

THE EFFECT OF INFLATION ON THE STRUCTURE OF HOUSEHOLD CONSUMER EXPENDITURE IN UZBEKISTAN

Davronova Parvinabonu Jasur qizi

Second-year student, Economics, Tashkent University of Information Technologies

Email: parvineaa@gmail.com

Abstract

This article examines inflation trends in Uzbekistan during 2019–2025 and their potential relationship with changes in household consumption expenditure. Official data from the National Statistics Committee and the Central Bank of Uzbekistan are used to analyse inflation and the expenditure shares of food, non-food goods, and services. The findings show that declining headline inflation does not necessarily produce uniform changes in consumer prices or household spending patterns. The analysis highlights the roles of real income, relative prices, and essential expenditure in shaping consumption decisions. However, the available aggregate data and changes in expenditure composition are insufficient to establish a direct causal relationship between inflation and household spending patterns.

Keywords: inflation, consumer expenditure, Consumer Price Index, real purchasing power, households, consumer basket, Uzbekistan.

Introduction

Inflation affects household welfare by reducing purchasing power and changing the relative prices of goods and services. When essential goods become more expensive, households may allocate a larger proportion of their budgets to basic needs and reduce spending on other goods or services. The extent of this adjustment depends on income, household composition, location, and consumption preferences. In Uzbekistan, examining expenditure composition alongside inflation is important because changes in the overall price level do not capture how different categories of expenditure affect household budgets. This article analyses official statistics for 2019–2025 to identify changes in inflation and household expenditure shares, explain the economic mechanisms behind these changes, and distinguish observed trends from potential causal effects.

Theoretical Framework: Inflation and Household Consumption

Inflation reduces the purchasing power of money. If nominal income grows more slowly than consumer prices, households may be unable to maintain their

previous consumption levels without increasing expenditure. Real income must therefore be assessed in relation to an appropriate price index rather than nominal income growth alone. Changes in relative prices also influence consumption choices. If food, transport, or utility costs rise faster than other prices, households may switch to cheaper alternatives, postpone major purchases, or reduce savings. These responses are particularly relevant for households whose budgets leave limited room for discretionary spending. Engel's law states that the proportion of household expenditure allocated to food generally declines as income increases. A high food expenditure share may therefore indicate limited purchasing power, although it cannot independently establish poverty or demonstrate that inflation is responsible. Income growth, household size, consumption preferences, and survey methodology must also be considered.

Central Bank and national statistical data show that year-end inflation declined from 15.2% in 2019 to 10.0% in 2021, before rising to 12.3% in 2022. It subsequently fell to 8.8% in 2023, increased to 9.8% in 2024, and reached 7.3% in 2025. These figures represent the change in consumer prices between December of each year and December of the preceding year, rather than average annual inflation. The fluctuations indicate that inflationary pressures did not decline steadily. In 2024, overall inflation reached 9.8%, while service prices increased by 26.7% and food prices rose by only 2.4%. The Central Bank has associated these differences with factors including energy tariff adjustments, demand for certain services, and changes in fruit and vegetable prices. In 2025, headline inflation declined, but service prices still increased by 13.9%. These differences matter because households do not purchase all consumption categories in equal proportions. Even when overall inflation slows, rapidly rising prices in a particular category may continue to put pressure on household budgets.

National Statistics Committee data on household consumption expenditure show substantial changes in the relative shares of food, non-food goods, and services.

Year	Food (%)	Non-food goods (%)	Services (%)
2019	45.8	33.2	21.0
2020	46.3	33.3	20.4
2021	57.6	26.1	16.3

2024	57.5	27.0	15.5
2025	56.5	24.1	19.4

Source: National Statistics Committee of the Republic of Uzbekistan, SIAT statistical database. Figures represent expenditure shares as percentages of total household consumption expenditure.

The most pronounced change occurred between 2020 and 2021, when the food expenditure share increased by 11.3 percentage points. During the same period, the shares allocated to non-food goods and services declined. This sharp shift cannot be attributed to inflation alone; changes in consumption patterns, income conditions, survey composition, or statistical methodology may also have contributed. Between 2021 and 2025, the food expenditure share declined by 1.1 percentage points, while the share of non-food goods fell by 2.0 percentage points. The service share increased by 3.1 percentage points. Its rise from 15.5% in 2024 to 19.4% in 2025 is notable, particularly given the increase in service prices during the preceding year. Nevertheless, expenditure shares do not directly measure real consumption volumes. A category's share may change because of price increases, changes in the quantities purchased, or movements in total household expenditure. The available figures therefore reveal changes in spending composition but do not independently identify their causes.

The relationship between inflation and consumption operates through several channels. First, when prices rise faster than nominal household income, real purchasing power may decline, forcing households to prioritise essential goods. Second, changes in relative prices can redirect spending towards categories that become more expensive. Third, inflation expectations may influence decisions about saving, borrowing, and the timing of purchases. These effects are unlikely to be uniform across the population. Lower-income households may be more vulnerable because essential goods account for a larger proportion of their budgets. However, the available aggregate expenditure data do not permit a precise assessment of differences between income groups or regions. Economic policy should therefore combine price stability with targeted social protection. Monetary policy can address persistent inflationary pressures, while carefully designed support for low-income households can help protect essential consumption. Broad price controls may provide temporary relief but can also distort market incentives or contribute to shortages if maintained without consideration of supply conditions. Statistical monitoring also needs improvement. Publishing expenditure

shares alongside real household expenditure, income-group breakdowns, and category-specific price indices would provide a clearer picture of how inflation affects different households. Household-level data would also allow researchers to distinguish changes in prices from changes in quantities consumed.

Conclusion

Between 2019 and 2025, Uzbekistan experienced a decline in year-end inflation, although price movements varied considerably across consumption categories. Service prices rose particularly sharply in 2024 and continued increasing in 2025, while the structure of household expenditure also changed. The data indicate that food remained a major component of household consumption expenditure, while the service share increased in the most recent year examined. However, the sharp shift in expenditure shares in 2021 and the absence of sufficiently detailed household-level evidence prevent these changes from being attributed directly to inflation. A more reliable assessment requires integrated analysis of inflation, real income, relative prices, and household consumption quantities. Combining price stability measures with targeted assistance for vulnerable households and improved expenditure statistics would provide a stronger basis for protecting purchasing power and assessing changes in living standards.

REFERENCES:

1. Chai, A., & Moneta, A. (2010). Retrospectives: Engel Curves. *Journal of Economic Perspectives*, 24(1), 225–240. <https://doi.org/10.1257/jep.24.1.225>
2. Central Bank of the Republic of Uzbekistan. *Annual and Monthly Inflation Indicators*. Official statistical data. <https://cbu.uz/uz/monetary-policy/annual-inflation/indicators/>
3. Central Bank of the Republic of Uzbekistan. (2025). *Monetary Policy Report, Fourth Quarter 2024*. Tashkent. <https://cbu.uz/upload/medialibrary/502/9nsaekzsdgevbmvjp8qu97it4zpygcsk/Monetary-Policy-Report-2024-y.-4-quarter.pdf>
4. National Statistics Committee of the Republic of Uzbekistan. *Household Consumption Expenditure Shares: Food, Non-Food Goods, and Services*. SIAT Statistical Database, annual data, 2019–2025. <https://siat.stat.uz/data/2370/?lang=en>