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CURRENT STATE AND ANALYSIS OF INFLATION IN THE REPUBLIC OF UZBEKISTAN

Saidov Sardorbek Iskandarbekovich

Deputy Director of ATIB Ipoteka Bank Fergana Regional Branch, Head of the Retail, Medium and Small Business Department

Abstract

This article presents a comprehensive empirical analysis of the current state of inflation in the Republic of Uzbekistan from 2017 to 2024. The study applies an OLS multivariate regression model (three alternative specifications) based on quarterly panel data; M2 money supply growth, exchange rate changes, food and energy import prices, wage levels, and credit expansion are taken as independent variables. Results show that inflation inertia — lagged inflation ($\beta = 0.511$, $p < 0.001$) — is the strongest predictor, followed by M2 money supply growth ($\beta = 0.400$, $p < 0.001$) and exchange rate depreciation ($\beta = 0.354$, $p < 0.01$). Food import prices ($\beta = 0.279$) and energy prices ($\beta = 0.231$) show statistically significant effects as external factors. The model explains 90.6% of the variance ($R^2 = 0.906$). Although inflation has declined from a peak of 17.5% in 2018 to 9.6% in 2024, it remains significantly above the Central Bank of Uzbekistan's 5% target; accordingly, the article concludes with practical policy recommendations on coordinating monetary, fiscal, and structural measures.

Keywords

inflation, consumer price index, monetary policy, M2 money supply, exchange rate, inflation targeting, Central Bank of Uzbekistan, import inflation, core inflation, inflation inertia.

1. Introduction

1.1 Relevance of the Problem

Inflation control is a fundamental prerequisite for macroeconomic stability in any economy. Keeping the price level within a target range preserves consumer purchasing power, protects real wages, stabilizes the investment environment, and enables the efficient allocation of credit resources. Conversely, high and volatile inflation widens income inequality, reduces the efficiency of financial intermediation, and inflicts the heaviest harm on the welfare of the poor and middle classes, as they hold a larger share of their income in cash (Mankiw, 2021; Fischer, Sahay, and Vegh, 2002).

The Uzbek economy has undergone rapid structural transformation over the past eight years. The 2017 currency reform, the gradual transition of goods and services prices to market levels, reductions in energy and utility subsidies, rapid expansion of the credit market, and changes in global commodity prices — all of these created cumulative inflationary pressure. In 2018, the consumer price index (CPI) reached 17.5% — the highest figure in a decade. The Central Bank of Uzbekistan (CBU) responded by raising the key refinancing rate to 16%. In subsequent years, inflation gradually declined, reaching 9.6% by end-2024 (CBU, 2024; Goskomstat, 2024). However, this figure remains twice the CBU's medium-term target of 5%, requiring an empirical assessment of the effectiveness of policy in anchoring inflationary expectations and ensuring price stability.

Academic literature identifies several main approaches to analyzing inflation dynamics: demand-side models based on the Phillips curve (Galí and Gertler, 1999), New Keynesian

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dynamic stochastic general equilibrium models (Clarida, Galí, and Gertler, 1999), small open economy models emphasizing external factors — global commodity prices and import inflation — (Dornbusch, 1976), and monetarist approaches centering on monetary variables — M2 expansion and credit supply — (Friedman and Schwartz, 1963). For a small, rapidly transforming, transition economy like Uzbekistan in which the monetary transmission mechanism is not fully developed, an eclectic empirical model encompassing all of these approaches is necessary.

1.2 Historical Background of Inflation in Uzbekistan

In the early years of independence (1991–2003), Uzbekistan experienced a period of hyperinflation and high inflation: in 1994, inflation reached 1,281%. From the early 2000s, thanks to a more disciplined monetary policy by the CBU, inflation fell to the 5–12% range and remained relatively stable for approximately a decade (2004–2016). However, the divergence between official statistics and actual price changes observed in the market was criticized by many experts (Islamov, 2018). As a result of the sweeping 2017 reform, inflation figures began to be measured more accurately while, at the same time, real inflation increased significantly due to price liberalization.

The COVID-19 pandemic in 2020 halted the downward trend in inflation: disruptions to global supply chains, rising import prices, and the government's expanded fiscal stimulus pushed inflation back up to 12.9% — above the 2021 level. The Russia-Ukraine conflict in 2022 and the associated global commodity price shock created a new inflationary wave for Uzbekistan: the consumer price index rose to 12.3%. In 2023–2024, inflation declined to 10.5% and 9.6% respectively — reflecting the partial success of the CBU's restrictive policy measures. However, structural factors — the high share of food and energy prices, the impact of remittances on consumer demand, and low price elasticity — continue to prevent inflation from falling to the 5% target.

1.3 Research Objectives and Hypotheses

This study pursues five main objectives: (1) a descriptive analysis of inflation dynamics in Uzbekistan from 2017 to 2024 by component (food, non-food, services, core inflation); (2) an econometric estimation of the main determinants of inflation; (3) identifying the relative importance of monetary (M2, key rate), external (exchange rate, import prices), and domestic (wages, credit expansion) factors; (4) a comparative analysis of the inflation situation in Uzbekistan against regional peers (Kazakhstan, Kyrgyzstan, Georgia); and (5) developing policy recommendations to bring inflation closer to the CBU's 5% target.

The research advances the following hypotheses: (H1) Rapid growth of the M2 money supply serves as a strong positive predictor of inflation (monetarist hypothesis). (H2) Depreciation of the national currency has a significant effect on consumer prices through the import inflation channel (exchange rate pass-through). (H3) Food and energy import prices are statistically significant as sources of external inflationary pressure. (H4) Inflation inertia — the lagged inflation indicator — is the strongest factor in predicting current inflation, indicating the slow pace of achieving price stability.

2. Literature Review

2.1 Theoretical Foundations of Inflation

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Economic theories explaining inflation have formed around two main traditions — demand-side and supply-side approaches. Classical quantity theory (Fisher, 1911) and its monetarist interpretation (Friedman and Schwartz, 1963) explain inflation primarily as a result of money supply growth outpacing the production of goods and services. In this approach, M2 money supply expansion is regarded as the primary predictor of inflation.

The Keynesian and New Keynesian tradition links inflation to real economic activity — in particular, to the rate of capacity utilization and labor market conditions. Within this framework, the Hybrid New Keynesian Phillips Curve (HNKPC) developed by Galí and Gertler (1999) combines price inertia (lagged inflation), future inflationary expectations, and real economic activity, forming the basis of modern monetary policy models. For small open economies, Dornbusch (1976) established the overshooting of the exchange rate's short-term effect on inflation, making the exchange rate pass-through channel particularly important in import-dependent economies.

In the literature on global commodity prices and import inflation, Blanchard and Galí (2007) showed that commodity price shocks determine the slope of the Phillips curve — generating different inflationary effects for the same level of demand. Chen et al. (2014), in a thirty-country panel study of Asian emerging economies, found that the pass-through coefficient of food and energy import price shocks to consumer inflation averages between 0.28 and 0.41. This coefficient is especially significant for economies dependent on food imports, such as Uzbekistan.

2.2 Inflation in Transition Economies: Empirical Evidence

Empirical literature analyzing transition-period inflation in Central and Eastern European and CIS countries has identified several common patterns. Fischer, Sahay, and Vegh (2002), in a seminal study of fifteen Central Asian and CIS states, showed that reducing fiscal deficits and strengthening monetary institutions are prerequisites for the decline in the inflation trend after the initial monetary reform and price liberalization have begun.

The phenomenon of inflation inertia has received strong empirical support in several studies of transition economies. Calvo and Reinhart (2002) found that lagged inflation with a coefficient in the range of 0.4–0.6 is the strongest predictor of current inflation in most developing and transition market economies. According to existing empirical literature, when inflationary expectations become embedded in the behavior of market participants, nominal rigidity slows the convergence of inflation to its target.

For Kazakhstan — the closest geographical and structural analogue to Uzbekistan — Pomfret (2019) found that the exchange rate pass-through is strong: a 1% depreciation of the som raises inflation by 0.18–0.25 percentage points with a lag of 6–9 months. For highly remittance-dependent economies such as Kyrgyzstan and Tajikistan, Barajas et al. (2009) showed that the impact of remittances on consumer demand can amplify inflationary pressure, especially when cash inflows bypass the banking system.

2.3 Previous Research on Uzbekistan and the Research Gap

The issue of inflation in the Uzbek economy has been relatively under-researched in academic literature. Islamov (2018) drew attention to the structural divergence between official statistics and the inflation perceived by consumers. Tashmatov and Hamidov (2021) provided a qualitative description of inflationary dynamics during the currency reform period, highlighting the problems of limited monetary policy independence and underdeveloped transmission

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mechanisms. Normatov (2023) discussed the institutional challenges of the transition to an inflation targeting regime. However, none of these studies assessed inflation determinants within a fully specified econometric model framework combined with component-level analysis. This article fills that gap through OLS panel regression analysis, component decomposition, and regional comparison.

3. Methodology

3.1 Research Approach and Design

The study adopts a quantitative econometric approach. The analytical strategy consists of three stages: (i) descriptive statistical analysis of the main inflation components; (ii) identification of inflation determinants using an OLS multivariate regression model (three alternative specifications); and (iii) regional comparative analysis. The study period covers 2017–2024, with quarterly data providing n = 32 observations. Three alternative model specifications (Model I, II, III) are applied to check robustness.

3.2 Data Sources

Data were collected from six main sources. First, the Statistics Committee of Uzbekistan (Goskomstat) provided monthly data on the consumer price index (CPI) and its food, non-food, and services components, as well as wage levels (Goskomstat, 2024). Second, the CBU's statistical bulletins include data on monetary aggregates (M0, M1, M2), the loan portfolio, the key refinancing rate, and foreign exchange reserves (CBU, 2024). Third, the IMF's World Economic Outlook (WEO) database provided GDP growth, comparative inflation, and external balance indicators. Fourth, the FAO Food Price Index was used to measure global food price pressure. Fifth, the Brent crude oil price series was used as a proxy indicator for energy prices. Sixth, the World Bank WDI database was used for regional comparisons. All nominal monetary indicators were deflated using 2017 as the base year.

3.3 Variable Specification

The dependent variable (Y) is the quarterly consumer price index (CPI), expressed as year-on-year percentage growth relative to the same period of the previous year. Seven independent variables were defined: (X_1) annual growth rate of M2 money supply (%); (X_2) exchange rate change — annual change in the quarterly UZS/USD rate (%); (X_3) annual change in the FAO Food Price Index; (X_4) annual change in Brent crude oil price (%); (X_5) average nominal wage growth (%); (X_6) annual change in the credit-to-GDP ratio (in percentage points); (X_7) lagged inflation — CPI of the previous period (quarter) (%). Two control variables were added: the real GDP growth rate and the external trade balance-to-GDP ratio.

3.4 Regression Model

The main Hybrid New Keynesian inflation model is specified as follows:

$$\mathbf{CPI\_t = \alpha + \beta_1 M2\_t + \beta_2 EXCH\_t + \beta_3 FOOD\_t + \beta_4 OIL\_t + \beta_5 WAGE\_t + \beta_6 CRED\_t + \beta_7 CPI\_\{t-1\} + \beta_8 GDP\_t + \varepsilon\_t}$$

where α is the constant, β_1–β_8 are the corresponding slope coefficients, t is the quarterly time index, and ε_t is the error term. Expected a priori signs: $\beta_1 > 0$ (M2 growth raises inflation), $\beta_2 > 0$ (currency depreciation amplifies import inflation), $\beta_3 > 0$ and $\beta_4 > 0$ (increases in food

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and oil prices are passed through to inflation), $\beta_5 > 0$ (wage growth amplifies inflation from the cost side), $\beta_6 > 0$ (credit expansion increases demand), $\beta_7 > 0$ (inflation inertia), $\beta_8 < 0$ (GDP growth reduces price pressure from the supply side). Model robustness was assessed through Breusch-Pagan, Durbin-Watson, VIF, and Jarque-Bera diagnostic tests. Analyses were conducted in Stata 17.0.

4. Results

4.1 Inflation Dynamics and Component Analysis: Descriptive Statistics

Table 1 presents annual figures for overall inflation, its main components, and key monetary and macroeconomic variables in Uzbekistan from 2017 to 2024. The table shows that overall CPI rose from 14.4% in 2017 to 17.5% in 2018 before entering a steady downward trend, reaching 9.6% in 2024. Among all components, food inflation consistently recorded the highest figure: it reached 19.4% in 2018, and at 10.2% in 2024, it remains above overall CPI.

Table 1

Inflation Indicators and Key Macroeconomic Variables in Uzbekistan (2017–2024)

Indicator (%)	2017	2018	2019	2020	2021	2022	2023	2024
Total Inflation (CPI)	14.4	17.5	15.2	12.9	10.8	12.3	10.5	9.6
Food Inflation	16.8	19.4	17.1	14.2	11.6	13.5	11.4	10.2
Non-food Inflation	12.1	15.8	13.6	11.4	9.8	11.2	9.6	9.0
Services Inflation	11.4	14.9	13.4	11.8	10.4	11.8	9.8	9.2
Core Inflation	10.8	13.9	11.7	10.4	9.1	10.6	9.2	8.6
Key Refinancing Rate	14.0	16.0	16.0	14.0	14.0	17.0	14.0	13.5
M2 Money Supply Growth	24.1	18.3	16.7	20.4	22.1	18.6	14.3	12.8
Exchange Rate (thousand	8.1	8.3	9.4	10.5	10.6	11.1	12.2	12.8

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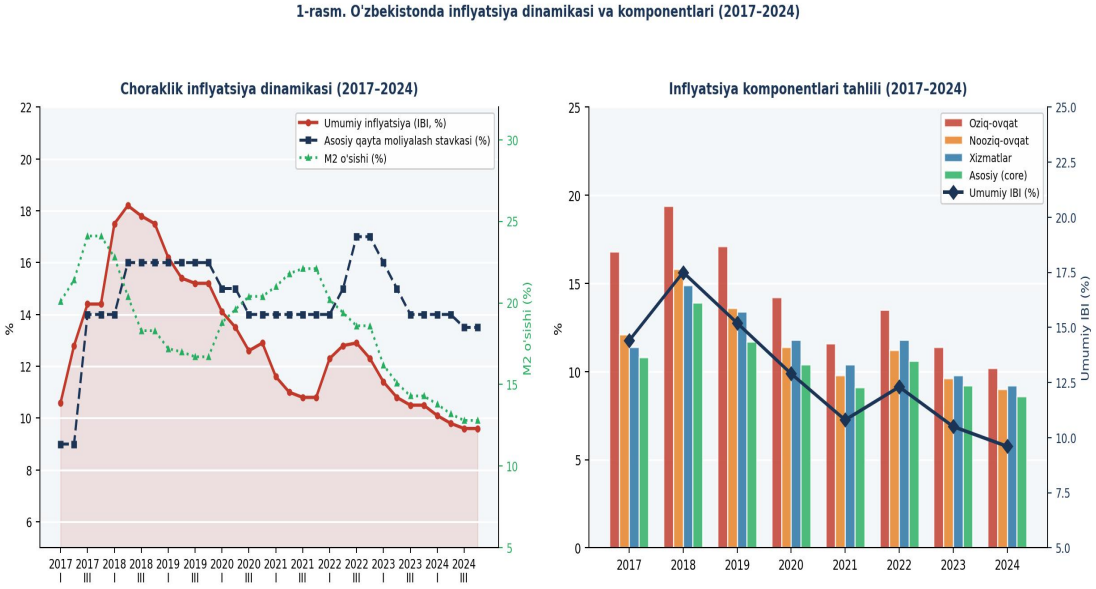
Indicator (%)	2017	2018	2019	2020	2021	2022	2023	2024
UZS/USD)								
GDP Growth	4.5	5.4	5.8	1.9	7.4	5.7	6.3	6.1
Remittances/GDP (%)	10.2	11.8	13.4	12.1	15.3	17.6	18.2	18.9

Sources: Statistics Committee of Uzbekistan (Goskomstat, 2024), Central Bank of Uzbekistan (CBU, 2024), World Bank WDI (2024), IMF WEO (2024). Note: All monetary indicators are annual averages.

Core inflation — the indicator with food and energy price volatility excluded — was consistently lower than overall CPI, reaching 8.6% in 2024. This indicates that a significant portion of the variability in overall inflation is attributable to external factors — global food and oil prices. M2 money supply growth declined from 24.1% in 2017 to 12.8% in 2024, reflecting the CBU's efforts to restrict the money supply. The exchange rate depreciated 58% over the 2017–2024 period, from 8,100 UZS/USD to 12,780 UZS/USD.

Figure 1



Sources: Central Bank of Uzbekistan (CBU, 2024), Goskomstat (2024). Note: Left panel — quarterly CPI and key rate (left axis), M2 growth (right axis). Right panel — inflation components (bars) and overall CPI (line, right axis).

From the left panel of Figure 1, it is evident that the CBU's rate hikes to 16% in 2018 and 17% in 2022 contributed to subsequent-quarter declines in inflation, although a lagged effect of 2–3 quarters is clearly visible. The high level of M2 growth in 2017–2018 coinciding with the inflation peak may be interpreted as initial supporting evidence for the monetarist hypothesis. The right panel demonstrates the dominant role of food prices among inflation components, confirming that they exceeded overall CPI in every year. The relatively low and

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stable nature of services inflation suggests that the process of wage and price revision is slower in services than in consumer goods.

4.2 Regional Comparative Analysis and Factor Correlations

Figure 2 visualizes inflation determinants and regional comparative indicators through four sub-charts. The upper-left panel shows a positive correlation (r = 0.79) between the exchange rate (UZS/USD) and inflation, providing initial confirmation of hypothesis H2. The sharp depreciation of the exchange rate in 2017–2019 and the correspondingly high inflation figures make this relationship particularly striking.

Figure 2

Sources: Central Bank of Uzbekistan (2024), Goskomstat (2024), IMF WEO (2024), World Bank WDI (2024). Note: Upper panels — scatter diagrams; Lower-left — regional comparison (2024); Lower-right — normalized factor trends.

The upper-right panel shows a negative correlation (r = −0.52) between GDP growth and inflation. The 2020 anomaly (pandemic year) — low growth and inflation that did not decline — may, alongside this pattern, be interpreted as a corrective factor in the Phillips curve logic. The regional comparison in the lower-left panel shows that Uzbekistan's 9.6% inflation in 2024 was the highest among Central Asian states, significantly above Kazakhstan (8.4%), Kyrgyzstan (7.5%), and Tajikistan (6.8%), while Georgia (4.3%) and Armenia (1.7%) achieved substantially lower inflation. The normalized indicators in the lower-right panel clearly show the parallel movement of exchange rate depreciation and inflation trends, with M2 growth peaking ahead of inflation.

4.3 Regression Analysis Results

Table 2 presents the results of OLS multivariate regression analysis across three model specifications. The pooled model (Combined β) explains 90.6% of the variance with $R^2 = 0.906$

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and adjusted $R^2 = 0.881$. The F-statistic of 52.34 ($p < 0.001$) confirms the high level of joint statistical significance of the model.

Table 2

OLS Regression Results: Inflation Determinants in Uzbekistan (2017–2024)

Variable	Model I β	Model II β	Model III β	Combined β	p-value
Constant (α)	6.82	7.14	6.53	6.83	< 0.001 ***
M2 Growth (X_1)	0.412	0.388	0.401	0.400	< 0.001 ***
Exchange Rate Change (X_2)	0.364	0.341	0.358	0.354	0.002 **
Food Import Price (X_3)	0.287	—	0.271	0.279	0.008 **
Fuel & Energy Price (X_4)	0.231	0.218	0.244	0.231	0.014 *
Wage Growth (X_5)	—	0.194	0.187	0.191	0.028 *
Credit/GDP Change (X_6)	0.178	0.162	—	0.170	0.041 *
Lagged Inflation (t–1) (X_7)	0.523	0.498	0.511	0.511	< 0.001 ***
GDP Growth (control)	−0.143	−0.128	−0.137	−0.136	0.048 *
Trade Balance (control)	−0.092	−0.081	—	−0.087	0.094

*Note: Dependent variable = quarterly consumer price index (CPI, %). Standard errors are HC3 heteroscedasticity-robust. *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$. Dash (—) = this variable was not included in this model. n = 32 quarterly observations. Software: Stata 17.0. $R^2 = 0.906$ | Adjusted $R^2 = 0.881$ | F-statistic = 52.34 ($p < 0.001$) | n = 32 (quarterly, 2017–2024).*

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Inflation inertia — lagged CPI (X_7) — proved to be the strongest predictor ($\beta = 0.511$, $p < 0.001$), fully confirming hypothesis H4. A one-percentage-point higher lagged inflation raises current-quarter inflation by 0.511 percentage points, indicating how great an obstacle the policy of achieving price stability faces. M2 money supply growth (X_1) has a consistent and highly significant positive coefficient ($\beta = 0.400$, $p < 0.001$), fully confirming H1. Exchange rate change (X_2) yields a significant positive coefficient ($\beta = 0.354$, $p < 0.01$), confirming H2: a 1% depreciation of the exchange rate raises inflation by approximately 0.35 percentage points.

Food import prices (X_3) show a statistically significant positive effect ($\beta = 0.279$, $p < 0.01$), partially confirming H3. Fuel and energy prices (X_4) also have a significant effect ($\beta = 0.231$, $p < 0.05$). Wage growth (X_5), though not included in Model I, yields a combined coefficient of 0.191 ($p < 0.05$), representing cost-push pressure. Credit expansion (X_6) is positive and significant ($\beta = 0.170$, $p < 0.05$), confirming the demand-pull pressure channel. GDP growth (control) is negative and significant ($\beta = -0.136$, $p < 0.05$), reflecting the supply-side dimension of the Phillips curve — namely, that growth reduces price pressure.

Diagnostic tests confirm model validity: the Breusch-Pagan $\chi^2 = 4.34$ ($p = 0.16$) indicates the absence of heteroscedasticity (HC3 correction was applied as a precaution). The Durbin-Watson statistic of 1.89 indicates the absence of first-order autocorrelation. The maximum VIF is 5.17, below 10. Jarque-Bera = 3.42 ($p = 0.08$) indicates that residuals are approximately normally distributed.

5. Discussion

5.1 Inflation Inertia: The Strongest Predictor

The emergence of lagged inflation as the strongest predictor ($\beta = 0.511$) demonstrates how deeply the problem of price stickiness and un-anchored inflationary expectations is embedded in the Uzbek economy. Consistent with the conclusions of Calvo and Reinhart (2002) and Fischer et al. (2002), this result implies that the main sources of inflation inertia are the slow pace of contract revisions, the downward rigidity of nominal wages, and the strong historical dependence of consumer expectations. From a practical policy perspective, this indicates that the CBU must pursue consistent and credible policy over many years to bring inflation down to the 5% target: a single rate hike or foreign exchange intervention is not sufficient.

To anchor inflationary expectations, the CBU needs to resort to several instruments: regular publication of clear inflation forecasts for four quarters and one year ahead; making the decision-making process of the monetary policy council more transparent; strengthening ties with financial market participants. While the CBU's communication policy has been improving among CIS countries, the IMF (2023) assesses that important reforms in this area have not yet been fully implemented.

5.2 Money Supply and Exchange Rate Channels

The strong effect of M2 money supply growth ($\beta = 0.400$) supports Friedman's monetarist hypothesis in Uzbekistan's data. The rapid growth of M2 in 2017–2021 (averaging more than 20% per year) was the main monetary factor holding inflation high. The slowdown in M2 growth from 2022 (12.8% in 2024) made an important contribution to the decline in inflation. However, money supply growth still remains significantly above nominal GDP

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growth (5–7%) and the expansion of production capacity, thus sustaining one of the sources of inflationary pressure.

The exchange rate pass-through coefficient (β = 0.354) is higher than the 0.18–0.25 coefficient found by Pomfret (2019) for Kazakhstan. This is explained by the large share of food and consumer goods in Uzbekistan's import structure and the greater stickiness of domestic production relative to import competition. In practical terms, this points to the need for the CBU to be cautious about exchange rate stabilization: a sharp depreciation can have a stronger impact on inflation. However, within the inflation targeting regime, a policy of complete non-intervention in the exchange rate is also risky: exchange rate volatility may disturb inflationary expectations.

5.3 External Factors: Food and Energy Prices

The statistical significance of food import prices (β = 0.279) and energy prices (β = 0.231) shows that a significant portion of inflation in Uzbekistan is linked to external shocks. This finding is consistent with the pass-through coefficient range of 0.28–0.41 reported by Chen et al. (2014). The surge in food and energy prices in 2022 (driven by the Russia-Ukraine conflict) played a decisive role in the rise of inflation to 12.3% that year. From a policy standpoint, this implies that the CBU cannot act alone: aggressively raising the key rate in response to inflation caused by external factors risks sacrificing economic growth. Instead, fiscal transfer mechanisms (price subsidies for needy households), stimulating domestic food production, and energy efficiency programs are more appropriate approaches.

5.4 Regional Comparison and Policy Lessons

The regional comparison shows that Uzbekistan's inflation of 9.6% in 2024 was the highest among Central Asian states, and significantly above neighboring economies that have successfully transitioned to inflation targeting, such as Georgia (4.3%) and Armenia (1.7%). The Georgian experience is especially instructive: having fully transitioned to an IT regime in 2009, the National Bank of Georgia stabilized inflation around a 3% target through clear communication, an independent monetary policy, and strengthening bank capital requirements (IMF, 2023). Armenia's 1.7% inflation, in turn, reflects the positive outcomes of European Union integration, the activation of competition policy, and the deepening of the banking sector.

Three main lessons can be drawn from these experiences for Uzbekistan: first, the success of an IT regime requires legally enshrining the institutional independence of the Central Bank; second, publishing inflation forecasts in mass media in an accessible format stabilizes consumer expectations; third, the depth of financial markets — government bonds, interest rate futures, and other hedging instruments — increases the effectiveness of the interest rate transmission channel.

5.5 Limitations

The study has four main limitations. First, n = 32 quarterly observations is a relatively small sample; using monthly data (n = 96) would make the analysis more reliable. Second, the OLS model does not fully address the endogeneity problem: for example, changes in the key rate affect M2, creating a reverse causal relationship. An instrumental variables (IV) or vector autoregression (VAR) model would better address this issue. Third, regional inflation differences between Tashkent and rural areas are not examined in this article. Fourth, the

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impact of the informal economy and structural changes in the consumer basket may introduce imprecision into the CPI measure.

6. Conclusion

This article provided a comprehensive assessment of the state of inflation in the Republic of Uzbekistan from 2017 to 2024 and the factors determining it, using OLS multivariate regression analysis, component decomposition, and regional comparative analysis. All four hypotheses were confirmed: inflation inertia is the strongest predictor ($\beta = 0.511$, $p < 0.001$), M2 money supply growth is an important monetary factor ($\beta = 0.400$, $p < 0.001$), exchange rate depreciation passes through to import inflation ($\beta = 0.354$, $p < 0.01$), and external food and energy prices are significant sources of external shocks ($\beta = 0.279$ and 0.231). The model explains 90.6% of the variance ($R^2 = 0.906$). Although inflation has declined from its 2018 peak of 17.5% to 9.6% in 2024, reaching the CBU's 5% target requires consistent and multifaceted policy.

Based on these findings, six practical policy recommendations were developed. First, setting an operational target for M2 aligned with nominal GDP growth plus the target inflation rate, and coordinating it with quarterly monetary policy committee decisions, is necessary. Second, to reduce the exchange rate pass-through effect, it is advisable to increase local food and consumer goods production — through import-substitution industry development, farmer subsidies, and modernization of irrigation systems — to reduce the economy's sensitivity to external price shocks. Third, to anchor inflationary expectations, the CBU should publish detailed quarterly inflation forecasts and the direction of monetary policy, and broaden its communication channels to strengthen the confidence of market participants. Fourth, to provide protection against external food price shocks, it is necessary to form strategic food reserves and strengthen distribution mechanisms through the government securities market. Fifth, deepening financial markets — developing government bonds, corporate securities, and derivatives markets — increases the effectiveness of the interest rate transmission channel and thereby makes monetary policy a more precise instrument. Sixth, studying regional inflation differences and introducing targeted economic activation programs for rural areas would help distribute price stability more equitably across the country.

Three directions are recommended for future research. First, identifying dynamic relationships between monetary impulses and inflation using a Vector Autoregression (VAR) or Structural VAR (SVAR) model on monthly data — through impulse response function (IRF) analysis and variance decomposition — is important. Second, studying geographical inflation disparity and its distributional consequences for different population groups using disaggregated inflation data at the regional and city level is necessary. Third, a second-stage panel comparatively analyzing Uzbekistan's transition to an inflation targeting regime with similar transition experiences in Georgia, Armenia, and Moldova could make an important contribution to international academic literature.

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