

**IMPROVING MONETARY POLICY ON THE BASIS OF THE MAIN  
SCRIPT OF MACROECONOMIC DEVELOPMENT IN THE REPUBLIC  
OF UZBEKISTAN**

**Javoxir Kholmurodov\***

\*Independent Researcher,  
Tashkent State University of Economics,  
Tashkent, UZBEKISTAN

Email id: jbxolmurodov@gmail.ru

**DOI: 10.5958/2249-7137.2022.00277.4**

---

**ABSTRACT**

*The article describes the issues of improving monetary policy in the Republic of Uzbekistan on the basis of the main scenario of macroeconomic development. In particular, the conclusions, recommendations and recommendations on improving the efficiency of the monetary policy transmission mechanism of the Central Bank were made.*

**KEYWORDS:** *Central Bank, Macroeconomic Development, Monetary Policy, Interest Rates, Foreign Exchange Market, Money Transactions, Instruments.*

---

**INTRODUCTION**

The purpose of the economic reforms carried out in the Republic today – according to the scenario of macroeconomic development, the situation in the world and in our country related to the pandemic is stabilized and the active continuation of vaccination work against the population of coronavirus is linked. To achieve this, it is important to implement a stable monetary policy, that is, to achieve the stability of the national currency directly. The main goal of the central bank is to maintain price stability in the country by ensuring the stability of the national currency.

In accordance with the Decree of the President of the Republic of Uzbekistan dated April 3, 2020 No F PF-5978 "On additional measures to support the population, industries and businesses during the coronavirus pandemic", loans to commercial banks of legal entities and individuals until October 1, 2020 19.6 trillion soums were postponed [1, 12.p]. This situation deepens the problem of unbalanced liquidity in banks. The main reason for this is, first of all, the fact that loans have a very high share in the assets of commercial banks in Uzbekistan. The deepening of market reforms in the Republic of Uzbekistan raises pressing issues related to the formation, placement and effective management of resources of commercial banks. Today, the management of the resources of commercial banks will help increase the volume of competitive export-oriented goods and services in the country, ensure the liquidity of banks and increase the stability of the national currency, strengthen public confidence in the banking system.

During the years of independence, a perfect two-tier banking system has been established and developed in the country, significant changes have taken place in the types and services of banks, and interaction with foreign banks has been established and improved. However, in the context

---

of modernization of the economy of the republic, important issues related to the rational use of financial resources in banks remain relevant.

Today's demand would be reasonable if the Central Bank sees its main goal as curbing inflation but not the exchange rate. This is because since the beginning of 2021, the soum has depreciated by 6.8% against the dollar, because supply has decreased and demand has increased at the same time.

Measures for macroeconomic reforms in the Republic of Uzbekistan for 2022-2023 have been identified. This will help mitigate the negative effects of external shocks on the economy in the medium and long term. External shocks show the impact on macroeconomic indicators set for the current year.

## LITERATURE ANALYSIS AND METHODS

On the basis of the main scenario of macroeconomic development in the Republic of Uzbekistan, the research of foreign and domestic economists on improving monetary policy has been scientifically studied and put into practice.

Authors O.K.Rashidov, I.R.Toymuhamedov, I.I.Alimov, R.R. Tadjievapprove, "The monetary policy of the Central Bank is an integral part of the regulation of general economic infrastructure, maintaining a high level of market conditions, the impact on employment, the prevention of crisis revenues.

Thus, monetary policy is a set of measures aimed at changing the amount of money in circulation, the volume of bank loans, interest rates, exchange rates, the balance of payments and, in turn, the state of the country's economy. [6, p. 242].

Proposal of economist Sh. Z. Abdullaeva is "The Central Bank pursues the economic policy of the state, more precisely, the monetary policy of the state. The central bank's zero-credit policy is part of the government's economic policy, which includes measures to change the money supply, credit volume, interest rates and other indicators of money supply and the credit market. [4, p. 181].

According to the view of russian economist, prof. A.S. Selishev, "Monetary (monetary) policy (DCP) is a combination of goals and means (instruments) by which its bearer (usually the central bank of a country), through the regulation of money supply, as well as (indirect) demand for money and credit, seeks to achieve the goals of general economic policy". [3, p. 186].

Authors I.R.Toymuhamedov, R.R. Tojiev, A.A. Azlarova, N.R. Bazarova, N.G. Sattarova mentioned, "Central banks accumulate the country's foreign exchange reserves, which are used to conduct international settlements, to cover the current account deficit and to ensure the stability of the national currency." The main goal of monetary policy is to ensure the stability of the national currency, reduce inflation based on reasonable exchange rate and interest rates, increase the efficiency of credit and ensure sustainable economic growth "[2, p. 231]

Author H.Z. Astanovwrote, "the practice of using the traditional instruments of the Central Bank is crucial for the implementation of monetary policy. Not only in the developed industrial countries (the United States, Japan, Germany, France, the United Kingdom, Italy and Canada), but also in countries with transition economy, the use of traditional monetary instruments is a key tool for monetary policy. " [3, p. 47].

---

Today, there is a growing demand for a method of quantitative assessment the dynamics of the effectivity monetary policy of the Central Bank of the Republic of Uzbekistan. This is important for improving monetary policy in the Republic of Uzbekistan on the basis of the main scenario of macroeconomic development. [5]

This, of course, will help to improve the quality of research and, through it, to identify problems that hinder the development of monetary policy and make suggestions and recommendations for its solution.

## RESULTS

Due to the introduction of strict quarantine restrictions on the world economy in 2020 in the context of the coronavirus pandemic, our country has experienced disruptions in the supply chain of economic activity and the easing of monetary and fiscal policies.

The relative stabilization of the situation with the coronavirus pandemic in the Republic of Uzbekistan in 2021, the increase in the level of adaptation of economic entities to the pandemic as a result of softening of quarantine measures, contributes to the pre-pandemic level of aggregate demand.

Against the background of persistence of supply chain disruptions in our country due to changes in global climate conditions, the slow recovery of aggregate supply relative to demand has led to the acceleration of inflation in the world.

Since the fourth quarter of 2020 in the Republic of Uzbekistan, a significant increase in prices of basic food products and energy resources from the beginning of 2021 has created an opportunity for the formation of inflation higher than the target figure.

It should be noted that the uncertainty about the future changes in external and internal economic conditions in the economy of our country is still high. Therefore, the forecast of medium-term macroeconomic development in the country has developed the main and alternative scenarios, taking into account the scale and duration of the impact of external and internal factors.

Today, the formation of scenarios is based on changes in external economic conditions, as well as forecasts of international financial institutions on the prices of major export goods in the world economy, the possible trends in domestic economic conditions of the situation in trading partner countries.

Under this scenario, economic activity will accelerate at a high rate, and investment and consumer demand will be fully offset to pre-pandemic levels.

In 2022, the gross domestic product of the Republic of Uzbekistan will increase to its potential level, the real economic growth rate will be 5.5-6.5% and is projected to be around 6% in 2023-2024.

This scenario includes private domestic and foreign investment as well as structural reforms in various sectors of the economy as an important driver of economic growth.

The task of ensuring macroeconomic stability in the country will be carried out on the basis of the beginning of gradual fiscal consolidation from 2022, and as a result, the ratio of fiscal deficit to GDP is expected to form 2.0-3.0% in 2023-2024.

“In 2021, Uzbekistan, like all countries, will continue to provide fiscal stimulus to the economy in order to overcome the negative consequences of the pandemic.

According to preliminary estimates, the ratio of the consolidated budget deficit to GDP in 2021 is expected to be 5.8%, while the state budget deficit will be 3.3% of GDP.

Based on the above factors, depending on the degree of liberalization of regulated prices, inflation is projected to reach 8-9% in 2022 and 5% in 2023-2024.

An alternative scenario of macroeconomic development is based on the assumption that economic activity will decline as a result of unfavorable external conditions, as the situation with the pandemic in the world remains tense.

In the fourth quarter of 2021, inflation in Russia, Kazakhstan and Turkey, our main trading partners, was higher than the target, while inflation in China continued to slow again after growth in November. In order to reduce inflation in October-December 2021, almost all trading partner countries have tightened monetary policy, looking towards raising key interest rates.

**TABLE 1. MONETARY POLICY IN MAJOR TRADING PARTNER COUNTRIES AND INFLATION RATE, IN PERCENT**

States	Inflation targets	Inflation rate (December)	Central bank base rate												Annual change
			I	II	III	IV	V	VI	VI I	VI II	IX	X	XI	XI I	
Russia	4	8,4	4,25	4,25	4,50	5,00	5,00	5,50	6,50	6,50	6,75	7,50	7,50	8,50	4,25
Kazakhstan	4-6	8,4	9,00	9,00	9,00	9,00	9,00	9,00	9,25	9,25	9,50	9,75	9,75	9,75	0,75
Kyrgyzstan	5-7	12,3 (November)	5,00	5,50	5,50	6,50	6,50	6,50	7,50	7,50	7,50	7,50	8,00	8,00	3,00
Turkey	5±2	36,1	17,00	17,00	19,00	19,00	19,00	19,00	19,00	19,00	18,00	16,00	15,00	14,00	-3,00
Ukraine	5±1	10	6,00	6,00	6,50	7,50	7,50	7,50	8,00	8,00	8,50	8,50	8,50	9,00	3,00
Armenia	4±1,5	7,7	5,25	5,50	5,50	5,50	6,00	6,50	6,50	7,00	7,25	7,25	7,25	7,25	2,50
Georgia	3	13,9	8,00	8,00	8,50	9,50	9,50	9,50	9,50	10,00	10,00	10,00	10,00	10,50	2,50
Belarus	5	9,97	7,75	7,75	7,75	8,50	8,50	8,50	9,25	9,25	9,25	9,25	9,25	9,25	1,50

**Source: The official website of the central banks of these countries**

In 2021, the Central Bank of Russia will raise the base rate by 4.25 percentage points (1.75% in the fourth quarter), the central banks of Kyrgyzstan and Ukraine by 3% (0.5% in the fourth quarter), Georgia and Armenia by 2.5% (IV), Belarus increased by 1.5 percentage points in the quarter, while other countries also took measures to tighten monetary conditions (Table 1).

## DISCUSSION

Today, there is no shortage of cash dollars or euros in our country. Commercial banks have been ensuring the availability of cash foreign currency in the domestic market. Existing cash foreign

exchange reserves can fully meet the demand for an average of 3-4 months of cash exchange operations.

In the early stages of the pandemic in 2020, it was difficult for commercial banks to independently bring foreign currency in cash due to restrictions imposed by most countries on air travel. In this case, the process of bringing foreign currency in cash by the Central Bank was organized in a centralized manner and provided to commercial banks. In the event of future shortages, of course, the necessary measures will be taken to bring cash in a centralized manner.

In accordance with Article 22 of the law of the Republic of Uzbekistan "on currency regulation", the withdrawal of cash foreign currency from the Republic of Uzbekistan for physical persons amounted to 100 million soums. it is forbidden for legal entities to withdraw cash foreign currency from the territory of the country, provided that it can be made in the amount not exceeding the sum equivalent. This requirement also applies to nonresidents.

## CONCLUSION

In summary, one of the main tasks of the Central Bank in the coming years is to further improve the operational mechanism, implement the next stage of reforms in the domestic foreign exchange market, accelerate the development of analytical and forecasting capacity and increase the efficiency of the monetary policy transmission mechanism.

The task of further increasing the efficiency of the transmission mechanism in the country is related to the accelerated development of the financial market, in particular, the government securities market, the expansion of private capital markets and the development of non-bank financial intermediation institutions in the economy.

Today, the topical issue that needs special attention is the elimination of long-term stable factors of inflation. This requires the development of competition in the consumer market, a sharp increase in production of consumer goods, further reduction of the concentration of imports of goods, the development of trade and service infrastructure in the regions.

In particular, the successful implementation of structural reforms will allow for the gradual transition of monetary conditions to neutral conditions after inflation has reached the target level. For the further development of the country's economy, it is expedient to work on the liberalization of medium-term capital inflows, the creation of favorable conditions for attracting local and foreign investors, the acceleration of reforms to improve financial markets.

## REFERENCES

1. Decree of the President of the Republic of Uzbekistan No. PF-5978 of April 3, 2020 "On additional measures to support the population, economic sectors and businesses during the coronavirus pandemic." Available at: <https://cis-legislation.com/>
2. Toymuhamedov IR, Tojiyev RR, Azlarova AA, Bazarova NR, Sattarova NG. Pul va banklar: Darslik. Tashkent: - "Innovatsion rivojlanish nashriyoti", 2021, 408p.
3. Selishev S. Money. Credit. Banks: textbook - 2nd ed., Revised. and dog. Moscow: Prospekt, 2021. 304p..
4. Abdullayeva ShZ. Pul va banklar: O'quv qo'llanma. Tashkent: "Iqtisod-Moliya", 2018. 756p.

5. Astanov HZ. Pul-kredit orqali muvofiqlashtirish. O'quv qo'llanma. Tashkent: IQTISODIOT, 2015, 121p.
6. Rashidov OYu, Toymukhamedov IR, Alimov II, Tozhiev RR. Poole, credit for banklar: Darslik. Tashkent: TDIU, 2009. 439p..