The Central Bank
of the Republic of Uzbekistan

Core inflation and its estimation methods

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Core inflation is one of the key indicators used in monetary policy decision-making, as it reflects the underlying trend of inflation that is unaffected by temporary price fluctuations in the economy.

Headline inflation (change in the Consumer Price Index, CPI) reflects changes in the cost of living based on overall price changes of goods and services consumed by households (as of 2025, the CPI basket includes prices for a total of 510 goods and services).

In estimating core inflation, average price changes are considered excluding goods and services from the CPI basket whose prices are highly volatile, administratively regulated and/or exhibit certain cyclical patterns. This approach allows to identify the underlying trend in consumer price movements by filtering out price changes that are not significantly relevant for assessing overall inflation dynamics.

The importance of analyzing the inflation trend is that monetary policy can effectively influence on core inflation through its instruments and measures. This is because prices included in core inflation are primarily determined by market principles – namely, supply and demand – allowing monetary policy to exert its impact by affecting aggregate demand in the economy.

Volatile prices or prices formed based on certain rules within headline inflation may not reflect the balance of supply and demand in the economy, or may temporarily deviate from the overall inflation rate due to shocks or imbalances related to other supply-side factors. The core inflation helps to analyze changes in consumer prices by separating short-term imbalances and trend dynamics.

The Central Bank of the Republic of Uzbekistan uses three methods to calculate core inflation indicators: core CPI, trimmed CPI, and CPI median.

1. Core CPI (*exclusion method*) is a method of calculation based on excluding a predefined group of goods and services from the Consumer Price Index. In particular, excluded items include goods and services with regulated prices, highly dependent on global prices and those exhibiting strong seasonal price patterns.

Regulated prices reflect the prices of consumer goods and services that are set directly by government or local authorities, or determined based on administrative decisions. Since regulated prices are not formed through

market mechanisms, they may not accurately reflect underlying inflationary trends.

In an open economy, domestic supply and demand factors have a limited influence on price formation of goods that are highly dependent on global prices (*e.g. energy resources and etc.*).

The seasonal group includes consumer goods and services for which demand and/or supply changes with seasonal shifts, that is, items whose prices are sensitive to seasonal factors.

Core CPI is calculated by excluding regulated prices (*including utilities, public transportation, energy resources, tuition fees of educational institutions, and others listed in Annex 1*) from the consumer price basket and prices of seasonal fruits and vegetables (*listed in Annex 2*), and then computing price changes of remaining goods and services through applying a weighted arithmetic average method. In this process, the weights of goods and services included in core inflation are normalized.

The lists of goods and services included in Annex 1 and Annex 2 are subject to periodic revisions by the Monetary policy department, based on changes in the CPI basket and price formation.

As of 2025, the core CPI covers 78 percent of the total CPI basket and includes 458 goods and services. Of these, 140 are food products (accounting for 35.5 percent of the total CPI basket), 245 are non-food products (27 percent), and 73 are services (15.2 percent).

Regulated prices account for 15 percent of the consumer basket and include 26 goods and services. Seasonal prices account for 7 percent of the consumer basket and cover 26 types of fruits and vegetables.

International experience

In the United States, the United Kingdom, and European Union countries, *core inflation is calculated by excluding food and energy prices from the consumer price basket (CPI).*

In Russia, *core inflation is calculated by excluding the following goods and services from the CPI: fruits and vegetables, fuel, and administratively regulated services (including certain passenger transport services, communication services, as well as banking and legal services).*

In Ukraine, *core inflation is calculated by excluding seasonal goods, processed food products, and administratively regulated service prices from the consumer price basket.*

In Azerbaijan, core inflation is calculated by excluding seasonal goods and administratively regulated services (such as housing and communal, transport, communication and banking services, etc.) and fuel products from the CPI.

In Armenia, core inflation is calculated by excluding goods and services from the CPI whose prices have increased significantly in global markets, as well as products whose prices have risen sharply due to adverse weather conditions. For example, in certain years, housing and utility services or agricultural products have been excluded from the consumer basket when estimating core CPI because their prices were strongly impacted by unfavorable weather conditions.

In Kazakhstan, core inflation is calculated by excluding fruits and vegetables, gasoline, coal, diesel fuel, housing and utility services, railway transport, and communication services from the CPI.

In Kyrgyzstan, core inflation is calculated by excluding food and non-alcoholic beverages with seasonally volatile prices (such as milk, fruits and vegetables) from the CPI, and certain items such as alcoholic beverages and tobacco group whose prices are administratively regulated. From the non-food goods and services categories, selected construction and home-repair materials, electricity, gas and other fuel products, transport, communication, and other administratively regulated services are also excluded.

2. Trimmed CPI is another method for estimating core inflation. In this approach, prices with the highest and lowest changes in the CPI basket (based on their corresponding weights in the basket) are excluded from the calculation. This approach helps to eliminate excessive price fluctuations caused by factors which are not specific to certain goods and services.

In calculating the trimmed CPI, prices of goods and services in the CPI basket are arranged in ascending order, from the largest price declines to the largest price increases.

In estimating the trimmed CPI, the Central Bank of Uzbekistan excludes 15 percent of items with the lowest price increases and 15 percent of items with the largest price increases (*based on CPI basket weights*) from the CPI basket.

The remaining portion of the CPI basket is aggregated using a weighted arithmetic average with normalized weights. The trimmed CPI covers 70 percent of total CPI basket, and the list of included goods and services varies from month to month.

> ***According to international practice***, *the share of goods and services excluded from the consumer basket when calculating trimmed CPI amounts to 38 percent in Turkey. Specifically, 19 percent of items with the lowest price increases and 19 percent with the highest price increases (based on CPI basket weights) are excluded from the calculation. Similarly, this share equals 30 percent in Canada, Australia, and Poland, 20 percent in Norway, 16 percent in the United States and Kazakhstan, and 10 percent in New Zealand.*

3. CPI median is another alternative measure of core inflation that captures the central tendency of consumer price changes. The CPI median is defined as the price change corresponding to the 50th percentile of the distribution of consumer price changes.

The methodology for calculating the CPI median is similar to that used for calculating the trimmed CPI. After the price changes of goods and services in the CPI basket are arranged in ascending order, the price change of item (*good or service*) located at the 50th percentile[1] (*based on CPI weights*) is identified as the CPI median.

Since the composition of goods and services excluded in calculating the CPI median and the trimmed CPI changes every month, assessing the contributions of goods and services groups to core inflation calculated by aforementioned methods loses its analytical relevance.

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[1] Percentile - is a statistical measure that divides a dataset into 100 equal parts, indicating the boundary of each segment. For example, the 50th percentile signifies that half of the values in the distribution lie below it, while the other half lie above it.

Annex 1

List of goods and services whose prices are regulated

As of 2025

No.	No. in CPI basket	Name of good or service
1	12	Bread made from first-grade wheat flour
2	301	Coal
3	361	Passenger cars
4	366	Petrol
5	367	Propane for private vehicles
6	368	Methane for private vehicles
7	430	Charges for cold water supply and sewerage
8	431	Charges for household waste collection
9	433	Charges for electricity supply
10	434	Charges for piped (network) gas supply
11	435	Charges for liquefied gas supply
12	436	Charges for hot water supply
13	437	Charges for central heating
14	455	Fare for suburban (commuter) trains
15	456	Fare for long-distance trains
16	457	Metro fare
17	458	Tram fare
18	460	Urban bus fare
19	461	Trolleybus fare
20	469	Telephone subscription fee for fixed (landline) communication services
21	482	Museum services
22	483	Zoo services
23	488	Public preschool education institutions
24	490	Tuition fees at public higher education institutions under contract
25	508	Religious services
26	509	Legal services

Annex 2

List of fruits and vegetables

As of 2025

No.	No. in CPI basket	Product name
1	78	Bananas
2	79	Lemons
3	80	Mandarins
4	81	Oranges
5	82	Apples
6	83	Pears
7	84	Peaches
8	85	Grapes
9	86	Fresh watermelons
10	87	Fresh melons
11	88	Pomegranates
12	99	Cabbage
13	100	Fresh or chilled greens (dill, parsley, green coriander, and similar)
14	101	Fresh cucumbers
15	102	Fresh tomatoes
16	103	Eggplants
17	104	Fresh picked bell peppers
18	105	Pumpkin
19	106	Beets
20	107	Carrots
21	108	Turnips
22	109	Garlic
23	110	Onion
24	111	Radish
25	112	Fresh, chilled, and marinated mushrooms
26	113	Potato