The Central Bank
of the Republic of Uzbekistan

Money market and liquidity review

2026 Q1

CONTENT

Resume

In 2026 Q1, due to a significant increase in budget operations, the banking system's liquidity surplus rose by 74,5 percent compared to 2025 Q4.

From January 1, 2026, the scope of liabilities included in the required reserve base for commercial banks was expanded. To mitigate the impact of these changes, the reserve requirement for liabilities in foreign currency was reduced from 9.5 percent to 8.5 percent.

As a result, the total average reserve requirement of the banking system amounted to 17.9 trln soums in 2026 Q1.

In order to regulate money market interest rates, a weekly average of 49.2 trln soums of Central Bank's 7-days bonds were placed among commercial banks in Q1. At the same time, the average net position of the Central Bank in monetary operations with commercial banks during the quarter amounted to 55.4 trln soums.

During the quarter, the operational objective of monetary policy was achieved, and the average UZONIA rate was at around 13.7 percent. Relative to the previous quarter, the gap between UZONIA and the policy rate slightly widened to 0.3 percentage points.

The total volume of REPO and deposit operations in the interbank money market decreased by 11 percent in the quarter and amounted to 163 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 quarterly value of the country's gross domestic product (*GDP*) increased by 2.8 percentage points in comparison to the previous quarter reaching 36.4 percent in Q1.

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 Q2, a seasonal rise in budget operations is expected to increase the liquidity surplus whereas a sharp increase in demand for foreign currency in the banking system, as well as 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.

I. Analysis of banking system liquidity

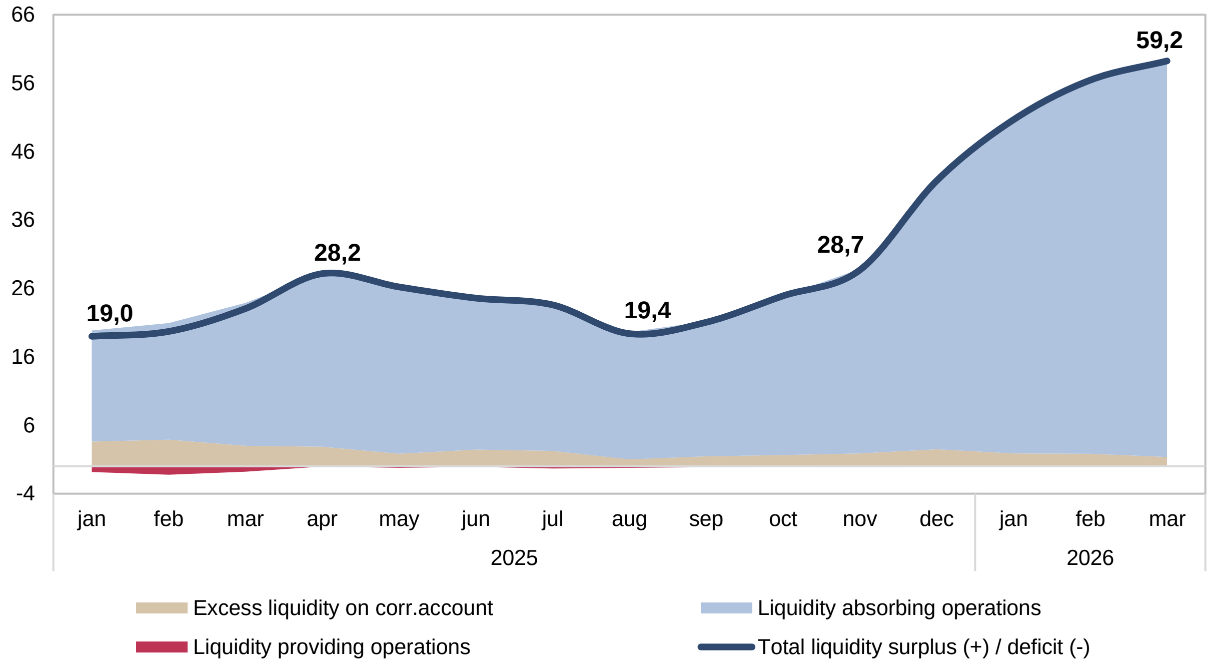
1.1. Overall liquidity dynamics and factors

From January 1, 2026, the scope of liabilities included in the required reserve base for commercial banks was increased from 15 percent to 20 percent. In order to mitigate the impact of these changes, the reserve requirement ratio for liabilities in foreign currency was reduced from 9.5 percent to 8.5 percent. Consequently, the total average reserve requirement of the banking system in 2026 Q1 increased by an average of 1.3 trln soums compared to 2025 Q4 and amounted to 17.9 trln soums.

In 2026 Q1 total liquidity position of the banking system[1] amounted to an average of 55.4 trln soums, which is 74.5 percent higher than in 2025 Q4 (*an average of 32 trln soums*). At the same time, the liquidity surplus increased from an average of 51 trln soums in January to 56.4 trln soums in February, and in March it amounted to an average of 59 trln soums (*Figure 1*).

The decrease in demand for cash in circulation due to seasonal factors contributed to an expansion in the banking system liquidity by 5.7 trln soums in Q1.

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.

1.2. Impact of budget operations on banking system liquidity

In 2026 Q1, the increasing impact of budget operations on the overall liquidity of the banking system decreased by 60 percent compared to 2025 Q4 and amounted to 12.3 trln soums (*Figure 2*). Specifically:

- Operations of the Agricultural Support Fund had a downward effect of 0.5 trln soums;

- Operations of the Uzbekistan Fund for Reconstruction and Development (*UFRD*) had an upward effect of 1.3 trln soums;

- Operations carried out through the Treasury Single Account had an increasing effect of 11.5 trln soums. In addition to the salaries, allowances and pension expenses of budget organizations, the placement of temporary free funds of budget organizations on deposits with commercial banks on an auction basis also had an additional effect.

In particular, in 2026 Q1, the total amount of term deposits placed among commercial banks through auctions increased by 27 percent reaching 8 trlnn soums in comparion to 2025 Q4. Whereas the volume of auctions reduced from 2 trln soums in January down to 1.7 trln soums in February, it amounted to 4.3 trln soums in March. The average interest rate on these deposits decreased from 15.3 percent to 14.6 percent (*Figure 3*).

The issuance of government securities, the repayment of maturing bonds, and the implementation of coupon payments had a net increasing impact on the banking system liquidity of 687 bln soums during the quarter.

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

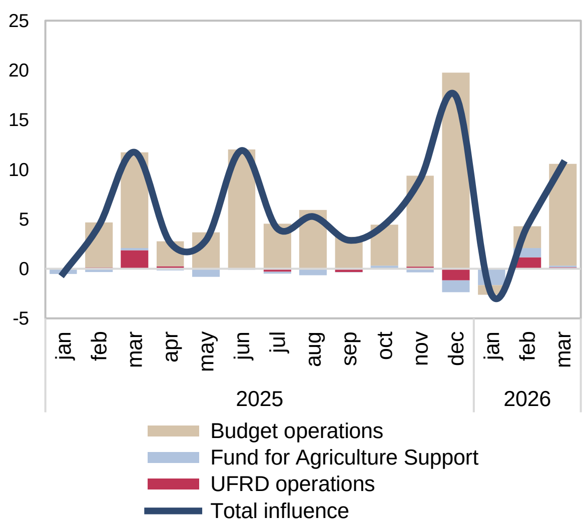
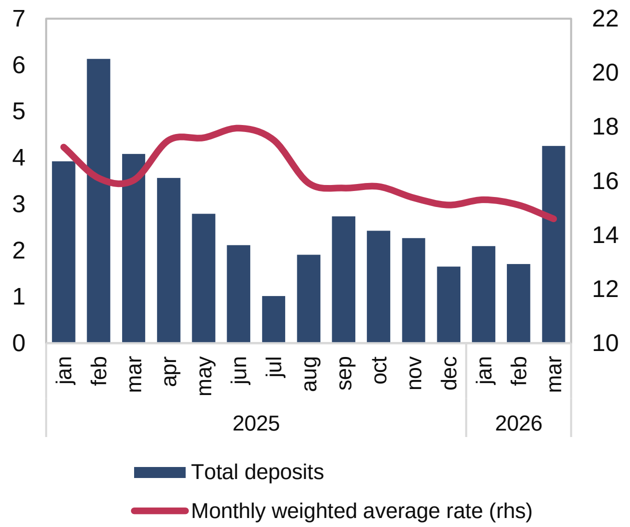


Figure 3. Deposits placed by budgetary organizations, *trln soums*



Source: CBU calculations.

In order to finance budget expenditures, the Ministry of Economy and Finance issued a total of 9.3 trln soums of government securities during this period, of which 6.5 trln soums of bonds have a maturity of 3 years (*placed at an average of 12.9 percent*), and the remaining 2.8 trln soums worth of bonds have a maturity of 1 year (*placed at an average of 12.5 percent*). The balance of bonds of the Ministry of Economy and Finance as of April 1, 2026 amounted to 50.8 trln soums (*Figure 4*).

The yield on bonds of the Ministry of Economy and Finance diminished every month during the quarter, averaging 12.8 percent. Whereas the yield on bonds with a maturity of up to 1 year decreased from 13.8 percent to 11.6 percent during the quarter, the yield on bonds with a maturity of up to 3 years decreased from 14.1 percent to 12.2 percent (*Figure 5*).

The consistent decline in bond yields during the quarter is explained by the increased demand for government securites brought by a sharp rise in the liquidity level in the money market during this period.

At the same time, in the medium run, the relatively improved expectations of market participants regarding inflation and macroeconomic risks, as well as the downward trend in expectations for interest rates, also served as an additional factor contributing to the decline in bond yields.

Furthermore, the high demand for low-risk assets among the existing range of financial market instruments, along with banks' efforts to improve portfolio quality, led to an increase in investments in government securities, thereby creating a downward pressure on yields.

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

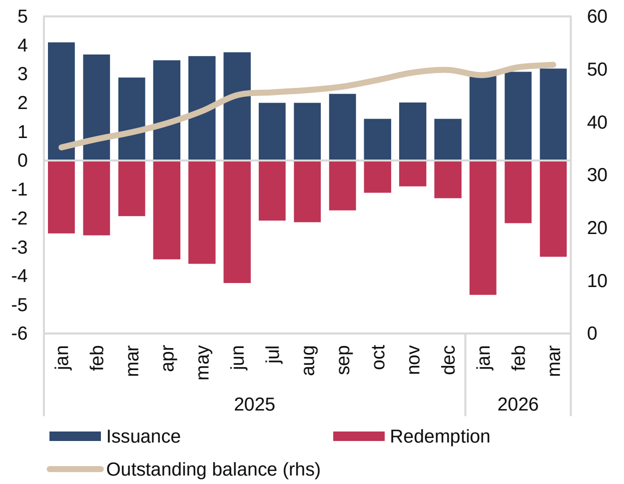
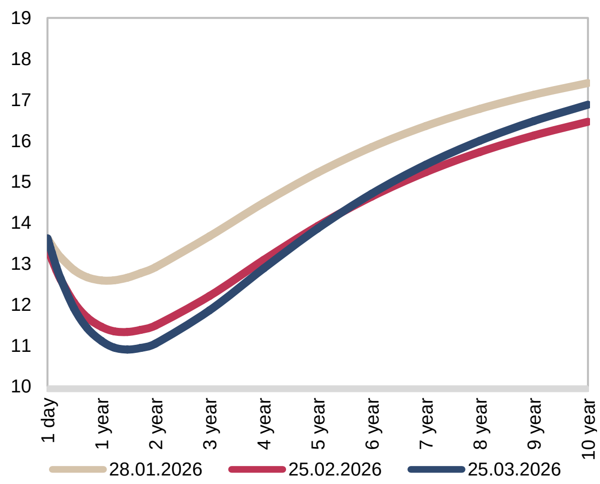


Figure 5. Yield curve, *in percent*



Source: CBU calculations.

Based on the seasonality observed in previous years, the increasing impact of budget operations on the banking system's liquidity is expected to persist in 2026 Q2. Furthermore, the continued issuance of government securities will, in turn, result in an increased activity in the primary and secondary markets for government securities, as well as the interbank REPO market.

1.3. Analysis of liquidity management operations

During 2026 Q1, 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[1].

In particular, whereas in 2025 Q4, a weekly average volume of 27.4 trln soums of Central Bank's 7-days bonds were placed among commercial banks at 14 percent (*policy rate*), this year's Q1 figure increased by 79 percent and amounted to 357.6 trln soums (*Figure 6*).

During the quarter, a monthly average volume of 213.6 trln soums worth of bonds were issued, with the main activity observed in January and March. Excess liquidity brought by a seasonal slowdown in market activity within the banking system and the sharp pressure from budget operations was mainly balanced through bonds.

As a result, the average UZONIA rate during the quarter moved slightly further away from the policy rate than in the previous quarter to around 13.7 percent (*the difference from the policy rate was 0.3 percentage points, compared to 0.1 percentage points in the previous quarter*)[2].

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 increased by 20 percent compared to the previous quarter, reaching a daily average of 5.1 trln soums. The main activity in overnight deposit operations was observed in February, when the daily average end of day balance of operations amounted to 5.9 trln soums, while in March this indicator amounted to 4.2 trln soums (*Figure 7*).

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[1] 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.

[2] 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.

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

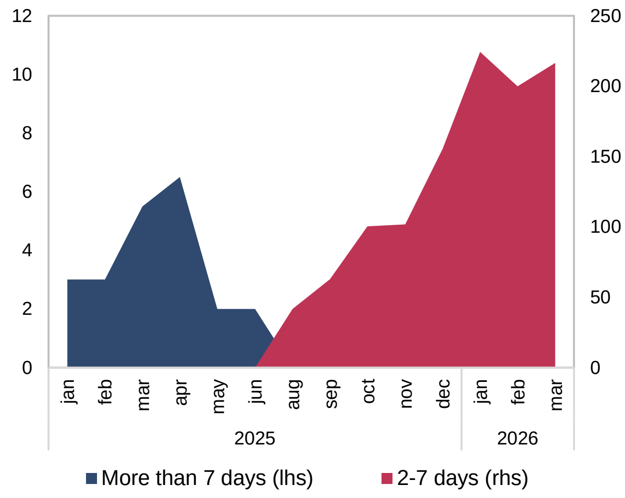
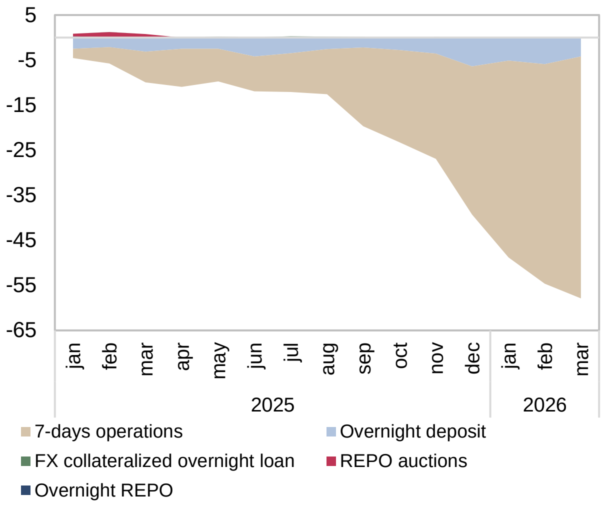


Figure 7. Monetary operations, *trln soums*



Source: CBU calculations.

During this quarter, the average net position of the Central Bank in monetary operations with commercial banks amounted to 55.4 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. Demand was observed for overnight REPO operations to provide liquidity (*operations were conducted only in January during the quarter*) as well as for intraday interest-free credit instruments during the operational day, while no demand was recorded for other liquidity-providing operations throughout the quarter.

The demand for these overnight REPO operations was formed mainly due to a slight decrease in liquidity at the end of the month because of seasonality. At the same time, the average balance on overnight REPO operations increased by 10 percent compared to Q4 and amounted to an average of 3 billion soums during the quarter.

At the same time, there was an increase in the scale of use of the intraday credit facility instrument during the day by commercial banks. In Q1, the average daily volume of these operations increased by 34 percent compared to Q4 and amounted to 1.3 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 Q2, 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.

II. Interbank money market analysis

2.1. Money market dynamics and interest rates

In 2026 Q1, a total of 163 trln soums of transactions were carried out in the interbank money market, with the total volume of transactions decreasing by 11 percent compared to 2025 Q4 (*183.6 trln soums*) (*Figure 8*).

The ratio of money market operations to quarterly GDP increased by 2.8 percentage points in comparison to 2025 Q4, reaching 36.4 percent in Q1.

In 2026 Q1, 74 percent of interbank operations were REPO operations, and the total volume of these operations amounted to 121 trln soums (*129 trln soums in Q4*). During the quarter, the volume of monthly REPO operations showed an upward trend, increasing from 34.6 trln soums in January to 47 trln soums in March.

The volume of interbank deposit transactions decreased by 23 percent compared to the previous quarter, amounting to 42 trln soums. At the same time, monthly deposit transactions showed an upward trend during the quarter, reaching the highest activity level (*16 trln soums*) in March.

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.

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, however falling by 0.21 percentage points in comparison to the previous quarter. At the same time, interest rates were formed below the policy rate due to the high level of liquidity in the banking system.

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

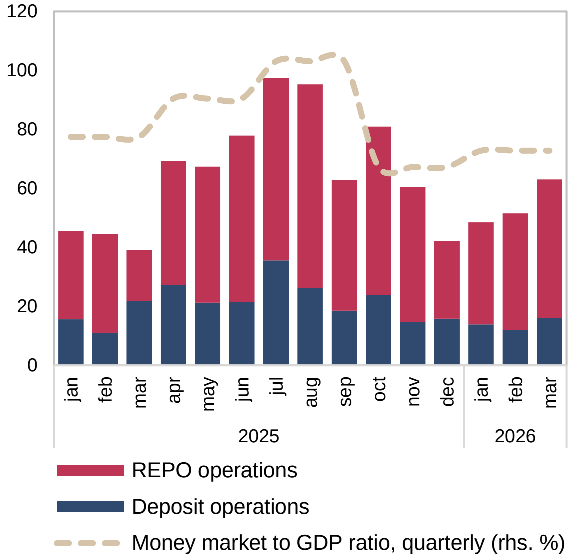
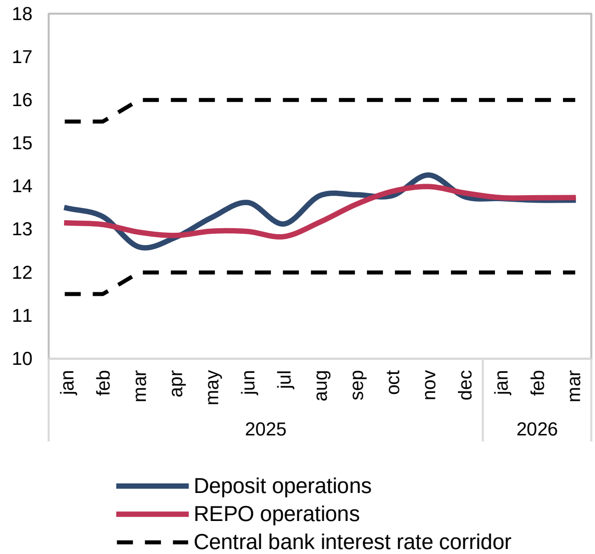


Figure 9. Interbank money market rates, *in percent*



Source: CBU calculations.

The weighted average interest rates on interbank deposits and REPO operations showed almost no fluctuations during the quarter and amounted on average to 13.69 percent and 13.73 percent respectively (*both were at 13.9 percent in Q4*). At the same time, interest rates on interbank deposit operations were formed lower than the interest rates on REPO operations (*Figure 9*).

Interest rates varied across time periods; a decrease was observed in interest rates across almost all market segments.

The weighted average interest rate on interbank overnight transactions in Q1 decreased by 0.1 percentage points in comparison to Q4, reaching 13.7 percent (*Figure 10*).

Interest rates on operations with maturities longer than one day increased in January. The average interest rates on 2–7 day and 8–30 day operations amounted to 14 percent and 17 percent respectively (*compared to 13.8 percent and 14.5 percent in December*). However, in February–March, amid stronger expectations among market participants regarding declining interest rates and easing inflationary pressures, interest rates in both segments fell to 13.9 percent. During the quarter, 31–90 day operations were conducted in January–February, and the average interest rate on these operations decreased by 0.8 percentage points compared to the previous quarter, reaching 16.4 percent.

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

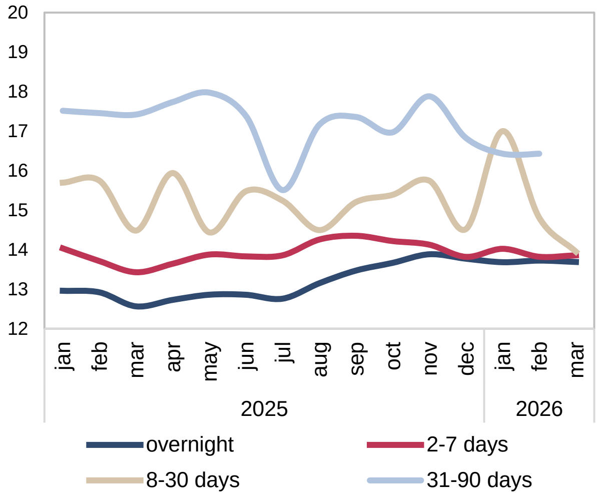
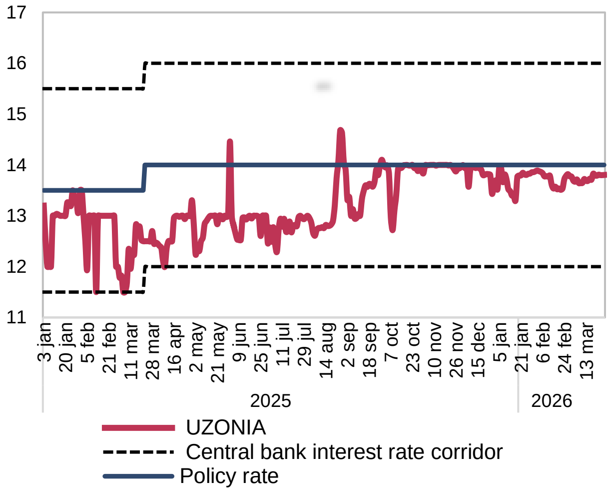


Figure 11. Money market benchmark interest rate, *in percent*



Source: CBU calculations.

The decrease in money market interest rates during the quarter is directly related to the liquidity-increasing effect of budget operations, 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 Q1, the average UZONIA rate decreased by 0.2 percentage points compared to the previous quarter, averaging around 13.7 percent, slightly further away from the policy rate (*Figure 11*).

Due to increased activity in monetary policy instruments, the highest volatility in the UZONIA rate during the quarter was observed in January, with the highest and lowest interest rates standing at 14 and 13.3 percent, respectively. In February, rates fluctuated within the range of 13.5–13.9 percent, and the dispersion became somewhat more stable compared to January. In March, the most stable dynamics throughout the quarter were recorded, with rates remaining within the 13.6–13.8 percent range. Although slight fluctuations were observed on certain days in March, overall, the rate remained at some certain level. This indicates that liquidity conditions in the money market were well balanced in March and that interest rate formation remained stable.

2.2. Interbank money market segmentation

Overnight transactions continued to dominate the interbank money market in 2026 Q1, with their share in total transaction volume increasing from 86 percent in 2025 Q4 to 89 percent in *(Figure 12)*.

During Q1, the total volume of overnight REPO and deposit operations in the interbank money market decreased by 6.5 percent compared to the previous quarter and amounted to 145.7 trln soums. During the quarter, the volume of operations showed an upward trend, increasing from 44.8 trln soums in January to 56 trln soums in March.

The share of transactions with a maturity of 2-7 days decreased from 11.8 percent to 8.7 percent compared to the previous quarter, the share of transactions with a maturity of 30 days decreased from 2.5 percent to 1 percent, while the share of transactions with a maturity of 8-30 days remained at 0.8 percent without any changes.

Transactions with maturities of 8–30 days conducted in March accounted for 84.6 percent of the total volume in the quarter. This increase indicates that liquidity conditions in the money market started to become unevenly distributed, while participants' demand to attract funds for longer maturities at relatively lower rates formed amid excess liquidity conditions grew.

During this period, the average daily number of banks providing liquidity in the money markets was 9 (*in Q4 - 12*), while the average daily number of banks absorbing liquidity was 5 (*in Q4 - 7*).

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 increased by 11 percentage points compared to the previous quarter, reaching on average 81 percent, while the 3 most active banks in the liquidity provision segment accounted for 50 percent (*compared to 42 percent in the previous quarter*) 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*

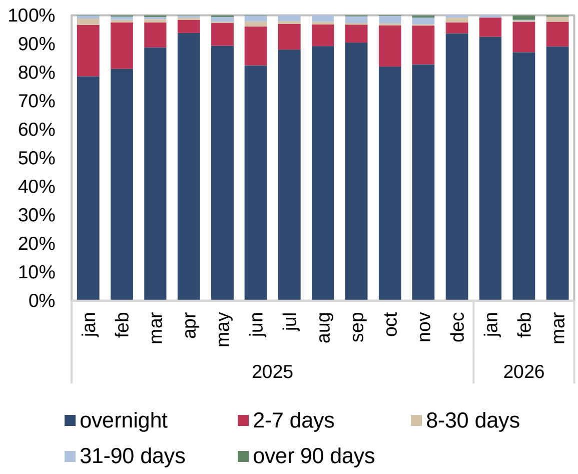
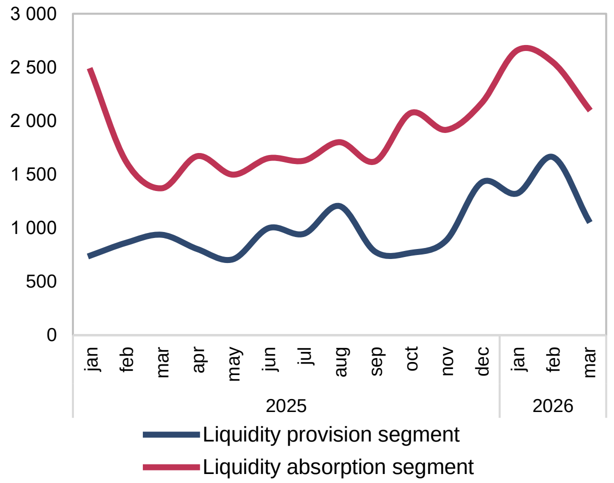


Figure 13. Herfindahl-Hirschman Index for money market



Source: CBU calculations.

According to calculations based on the Herfindahl-Hirschman index[3] (*HH index*), which expresses the degree of concentration of the money market, the liquidity absorption segment was highly concentrated in January 2026, with the index standing at 2659. However, in February–March, the competitive environment improved due to a relative expansion in the range of market participants, resulting in a significant decline in the indicator to 2118 in March (*Figure 13*).

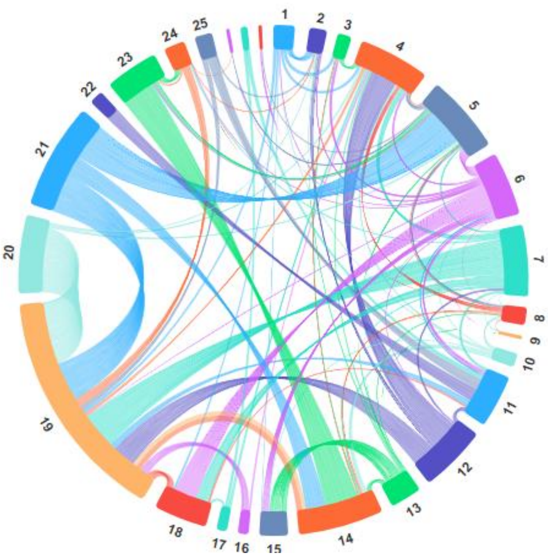
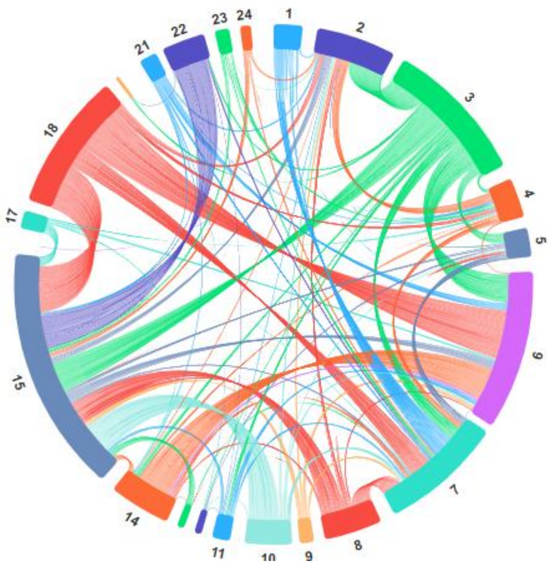
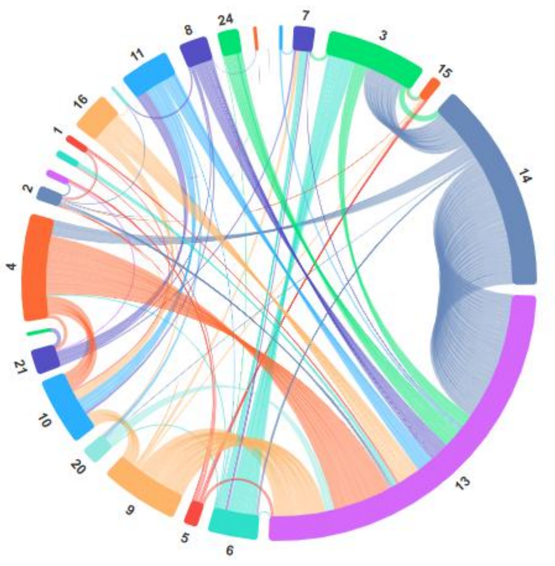
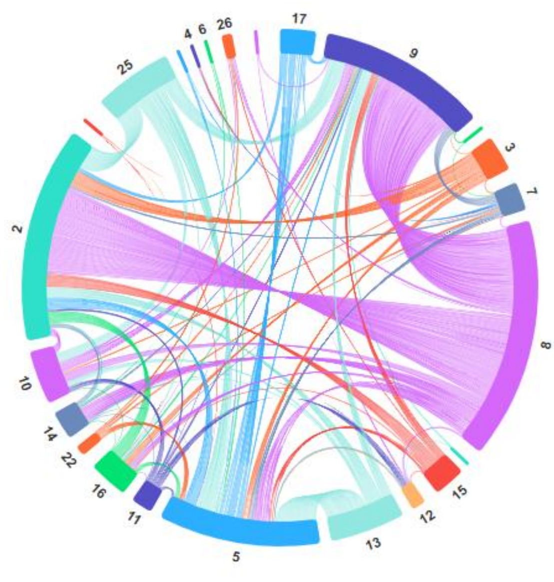
This situation can be explained by the significant share of some large market participants actively participating in the distribution of liquidity in conditions of high liquidity surplus, as well as by the fact that liquidity absorption operations fall on a limited number of participants.

In the liquidity provision segment, concentration remained relatively low and stable. Although the HH index increased to 1662 in February, indicating a relatively concentrated market, the decline of the index to 1076 by March suggests that, following short-term changes in liquidity provision operations, the range of participants expanded and market diversification was restored.

[3] **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 market[4]

2025 Q4	
Deposit market	*REPO market*
	
2026 Q1	
Deposit market	*REPO market*
	

[4] 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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