

INFLATION AND ITS CHANGES IN UZBEKISTAN

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Аннотация. В статье рассматривается динамика инфляции в Узбекистане, её основные факторы и влияние на макроэкономическую стабильность страны. Особое внимание уделяется трансформационным процессам последних лет, включая либерализацию цен, валютные реформы и структурные изменения в экономике. Анализируются данные официальной статистики, характеризующие переход от двузначной инфляции к более стабильным темпам роста цен, а также меры, принимаемые Центральным банком Узбекистана для обеспечения стабильности цен.

Ключевые слова: инфляция; уровень цен; денежно-кредитная политика; Центральный банк Узбекистана; макроэкономическая стабильность; внешние шоки; инфляционные ожидания; либерализация цен; валютные реформы; экономический рост.

Abstract. This article examines inflation dynamics in Uzbekistan, its key determinants, and the impact on the country's macroeconomic stability. Particular attention is paid to the transformation processes of recent years, including price liberalization, currency reforms, and structural changes in the economy. Official statistics characterizing the transition from double-digit inflation to more stable price growth rates are analyzed, as well as measures taken by the Central Bank of Uzbekistan to ensure price stability.

Keywords: inflation; price level; monetary policy; Central Bank of Uzbekistan; macroeconomic stability; external shocks; inflation expectations; price liberalization; currency reforms; economic growth.



Introduction. Inflation is a key macroeconomic indicator determining the stability of the national economy, the well-being of the population, and the dynamics of industrial development. In Uzbekistan, recent transformation processes, including foreign exchange market liberalization, improved pricing mechanisms, and the expansion of market relations, have significantly impacted the nature of inflation. Particularly significant changes have been observed since 2017, when a series of economic reforms created new conditions for the development of the domestic market, increased competition, and greater transparency of financial transactions.

At the same time, external factors such as fluctuations in global commodity prices, instability in global financial markets, disruptions in supply chains, and geo-economic risks have a significant impact on inflation in the country. Uzbekistan's transition to a more open economy has increased the sensitivity of the domestic market to external shocks, necessitating the development of a more effective inflation management system. This article examines the main sources of inflation in Uzbekistan, its structural features, and trends in recent years. The article also analyzes the monetary and fiscal policies taken by the government and the Central Bank to stabilize prices and ensure sustainable economic growth. The study aims to identify current inflation regulation mechanisms and determine their role in ensuring the country's long-term macroeconomic stability.

Main body. Inflation is not simply an economic indicator reflecting price increases, but also a complex socioeconomic phenomenon closely linked to industrial development, household income levels, the state of the financial system, and the effectiveness of government policy. In Uzbekistan, inflation dynamics in recent years have shown a mixed picture, with internal structural factors intersecting with global economic challenges. Analyzing inflation trends allows for a deeper understanding of the country's economic growth and an assessment of the stability of its financial system.

Inflation in Uzbekistan is driven by a range of factors, including monetary, non-monetary, institutional, and external factors. As Milton Friedman wrote, "Inflation is always and everywhere a monetary phenomenon" [1]. The idea is that an excess of money in circulation inevitably leads to rising prices. In Uzbekistan, during periods of transition, the expansion of the

money supply did indeed become one of the dominant inflationary factors, especially against the backdrop of reforms, foreign exchange market liberalization, and increased government spending.

At the same time, inflationary pressure was also exacerbated by the structural features of the economy. For a long time, a significant share of food and raw materials remained dependent on imports, making domestic prices sensitive to fluctuations in the global market. As Paul Samuelson noted, "No country's economy can be insulated from world prices and world shocks" [2]. This was particularly evident in 2020–2023, when the COVID-19 pandemic, disruptions in global supply chains, and rising energy prices immediately impacted Uzbekistan's consumer market.

However, inflation is not only a response to external circumstances but also the result of internal transformations. The ongoing process of economic liberalization was accompanied by tariff revisions, the abolition of administrative regulations, and a gradual transition to market pricing. It is generally recognized that, under reform, short-term price increases are an inevitable component of economic growth. John Maynard Keynes wrote, "Price changes are a reflection of profound changes in the economy" [3]. In Uzbekistan, these changes have manifested themselves in the expansion of entrepreneurship, the formation of a competitive environment, and the decline of the shadow economy, which should reduce inflation risks in the long term.

Food inflation plays a particularly important role, significantly affecting the social well-being of the population. Climate change, crop yield fluctuations, limited storage capacity, and logistical problems often trigger price increases for fruits and vegetables. In this context, Amartya Sen's opinion is important: "Food inflation is primarily a lack of effective organization, not a shortage of resources" [4]. This idea is relevant for Uzbekistan, since modernizing the agricultural sector and creating conditions for uninterrupted supply directly impacts inflation stability. Furthermore, inflationary processes impact the standard of living of the population by redistributing income between different social groups. Rising prices reduce the purchasing power of households, but at the same time stimulate businesses to increase productivity. As Friedrich Hayek emphasizes: "Inflation distorts market signals, but at the same time encourages participants in the economic system to seek new solutions" [5]. In Uzbekistan, entrepreneurial

activity has indeed increased, particularly in industry, services, and agriculture, gradually mitigating monopoly and reducing inflationary pressure.

It is worth noting that the Central Bank of Uzbekistan has recently transitioned to inflation targeting, setting a medium-term target for inflation reduction. This is an important step toward stabilizing prices and strengthening confidence in the national currency. The introduction of monetary policy instruments, the development of financial markets, increased transparency of budget expenditures, and the rationalization of the tax system serve as the foundation for a gradual reduction in inflation. Nevertheless, inflation remains a sensitive indicator, reacting to any deviation in the balance of supply and demand. The need to accelerate the development of production capacity, implement innovation, and improve economic efficiency remains a significant challenge. Uzbekistan is moving toward modernization, and fluctuations in inflation reflect both the successes and difficulties of this process. Inflation here serves as a kind of economic "barometer," recording changes in market structure, the maturity of the financial system, the level of competition, and the state's ability to adapt to global challenges. Thus, inflation in Uzbekistan is a complex interaction of domestic reforms, external factors, monetary policy, and structural changes. Analyzing inflation trends allows us to identify both the economy's strengths and weaknesses, as well as identify areas where government regulation needs to be strengthened, technological development accelerated, and economic systems more resilient. Inflation reflects not only market conditions but also social sentiment, expectations, and confidence in the future—meaning understanding it is crucial for the country's future development.

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