



The Central Bank
of the Republic of Uzbekistan

Money Market and Liquidity Review

2025 Q4



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Resume

In 2025 Q4, due to a significant increase in budget operations compared to previous quarters, the banking system's liquidity surplus rose by 49 percent compared to Q3.

To mitigate the impact of the increase in the scope of liabilities included in the required reserve base for commercial banks from October 1, 2025, the reserve requirement ratio for liabilities in foreign currency was reduced from 10.5 percent to 9.5 percent. As a result, the total average reserve requirement of the banking system increased by 0.5 trln soums compared to Q3, amounting to 16.6 trln soums in Q4.

In order to regulate money market interest rates, total of 357.6 trln soums of Central Bank's 7-days bonds were placed among commercial banks in Q4. At the same time, the average net position of the Central Bank in monetary operations with commercial banks during the quarter amounted to 30 trln soums.

As a result, the average UZONIA rate during the quarter was closer to the policy rate than in the previous quarter, at around 13.9 percent (*the difference from the policy rate was 0.1 percentage points, compared to 0.9 percentage points in the previous quarter*).

The total volume of REPO and deposit operations in the interbank money market decreased by 28 percent in the quarter to 183.6 trln soums. The decrease in the volume of operations in the money market was also influenced by the sufficient saturation of market participants with liquidity, as well as the advantages of channeling funds to Central Bank operations due to tight monetary conditions.

The ratio of money market operations to the country's gross domestic product (*GDP*) reached its annual maximum (*51.5 percent*) in Q3, while this indicator amounted to 33.6 percent in Q4.

The persistence of a liquidity surplus in the banking system led to a lower demand for liquidity-providing operations during the quarter. At the same time, the volume of all liquidity-providing operations was lower than in the previous quarter.

In 2026 Q1, a seasonal decrease in budget operations, a sharp increase in demand for foreign currency in the banking system, as well as a decrease in demand for cash are expected to be factors that will reduce the liquidity surplus.

In order to effectively regulate the banking system liquidity, the Central Bank, actively using its main liquidity-absorbing operations, takes measures to ensure that money market interest rates are formed within the interest rate corridor, close to the policy rate.

1. Analysis of banking system liquidity

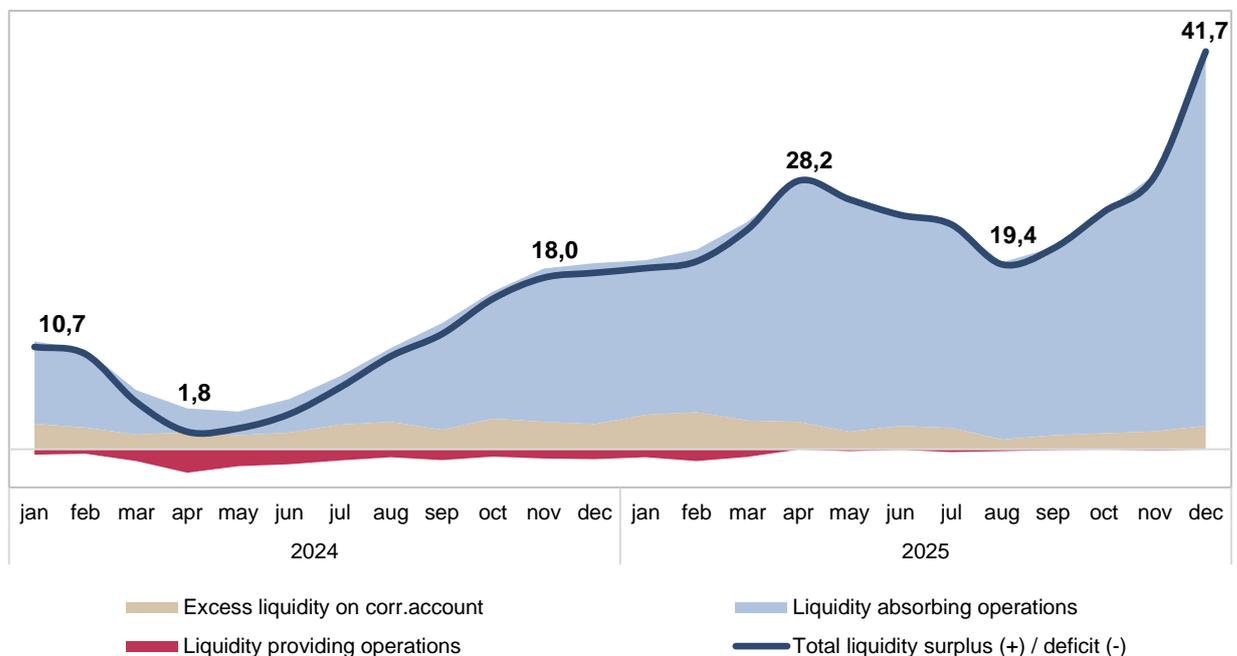
1.1. Overall liquidity dynamics and factors

In 2025 Q4 total liquidity position of the banking system¹ amounted to an average of 32 trln soums, which is 49 percent higher than in Q3 (an average of 21.3 trln soums). At the same time, the liquidity surplus increased from an average of 25 trln soums in October to 28.7 trln soums in November, and in December it amounted to an average of 41.7 trln soums (Figure 1).

In order to mitigate the impact of the increase in scope of liabilities included in the required reserve base for commercial banks from 10 percent to 15 percent from October 1, 2025, the reserve requirement ratio for liabilities in foreign currency was reduced from 10.5 percent to 9.5 percent. As a result of the measures taken, the total average reserve requirement of the banking system in Q4 increased by an average of 0.5 trln soums compared to Q3 and amounted to 16.6 trln soums.

During the quarter, an average of 2 trln soums of excess liquidity was formed in the bank's correspondent accounts, helping to ensure the continuity of payments.

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



Source: CBU calculations.

¹ **Total liquidity position of the banking system** – is calculated by adding banks' net position on monetary operations (net balance of liquidity absorption operations and liquidity provision operations) with the difference between the balance on the corresponding account of commercial banks in the national currency with the Central bank and the reserve requirement averaging volume. This indicator characterizes the probable size of total liquidity in the banking system in the absence of monetary operations.

The increase in demand for cash in circulation due to seasonal factors contributed to a reduction in the banking system liquidity by 3 trln soums in Q4.

For information: Reserve requirements (RR) are one of the important instruments of monetary policy and are actively used as a liquidity management tool in the banking system to achieve the operational target of monetary policy in an inflation targeting regime.

In international practice, all non-capital liabilities of banks are included in the RR base. However, in the conditions of Uzbekistan, the fact that the RR base does not fully cover the liabilities of the banking system, the uneven distribution of the scope of liabilities among banks, as well as the high level of dollarization of liabilities not included in the reserve base, has reduced the possibility of effective use of this instrument and has led to the formation of interest rates under different conditions when banks raise resources in the money and financial markets.

In order to bring the reserve requirements instrument into line with international standards and increase its effectiveness, as well as to ensure that interest rates on deposits and other liabilities are formed under equal conditions when attracting resources by commercial banks, relevant amendments were made to the reserve requirements instrument from April 2025.

In order to prevent additional burdens on banks in meeting reserve requirements due to the introduced changes, it is planned to gradually include new bank accounts in the calculations of reserve requirements during 2025-2030 and reduce RR ratios accordingly.

In particular, in March 2025, the RR ratio for foreign currency liabilities was 14 percent, while as of January 1, 2026, this indicator was reduced to 8.5 percent.

1.2. Impact of budget operations on banking system liquidity

In 2025 Q4, the increasing impact of budget operations on the overall liquidity of the banking system increased by 1.5 times compared to Q3 and amounted to 31 trln soums (*Figure 2*). Specifically:

- Operations of the Agricultural Support Fund had a downward effect of 1.5 trln soums;

- Operations of the Uzbekistan Fund for Reconstruction and Development (*UFRD*) had a downward effect of 1 trln soums;

- Operations carried out through the Treasury Single Account had an increasing effect of 33 trln soums. In addition to the salaries, allowances and pension expenses of budget organizations, the placement of additional temporary free funds of budget organizations on deposits with commercial banks on an auction basis also had an additional effect.

In particular, in Q4, a total of 6.3 trln soums of term deposits (*5.7 trln soums in Q3*) were placed among commercial banks through auctions. The volume of auctions decreased month by month from 2.4 trln soums in October to 1.7 trln soums in December, while the average interest rates on them decreased from 15.8 percent to 15.1 percent, respectively (*Figure 3*).

In 2025 Q4, the issuance of government securities, the repayment of maturing bonds, and the implementation of coupon payments had a net decreasing impact on the banking system liquidity of 2 trln soums.

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

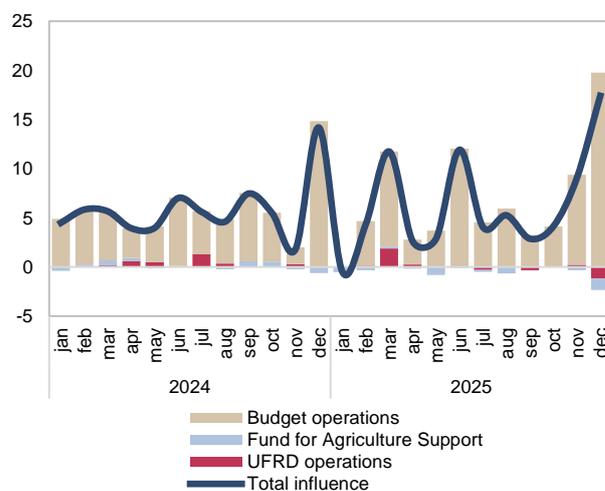
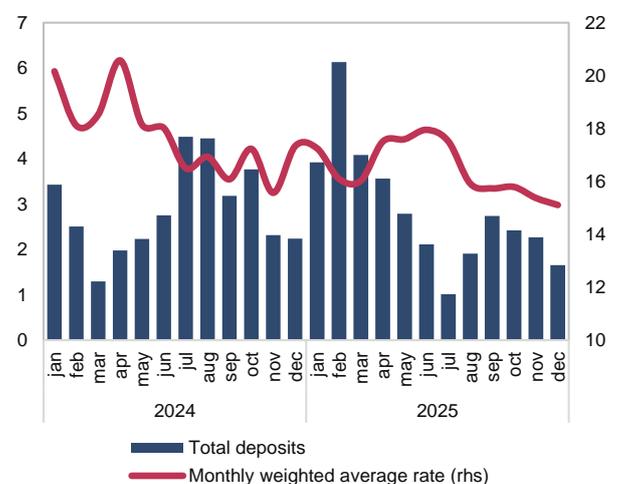


Figure 3. Deposits placed by budgetary organizations, trln soums



Source: CBU calculations.

To finance budget expenditures, the Ministry of Economy and Finance issued a total of 5 trln soums of government securities during this period, of which 4.5 trln soums of bonds have a maturity of 3 years (*placed at an average of 14.9 percent*), and the remaining bonds have a maturity of 1 year (*placed at an average of 13.9 percent*). The balance of bonds of the Ministry of Economy and Finance as of January 1, 2026 amounted to 50 trln soums (*Figure 4*).

The yield on bonds of the Ministry of Economy and Finance fluctuated during the quarter, averaging 14.8 percent. Due to the fact that bonds with a maturity of up to 1 year were mainly placed in October, the average yield in this month decreased relatively and amounted to 14.7 percent, while in November-December, due to the placement of only long-term bonds, the average yield was around 14.9 percent and 14.6 percent, respectively (*Figure 5*).

The decrease in bond yields by 0.3 percentage points in December compared to the previous month is explained by a sharp increase in the liquidity level in the money market during this period.

Based on the seasonality observed in previous years, the increasing impact of budget operations on the banking system's liquidity (*higher costs relative to revenues*) is expected to persist in 2026 Q1. Furthermore, the continued issuance of government securities will, in turn, contribute to the activation of the primary and secondary markets for government securities, as well as the interbank REPO market.

Figure 4. Bonds of the Ministry of Economy and Finance, trln soums

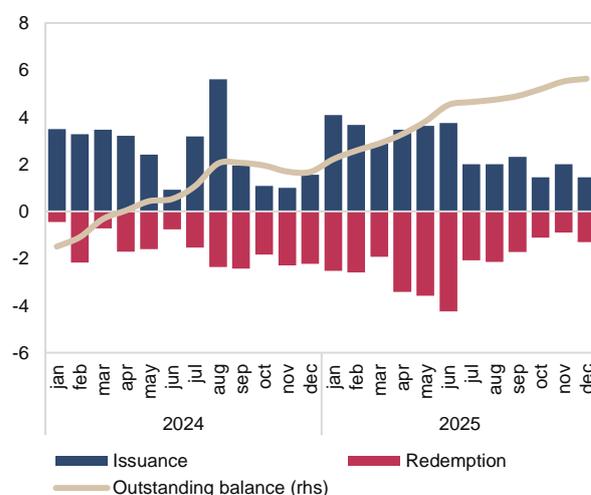
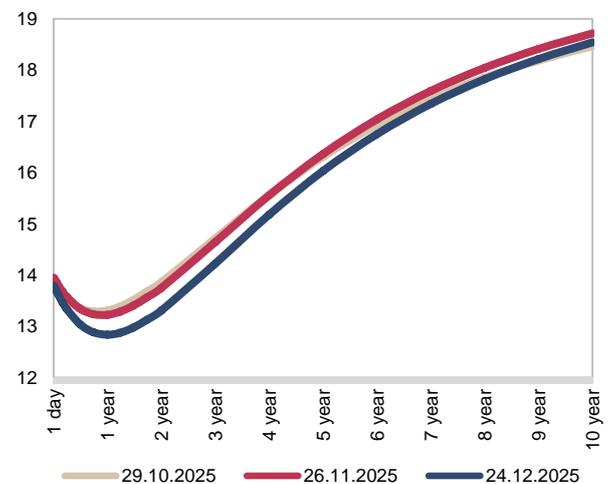


Figure 5. Yield curve, in percent



Source: CBU calculations.

1.3. Analysis of liquidity management operations

During 2025 Q4, the Central Bank's monetary operations ensured the formation of short-term interest rates in the money market within the interest rate corridor by absorbing liquidity.

The issuance of Central Bank's 7-days bonds as the main liquidity absorption operation directly contributed to the effective absorption of excess liquidity in the banking system by the Central Bank and, thereby, to the formation of interest rates in the money market within the interest rate corridor close to the policy rate.

For information: *From August 1, 2025, in order to effectively absorb excess liquidity in the system, the Central Bank's main liquidity absorbing operations have been changed from 1-week deposit auctions to Central Bank's 7-days bonds.*

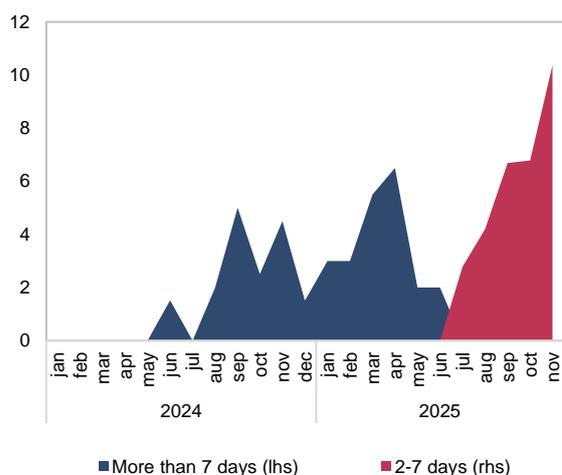
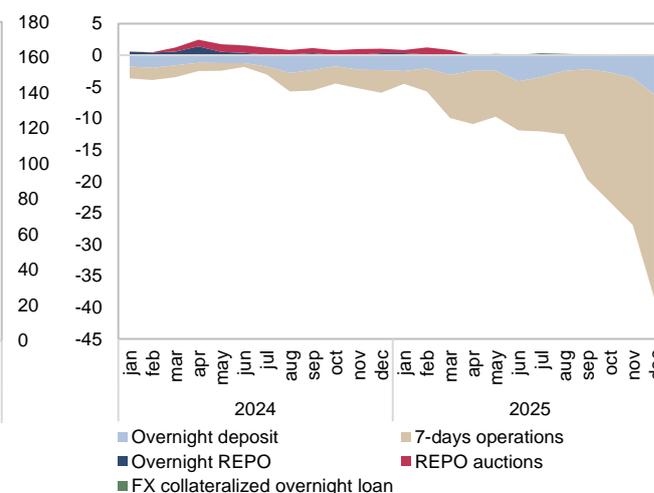
In particular, in August-September 2025, a total of 104.6 trln soums of Central Bank's 7-days bonds were placed among commercial banks at 14 percent (*policy rate*), while in Q4 this figure increased significantly and amounted to 357.6 trln soums (*Figure 6*).

Bond issuance amounted to 100.4 trln and 101.7 trln soums in October-November, respectively, while excess liquidity was balanced by bonds worth 155.5 trln soums, due to sharp pressure from budget operations in December on the increase in the banking system liquidity.

As a result, interest rates in the money market have become relatively stable, and the average UZONIA rate during the quarter was closer to the policy rate than in the previous quarter, at around 13.9 percent (*the difference from the policy rate was 0.1 percentage points, compared to 0.9 percentage points in the previous quarter*).

For information: *Starting from December 15, 2022, the Central Bank has set as an operational target of monetary policy to ensure that the benchmark rate, representing the price of short-term resources in the money market - the UZONIA rate, is formed close to the policy rate and within the interest rate corridor.*

In order to prevent high fluctuations in money market interest rates in the context of a systemic liquidity surplus, the Central Bank's overnight deposit operations, together with the main liquidity absorption operations, were actively used during the quarter. Demand for overnight deposit operations gained increasing dynamics during the quarter, rising from 2.7 trln soums in October to 6.4 trln soums in December (*Figure 7*).

Figure 6. Central bank bond issuance, trln soums**Figure 7. Monetary operations, trln soums**

Source: CBU calculations.

During this quarter, the average net position of the Central Bank in monetary operations with commercial banks amounted to 30 trln soums.

The persistence of a liquidity surplus in the banking system led to a lower demand for liquidity-providing operations by the Central Bank during the quarter. At the same time, the volume of all liquidity provision operations was lower than in the previous quarter.

The demand for these operations was formed mainly due to a slight decrease in liquidity at the end of the month because of seasonality. In particular, the main part of liquidity provision operations was FX collateralized overnight loans. At the same time, the average balance on them decreased by 63 percent compared to Q3 and amounted to an average of 59.3 billion soums during the quarter.

Also, the average daily balance of overnight REPO operations amounted to 49 billion soums in Q3, while this indicator decreased sharply during Q4, falling to an average of 2.7 billion soums.

At the same time, there was a decrease in the scale of use of the intraday credit facility instrument during the day by commercial banks. In Q4, the average daily volume of these operations decreased by 33 percent compared to Q3 and amounted to 1 trln soums. This situation is explained by the active use of monetary instruments by commercial banks to ensure the continuity of payments and manage liquidity even in conditions of liquidity surplus.

In 2026 Q1, in the conditions of the preservation and possible increase of the liquidity surplus, the Central Bank will take measures to ensure that money market interest rates are formed within the Central Bank's interest rate corridor, close to the policy rate, in order to effectively regulate the existing excess liquidity, actively using its main operations to absorb liquidity.

2. Interbank money market analysis

2.1. Money market dynamics and interest rates

In 2025 Q4, a total of 183.6 trln soums of transactions were carried out in the interbank money market, with the total volume of transactions decreasing by 28 percent compared to Q3 (255.6 trln soums) (Figure 8).

The ratio of money market operations to quarterly GDP reached its highest level for the year (51.5 percent) in Q3, while this indicator amounted to 33.6 percent in Q4.

In Q4, 70 percent of interbank operations were REPO operations, and the total volume of these operations amounted to 129 trln soums (175 trln soums in Q3). During the quarter, the volume of monthly REPO operations showed a downward trend, decreasing from 57 trln soums in October to 26 trln soums in December.

The volume of interbank deposit transactions decreased by 32 percent compared to the previous quarter, amounting to 54.3 trln soums. At the same time, monthly deposit transactions also showed a downward trend during the quarter, decreasing from 24 trln soums in October to 15.8 trln soums in December.

The decrease in the volume of operations in the interbank money market compared to the previous quarter is explained by the high level of liquidity surplus in the banking system and the sufficient saturation of market participants with liquidity. At the same time, the provision of tight monetary conditions by the Central Bank has become a priority for banks in using the Central Bank’s main liquidity absorbing operations.

Figure 8. Interbank money market operations, trln soums

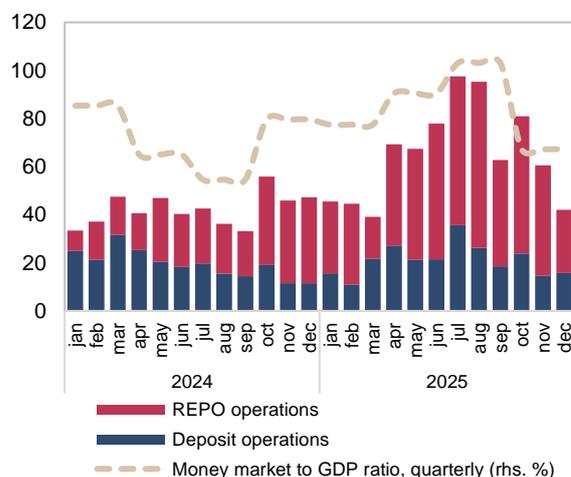
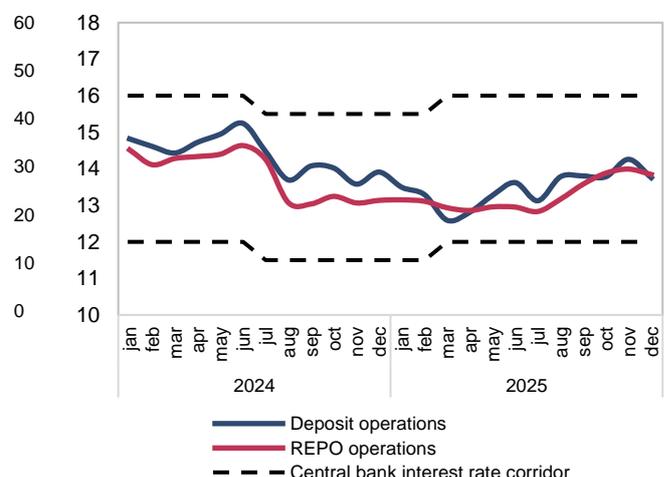


Figure 9. Interbank money market rates, in percent



Source: CBU calculations.

The higher level of interbank REPO operations compared to deposit operations, in turn, reflects the demand for collateral in mutual transactions by banks to manage liquidity and credit risks due to the decrease in liquidity in the system at the end of the month.

The weighted average interest rates on money market operations during this period were formed within the interest rate corridor and increased due to changes introduced into the Central Bank’s operational mechanism. At the same time, interest rates were formed below the policy rate due to the high level of liquidity in the banking system.

The weighted average interest rates on interbank deposits and REPO operations fluctuated during the quarter and amounted to 13.9 percent in both markets (*13.6 and 13.2 percent in Q3*). At the same time, these indicators recorded their highest level in November, averaging 14.3 and 14 percent, respectively (*Figure 9*).

Interest rates varied across time periods, with only November seeing an increase in interest rates across all market segments.

The weighted average interest rate on interbank overnight transactions increased compared to the beginning of Q4, reaching 13.8 percent in December (*13.5 percent in September*) (*Figure 10*).

There was a decrease in interest rates on transactions with a maturity of more than one day, with average interest rates on transactions with a maturity of 2-7 days in December being 13.8 percent (*14.4 percent in September*), on transactions with a maturity of 8-30 days being 14.5 percent (*15.2 percent in September*), and on transactions with a maturity of 31-90 days being 16.8 percent (*17.4 percent in September*).

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

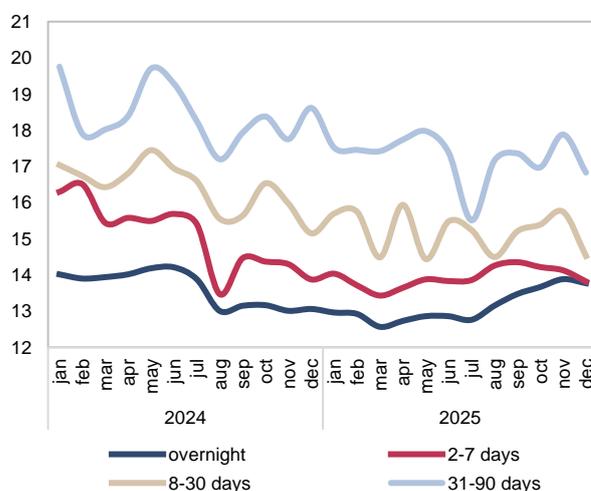
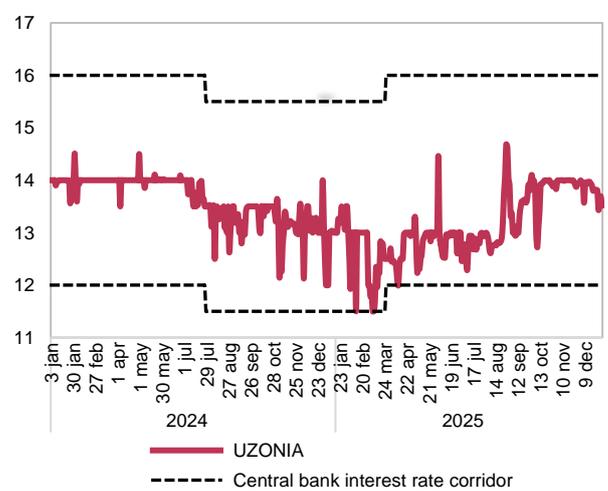


Figure 11. Money market benchmark interest rate, in percent



Source: CBU calculations.

The decrease in money market interest rates in December is directly related to the continuous liquidity-increasing effect of budget operations throughout the month, and is explained by the tendency for interest rates to decline in the context of a systemic liquidity surplus.

The UZONIA benchmark interest rate, calculated on overnight REPO operations, fluctuated within the interest rate corridor during the quarter. In Q4, the average UZONIA rate increased by 0.8 percentage points compared to the previous quarter, averaging around 13.9 percent, close to the policy rate (*Figure 11*).

Due to increased activity in monetary policy instruments, the UZONIA rate averaged 13.8 percent in October, while in November this indicator reached its maximum during the quarter, averaging 14 percent. The daily increase in liquidity in December directly affected market interest rates, causing the UZONIA rate to return to an average of 13.8 percent.

2.2. Interbank money market segmentation

Although the main share of interbank money market transactions in 2025 Q4 were overnight transactions, their share decreased from 89.2 percent in Q3 to 86 percent (*Figure 12*).

During Q4, the total volume of overnight REPO and deposit operations in the interbank money market decreased by 31.5 percent compared to the previous quarter and amounted to 156 trln soums. During the quarter, the volume of operations showed a downward trend, decreasing from 66.4 trln soums in October to 39.4 trln soums in December.

The share of transactions with a maturity of 2-7 days increased from 7.6 percent in Q3 to 10.6 percent in Q4, the share of transactions with a maturity of 8-30 days increased from 0.8 percent to 0.9 percent, while the share of transactions with a maturity of more than 30 days decreased insignificantly, from 2.4 percent to 2.3 percent.

During the reporting period, 54.4 percent of operations with maturities of 2–7 days were conducted in October, which can be explained by the increased demand for liquidity following changes in reserve requirement regulations.

During this period, the average daily number of banks providing liquidity in the money markets was 12 (*in Q3 - 13*), while the average daily number of banks absorbing liquidity was 7 (*in Q3 - 9*).

Although activity in the interbank money market decreased during the quarter compared to the previous quarter, the volume of transactions and the number of market participants indicate the development of liquidity redistribution mechanisms in the banking system and the increasing efficiency of liquidity management.

The share of the 3 most active banks in the liquidity absorption segment of the money market was on average 70 percent, while the 3 most active banks in the liquidity provision segment accounted for 42 percent of total operations.

These indicators reflect high liquidity in the money market, indicating that participants in the liquidity attracting segment play a key role in generating market interest rates.

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

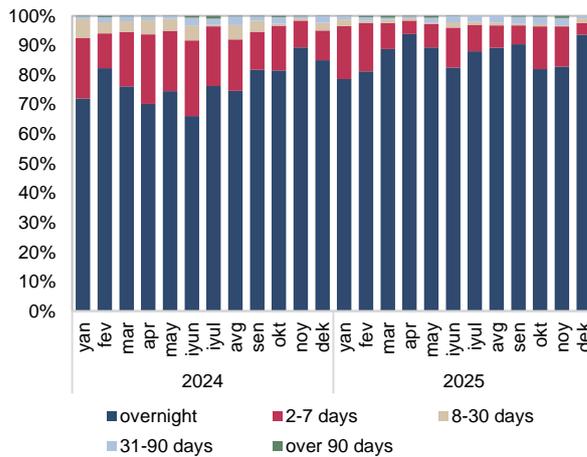
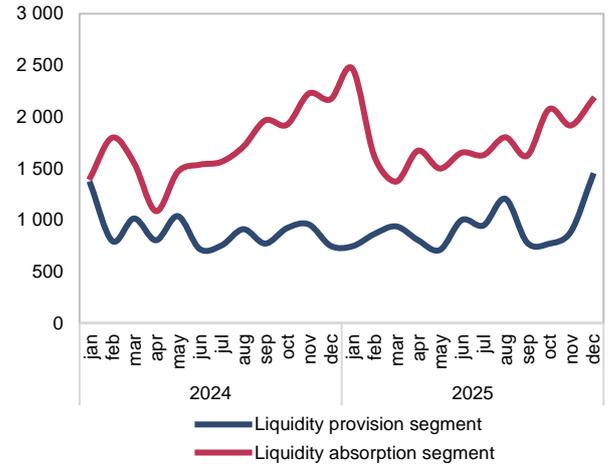


Figure 13. Herfindahl-Hirschman Index for money market



Source: CBU calculations.

According to calculations based on the Herfindahl-Hirschman index² (*HH index*), which expresses the degree of concentration of the money market, in December 2025, the concentration level in the liquidity absorption segment of the money market increased significantly compared to September (1,622) and amounted to 2,167 (Figure 13).

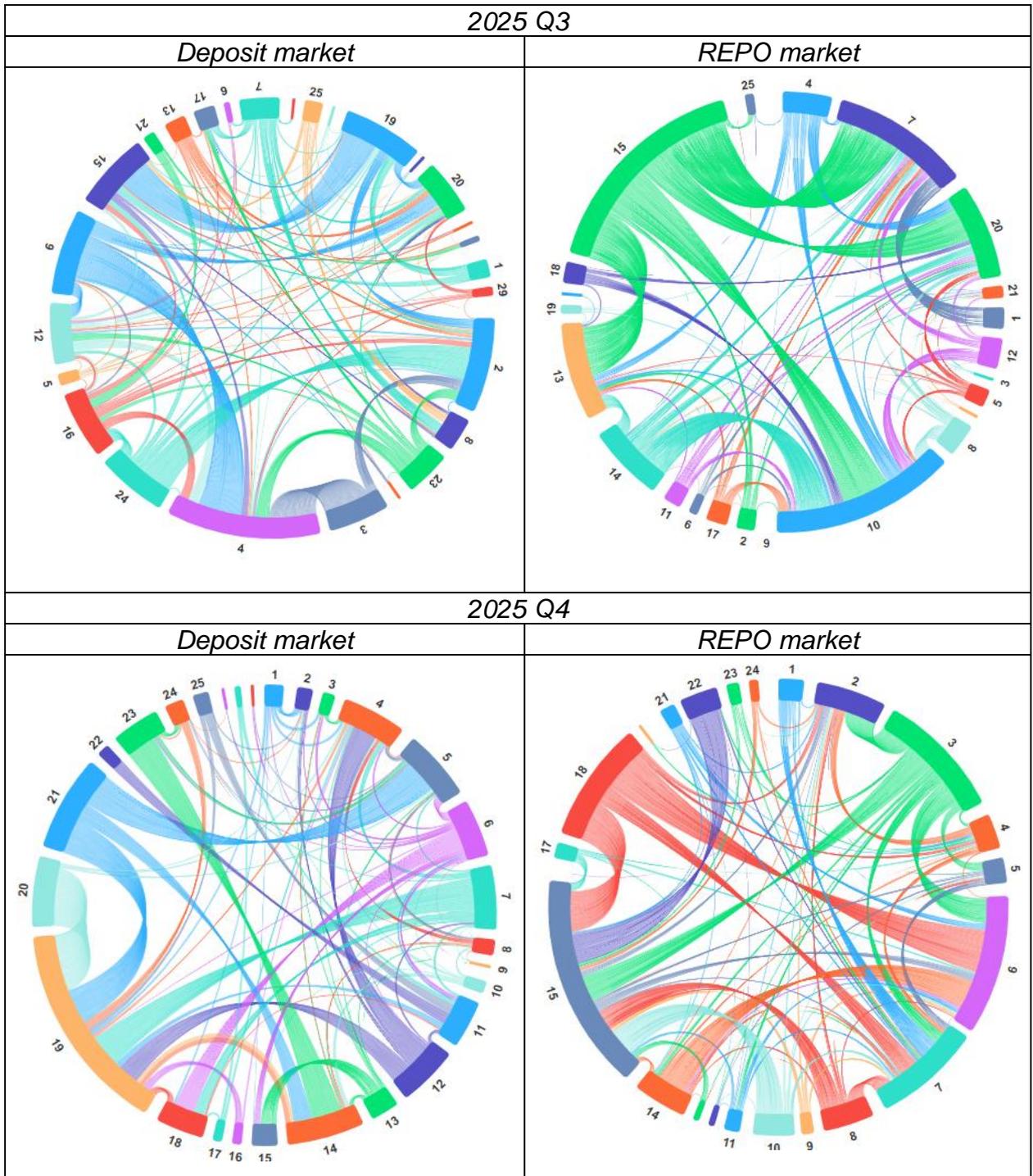
In the liquidity provision segment, the HH index also increased by 1.8 times compared to September (779), reaching 1,426 in December.

This situation reflects the relative concentration of the market in the liquidity absorption and provision segments. The increase in the concentration level compared to Q3 is explained by the increase in the share of some large market participants actively participating in the distribution of liquidity in conditions of high liquidity surplus, as well as the fact that liquidity absorption and provision operations fall on a limited number of participants.

² **Herfindahl-Hirschman index** – is an indicator expressing the level of concentration in the market (industry), calculated as the sum of the squares of the shares of market participants. The indicator ranges from 0 to 10,000, with 10,000 representing absolute market ownership (monopoly) by one organization, while the value approaches 0, indicating increasing competition. Analysts say that an index in the range of 1,500-2,500 indicates that the system is relatively concentrated and that a value above 2,500 indicates “highly concentrated”.

Appendix

Analysis of the volume of interbank operations in the deposit and REPO segments of the money market³



³ In this chart, the names of the most active banks in the money market are represented by conditional numbers, while banks with a high share in providing and absorbing liquidity are highlighted in distinct colors around the circle. The connections shown with lines in the same color as the bank at the edge of the circle indicate liquidity-providing operations of that bank, whereas connections in other colors represent liquidity-absorbing operations for that bank.

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