

PREVENTION OF INFLATION AND ITS IMPORTANCE

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Annotation: This article discusses the concept of inflation, its impact on the economy, and strategies to prevent it. The importance of central bank policy, ensuring price stability and control over money circulation is also highlighted.

Keywords: Inflation, monetary policy, price stability, central bank, monetary policy, economic growth, consumer market.

Introduction

Inflation is an increase in the overall price level in the long run, which negatively affects the stability of the economy. Increased inflation reduces the purchasing power of the population, leads to depreciation of savings and increases economic insecurity. Therefore, the control of inflation and its prevention is one of the most important areas of economic policy.

Main part

Among the main causes of inflation are the following: an increase in the mass of money, an increase in the cost of production, an increase in the price of imported products and a state budget deficit. These situations put pressure on the general level of prices and cause inflation.

To prevent inflation, states use the following strategies:

- Increase in interest rates by the central bank;
- Price stabilization by limiting the money supply;
- Conduct tax and budget policies in equilibrium;
- Promotion of production through economic reforms;
- Reduce dependence on imports by supporting domestic producers. Inflation leads to a decrease in the value of money as a result of a stable increase in the general level of prices, so people can buy less.

When the value of money falls, economic problems arise, which put consumers in trouble.

The main reason for inflation is an increase in the mass of money, which leads to an increase in prices.

If there is too much money on the market, prices will increase and, as a result, a general increase in prices will occur throughout the year. When the cost of production rises, the price of the product also increases, which disrupts the economic balance.

When the price of imported products increases, prices in the domestic market also rise, causing problems for consumers.

The state budget deficit is also one of the causes of inflation, which affects the economic actions of the state.

Budget deficits lead to state loans and the release of new money, as a result of which an increase in the mass of money occurs.

Inflation leads to social problems because people have difficulty meeting their daily needs.

If wages and pensions do not rise, the income of the population decreases, and this reduces well-being. Since inflation affects the business environment, entrepreneurs do not know the price increase in advance. Making long-term plans becomes more difficult and slows down economic growth. Inflation control, on the other hand, is an important task for the state, and the central bank takes the necessary measures. The central bank raises interest rates to manage inflation, which increases borrowing costs. When interest rates are increased, people get fewer loans, and this leads to a decrease in the money supply. If the central bank increases mandatory reserve standards, banks are forced to give less credit. As a result of this, the amount of money in the market decreases, and the inflation rate decreases. Since the state limits the money supply and ensures price stability, it is important to support economic stability. Stable conduct of tax policies reduces inflation, so tax changes must be carried out carefully. Keeping the budget in balance will reduce the deficit, which will help stimulate economic growth. Economic reforms develop production, leads to a decrease in prices.

As production grows, the product on the market increases and prices stabilize.

Support for domestic producers reduces dependence on imports, which helps to strengthen the economy. When Import prices rise, the local product will be cheaper and consumers will be more interested in these products.

The central bank can influence the foreign exchange market, which ensures the stability of the exchange rate. Keeping the exchange rate stable balances imports and exports, which is important for trade trading.

The independent operation of the central bank effectively controls inflation, as well as maintaining economic stability.

Regular monitoring is necessary to reduce the inflation rate, which is important for the well-being of the population. Increasing economic knowledge helps the population in financial planning, so it is necessary to develop an educational system.

When people increase their economic knowledge, they make more rational decisions and stimulate economic growth. It is also important to keep your documents up to date on time and update the equipment. Economic studies and news monitoring ensure success in entrepreneurship, so it is impossible not to do this. When purchasing products and services, it is absolutely necessary to plan and monitor personal expenses.

Independent and effective activities of the central bank play an important role in controlling inflation. Through interest rates, the norm of mandatory reserves, the means of influencing the foreign exchange market, the central bank regulates the level of inflation.

Further, it can be said that the official inflation in Uzbekistan in 2024 was 9.8 percent, which is higher than the expectations of the central bank. In 1 year, potatoes cost almost 40 percent, carrots-18.3 percent. Gas tariffs increased by an average of 2.3 times, electricity by almost 1.7 times, propane by

30.9 percent, and gasoline by 5.9 percent. According to the statistics agency, gas tariffs in comparison with December 2023 amounted to an average of 2.3 times, electricity-about 1.7 times, waste collection — 54.7 percent, heating system — 36 percent, hot water — 32.1 percent.

Conclusion

In conclusion, the Prevention of inflation is important not only for economic stability, but also for the well-being of society. Through price stability, confidence in the economy increases, investments increase and the living standards of the population improve. Fighting inflation requires a constant and systematic approach.

Inflation means a general increase in prices, as the common people understand it. For example, if a year ago 1 kg of milk was 10 thousand rubles, then the next year it went to 12 thousand rubles, then there was inflation — that is, prices increased.

Due to inflation, people can buy fewer things than before for their own money. This can lead to a decrease in the standard of living. Therefore, the state and the central bank take various measures to control inflation. The most important of these:

Interest rate management-the central bank regulates the borrowing and spending of people and enterprises, increasing or lowering interest on the money market. Increase product production — When products start to multiply, prices stabilize, because a balance between supply and demand occurs. Support for domestic manufacturers-increased attention to products produced in Uzbekistan reduces dependence on imports and prevents price increases-if inflation is low, people will be able to shop even more for less money, which means that prosperity will increase. In short, inflation is a depreciation of money and an increase in prices. And control over it is necessary to change our lives for the better.

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