ANTI-INFLATIONARY POLICY IN UZBEKISTAN

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ABSTRACT

This article analyzes the anti-inflationary policy in Uzbekistan, a critical issue for the country's economic stability and public welfare during its transition to a market economy. It identifies the primary drivers of inflation, including rising energy and food prices, and external economic factors like global uncertainty. The study examines the comprehensive measures implemented, such as the Central Bank's strict monetary policy (maintaining a high base rate), fiscal discipline to control the budget deficit, currency policy adjustments, and social protection mechanisms. Furthermore, it highlights key structural reforms, including the phased liberalization of energy tariffs and the integration of monetary and fiscal policies, which are crucial for long-term price stability. The article concludes that Uzbekistan's systematic, multi-faceted approach is creating the necessary conditions to curb inflation, with projections indicating a decrease to 7-8% by 2025 and a target of 5% in subsequent years, thereby fostering macroeconomic stability and sustainable growth.

Introduction. In Uzbekistan, inflation is regarded as a persistent problem for the stability of the economy and the well-being of the population. In 2025, the inflation rate is projected to be maintained at around 7-8% annually, with a forecasted decrease to 5% by 2027. In implementing anti-inflationary policy, monetary, fiscal, industrial-investment, and foreign economic policies play crucial roles. In the process of a gradual transition to a market economy, one of the most important tasks facing any state is to ensure economic stability and maintain macroeconomic balance. One of the key factors that directly influences this process is inflation, which, through the rise in the general price level and the decrease in the purchasing power of money, leads to numerous negative consequences in the economy. Inflation significantly impacts public welfare, the investment activity of business entities, the stability of the state budget, the reliability of the banking system, and, in general, the rates of economic growth.

The economic reforms implemented in Uzbekistan in recent years, such as the transition to a management system based on market mechanisms, the reduction of the state's share in the economy, the liberalization of the currency market, and the modernization of the energy and transport sectors, have also influenced the formation of inflation. While the liberalization of prices and the freeing of market mechanisms in the initial stages of reforms naturally led to an increase in inflationary pressure, managing this process and achieving a stable, low inflation rate has now become one of the government's priority objectives. The Central Bank of Uzbekistan's transition to inflation targeting, the improvement of monetary policy through the base interest rate, strengthening fiscal discipline by reducing the state budget deficit, ensuring food security, and supporting local production are all important directions of anti-inflationary policy. Furthermore, extensive initiatives are being implemented in cooperation with international organizations for macroeconomic forecasting, reducing price expectations, enhancing the competitive environment, and developing market infrastructure. Therefore, a deep scientific analysis of anti-inflationary policy in Uzbekistan, studying its main directions, results, and existing problems, is of great practical importance in the current stage of economic development. This topic is not only relevant for ensuring macroeconomic stability but also for improving the standard of living, attracting investment, and enhancing the competitiveness of the economy. The objective of this article is to analyze the content, main factors, implemented measures, and effectiveness of anti-inflationary policy in Uzbekistan, as well as to draw conclusions on existing problems.

Main Causes of Inflation. The formation of the inflation process occurs simultaneously under the influence of several internal and external factors. In recent years in Uzbekistan, economic reforms, the introduction of market mechanisms, and integration processes with global markets have directly influenced changes in the inflation rate. Below are the most significant factors driving inflation in the republic.

- **The Rise in Energy Prices (gas, electricity)** plays a major role in increasing the inflation rate. Energy resources—natural gas, electricity, gasoline, and other fuel products—are one of the most powerful drivers of inflation. In Uzbekistan, the processes of modernizing the energy system and adapting tariff policy to market mechanisms are being carried out gradually. The increase in tariffs, in turn, leads to a general rise in production costs. Specifically:
- The costs of industrial enterprises increase.
- Transport and logistics prices rise.
- Household services and utility payments become more expensive.

As a result, the rise in energy prices has a chain-like effect on almost all sectors of production, causing an increase in the prices of final consumer goods. Since the energy sector is a cornerstone of the economy, any change in its tariffs strengthens the overall inflationary backdrop.

- **The Rapid Increase in Prices of Food, Medicines, and Services** also affects public welfare. The rise in prices of food products, which are daily necessities for the population, as well as medicines and various services, leads to a significant increase in inflation. The following factors influence the rise in prices in food markets:

- Annual fluctuations in yield.
- The high share of imported products.
- Shortcomings in the logistics system.
- Insufficient formation of competition in markets. In the pharmaceutical market, because the share of imported products is very large, changes in the currency exchange rate quickly affect prices. The rise in prices for medical services, transport, education, and communal services also leads to an increase in the population's daily expenses. This process, in turn, leads to a general rise in prices in the consumer market.
- **External Economic Factors (global uncertainty, geopolitical conflicts)** also affect inflation. Global-scale changes are a crucial factor for countries with open economies like Uzbekistan. Changes in world prices for energy resources, metals, and food directly impact the country's import expenses. In particular:
- Global uncertainties (pandemics, economic crises, export restrictions).
- Geopolitical conflicts (closure of transport routes, logistics problems).
- The economic policies of major countries (USA, European Union, China).

These play a significant role in shaping the inflation rate in Uzbekistan. The rise in prices in foreign markets increases import costs, which, in turn, intensifies pressure on domestic market prices. Furthermore, changes in the national currency exchange rate are one of the external manifestations of inflation. The devaluation of the currency leads to an increase in the prices of imported goods, which in turn causes a general rise in the value of products in the consumer market.

Anti-Inflationary Policy Measures. In Uzbekistan, a set of comprehensive measures is being implemented to reduce inflationary processes and ensure economic stability. These measures encompass monetary policy, fiscal policy, currency policy, and socially oriented mechanisms. Each direction has its own significance in curbing inflation, and their harmonious application serves to ensure price stability in the economy.

- **The Central Bank maintains a strict monetary policy by keeping the base interest rate at 13.5%.** In curbing inflation, the Central Bank's setting of the base interest rate is a crucial instrument. Maintaining the base rate at 13.5% in 2024–2025 demonstrates the strictness of monetary policy. A high base rate:
- Restricts the accumulation of excess money supply in the economy.
- Regulates the growth of bank loans.
- Serves to reduce inflation expectations.
- Helps ensure stability in the currency market.

Additionally, the Central Bank uses tools such as open market operations, the required reserve ratio, and liquidity sterilization to control the overall monetary environment.

- **Controlling State Expenditures, Optimizing Tax Policy, and Stabilizing the Budget.** Another important direction of anti-inflationary policy is ensuring fiscal discipline. Excessive growth in state spending can lead to an increase in demand in the economy and a rise in prices. Therefore:
- Optimizing state expenditures.

- Reducing the budget deficit.
- Simplifying the tax system and forming a fair system.
- Applying targeted subsidies and benefits are recognized as factors that effectively support anti-inflationary efforts.

Efficient use of budget funds, reducing unnecessary expenditures, and maintaining state debt at an optimal level strengthen macroeconomic stability.

- **Adjusting Currency Policy, Regulating Imports, and Increasing Production Volumes.** Since the inflation rate in Uzbekistan is significantly dependent on external factors, improving currency policy is of great importance. The following measures are being implemented in this regard:
- Ensuring the stability of the national currency exchange rate.
- Optimizing currency interventions.
- Regulating import processes.
- Expanding currency inflows by increasing exports.

Furthermore, to reduce the structural factors of inflation, it is important to increase the volume of local production, expand the production of import-substituting goods, increase the efficiency of agriculture, and modernize industrial enterprises. An increase in the share of local products directly contributes to price stabilization in markets.

- **Strengthening Social Protection Measures, Increasing Population Income.** Supporting the vulnerable segments of the population in conditions of inflation is an important component of state policy. Since the rise in prices reduces the real income of the population:
- Indexing social benefits and compensations.
- Providing targeted support to low-income families.
- Gradually increasing wages and pensions.
- Distributing subsidies fairly and in a targeted manner helps to mitigate the impact of inflation on the population.

Moreover, ensuring that economic reforms are implemented in a socially balanced manner helps maintain the standard of living for the population against the backdrop of rising prices.

Reforms Being Implemented in Uzbekistan. In recent years, Uzbekistan's economy has seen wide-ranging reforms aimed at curbing inflation, ensuring price stability, and strengthening macroeconomic balance. These reforms are harmonized with structural changes, the liberalization of market mechanisms, the optimization of state governance, and the expansion of international economic ties. Below are the main reforms that support the anti-inflationary policy.

- **Gradual Liberalization of Energy Prices, Stabilization of Prices.** Energy resources are one of the main factors of production in all sectors of the economy. Therefore, Uzbekistan is carrying out phased work to reform the energy sector, bring tariff policy closer to market mechanisms, and set prices on an economically justified basis. The liberalization process:
- Reduces subsidy mechanisms in price formation.
- Encourages enterprises to switch to energy-efficient technologies.
- Reduces artificial price changes in the consumer market.

• Increases the reliability of energy supply. The economically justified setting of tariffs may initially lead to an increase in the prices of certain goods and services. However, in the long term, this reform will serve to increase the efficiency of energy networks, reduce supply interruptions, and ensure price stability.

• **Integrating Anti-Inflationary Monetary and Fiscal Policies.** For effective control of inflation, harmonizing monetary policy with fiscal policy is a crucial requirement. In Uzbekistan, the Central Bank's strict monetary policy and the government's fiscal policy, which strengthens budget discipline, are being implemented in a complementary manner. This integration yields the following results:

- A reduction in the budget deficit prevents excessive money emission.
- The money supply is controlled through the base interest rate.
- The regulation of state expenditures contributes to price stability.
- Macroeconomic balance is strengthened.

Furthermore, the introduction of an inflation targeting system allows the Central Bank to accurately forecast inflation expectations and adapt monetary policy in a timely manner. The transparency of fiscal policy and the strengthening of budget discipline support this process.

• **Expanding Foreign Economic Cooperation, Attracting Investment.** In the context of globalization, expanding Uzbekistan's foreign economic activities also has a direct impact on stabilizing inflation. Through foreign economic cooperation:

- Export opportunities expand.
- The import structure is diversified.
- Stable relations with foreign markets are established for strategic goods.
- Modern technologies and investments enter the economy.

As the investment environment improves year by year, the share of foreign investments is growing. Measures such as tax incentives for foreign investors, land allocation mechanisms, and simplification of customs procedures accelerate economic growth and contribute to an increase in production volume. This, in turn, leads to an increase in the supply of goods in the market and the stabilization of prices.

Conclusion. It is clear that the anti-inflationary policy in Uzbekistan is systematic, multi-faceted, and long-term. Until 2025, the inflation rate is expected to be at 7-8%, and in the following years, to decrease to 5%. For this, monetary, fiscal, industrial-investment, and social policies are of great importance. The consistent implementation of anti-inflationary policy in Uzbekistan, its systematic and multi-faceted application, is proving its effectiveness in practice. The main goals of anti-inflationary policy in the country are to ensure macroeconomic stability, regulate price growth, improve public welfare, and strengthen the sustainability of economic reforms. As a result of the monetary, fiscal, currency, and structural reforms implemented in recent years, the necessary conditions are being created to reduce inflationary pressure. The Central Bank is taking strict measures to ensure price stability by setting the base interest rate in accordance with the economic situation, regulating the money supply, and through an inflation targeting system. At the same time, the government's fiscal policy, aimed at optimizing state expenditures, simplifying the tax system, and reducing the budget deficit, serves as a complementary factor to monetary policy.

The implementation of structural reforms, such as the phased liberalization of tariffs in the energy sector, the expansion of local production, the modernization of the logistics system, and the strengthening of competition, contributes to the economically justified formation of prices in markets. The strengthening of foreign economic cooperation and the increase in the flow of foreign investments also have a positive impact on reducing inflation by increasing the volume of supply in the economy. Forecasts indicate that as a result of the consistent continuation of economic policy, the inflation rate will be around 7-8% by 2025 and is expected to decrease to 5% in the coming years. Achieving this indicator requires the harmonized and coordinated implementation of measures in the areas of monetary policy, fiscal discipline, industrial-investment policy, and social direction. Overall, Uzbekistan's anti-inflationary policy is a long-term, deeply considered, and comprehensive approach, harmonized with broad reforms. Its effective implementation will serve to ensure future economic stability, improve the standard of living, and enhance the competitiveness of the national economy.

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