectors.

From a microeconomic perspective, market equilibrium is influenced not only by price but also by producers' technological choices, the cost of resources, level of competition, and the degree of government regulation. For instance, subsidies, tax incentives, and public procurement policies can support certain industries, thereby affecting the supply volume. In such cases, prices may not form freely, but these factors still significantly influence microeconomic equilibrium.

Applying microeconomic analysis tools can help improve efficiency across sectors in the current economic reform process. For example, it plays a crucial role in addressing labor market imbalances, determining product cost and competitiveness, and making rational investment decisions by small business entities.

In conclusion, microeconomic concepts provide the foundation for analyzing real economic processes, enhancing the effectiveness of economic policy, and making informed decisions. During Uzbekistan's market reform phase, this field serves as a key instrument in economic modeling, price regulation, and efficient resource utilization.

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