FACTORS UNDERLYING THE DECISION ON THE KEY RATE

29 July 2026

At today's meeting of the Central Bank Board, current and expected domestic and external economic conditions, as well as the **updated macroeconomic forecasts**, were discussed in detail.

Based on these discussions, the Central Bank Board decided to **keep the key rate unchanged at 14 percent per annum**.

This decision is aimed at ensuring the tightness of monetary conditions necessary to steadily reduce inflation to the target level over the medium term, to anchor inflation expectations, and to maintain macroeconomic balance amid high demand in the economy.

The decision is explained by the following considerations.

First, the disinflation dynamics are proceeding more slowly than expected. In June, overall inflation temporarily accelerated under the influence of changes in regulated prices. Although inflation expectations have declined somewhat, they remain elevated.

In June 2026, **overall inflation** rose by 0.9 percentage points compared with the previous month, reaching **6.4 percent year-on-year**.

This increase was formed mainly on account of higher prices for energy products *(in particular, electricity, natural gas, coal, and methane for vehicles)*.

Across the main components of the consumer basket, in June **annual food inflation** declined by 0.4 percentage points compared with the previous month to **6.3 percent**, while **non-food inflation** accelerated to ***5.9 percent*** and **services inflation to 7.1 percent**.

Core inflation and its main components remained unchanged in June, with core inflation standing at **5.7 percent** year-on-year. At the same time, core food inflation was higher than in other structural groups.

Overall, in June the share of goods and services whose prices rose by more than 5 percent year-on-year increased slightly.

At the same time, it should be noted that, together with the Government, a number of relevant practical measures are being taken to stabilize prices by increasing the supply of goods.

In June, the inflation expectations of the population and businesses declined somewhat, standing at **10.1 percent** and **9.9 percent**, respectively. The inflation expectations of financial experts improved, falling to **7.1 percent**. However, expectations still remain above the inflation target, and reducing them sustainably requires maintaining sufficiently tight monetary conditions.

According to the updated macroeconomic forecasts, **overall inflation is expected to stand at around 6.5 percent** by the end of 2026.

During the period of structural reforms and the adjustment of regulated prices to market principles, changes in certain relative prices are a natural process.

In these circumstances, monetary policy measures are aimed not at offsetting the primary effect of these changes, but at preventing their secondary effects from becoming entrenched in core inflation and expectations.

Second, high consumption and investment activity persist in the economy. While this positively contributes to the expansion of the economy's potential, in the short-term outlook it supports aggregate demand remaining at a high level.

At the same time, the balancing of lending growth reflects the effects of the transmission of monetary conditions.

In the first half of 2026, economic growth amounted to **8.5 percent**. Growth was broad-based, with high activity maintained across key sectors.

The acceleration of economic growth compared with the same period last year was driven by:

- growth of **17 percent** in the **services** *sector;*
- growth of **8 percent in industry***;*
- growth of nearly **14 percent in construction***;*
- growth of **4.7 percent in agriculture***.*

In the first half of the year, investment in fixed capital grew by **17.5 percent**. Foreign direct investment increased by **33 percent**, reaching **USD 12.4 billion**.

The high pace of investment supports economic activity and, through the creation of new production capacity, lays the groundwork for expanding the supply of goods and services over the medium term.

From this perspective, sustaining economic growth at a stable high level will depend on the efficiency of the investment being attracted and on rising labour productivity.

Against the backdrop of high economic activity, aggregate demand also remains high. This is reflected in the dynamics of investment, budget expenditures, tourism, services exports, and remittances.

At the same time, under the influence of tight monetary conditions and macroprudential measures in place since the beginning of the year, lending growth has been balanced.

In the first half of 2026, the volume of loans extended by commercial banks to the economy increased by **5 percent** compared with the same period last year, amounting to **UZS 191 trillion**.

The volume of loans extended in the national currency contracted by **2.2 percent**, with the main decline observed in microloans to the population. This shows that the effect of macroprudential measures is manifesting in certain lending segments.

As a result, the total **outstanding balance of loans** in the economy rose by **12.9 percent** year-on-year, reaching **UZS 699 trillion** as of 1 July. Of this, the balance of loans **in the national currency** grew by **16.9 percent**.

In the first half of 2026, **non-gold exports** grew by **31.7 percent**. **Imports** rose by **21 percent** since the beginning of the year. The increase in imports was mainly driven by imports of final consumption and investment goods.

One of the important factors supporting consumer activity remains the **tourism sector**. In January–June of this year, the number of tourists visiting Uzbekistan reached **6.7 million**, 25 percent higher than in the same period last year.

Positive trends are forming in current fiscal conditions. According to preliminary data, in the first half of the year the **state budget** was executed with a surplus of **UZS 1.8 trillion**.

At the same time, on account of higher revenues, fiscal expenditures are expected to be significantly higher than the plan set at the beginning of the year. By the end of 2026, the overall fiscal deficit is planned **not to exceed 3 percent** of GDP.

Amid high economic activity, the additional expansion of expenditures serves as a factor supporting aggregate demand.

According to the Central Bank's assessments, under the influence of high economic activity, fiscal stimulus, remittances, and investment, the output gap is forming in positive territory.

This means that a certain demand-side inflationary pressure will persist in the coming quarters.

At the same time, the expansion of potential production capacity on account of investment is expected to ease this pressure over the medium term.

Taking the above factors into account, the forecast for gross domestic product growth for the full year 2026 has been raised to 7.5–8 percent *(previous forecast: 7–7.5 percent)***.**

Third, external economic conditions have deteriorated somewhat compared with the previous period. This is reflected in the moderation of economic activity dynamics in main trading partner countries, the high volatility of prices on global

commodity markets, and the persistence of elevated geopolitical uncertainty.

Geopolitical tensions in the Middle East and disruptions in supply chains are keeping volatility on commodity markets elevated. Disruptions related to fuel supply among trading partners may exert pressure on domestic prices through import prices.

According to the updated forecasts of the International Monetary Fund, global inflation has returned to an upward trend. In particular, the global inflation forecast for 2026 has been revised upward from **4.4 percent to 4.7 percent**.

At the same time, continued investment in artificial intelligence technologies is supporting global economic growth. The **world economy** is expected to grow by **3 percent** this year.

In June, the real effective exchange rate **depreciated by 2.4 percent** relative to the beginning of the year. This dynamic was formed mainly on account of the strengthening of trading partners' currencies.

Given the current trends in exchange rates among trading partners, the continued active inflow of foreign investment, and the relatively favourable price environment on global commodity markets, no sharp pressures are expected on the domestic currency market.

Fourth, monetary conditions remain tight overall: positive real interest rates encourage saving and support the moderation of lending growth in the national currency. At the same time, the high liquidity surplus in the banking system has a partially easing effect on money market conditions.

Against the backdrop of declining inflation expectations, real rates are forming at a positive and sufficiently tight level. In June, real rates on household deposits stood at **8.3 percent**, and on legal entities' deposits at **4.9 percent**.

Likewise, real rates on household loans amounted to **10.3 percent**, and on **corporate loans** to **10.8 percent**.

These conditions support the propensity to save and help prevent an excessive acceleration of demand for credit.

As a result, as of 1 July 2026, the **total balance of deposits** in the banking system grew by **38 percent** compared with the same period last year, amounting to **UZS 350 trillion**. Of this, the growth in **deposits in the national currency** reached **46 percent**.

At the same time, the downward trend in deposit dollarization indicates a strengthening propensity to save in the national currency.

The growth of savings in the national currency, in turn, strengthens monetary transmission and reinforces the domestic resource base of the banking system.

In the period ahead, through active liquidity management, the Central Bank will continue to keep money market rates close to the key rate. This is important for ensuring balanced lending growth, encouraging the attractiveness of saving, and limiting the impact of monetary factors on inflation.

Today, the economy of Uzbekistan is undergoing a stage of structural transformation associated with high investment, tariff reforms, and changes in foreign trade and financial flows.

In these circumstances, price stability is the key anchor ensuring the long-term effectiveness of these reforms.

Together with the Government, the Central Bank will continue a policy aimed at reducing inflation to the 5 percent target, coordinating measures to ensure macroeconomic stability.

To this end, at the current stage it is important to sustain the achieved tightness of monetary conditions, to further reduce the expectations of the population and businesses, and to anchor them at a low level.

Taking the above factors into account, in order to ensure price stability over the medium term, the Central Bank Board decided to keep the key rate unchanged at **14 percent**.

The Central Bank closely monitors inflation dynamics, inflation expectations, aggregate demand, and external risks. Future decisions will be based on the sustainable trend of inflation, core inflation, inflation expectations, aggregate demand, and the dynamics of external risks.

The Central Bank's monetary policy will remain aimed at reducing inflation to the **5 percent target** over the medium term, ensuring macroeconomic stability, and preserving the purchasing power of the population.

Thank you for your attention!