

## INFLATION PROCESSES AND MECHANISMS FOR ITS REGULATION

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**Abstract.** The article analyzes the essence, types and factors shaping inflation processes from the perspective of modern macroeconomic theory. The dynamics of the inflation rate in 2017–2025 on the example of the Republic of Uzbekistan is studied based on statistical data. The effectiveness of monetary policy instruments used by the Central Bank (key rate, open market operations, reserve requirement, currency interventions) in regulating inflation is assessed. According to the results of the study, the need to implement structural reforms affecting supply-side factors along with monetary policy is justified in order to reduce inflation to the target level of 5 percent.

**Keywords:** inflation, price stability, monetary policy, key rate, inflation targeting, Central Bank, inflation expectations, macroeconomic stability, transmission mechanism, monetary policy.

**Introduction.** Current globalization under the circumstances macroeconomic stability supply, including prices stability storage state economic of the policy priority from the duties one Inflation is goods and services prices general level regular grow progress and national currency purchase ability decrease with expressible complicated macroeconomic is a phenomenon [1]. It is not only on the real incomes of the population, but also investment activity, external trade balance, budget income and in general economic growth to their pictures noticeable impact shows.

Uzbekistan Republic since 2017 done increasing wide extensive economic reforms within currency market liberalization, prices in formation market mechanisms role increase and money and credit policy improvement according to noticeable work done increased. Uzbekistan Republic Decree of the President of the Republic of Uzbekistan No. PF-5877 dated November 18, 2019 appropriate The Central Bank is responsible for middle term in perspective inflation at 5 percent targeted to the level unloading task uploaded and from 2020 onwards inflationary targeting to the mode step by step transition process started [2].

With this together, last in years in the country inflation level mature not stabilized: if in 2023 it is 8.77 percent to the level lowered up to 9.8 percent by the end of 2024 [ 3; 4]. This

situation inflation order to plant mechanisms further deeper research to grow and their efficiency increase according to scientific based offers working exit current to the point turns.

The research goal — inflation processes theoretical the basics analysis to do, Uzbekistan In the Republic inflation dynamics and factors assessment and By the Central Bank applicable order to plant mechanisms efficiency scientific based in a way from evaluation consists of. Research within following tasks see it turned out: first, inflation theoretical concepts and him/her formative factors classified; secondly, in Uzbekistan in 2017–2025 inflation dynamics analysis was done; thirdly, money and credit policy instruments efficiency was assessed; fourth, inflation curb according to offers working It was released

### Literature analysis and research methodology.

Inflation processes theoretical-methodological basics economy science classics M. Friedman, J.M. Keynes, I. Fisher, F. Kydland, E. Prescott and others' scientific in their work deep studied. Monetarist to the theory according to, inflation first in line in circulation money of mass goods from the mass faster growth with related monetary event is [5]. Keynesianism approach and inflation aggregate demand and gross offer between imbalance result demand -pull inflation and expenses inflation separates [6].

Inflation problems national economy in the context of T. Bobokulov, N. Jumayev, B. Berdiyarov, M. Yakhsyyeva, A. Khamrayev and other of scientists scientific in their work research [ 7 ; 8]. This in research main attention money and credit policy transmission mechanism, inflationary targeting mode current to grow features and Central bank instruments to the efficiency focused.

In the study following scientific methods used: historical-logical analysis, statistical-economic analysis (dynamic rows, average indicators, growth photos), comparative analysis and systematic approach. Empirical base as Uzbekistan Republic Central bank official data, Statistics Agency for 2017–2025 reports, International Currency Fund (IMF) and Europe Recovery and Development Bank

( EBRD) reports used [9; 10].

### Analysis and taken results.

Inflation macroeconomic category as one row factors under the influence They are formed. to summarize, internal (supply and demand) imbalance, budget deficit, money emission, work right and tariffs increase) and external (import inflation, world in the market prices dynamics, currency course vibration) factors separation possible [11]. Uzbekistan In the Republic last in years inflationary pressure formative main factors imported as goods price increase, energy tariffs liberalization, cross-border money transfers size exceeds progress and real income of the population growth with related demand increase show possible [4].

Table 1

### Uzbekistan In the Republic annual inflation level dynamics (2017–2024), in percent

Year	Annual inflation, %	Home features and factors
2017	14.4	Currency chair liberalization, national currency devaluation

Year	Annual inflation, %	Home features and factors
2018	14.3	Internal prices free to the formation transition period
2019	15.2	Regulated prices and tariffs increase
2020	11.1	Pandemic demand declines, money and credit policy
2021	9.98	Inflationary to target pass, ten to a lower level than the percentage achievement
2022	12.3	Geopolitical tension, world prices increase, import inflation
2023	8.77	Last year's lowest price, offer factors stabilization
2024	9.8	Energy tariffs liberalization, demand factors increase

Source : Uzbekistan Republic Statistics agency and Central bank official information based on author by compiled [3; 4; 12].

The data in Table 1 analysis this shows that inflation in 2017–2019 level 14–15 percent between high is, this is first in line currency market liberalization and macroeconomic of reforms one one -off effects with related was. As of 2020 inflationary targeting mode current to grow on account of below 12 percent to keep achieved. The 8.77 percent achieved in 2023 from the level then inflation in 2024 up to 9.8 percent more grew, this money and credit policy instruments improvement the necessity shows.

By the Central Bank applicable money and credit of the policy main instrument become main rate (percentage rate) is. This rate through Central bank commercial banks liquidity, ultimately and in the economy gross demand and inflationary pressure order Table 2 shows the main rate change and Central bank decisions cited.

Table 2

#### Uzbekistan Republic Central bank main rate dynamics (2024–2025)

Decision date	Home rate, %	Change, percent clause	Decision basics
25.07.2024	13.5	-0.5	Basic inflation decline, inflation expectations improvement
23.01.2025	13.5	0.0	Inflationary expectations high at the level preservation

Decision date	Home rate, %	Change, percent clause	Decision basics
20.03.2025	14.0	+0.5	Gross demand increase, services inflation increase
12.06.2025	14.0	0.0	Inflation from the forecast high formation
24.10.2025	14.0	0.0	Annual inflation up to 8 percent decrease, steady politics storage

Source : Uzbekistan Republic Central bank press of service information based on author by compiled [12; 13; 14].

From the data in Table 2 visible It is clear that the Central Bank is inflationary. pressure to the dynamics looking at money and credit of the policy determination adapting is progressing. In March 2025 main 0.5 percent of the rate to the point increase inflationary expectations curb, gross demand to extinguish and middle term 5 percent in the future targeted to the level achieve for enough conditions create purpose intended [14].

Inflation order to put mechanisms monetary and fiscal to directions Central bank money and credit of the policy following from instruments uses: percent rates policy, open market operations (REPO and currency swap auctions, deposit auctions, Central Bank bonds placement), mandatory backup norms, currency interventions and communication politics [15]. This of instruments essence and to inflation impact the mechanism is summarized in Table 3.

Table 3

#### Inflation order of the place main mechanisms and instruments

Instrument	Impact mechanism	To inflation impact
Home rate ( percentage) rate )	Commercial banks for resources value determines, credit and deposit to the rates impact shows	Rate increase gross demand limit inflation reduces
Open market operations (REPO, deposit auctions )	the banking system liquidity short within the period manages	Liquidity reduction through lending and demand limits
Mandatory backup norm	Banks credit to give opportunity order puts	the rate is increased, the credit size shrinking, inflationary pressure decreases
Currency interventions	National currency chair to stabilize aimed at	The course stabilization import inflation through limits

Instrument	Impact mechanism	To inflation impact
Inflationary targeting mode	Precise number inflationary the goal announcement to do and transparent communication	Economic subjects expectations to tie through prices stabilizes
Fiscal budget policy	State expenses and tax rates through gross on demand impact	Budget deficit restriction inflationary pressure reduces
Composition and anti-monopoly policy	Market competition supply, offer towards impact show	Local working release size increase prices stabilizes

Source : scientific literature and Central Bank Instructions based on author by compiled [11; 15; 16].

Listed in Table 3 of instruments efficiency their complex and consistent to be used depends on. Only money and credit to the instruments rely on, offer side factors (food, energy, transport services) prices) inflationary pressure source was in the situation enough result not giving possible.

Inflation level formative important factor is economic of subject's inflationary expectations is calculated by the Central Bank. to be held regular requests results population and entrepreneurship of subject's inflationary expectations high at the level preserved what remains showing. This indicators The dynamics are presented in Table 4. done.

Table 4

**Population and entrepreneurship of subject's inflationary expectations dynamics (January - April 2025) months), in percent**

Period	Population noticed inflation, %	12-month population expectations, %	Entrepreneurs' expectations, %
January 2025	14.7	14.2	13.2
February 2025	14.9	15.3	13.8
March 2025	14.3	14.2	13.0
April 2025	14.4	14.2	12.8

Source: Uzbekistan Republic Central bank inflationary expectations according to reports based on compiled [13; 17].

Table 4 data this shows that the population and entrepreneurs inflationary expectations real inflation from the level ( July 2025) 8.9 percent [3]) in the month of at the level high become

This event is adaptive adaptive expectations theory with explained : economic subjects past in the era high inflation to experience based on, future in the era prices increase the growth rate at the level in evaluation continue are doing. Inflationary expectations curb for Central bank transparent communication policy and inflationary targeting of the regime success solution doer importance has.

## Discussion

Research results this based on It turns out that in Uzbekistan inflation processes pure monetary to factors not, maybe structural factors It also depends on the complex. Statistical analysis shows that in 2024 the annual 9.8 percent inflation at the level in the formation services prices by 11.7 percent increase ( including utilities ) services and energy up to 14.8 percent of tariffs increase in price ) solution doer role played [3]. This situation inflation expenses with cost-push factors related part only by strengthening money and credit policy through him/her restriction opportunities limits.

Central bank inflationary targeting mode in the conditions policy Taylor's standard according to the Taylor rule done increase observed : if true inflation targeted from the level if it deviates, the main rate suitable accordingly However, the transmission mechanism efficiency following factors with limited : first, privileged credit system high share money and credit of the policy to the market impact weakens ; secondly, dollarization level up remaining national in currency instruments efficiency reduces ; thirdly, financial markets enough underdevelopment percent rate channel through the effect limits [16].

Last to the information according to, September 2025 in the month annual inflation up to 8 percent decreased, in which exchange course strengthening and past year energy prices liberalization of the impact end important role played [14]. The Central Bank at the end of 2025 inflation 8 percent around formation, 5 percent targeted to the level of the second half of 2026 in the middle achieve waiting prophecy [10]. However, this forecast done increase budget deficit restriction, privilege credit size step by step reduce and external shocks to the surface not to come related.

Taken to analysis according to, in Uzbekistan inflation order to put efficiency increase for following directions according to complex measures see to the goal is appropriate:

First, money and credit of the policy independence and transparency increase, inflation targeting mode further deepening, basic rate decisions acceptance to do in the process many factorial economic from models wide use necessary.

Secondly, the proposal side factors impact show for the purpose agro-industry complex, food industry and energy sector modernization to do, local working release size increase and to monopoly against politics strengthen necessary.

Third, financial markets development — valuable papers market deepening, Central Bank bonds market expansion and interbank money market activity improvement through money and credit the transmission mechanism of the policy strengthens necessary.

Fourth, inflation expectations management for Central bank communication policy improvement, public financial literacy increases and transparent forecast system current to grow to the goal is appropriate.

Fifth, fiscal and monetary policies in the middle coordination strengthening, budget deficit management and state expenses efficiency increase macroeconomic of stability important factor is considered.

**Conclusion.** Taken research results based on following scientific conclusions was formed. First, inflation is modern macroeconomics the most complicated from categories one is, it is a of time in itself monetary, structural and expectations with related factors complex under the influence is formed. Therefore, inflation order to plant complex requires an approach.

Secondly, Uzbekistan Inflation in the Republic of Uzbekistan in 2017–2024 rate from 8.77 percent to 15.2 percent vibrations from the head forgiven is, this is reforms during the period macroeconomic changes and external shocks with related. Starting in 2020 inflationary targeting mode current to grow on account of indicator relatively low level to keep achieved, but 5 percent targeted to the level still immature

Third, Central bank money and credit policy instruments (main rate, open market transactions, currency interventions) inflation in restraint important importance has although, offer side factors and inflationary expectations height under the circumstances their efficiency limited become remains.

Fourth, inflation is set at 5 percent. targeted to the level stable unloading for money and credit policy improvement with one in line structural reforms done increase, local working to release development, fiscal-monetary policies coordination strengthens and Central bank communication policy improvement necessary.

Received results Uzbekistan in the Republic prices stability supply, macroeconomic politics improvement and real incomes of the population protection to do according to practical measures working on the way-out usage possible.

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