

# THE ANTI-INFLATION STRATEGY OF THE CENTRAL BANK OF UZBEKISTAN

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## Abstract

This article examines the role and key strategies of the Central Bank of the Republic of Uzbekistan in combating inflation. It analyzes the impact of inflation on macroeconomic stability, the effectiveness of monetary policy, and the importance of the inflation targeting mechanism. The paper also provides a statistical analysis of inflation indicators for the period 2020–2025, highlighting both positive and negative aspects. Furthermore, based on international experience, the article explores the strengths and weaknesses of Uzbekistan's model and proposes practical recommendations for improving inflation control.

**Keywords:** Inflation, Central Bank of Uzbekistan, monetary policy, inflation targeting, macroeconomic stability, international experience.

## Introduction

Inflation management plays an important role in ensuring economic stability. Inflation is an increase in the average (general) price level as a result of the overflow of money circulation channels with an excess money supply, and as a result, the depreciation of the national monetary unit, its uncontrolled influence negatively affects economic growth, investment, efficiency of the business environment and living standards of the population. One of the main tasks of central banks is to keep economic policy in balance by keeping inflation at a stable low level. After independence, the Republic of Uzbekistan realized such changes as reforming the economy, developing competition in market, and improvement of monetary policy. And over the past 5 years (2020-2025), the Central Bank has been applying modern economic mechanisms to control inflation control, inflation targeting, and monetary policy in order to fulfill this task.



## LITERATURE REVIEW AND METHODS

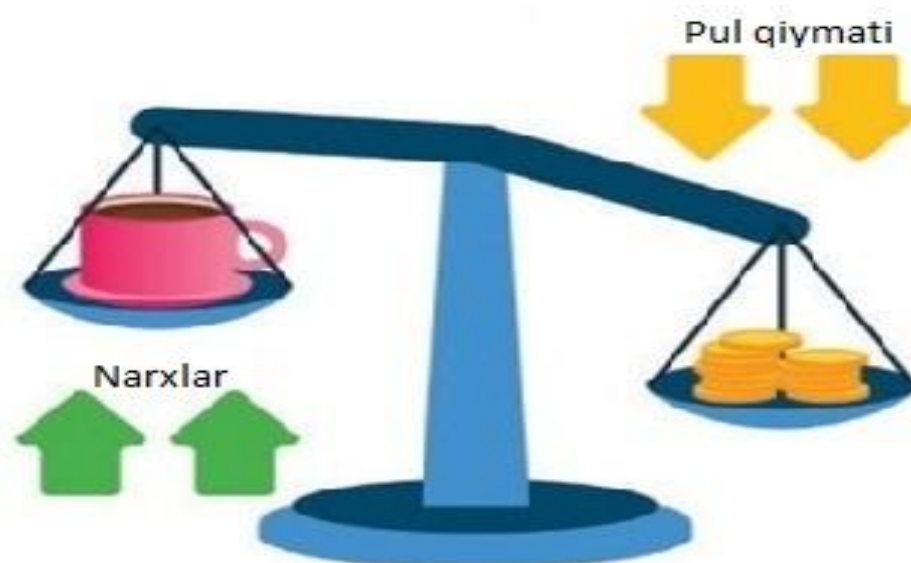


Figure 1. Inflation is the depreciation of money.

### 1. Inflation and its effects

Inflation is a depreciation of the value of the national currency as a result of an increase in the overall level of prices for goods and services in a country, that is, a constant increase in the level of consumer prices and the depreciation of money. Inflation leads to negative consequences such as a decrease in the purchasing power of the population, the emergence of fluctuations in the investment climate, the depreciation of the national currency. Inflation stimulating economic growth (at a moderate level), creating a favorable environment for borrowers (real interest rate decrease), and producers striving to produce more will change our lives for the better.

### 2. Basic strategies of the Central Bank

The Central Bank of Uzbekistan implements the following main strategies to maintain the level of inflation at the macroeconomic level:

- Inflation targeting – setting the target level of inflation and drawing up a strategy to achieve it. The inflation target set for 2023 was around 5%.

At the meeting of the Central Bank of the Republic of Uzbekistan on January 23, 2025, it was decided to keep the key rate at 13.5% per annum, and analyzed the inflation rate of previous years: it was said that it decreased from 12.3% in 2023 to 9.8% in 2024 and is forecast to be 7.5% in 2025.

- Interest rate policy – influencing economic activity by changing the key rate.

The central bank raises the key rate in order to reduce inflationary pressures, causing interest rates to rise as well, making it more expensive to borrow and reducing consumption and investment. If the key rate falls, it will become cheaper to borrow, which will stimulate

consumption and investment, increase economic activity, and as a result, inflationary pressures may increase.

The central bank's goal of changing the key rate is to raise gross demand to the level of gross supply and influence the borrowing, investing, saving, and consumption decisions of market participants.

- Controlling the money supply – controlling inflation by controlling the amount of money in the economy.

## CONCLUSIONS AND DISCUSSION.

The policy of the Central Bank of the Republic Uzbekistan to combat inflation has achieved notable results in 2020-2015. The inflation rate and key rate fluctuations indicate that the Central Bank's tight monetary policy has played an important role in tackling inflation. The table below shows the inflation rate and the key rate change in 2020-2025:

Figure 2. Inflation and the key rate (2020–2025)

year	Inflyatsiya (%)	Basic rate (%)
2020	14,3	15,0
2021	10,9	14,5
2022	12,3	17,0
2023	10,2	16,0
2024	7,5	15,0
2025 (estimated)	6,8	14,0

Source: Central Bank of the Republic of Uzbekistan, Annual Report 2024 and IMF.

According to the results, the central bank's key rate has been cut to 14% while the inflation rate is around 10% in 2023. This helped bring down inflation and provide stability in the economy. In 2024, the inflation rate has eased to 7.5%, indicating the effectiveness of the policies the central bank is pursuing.

Today, the Central Bank's anti-inflation strategy gives positive results: if in 2018 the inflation indicator was 14.3%, by 2023 this indicator will fall to 8.8%. Still, there are several factors contributing to the increase in the inflation rate.

In most cases, inflation in Uzbekistan is caused not by demand, but by a lack of supply. For example, the dependence of agricultural products and prices on imports leads to pressure on prices. Below are the anti-inflation measures being implemented by the Central Bank:



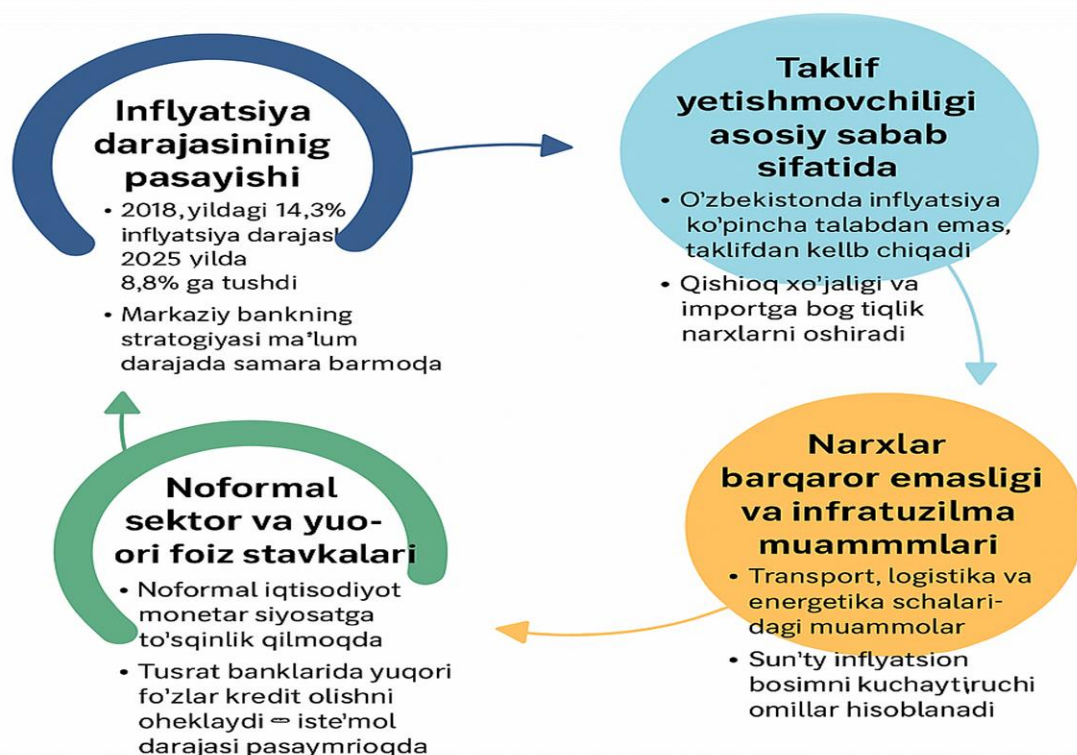


Figure 3. Anti-inflation measures being implemented by the Central Bank

Although in recent years the Central Bank of Uzbekistan has taken important steps to control inflation, several measures need to be taken to further improve and reform this policy. If we look at the international results, one of the most effective monetary solutions for achieving macroeconomic stability is the inflationary targeting mechanism. The effectiveness of this system was also recognized by the World Bank and the International Monetary Fund, and the states of Georgia, Poland, Kazakhstan and Indonesia were also able to keep the Inflation rate at 3-5% by using this method extensively.

Uzbekistan should also strengthen the inflation targeting mechanism based on the above international experiences. Increasing the level of financial literacy of the population will also play an important role in bringing down the level of inflation. To do this, it is necessary to establish the basics of financial knowledge in schools, universities and to stimulate students to creatively solve such important economic problems, such as the need to study the functioning of banking systems in practice, and how to positively orient inflation expectations.

Another way to reduce inflationary pressures is to prevent the budget deficit from exceeding while bringing government spending under control, as well as to integrate monetary and fiscal policies. By producing import-substituting products as much as possible and encouraging domestic producers, supply overflows can be avoided. Long-term and low-interest rate lending by banking sectors stabilizes the flow of investment and ultimately helps keep macroeconomic stability in balance.

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## CONCLUSION

Anti-Inflation Policy of the Central Bank of the Republic of Uzbekistan in recent years has played an important role in achieving economic stability. The analysis shows that it is possible to gradually reduce the inflation rate by using monetary policy tools wisely, in particular by adjusting the key interest rate and controlling the money supply. Statistical indicators observed for the period from 2020 to 2024 also confirm the effectiveness of this approach.

Also, by comparing international experience, it turned out that the policy of the Central Bank in a number of respects corresponds to the standards of developing countries. However, factors such as structural causes of inflation, dependence on imports and foreign markets still retain their relevance. Therefore, it becomes a necessity to regularly update existing strategies and introduce science-based approaches.

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