



THE IMPACT OF INFLATION ON THE NATIONAL ECONOMY AND MEASURES TO PREVENT IT

Yerejepova Bibisara Abibullaevna

Associate Professor, PhD,
Karakalpak State University, Uzbekistan

Davlatboyeva Iroda Otabek qizi

Student of Management Program
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Abstract:

This article analyzes the impact of inflation on the national economy and the measures to prevent it. The causes of inflation, its influence on the national economy, price increases, savings and investments, and its effect on unemployment are studied in detail. Inflation management strategies such as monetary policy, fiscal measures, and price control mechanisms are discussed. Using the example of Uzbekistan's experience, effective inflation management practices are highlighted and strategies necessary for the future are proposed. The article emphasizes the importance of controlling inflation to ensure economic stability.

Keywords: inflation, national economy, monetary policy, fiscal measures, unemployment, demand-pull inflation, cost-push inflation, global economic factors, price control.

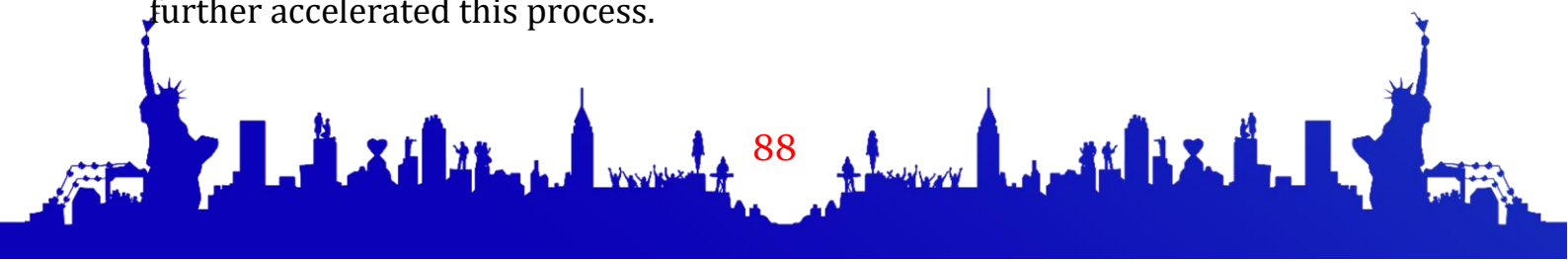
Introduction

Inflation is the general increase in the prices of goods and services in a country and is considered one of the most pressing economic problems. Due to global economic crises, pandemics, energy shocks, and geopolitical tensions, inflation rates are rising. Disruptions in global supply chains and increases in energy resource prices negatively affect price stability. Therefore, controlling and managing inflation has become a top priority in national economic policy.

Causes of Inflation

The inflationary process arises from several factors, with monetary policy being one of the main contributors. If the money supply grows faster than production, inflation occurs. Especially after the pandemic, many countries implemented economic stimulus packages that significantly increased the money supply, leading to price hikes.

Cost-push inflation occurs when the costs of raw materials, energy, labor, and other production factors increase. Recently, rising global energy prices have further accelerated this process.





Another contributing factor is demand-pull inflation, which occurs when increased consumer demand exceeds the production capacity. For instance, disruptions in global supply chains after the pandemic led to higher demand and price hikes.

Additionally, global economic factors also influence inflation. Rising prices of imported goods, fluctuations in currency exchange rates, and international trade restrictions all affect national inflation.

Impact of Inflation on the National Economy

Inflation significantly impacts the national economy. Firstly, rising prices reduce the purchasing power of the population. If income remains unchanged while prices rise, consumers can purchase fewer goods and services, lowering their standard of living.

Savings and investments also suffer from inflation. The devaluation of money leads to decreased value of savings and fewer long-term investments, slowing economic growth.

Inflation also affects unemployment. Rising production costs can lead some enterprises to downsize or face bankruptcy. Furthermore, high inflation reduces the competitiveness of the national economy.

Although currency depreciation can make exports cheaper, increased domestic production costs due to inflation can hinder international competitiveness. The higher the inflation, the more expensive raw materials, energy, and other inputs become, raising production costs and making products less competitive in global markets.

Inflation Management Strategies

Managing inflation is a vital part of government policy. Various strategies are used to control it effectively. One of the key strategies is monetary policy. The central bank ensures price stability by adjusting the money supply and interest rates. Raising interest rates and limiting credit can reduce inflationary pressures and improve the competitiveness of domestic products.

Fiscal measures also play an important role. Reducing government spending and increasing taxes can lower internal demand and help balance the state budget.

Price control mechanisms are another effective tool. Setting maximum prices for essential goods like food and energy helps prevent sharp price fluctuations and protects the standard of living.

Additionally, the government combats artificial price inflation caused by collusion among companies through competition protection laws.





Conclusion

In conclusion, inflation poses a serious threat to the stability of the national economy. Effective inflation control can ensure price stability, preserve the value of the national currency, and improve the living standards of the population. Based on Uzbekistan's experience, it can be concluded that with the right policies, inflation can be managed and controlled. Implementing more effective measures in the future will contribute to stabilizing economic growth and reducing inflation.

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