PRESS CONFERENCE
Questions and Answers

At the press conference at 29th Jule of 2026 following the meeting of the Board of the Central Bank, journalists' questions concerning the policy rate, inflation forecasts, economic growth, and international money transfers were addressed.

QUESTION

What factors influenced the decision to keep the policy rate unchanged at 14 percent?

ANSWER

As was also mentioned in the presentation, the key factors behind the decision were current inflation trends, underlying inflation dynamics, inflation expectations, and the inflation outlook.

Inflation has been on a downward trajectory since the beginning of the year. At the same time, underlying inflation and inflation expectations have also shown a declining trend. Nevertheless, a number of pro-inflationary risks remain in the current inflation environment.

In addition, economic activity continues to expand at a strong pace, while the output gap remains positive. This requires maintaining tight monetary conditions.

Taking these factors into account, **the Board decided at today's meeting to keep the policy rate unchanged at 14 percent.**

QUESTION

Did the Board discuss a possible reduction in the policy rate at today's meeting? What was the most decisive factor behind the decision to leave the policy rate unchanged? In the latest press releases, the inflation forecast has remained unchanged at 6.5 percent — what conditions would need to emerge for the Central Bank to consider lowering the policy rate?

ANSWER

At today's meeting, essentially one proposal was discussed — to maintain the policy rate at its current level. A proposal to reduce the policy rate was not considered.

As noted above, this was due to the continued predominance of pro-inflationary factors and risks over the coming quarters. Given the balance of risks, a reduction in the policy rate was therefore not considered.

Looking ahead, one of the key factors that will determine the scope for a possible rate cut is the dynamics of underlying inflation, which we will continue to monitor closely. Underlying inflation stood at 5.7 percent and has remained broadly unchanged since the beginning of the year. A transition to a sustained downward trend in underlying inflation will be very important.

The second key factor is a sustained decline in inflation expectations. Inflation expectations have edged down in recent months, but they are still not as low as expected.

QUESTION

The Central Bank has previously reduced the policy rate by 1 percentage point or 0.25 percentage points. International practice also includes policy rate reductions in increments of

0.25 percentage points, as recently seen in Russia and Kazakhstan. Is the Central Bank of Uzbekistan also considering adjusting the policy rate in smaller steps?

ANSWER

Central banks generally determine the size of a policy rate adjustment based on the prevailing level of interest rates and the broader macroeconomic environment.

In recent months, policy rates in Russia and Kazakhstan were reduced by 0.25 percentage points, reflecting the inflation dynamics in those countries.

Internationally, the size of policy rate adjustments varies. If inflation is declining while economic activity is also slowing sharply, a larger rate cut may be appropriate. If the moderation in both economic activity and inflation is more gradual, the policy rate may be reduced in smaller steps.

QUESTION

According to the updated forecasts, inflation is expected to increase slightly from the second quarter of 2028. Some experts have suggested that the Central Bank is influencing the exchange rate until inflation reaches the 5 percent target. What is the Central Bank's view on this?

ANSWER

One of the main reasons for the slight increase in the inflation forecast over the coming periods is the rise in energy prices in June. Its first-round impact was already recorded in June and amounted to close to 1 percentage point.

Going forward, the second-round effects of this factor will emerge. First, higher energy prices may pass through to other prices via inflation transmission channels. Second, higher production and transportation costs may create additional upward pressure on the prices of other goods.

As regards the exchange rate, Uzbekistan has operated under a floating exchange rate regime since 2017, and the degree of exchange rate flexibility was further increased last year. **A specific exchange rate level is not incorporated into the model as a predetermined input.**

QUESTION

Did the European Union's sanctions involving the operator of the Zolotaya Korona money transfer system affect remittance inflows from abroad? Was the decision to keep the policy rate unchanged at 14 percent related to these sanctions?

ANSWER

With regard to the 14th package of sanctions, this factor was not directly incorporated into our model because its impact on consumer goods prices in Uzbekistan is not significant.

In the first half of this year, international money transfers to Uzbekistan amounted to USD 9.3 billion, representing an increase of 13 percent compared with the corresponding period of the previous year. Of this amount, USD 2.4 billion was transferred through the Zolotaya Korona system.

Funds received through Zolotaya Korona do not come exclusively from Russia. The system is also used by Uzbek citizens working in the Republic of Korea, Türkiye, Kazakhstan, European Union member states, and other countries, as well as by members of the Uzbek diaspora.

The sanctions were not imposed on the Zolotaya Korona system itself, but rather on its correspondent bank. Uzbekistan's commercial banks, in coordination with Zolotaya Korona's management, are negotiating the transfer of the technical processing function to another bank that is not subject to sanctions. Operations through the new service provider are expected to begin next week.

Overall, the direct impact of the situation on Uzbekistan is not significant. At the same time, the Central Bank and commercial banks are taking all necessary measures to fully resolve the issue within a short period.

QUESTION

You noted that the second-round effects of higher energy tariffs may affect inflation. In which categories of goods and services could this impact be more pronounced?

ANSWER

Second-round effects are generally broad-based. It is therefore difficult to identify in advance precisely which goods and services will be affected and to what extent.

One of the main transmission channels is through transportation and logistics costs. In particular, higher fuel prices may pass through to the prices of other goods and services. The risks were assessed with these channels in mind.

QUESTION

The volume of mortgage lending is increasing. How does a change in the policy rate affect the mortgage lending market?

ANSWER

In January–July 2026, the volume of mortgage lending increased by 37 percent compared with the corresponding period of the previous year. While some moderation was observed last year, activity has picked up this year.

At the same time, **changes in the policy rate do not have a direct or decisive impact on mortgage lending.** The policy rate primarily affects overall lending dynamics in the economy, while developments in the mortgage market are also determined by a range of other factors.

As of June this year, aggregate domestic economic activity had increased by 12.9 percent. At the same time, economic activity has become more balanced since the beginning of the third quarter.

QUESTION

Apart from monetary policy, are there other factors currently exerting an even stronger disinflationary effect? To what extent can the Central Bank influence or control these factors?

ANSWER

First and foremost, **the tight stance of monetary policy remains one of the most important factors.** Maintaining tight monetary conditions is contributing to the decline in inflation.

Another important factor is the exchange rate. The appreciation of the exchange rate has also exerted a significant downward effect on inflation.

Among other factors, one of the contributors to lower inflation this year has been the fading of the high base effect associated with the liberalization of energy prices. On a net basis, this factor reduced inflation by around 0.6 percentage points.

In addition, the Central Bank and the Government have been implementing a number of measures aimed at increasing supply — for example, at the beginning of the year, decisions were adopted to subsidize certain meat imports and increase the supply of other essential food products.

QUESTION

GDP grew by 8.5 percent in the first half of 2026. The President has stated that economic growth of at least 9–10 percent is necessary to ensure the well-being of a population of 40 million. To what extent is such a high growth rate achievable while a tight monetary policy is being maintained?

ANSWER

Given the current state of Uzbekistan's economy, **economic growth of 9–10 percent is neither an abnormal nor an unattainable level — it is a rate of growth that can be achieved.**

Recent trends show that economic growth is accelerating while inflation is declining at the same time. This primarily indicates that the economy's potential growth rate is increasing. In other words, if higher economic growth is driven by an expansion of the economy's productive potential, it does not necessarily create adverse inflationary pressures.

Therefore, the key medium-term objective is to raise the economy's potential growth rate. This requires ensuring the efficiency of investment, expanding production capacity, and supporting supply-side factors.

Another important area is increasing labour productivity. By **expanding the economy's productive capacity and raising labour productivity**, it is possible to achieve high economic growth while maintaining low inflation.

QUESTION

According to the Central Bank's analysis, the economy's growth potential is estimated at around 7–8 percent, while the Ministry of Economy and Finance expects growth of 8.1 percent. How will this affect inflation dynamics? What role does fiscal stimulus play, and are monetary and fiscal policies moving in opposite directions?

ANSWER

First, with regard to potential growth, we have estimated the economy's potential growth rate not at 7–8 percent, but at around **6–7 percent.** This assessment was based on data available as of the end of 2025.

Economic growth reached 8.7 percent in the first quarter of this year and 8.5 percent in the first half of the year. According to our forecast, growth is expected to be around 7.5–8 percent by the end of the year.

As regards the current situation, **aggregate demand remains very strong and is expected to remain active in the second half of the year as well.** This reflects strong consumer demand, an upward revision of fiscal expenditures, and higher exports. One of the main reasons for maintaining tight monetary conditions at present is precisely that **aggregate demand remains elevated.**

As for budget expenditures, this issue is assessed in coordination with the Ministry of Economy and Finance. The recently published fiscal strategy indicates that the increase in expenditure is largely directed toward accelerating infrastructure programmes and increasing investment. Such expenditures may create some demand-side and inflationary pressures in the short term; however, over the longer term, by expanding productive capacity, they can help ease inflationary pressures.

> **"Aggregate demand remains very strong and is expected to remain active in the second half of the year as well."**
> **CURRENT MACROECONOMIC SITUATION**

QUESTION

With economic growth expected to be around 8 percent by the end of the year, does the Central Bank regard this as a sign that the economy is "overheating"?

ANSWER

First, it is useful to briefly explain what is meant by an "overheating" economy. Potential growth refers to the rate at which the economy can expand within its existing productive capacity. When actual economic growth exceeds this potential level, it indicates signs of economic overheating.

We regularly explain this in our Monetary Policy Reviews. In recent quarters, economic growth has been running above its potential level. **This indicates that there are signs of overheating in the economy.**

This is one of the reasons why monetary conditions are currently being maintained at a tight level. If the economy were growing at its potential rate, monetary conditions could move toward a neutral stance; if economic activity were to fall below its potential level, conditions could emerge for monetary policy to enter an easing phase. At present, however, economic activity remains above its potential level and signs of overheating persist.