For the press conference
STATEMENT

Assalomu alaykum, distinguished participants of the press conference!

At its meeting today, the Board of the Central Bank discussed evolving macroeconomic conditions, developments in inflation and inflation expectations, as well as the updated forecasts.

The meeting addressed **two key issues.**

Regarding the first issue, in light of prevailing macroeconomic conditions and expectations, the Central Bank's policy rate **was kept unchanged at 14 percent per annum.**

Regarding the second issue, the Central Bank's strategic document, the **"Monetary Policy Guidelines for 2027 and the period of 2028–2029" was conceptually approved.**

Let me now turn to the rationale behind our decisions.

I. The decision to maintain the policy rate at 14 percent per annum is based on the following factors.

First, although inflation expectations have been declining in recent months and inflation has stabilized somewhat, inflationary risks stemming from strong domestic demand and external conditions persist.

In September 2026, **headline inflation** amounted to **6.4 percent** year on year, up slightly from August. This increase reflected higher prices for fruit and vegetables, fuel and certain services. **Services inflation** accelerated to **7 percent** year on year.

Meanwhile, **core inflation,** which excludes seasonal and regulated price components, remained unchanged at **5.5 percent** in September.

Within the core inflation basket, slower growth in non-food prices was offset by faster growth in services prices.

Under these conditions, limiting potential second-round inflationary effects arising from supply-side factors requires **maintaining a sufficiently tight monetary policy stance.**

At the same time, there are certain positive trends. In particular, **households' and businesses' inflation expectations** continue to decline.

In September, **households'** inflation expectations for the next 12 months amounted to **8.7 percent,** while those of **businesses** were **9.2 percent.**

Maintaining a cautious approach and strengthening confidence in price stability remain key priorities.

Second, strong growth and robust domestic demand continue in the economy.

In the first nine months of 2026, gross domestic product grew by 8.3 percent compared with the same period of the previous year. Industry, construction and services were among the main drivers of growth.

*Specifically, **industry** grew by **8.1** percent, **services** increased by **16.7** percent, **construction** and agriculture expanded by **12.3** percent and 4.6 percent respectively.*

Investment activity and growth in real household incomes have been supporting domestic demand.

*Specifically, in January–September 2026, **investment in fixed capital** increased by 20.1 percent to **UZS 584.2 trillion. Foreign direct investment** rose by 31.5 percent to **USD 18.9 billion.***

In January–September 2026, **household incomes** grew by **8.1 percent** in real terms. A **10.7 percent** real increase in average monthly wages was one of the main contributing factors.

Meanwhile, **remittance inflows** to Uzbekistan totalled **USD 15.2 billion,** up **8.9 percent** year on year.

*Strong consumer demand in the economy is also reflected in an increase of revenues from **trade and paid services** and **real estate transactions.** Specifically, in January–September, **revenues** from trade and paid services increased by **19.2 percent** and the number of **real estate** transactions by **16.8 percent** compared with the same period of the previous year.*

In addition, favourable conditions in external markets and the diversification of **exports** are supporting economic activity in domestic production and services. Specifically, in the first nine months of 2026, **non-gold exports** increased by **31 percent** compared with the same period of the previous year.

In particular, exports grew by 31.1 percent for services, 35.7 percent for chemical products, 23.5 percent for textiles, and 31.8 percent for non-ferrous metals.

Strong domestic demand is also reflected in **import** dynamics: during the period observed, imports **increased by 15.7 percent** year on year.

Specifically, imports of machinery and equipment, energy and petroleum products, and food products grew by 14.7 percent, 21.6 percent and 35 percent, respectively.

Investment activity and growth in real household incomes will continue to support domestic demand in the coming months.

Taking these factors into account, the GDP growth forecast has been revised upwards: growth is now expected to be around **8 percent** for the year as a whole.

Strong economic growth is, of course, a positive development. Higher investment expands production capacity and increases supply over the medium term. However, until new capacity comes on stream, investment and related expenditure increase aggregate demand.

These effects are also taken into account in the conduct of monetary policy to ensure long-term macroeconomic stability.

***Third,* uncertainty over external economic conditions and the second-round effects of changes in regulated prices continue to pose inflationary risks.**

High volatility in global food prices and risks associated with energy prices are intensifying external inflationary pressures.

The impact of these factors on domestic prices through imports, production and transportation costs could slow the disinflation process.

At the same time, increases in certain regulated prices and energy tariffs in Uzbekistan in 2026 had a direct impact on price dynamics. In addition, higher energy and fuel costs may subsequently pass through to the cost of transportation, production and services.

Monetary policy will aim to prevent the effects of tariff changes from spreading broadly across prices and becoming entrenched in inflation expectations.

***Fourth,* the updated macroeconomic forecasts call for maintaining tight monetary conditions at present.**

Headline inflation is projected to be around 7 percent at the end of 2026.

It should be noted that the direct impact of changes in regulated prices is largely temporary and will gradually fade next year. Tight monetary conditions will help limit the second-round effects of these adjustments and reduce core inflation in subsequent periods.

Headline inflation is projected to decline to the 5 percent target by the end of 2027.

Fifth, current monetary conditions are encouraging saving in soum and helping to ensure balanced growth in domestic demand.

Money market interest rates remain close to the policy rate. Real interest rates on deposits and loans in the national currency remain positive.

This makes saving in soum more attractive while helping to curb rapid growth in expenditure financed by borrowing.

Specifically, in January–September 2026, term and savings deposits in the national currency recorded an average annual growth rate of 49.5 percent. Their stock reached 207 trillion soums at the end of the period. This indicates that incentives to save in the national currency remain strong in the economy.

Taking the above factors into account, **the Board of the Central Bank deemed it appropriate to maintain the policy rate at 14 percent per annum.**

Future decisions will depend on developments in inflation and the inflation forecast, inflation expectations, domestic demand and external risks.

II. Let me now turn to the second issue considered at today's Board meeting.

Today, the Board conceptually approved the Monetary Policy Guidelines for 2027 and the period of 2028–2029.

In this document, we have set out the Central Bank's views on the medium-term macroeconomic outlook, alternative scenarios based on potential macroeconomic risks, the monetary conditions needed to bring inflation down to the 5 percent target and keep it stable at that level, and measures to enhance the effectiveness of monetary policy.

First, let me briefly discuss the outlook for our economy over the next three years.

The baseline macroeconomic scenario assumes a gradual rebalancing of external and domestic conditions.

Specifically, the key assumptions regarding **external economic conditions** included:

- de-escalation of geopolitical conflicts;

- continued global economic growth, albeit at rates below pre-pandemic levels;

- stabilisation of oil prices amid continued volatility, supported by a gradual increase in supply from major producers;

- continued moderate economic activity in our trading partners;

- Uzbekistan's accession to the World Trade Organization.

Regarding **domestic economic conditions,** the following assumptions were made:

- a gradual rebalancing of aggregate demand;

- stabilisation of real wage growth and labour productivity trends;

- an overall fiscal deficit below 3 percent of GDP;

- improvements in the business environment and continued privatisation;

- an increase in the economy's potential driven by private investment and new production capacity;

- the completion of the key stages of regulated price reform, with its impact on inflation gradually fading.

Under these conditions, economic growth is expected to be around 7–7.5 percent in 2027 and 6.5–7.5 percent in 2028–2029, with growth in economic activity converging towards its potential rate.

According to the forecasts, **headline inflation** will decline to the **5 percent** target in the second half of 2027 and stabilise around that level in 2028–2029. **Core inflation** is expected to decline to **4–5 percent in 2027.**

Monetary Conditions

The baseline scenario envisages **maintaining tight monetary conditions** in 2026–2027. In 2027, the UZONIA money market rate is projected to be around **6–7 percent** in real terms.

This will help ensure balanced growth in domestic demand, lower inflation expectations, incentivize savings in the national currency and limit the second-round effects of price increases.

We will continue to prioritize incentives for saving in the economy. We must acknowledge that, despite strong growth in savings in recent years, their overall level remains insufficient to support sustainable growth in our economy.

Sustaining strong and steady growth in our economy in the years ahead will require substantial investment. This, of course, requires saving to remain attractive and savings to grow at consistently high rates.

What does this mean? Real returns on soum deposits will remain positive, and saving in the national currency will remain profitable.

Once inflation has stabilized around the target, there will be scope to gradually move monetary conditions towards a neutral level. Based on preliminary estimates, real interest rates at that stage are expected to be around **4–5 percent**.

Let me emphasize one point: this is not a pre-commitment on the policy rate. Decisions on easing monetary conditions will depend on inflation developments and macroeconomic conditions. If inflationary pressures intensify or second-round effects are stronger than expected, tight monetary conditions may be maintained for longer.

Alongside the baseline macroeconomic scenario, alternative scenarios were also analyzed.

Potential external and domestic factors that could lead to deviations from the assumptions of the baseline macroeconomic scenario for 2027–2029 were examined separately, and their impact on forecasts for macroeconomic indicators was assessed.

The first scenario examined a sharper depreciation of our trading partners' currencies than assumed under the baseline scenario. Depreciation of partner countries' currencies could affect Uzbekistan primarily through the cross-border remittance channel, reducing the amount of foreign currency supplied by households to the domestic foreign exchange market. This could increase pressure on the exchange rate and raise headline inflation relative to the baseline scenario.

The second scenario involves a sharp increase in global oil prices. This shock would affect our economy primarily through higher prices for

imported petroleum products. Higher fuel prices could pass through to the prices of goods and services via transportation and production costs, intensifying inflationary pressures and raising inflation expectations.

The third scenario involves a significant increase in global food prices. This scenario incorporates the adverse effects of global climate change on agricultural activity worldwide.

Under this scenario, lower agricultural yields could push up global food prices, creating inflationary pressures through higher prices for imported food products.

The fourth scenario involves faster lending growth driven by stronger competition in the banking system. This alternative scenario envisages an expansion in the supply of banking services and improved access to them in the coming years, as new foreign banks enter our market and the privatization of banks with state shareholdings accelerates.

This would create conditions for credit supply and lending volumes in the economy to grow faster than under the baseline scenario.

If these factors materialize, monetary policy will be reviewed in line with the prevailing macroeconomic conditions. The primary focus will be on bringing inflation to the 5 percent target over the medium term.

Enhancing the Effectiveness of Monetary Policy

This is the part of the document that receives the greatest emphasis. Over the next three years, we will work in several areas.

First, we will develop a **Monetary Policy Strategy.** It will place particular emphasis on strengthening the institutional foundations of monetary policy within the inflation targeting framework and set out the key objectives and principles, as well as our approach to decision-making. A roadmap for implementing the Strategy will also be drawn up, and we will provide regular updates on its implementation.

Second, we will improve the **operational framework.** Since July, the main liquidity management operations have been conducted through collateralized seven-day reverse repo auctions. We will now absorb the stable component of the liquidity surplus using bonds with maturities of up to one year. The effectiveness of structural liquidity operations will be assessed across different maturities. We will also assess the current interest rate corridor of ±2 percentage points and consider adjusting it if the market develops sufficiently.

Third, we will introduce **monetary policy instruments tailored to Islamic banks so that monetary policy signals also reach them.** To this end, we will work to develop and introduce Sharia-compliant liquidity absorption and provision instruments for Islamic banks.

Fourth, we will upgrade **our analysis and forecasting system**. To strengthen our capacity for macroeconomic analysis and forecasting, the quarterly projection model will be modernized, and the use of probabilistic forecasting approaches and alternative scenarios will be expanded. This will enable us to account more fully for uncertainty and make better-informed monetary policy decisions.

Fifth, we will develop **infrastructure for money and financial markets.** This will include the issuance of long-term government and corporate securities linked to UZONIA, support for banks in introducing UZONIA-linked loan and deposit products, and the development of the interest rate swap market, collateral policy and the collateral system. We also plan to establish a trading and clearing ecosystem.

Sixth, we will further develop **the domestic foreign exchange market.** The exchange rate will continue to be determined by supply and demand. We will develop the derivatives market and the market-making framework, and enable enterprises to hedge against foreign exchange and interest rate risks through the Uzbekistan Hedging Company.

Seventh, improving the clarity, consistency and accountability of monetary policy communication will also remain a priority.

To this end, we will first approve and publish the Monetary Policy Communication Strategy currently under development and draw up a roadmap for its implementation.

We aim to ensure that our decisions, forecasts and the rationale behind them are understandable to both specialists and the general public. New digital content and meetings at higher education institutions in the regions will serve this purpose.

Distinguished participants of the press conference!

In conclusion, I would like to emphasize that today's policy rate decision and the monetary policy guidelines for the next three years are closely interlinked.

Current tight monetary conditions help reduce inflationary pressures in the economy, while the strategic measures set out for the medium term **are**

aimed at creating the conditions needed to bring inflation down sustainably to the 5 percent target and maintain it at that level.

The Central Bank will remain committed to its objective of ensuring price stability and will continue to make monetary policy decisions based on a comprehensive assessment of macroeconomic conditions, updated forecasts and inflationary risks.

Thank you for your attention!