The Central Bank
of the Republic of Uzbekistan

Money market and liquidity review

2026 Q2



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Resume

In 2026 Q2, amid increased liquidity injections from budget operations, the banking system's liquidity surplus rose by 34.2 percent from Q1, averaging 74.4 trln soums.

During the quarter, the banking system's aggregate averaging requirement stood at 19 trln soums, an average increase of 1.1 trln soums compared with Q1.

To steer money market interest rates, the Central Bank placed 7-day notes with commercial banks in an average weekly amount of 72 trln soums in Q2 (*49 trln soums in Q1*). Over the quarter, the Central Bank remained a net absorber of liquidity from commercial banks, with its average net liquidity-absorbing position in monetary policy operations amounting to 73 trln soums.

During the quarter, the UZONIA rate averaged around 13.4 percent and remained within the interest rate corridor. At the same time, amid the rapid expansion of the liquidity surplus, the spread between the policy rate and UZONIA widened to 0.6 percentage points (*0.3 percentage points in Q1*).

During the quarter, the total volume of REPO and deposit operations in the interbank money market increased by 7.3 percent to 175 trln soums. The increase in the Central Bank's liquidity-absorbing operations contributed to stronger activity in the interbank market.

Demand for the Central Bank's liquidity-providing operations remained minimal throughout the quarter, reflecting the continued liquidity surplus in the banking system.

In 2026 Q3, budget operations are expected to continue adding liquidity, while seasonal demand for cash and foreign currency is likely to partly offset this effect by reducing the liquidity surplus.

To manage banking system liquidity effectively, the Central Bank will continue to make active use of its main liquidity-absorbing operations to keep money market interest rates within the interest rate corridor and close to the policy rate.

1. Analysis of banking system liquidity

1.1. Overall liquidity dynamics and factors

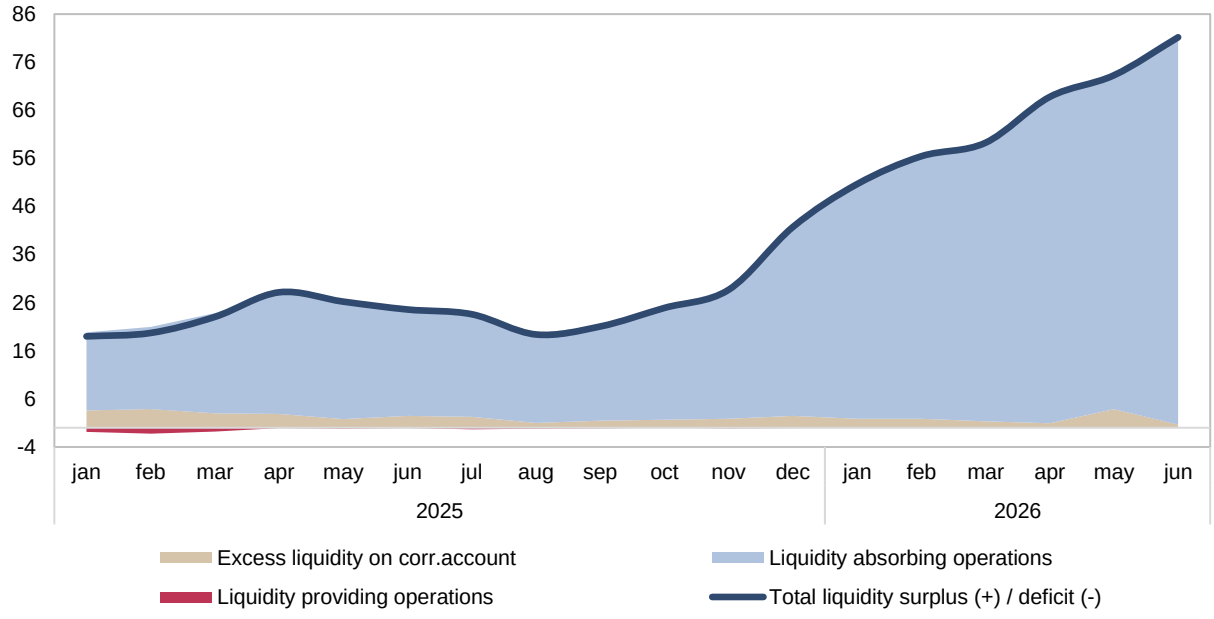
In 2026 Q2, the banking system's aggregate averaging requirement amounted 19 trln soums, up 6.3 percent from Q1. The increase was driven by an expansion of the reserve requirement base.

The total liquidity position of the banking system[1] averaged 74.4 trln soums in 2026 Q2, 34.2 percent higher than in Q1 (55.4 trln soums on average). The liquidity surplus increased from an average of 69 trln soums in April to 73 trln soums in May and further to 81.2 trln soums on average in June (*Figure 1*).

Commercial banks' balances on their correspondent accounts with the Central Bank averaged 21 trln soums during the quarter, while liquidity in excess of the averaging requirement amounted 1.8 trln soums.

Seasonal factors reduced demand for cash in circulation, contributing to a 5.6 trln soum increase in banking system liquidity in Q2.

Figure 1. Total liquidity position of the banking system, *trln soums*



Source: CBU calculations

[1] **The total liquidity position of the banking system** is calculated as the sum of the difference between commercial banks' balances on their correspondent accounts with the Central Bank in national currency and the required reserve averaging amount, and banks' net position in monetary policy operations (*the net balance of liquidity-absorbing and liquidity-providing operations*). This indicator shows the potential level of total banking system liquidity in the absence of the Central Bank's monetary policy operations.

1.2. Impact of budget operations on banking system liquidity

In 2026 Q2, budget operations increased overall banking system liquidity by 2.7 times comparing to Q1, reaching 33.4 trln soums (*Figure 2*). In particular:

- operations of the Fund for Reconstruction and Development of Uzbekistan (UFRD) reduced liquidity by 0.6 trln soums;

- operations of the Agricultural Support Fund increased liquidity by 0.6 trln soums;

- Operations conducted through the Treasury Single Account and budget accounts increased liquidity by 33.4 trln soums. This liquidity-increasing effect remained broadly stable throughout the quarter, amounting to 10.2 trln soums in April, 12.2 trln soums in May, and 11 trln soums in June.

In Q2, the volume of term deposits placed with commercial banks through auctions increased by 84 percent from Q1 to 14.8 trln soums.

Auction volumes increased from 2.3 trln soums in April to 6.7 trln soums in May, before easing to 5.8 trln soums in June. Average interest rates on deposits ranged between 14.2 and 14.6 percent during the quarter, 0.6 percentage points below the Q1 average of 15 percent (*Figure 3*).

Figure 2. Impact of budget operations on liquidity, *trln soums*

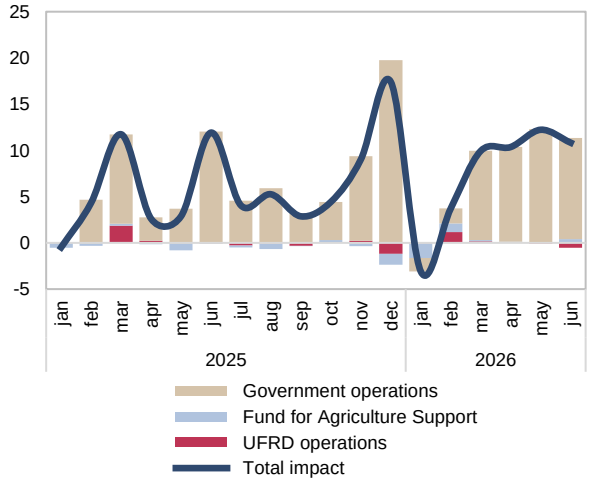
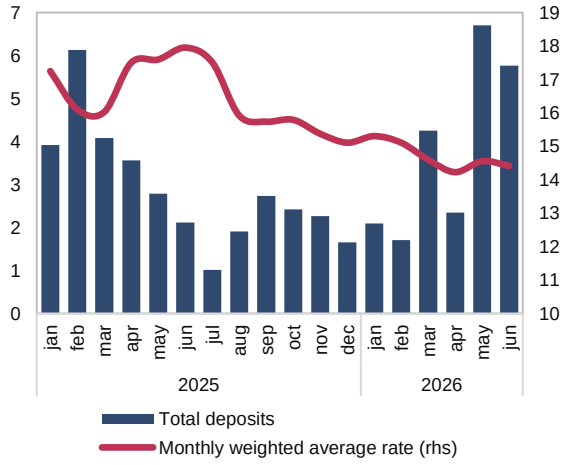


Figure 3. Deposits placed by budgetary organizations, *trln soums*



Source: CBU calculations

The substantial increase in deposit auction volumes indicates a rise in temporarily idle funds held by budgetary organizations and a broader redistribution of these funds back into the banking system.

In order to finance budget expenditures, the Ministry of Economy and Finance issued a total of 9.4 trln soums of government securities during the period. As of 1 July 2026, the outstanding stock of the Ministry of Economy and Finance's bonds stood at 55.2 trln soums (*Figure 4*).

Yields on Ministry of Economy and Finance bonds declined month by month throughout Q2 2026, averaging 12.5 percent (*Figure 5*).

The steady decline in bond yields over the quarter was mainly driven by stronger demand for government securities, supported by a significant increase in the liquidity in money market.

Based on seasonal patterns observed in previous years, budget operations are expected to continue adding liquidity to the banking system in 2026 Q3. Continued issuance of government securities, in turn, is expected to support increased activity in the primary and secondary government securities markets and the interbank REPO market.

Figure 4. Ministry of Economy and Finance bonds, *trln soums*

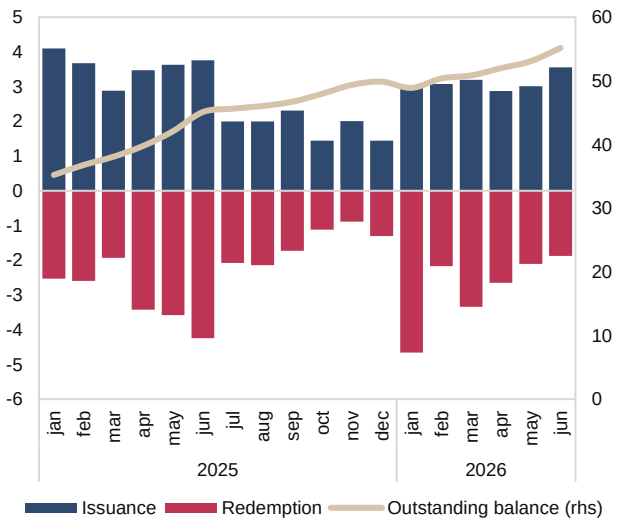
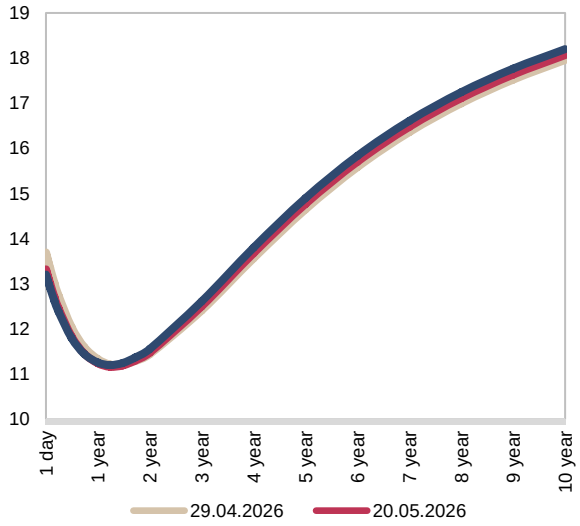


Figure 5. Yield curve, *in percent*



Source: CBU calculations

1.3. Analysis of liquidity management operations

Throughout 2026 Q2, the Central Bank's monetary policy operations absorbed liquidity and kept short-term money market interest rates within the interest rate corridor.

The issuance of 7-day Central Bank notes as the main liquidity-absorbing operation enabled the Central Bank to effectively absorb additional liquidity from the banking system, thereby helping to keep money market interest rates within the interest rate corridor and close to the policy rate[2].

In 2026 Q1, 7-day Central Bank notes were placed with commercial banks in an average weekly amount of 49 trln soums. In Q2, this amount increased by 35 percent to 72 trln soums (*Figure 6*).

During the quarter, an average of 288 trln soums of Central Bank notes was issued per month. Issuance volumes varied considerably across months, falling from 300 trln soums in April to 186 trln soums in May, before rising to 377 trln soums in June.

As a result, the average outstanding stock of Central Bank notes rose from 48.7 trln soums in Q1 to 65.7 trln soums in Q2.

Figure 6. Central bank bond issuance, *trln soums*

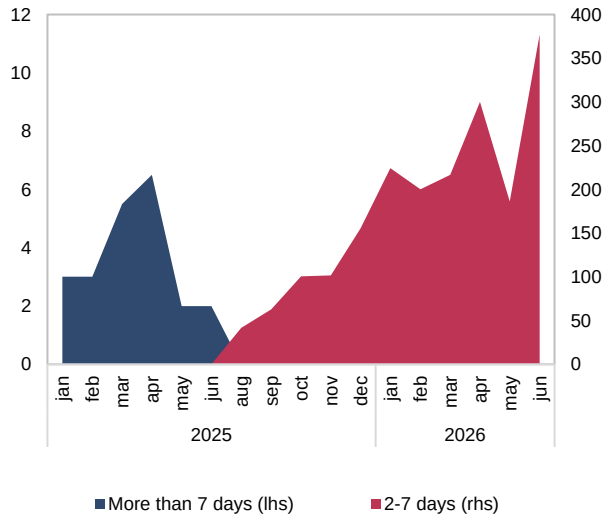
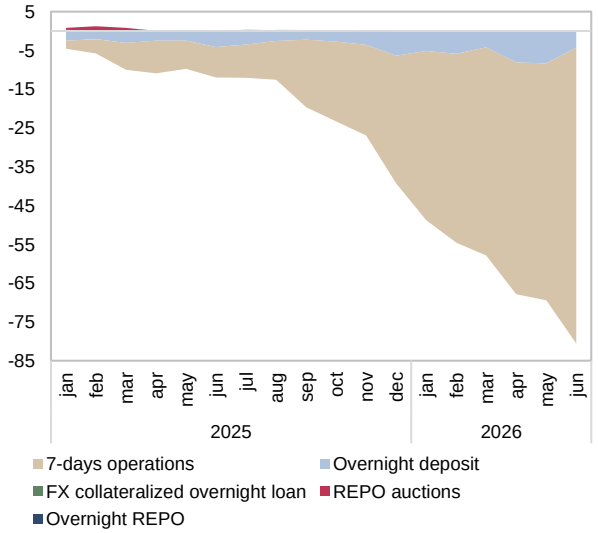


Figure 7. Monetary operations, *trln soums*



Source: CBU calculations

[2] Effective from 1 August 2025, the Central Bank's main liquidity-absorbing operation was changed from 1-week deposit auctions to 7-day Central Bank notes in order to absorb excess liquidity in the banking system more effectively.

The relatively lower volume of liquidity absorption in May coincided with an increase in the liquidity surplus. As a result, the average UZONIA rate during the quarter stood at around 13.4 percent, 0.6 percentage points below the policy rate (*compared with a gap of 0.3 percentage points in Q1*)[3].

Amid a persistent liquidity surplus, the Central Bank made active use of overnight deposit operations alongside its main liquidity-absorbing operations during the quarter to prevent excessive volatility in money market interest rates.

Demand for overnight deposit operations increased by 36 percent from Q1, averaging 6.9 trln soums per day. Activity was concentrated mainly in April and May, when the average daily outstanding amount stood at 8.1 trln soums and 8.4 trln soums, respectively, before declining to 4.3 trln soums in June (*Figure 7*).

During the quarter, the Central Bank's average net position in monetary policy operations with commercial banks amounted to 72.6 trln soums.

The continued liquidity surplus in the banking system kept demand for the Central Bank's liquidity-providing operations at minimal levels throughout the quarter. No demand for liquidity-providing operations was recorded in April or May.

Overnight REPO operations were conducted only in June, with an average monthly outstanding amount of 29 bln soums. Demand for these operations arose mainly from a slight seasonal decline in liquidity typically observed toward the end of the month.

At the same time, commercial banks' use of the intraday interest-free credit facility increased compared with the previous quarter. In Q2, the average daily volume of these operations amounted to 1.4 trln soums.

This reflects commercial banks' active use of monetary policy instruments to ensure uninterrupted payments and manage liquidity effectively, even amid a liquidity surplus.

In the next quarter, the Central Bank will continue to actively use liquidity-absorbing operations to manage the persistent liquidity surplus effectively and keep money market interest rates within the interest rate corridor and close to the policy rate.

[3] Since 15 December 2022, the Central Bank has set as its operational monetary policy objective the maintenance of UZONIA — the benchmark rate reflecting the cost of short-term funds in the money market — within the interest rate corridor and close to the policy rate.

2. Interbank money market analysis

2.1. Money market dynamics and interest rates

In 2026 Q2, total transactions in the interbank money market amounted to 175 trln soums, up 7.3 percent from Q1 (*163 trln soums*) (*Figure 8*). Monthly transaction volumes were volatile over the quarter, declining from 59.8 trln soums in April to 37.8 trln soums in May, before rising to 77.3 trln soums in June.

In 2026 Q2, REPO transactions accounted for 72 percent of total interbank operations, with their total volume reaching 125.5 trln soums (*121.1 trln soums in Q1*).

The volume of interbank deposit operations increased by 17.8 percent from the previous quarter to 49.4 trln soums. Activity was highest in April (*20.5 trln soums*) and June (*19.3 trln soums*).

The increase in interbank money market transactions was driven mainly by stronger market activity in June. The decline in May reflected a reduced need for banks to obtain funding from one another amid a growing liquidity surplus.

The greater use of interbank REPO transactions relative to deposit operations reflects banks' preference for collateralized transactions as a means of managing liquidity and credit risks.

Figure 8. Interbank money market operations, *trln soums*

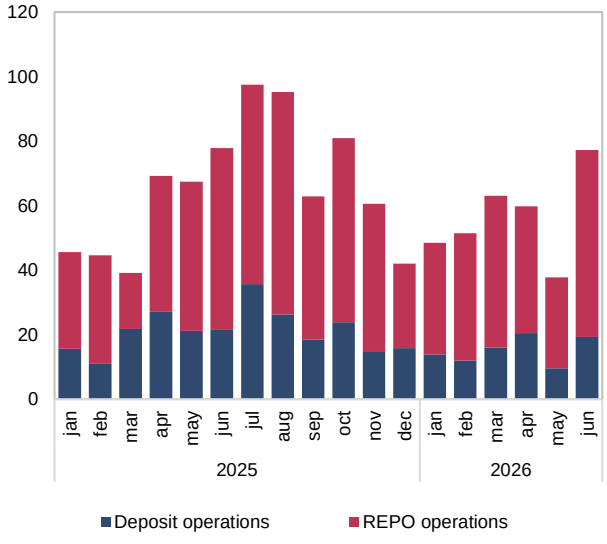
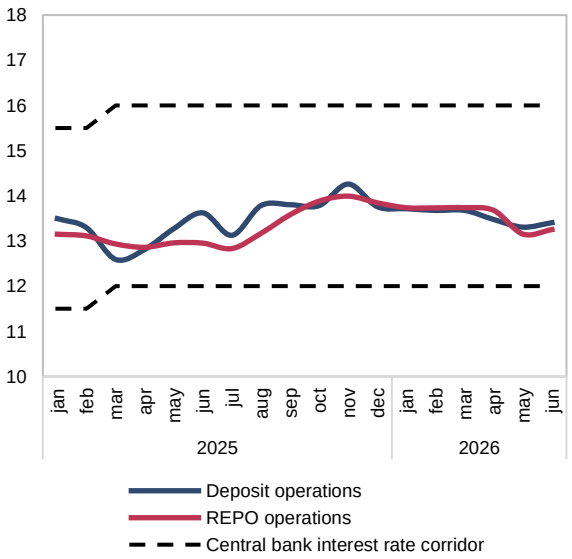


Figure 9. Interbank money market rates, *in percent*



Source: CBU calculations

The weighted average interest rate on money market operations remained within the interest rate corridor throughout the period, averaging 13.4 percent, 0.3 percentage points lower than in Q1. Reflecting ample liquidity in the banking system, money market rates remained below the policy rate (*Figure 9*).

Interest rate dynamics differed across maturities, with a steady decline observed in the shorter-term segments of the market.

In Q2, the weighted average interest rate on interbank overnight transactions declined by 0.3 percentage points from Q1 to 13.4 percent (*Figure 10*). The rate on transactions with maturities of 2–7 days fell by 0.5 percentage points, also reaching 13.4 percent.

The UZONIA benchmark rate, calculated on the basis of overnight REPO transactions, remained within the interest rate corridor throughout the quarter. In Q2, the average UZONIA rate declined by 0.3 percentage points from Q1 to 13.4 percent (*Figure 11*).

The UZONIA benchmark rate declined from an average of 13.6 percent in April to 13.1 percent in May. Its lowest level during the quarter, 12.4 percent, was recorded on 25 May.

Figure 10. Interest rates by term in the money market, *in percent*

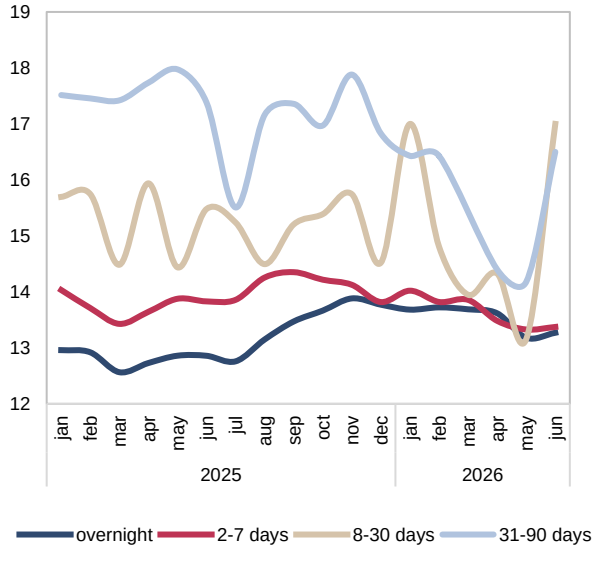
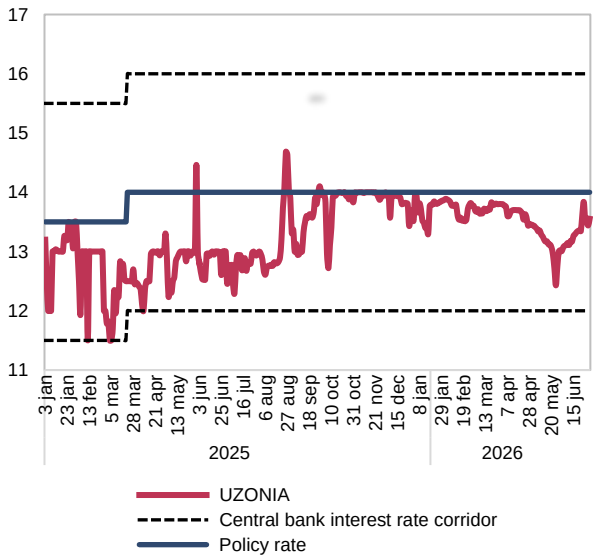


Figure 11. Money market benchmark interest rate, *in percent*



Source: CBU calculations

In June, the UZONIA rate recovered as the Central Bank expanded its liquidity-absorbing operations, averaging 13.3 percent over the month and reaching 13.6 percent by the end of the quarter.

This pattern indicates increased volatility in the benchmark money market rate amid the rapid expansion of the liquidity surplus. In particular, the standard deviation over the quarter stood at 0.3 percentage points, twice the Q1 level of 0.14 percentage points.

2.2. Interbank money market segmentation

In 2026 Q2, overnight transactions continued to account for the bulk of activity in the interbank money market, with their share increasing from 89 percent in Q1 to 93 percent (*Figure 12*).

In Q2, the total volume of overnight REPO and deposit operations in the interbank money market increased by 11.6 percent from Q1 to 162.7 trln soums.

The share of transactions with maturities of 2–7 days declined from 8.7 percent in Q1 to 6 percent, while the share of transactions with maturities of 8–30 days fell from 0.8 percent to 0.6 percent. The share of transactions with maturities of more than 30 days also decreased, from 1 percent to 0.6 percent.

The further shift toward shorter maturities reflects a reduced need among market participants to raise funds for longer periods amid the high level of liquidity surplus.

During the period, the average daily number of banks providing liquidity in the money market stood at 8 (*9 in Q1*), while the average daily number of banks borrowing funds remained unchanged from Q1 at 7.

The increase in interbank money market activity during the quarter, both in terms of transaction volumes and the number of market participants, indicates further development of mechanisms for redistributing liquidity within the banking system.

Figure 12. Share of money market transactions by maturity, *in percent*

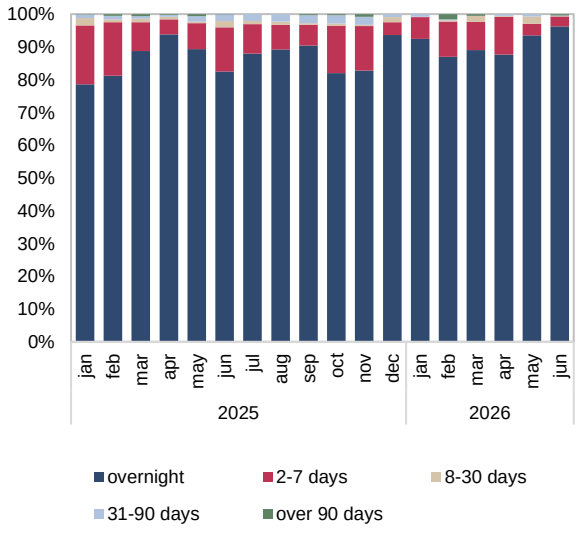
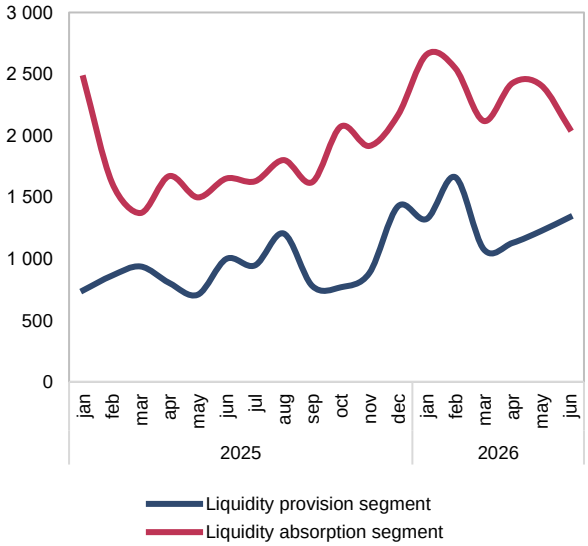


Figure 13. Herfindahl-Hirschman Index for money market



Source: CBU calculations

In the borrowing segment of the money market, the share of the three most active banks averaged 74 percent, down 7 percentage points from Q1 (*81 percent*). In the lending segment, the three most active banks accounted for 51 percent of total transactions (*50 percent in Q1*).

These indicators suggest that participants in the borrowing segment continue to play a key role in determining money market interest rates, although competition within this segment has somewhat improved.

According to the Herfindahl–Hirschman Index[4] (*HHI*), which measures the degree of concentration in the money market, concentration in the borrowing segment declined steadily over the quarter, falling from 2,426 in April to 2,057 in June (*Figure 13*).

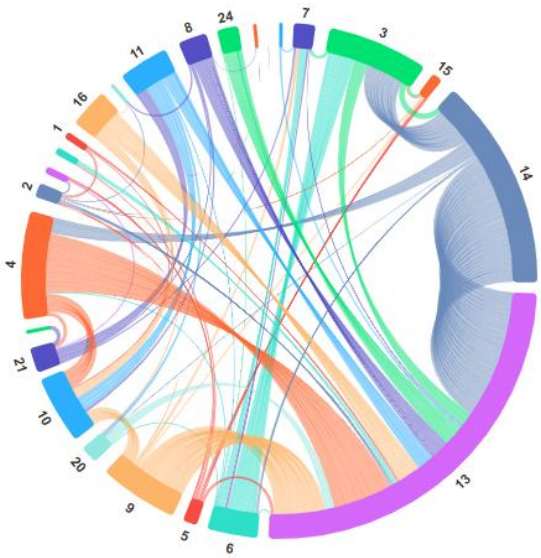
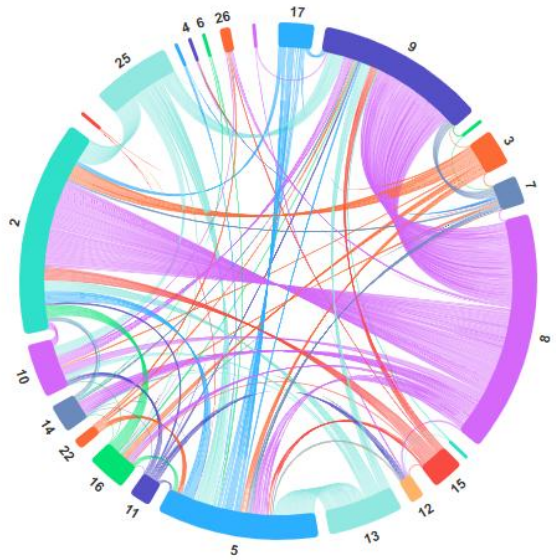
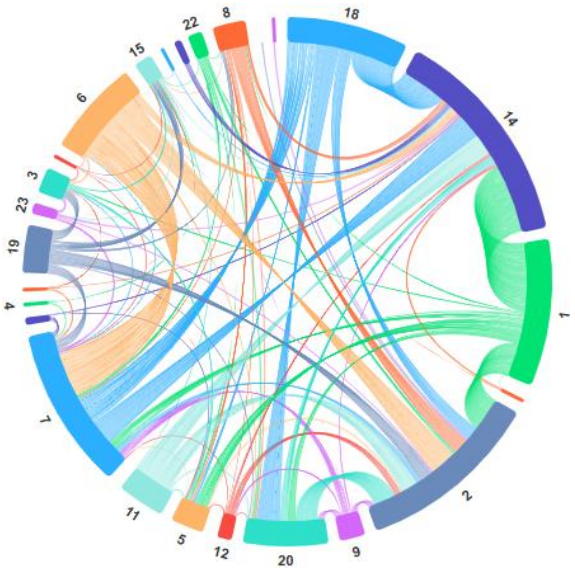
Nevertheless, this segment remains in the “moderately concentrated” category. This reflects the fact that, amid a high liquidity surplus, borrowing activity remains concentrated among a relatively limited number of market participants.

Concentration in the liquidity-providing segment, by contrast, remained relatively low and stable. The HH Index rose from 1,128 in April to 1,337 in June, indicating a comparatively higher degree of competition in this segment.

[4] **The Herfindahl–Hirschman Index** is a measure of market (*industry*) concentration, calculated as the sum of the squared market shares of individual participants. The index ranges from 0 to 10,000, where a value of 10,000 indicates that a single entity holds the entire market (*a monopoly*), while values closer to 0 indicate stronger competition. An index value between 1,500 and 2,500 is generally interpreted as indicating a moderately concentrated market, while a value above 2,500 indicates a highly concentrated market.

Appendix

Analysis of the Volume of Interbank Operations in the Deposit and REPO Segments of the Money Market[5]

<table>
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<tr><td colspan="2">2026 Q2</td></tr>
<tr><td>Deposit market</td><td>REPO market</td></tr>
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[5] In this chart, the most active banks in the money market are identified by reference numbers. Banks with relatively high shares in liquidity-providing and liquidity-borrowing operations are shown around the circle in different colors. Connections shown in the same color as the corresponding bank on the outer edge of the circle represent that bank's liquidity-providing transactions, while connections in other colors represent its liquidity-borrowing transactions.

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