

FIGHTING INFLATION IN UZBEKISTAN: AN ANALYSIS OF THE MONETARY POLICY OF THE CENTRAL BANK

Baxromova Indira Azizjon qizi

Faculty of Economics, Alfraganus University

1st-year student in Economics

baxromovaindira@gmail.com

G'ulomova Gulasal Azizjonovna

Faculty of Economics, Alfraganus University

1st-year student in Economics

Ahmedov O'tkirjon Aloviddin o'g'li

Faculty of Economics, Alfraganus University

Lecturer, Department of Economics

ABSTRACT

This article analyzes the causes of inflation in Uzbekistan and its socio-economic consequences. Special attention is given to the monetary policy of the Central Bank, including regulation of interest rates, exchange rate control, and money supply management. The paper also presents policy recommendations based on international experience to improve the effectiveness of inflation control.

Keywords: inflation, monetary policy, Central Bank, interest rate, monetary regulation, price stability.

INTRODUCTION

Although Uzbekistan's economy has been steadily developing in recent years, the instability of inflation rates remains a serious macroeconomic issue. Inflation negatively affects real incomes, the investment climate, and overall economic stability. Therefore, controlling inflation and ensuring price stability are among the primary tasks of the Central Bank of Uzbekistan.

Since 2017, broad economic reforms have been implemented in the country, including the liberalization of monetary policy, market-based approaches to supply and demand, and major changes in interest rate and exchange rate policy. This article explores the factors influencing inflation, analyzes the measures taken by the Central Bank, evaluates their effectiveness, and offers relevant policy suggestions.

LITERATURE REVIEW

Theories of inflation are explained differently by classical, Keynesian, and monetarist schools. Classical economists argue that prices are determined by supply and demand, and central bank intervention is unnecessary. Keynesians emphasize price rigidity and the need for government intervention. Monetarists, led by M. Friedman, associate inflation with excessive growth in the money supply.

In the Uzbek context, economists such as M. Kholmukhamedov and R. Qodirov point to internal and external factors affecting inflation, including rising energy prices, import dependency, and fiscal imbalances. Reports from the World Bank and International Monetary Fund positively assess the Central Bank of Uzbekistan's inflation-targeting policies implemented since 2020.

RESEARCH METHODOLOGY

The study uses both qualitative and quantitative analysis methods. Data from the Statistics Agency, Central Bank, World Bank, and IMF were analyzed to examine inflation dynamics and key macroeconomic indicators such as interest rates, monetary policy stance, and money supply growth.

Additionally, a correlation analysis was conducted to assess the relationship between inflation and interest rate policy between 2017 and 2024. As part of the international comparison, the monetary policies of the central banks of Poland, Georgia, and Kazakhstan were reviewed.

ANALYSIS OF THE CENTRAL BANK'S POLICY

Inflation Dynamics (2017–2024)

Year	Annual Inflation (%)	Policy Rate (%)	Major Measures
2017	14.4	14.0	Currency liberalization and market reforms
2019	15.2	16.0	Introduction of base rate
2020	11.1	15.0	Loosening policy during the pandemic
2022	12.3	17.0	Tightening monetary stance to fight inflation
2024	8.6	14.0	Adoption of inflation targeting model

Central Bank Instruments

- **Policy Rate:** The Central Bank increased interest rates during periods of high inflationary pressure to limit domestic demand.

- **Money Supply Control:** Excess liquidity was reduced through sterilization operations.

- **Exchange Rate Policy:** The transition to a floating exchange rate eliminated artificial interventions.

DISCUSSION AND RESULTS

The analysis shows that the main causes of inflation in Uzbekistan include increasing demand, high dependence on imports, sensitivity of prices to exchange rate fluctuations, and expansionary fiscal policies.

While the Central Bank's monetary policy has been effective in curbing inflation in the short term, long-term stability requires expanding domestic production,

increasing market competition, and stronger coordination between fiscal and monetary policies.

CONCLUSIONS AND RECOMMENDATIONS

The independence and transparency of the Central Bank play a crucial role in fighting inflation. Although current policies have yielded positive short-term results, without structural reforms, inflationary pressures may re-emerge.

KEY RECOMMENDATIONS:

1. Expand domestic production to increase internal supply.
2. Promote import substitution policies.
3. Strengthen coordination between fiscal and monetary policies.
4. Activate the interbank market to enhance monetary transmission mechanisms.
5. Improve public communication systems to manage inflation expectations.

REFERENCES

1. Reports of the Central Bank of Uzbekistan (2017–2024)
2. Official data of the State Statistics Committee
3. International Monetary Fund (IMF), “Inflation and Monetary Policy” (2022)
4. Friedman M. “Inflation and Monetary Framework”, 1970
5. World Bank economic reviews on Uzbekistan
6. M. Kholmukhamedov. “Causes of Inflation in Uzbekistan” – Journal of Economics and Innovation, 2023