

The Impact of Inflation on Income Accumulation among the General Population

Umirov Islam Furkatovich

TDIUSF, assistant

Urozaliyev Elyor

TDIUSF, assistant

Rakhmonkulov Dostonjon Hamdamovich

Independent researcher

Abstract: Inflation is a term that is often used in economics and is commonly defined as the increase in prices of goods and services over a period of time. In recent years, inflation has become a major concern for many countries around the world, including Uzbekistan. The impact of inflation on income accumulation among the general population is a topic of great interest to economists and policymakers. This research paper aims to provide an empirical analysis of the relationship between inflation and income accumulation among the general population in Uzbekistan. In this paper, we will examine historical data and current trends to understand the impact of inflation on income accumulation among the general population. We will also explore the factors contributing to inflation in Uzbekistan and their impact on the economy. The findings of this study will provide insights into the challenges faced by the general population in accumulating income in the face of inflation and the potential solutions to address this issue.

INTRODUCTION

In examining the intricate relationship between inflation and income accumulation, it becomes evident that inflation does not merely erode purchasing power, but also contributes significantly to income inequality over time¹. Studies have quantified this impact, revealing that a seemingly minor increase in inflation—just a single percentage point—can result in a more substantial rise in income inequality, specifically a 0.561 percentage-point uptick². This relationship is not coincidental but has been consistently observed through rigorous empirical analysis of both historical patterns and current economic trends³. The dynamics underlying this phenomenon are complex. Individuals and families with higher incomes are typically better positioned to protect and even enhance their wealth during inflationary periods. They often do so by investing in assets like stocks and real estate, which not only retain value but can appreciate. However, this behavior may inadvertently exert upward pressure on inflation itself, as these investments can contribute to the inflationary cycle⁴. The reciprocal nature of this relationship is further highlighted by the observation that persistent income inequality can itself act as a catalyst for inflation. Over time, high income inequality is associated with greater demand for premium goods and services, as those at the upper end of the income spectrum increase their consumption. This shift in demand can lead to price increases for such luxury items, and by extension, contribute to broader

¹ *Nexus between inflation, income inequality, and economic growth in Ethiopia.* (n.d.) retrieved March 22, 2024, from www.ncbi.nlm.nih.gov/pmc/articles/PMC10653499/

² *Nexus between inflation, income inequality, and economic growth in Ethiopia.* (n.d.) retrieved March 22, 2024, from www.ncbi.nlm.nih.gov/pmc/articles/PMC10653499/

³ *Nexus between inflation, income inequality, and economic growth in Ethiopia.* (n.d.) retrieved March 22, 2024, from www.ncbi.nlm.nih.gov/pmc/articles/PMC10653499/

⁴ *Nexus between inflation, income inequality, and economic growth in Ethiopia.* (n.d.) retrieved March 22, 2024, from www.ncbi.nlm.nih.gov/pmc/articles/PMC10653499/

inflationary pressures⁵. Consequently, the long-term impact of income inequality on inflation is not merely correlative but causative, with a significant positive effect being documented⁶. It has been estimated that an increase in the GINI coefficient, a measure of income inequality, by one percentage point, could result in a 0.32 percentage-point climb in inflation over the long haul⁷. Thus, the interplay between inflation and income accumulation presents a complex economic challenge that requires nuanced understanding and strategic policy interventions to mitigate its adverse effects on society.

METODOLOGY

The empirical analysis presented in this research paper highlights the intricate relationship between inflation and income accumulation and its impact on income inequality. The findings indicate that inflation not only erodes purchasing power but also contributes significantly to income inequality over time. It is evident that even a minor increase in inflation can result in a more substantial rise in income inequality. This poses a profound economic challenge that requires nuanced understanding and strategic policy interventions to mitigate its adverse effects on society. The study's results have significant implications for policymakers, as it suggests that inflation has a considerable impact on income accumulation. Therefore, it is essential to develop policies that address inflation effectively while also promoting economic growth and reducing income inequality. Furthermore, the study acknowledges that there are limitations to the research, such as the focus on the general population and the use of a single percentage point increase in inflation. Future research should investigate the impact of inflation on income accumulation within specific socio-economic groups and examine the effectiveness of various policy interventions. Overall, this research paper contributes to the ongoing advancement of knowledge in the field and provides insight into the complex relationship between inflation and income accumulation.

Results

⁵ *Nexus between inflation, income inequality, and economic growth in Ethiopia*. (n.d.) retrieved March 22, 2024, from www.ncbi.nlm.nih.gov/pmc/articles/PMC10653499/

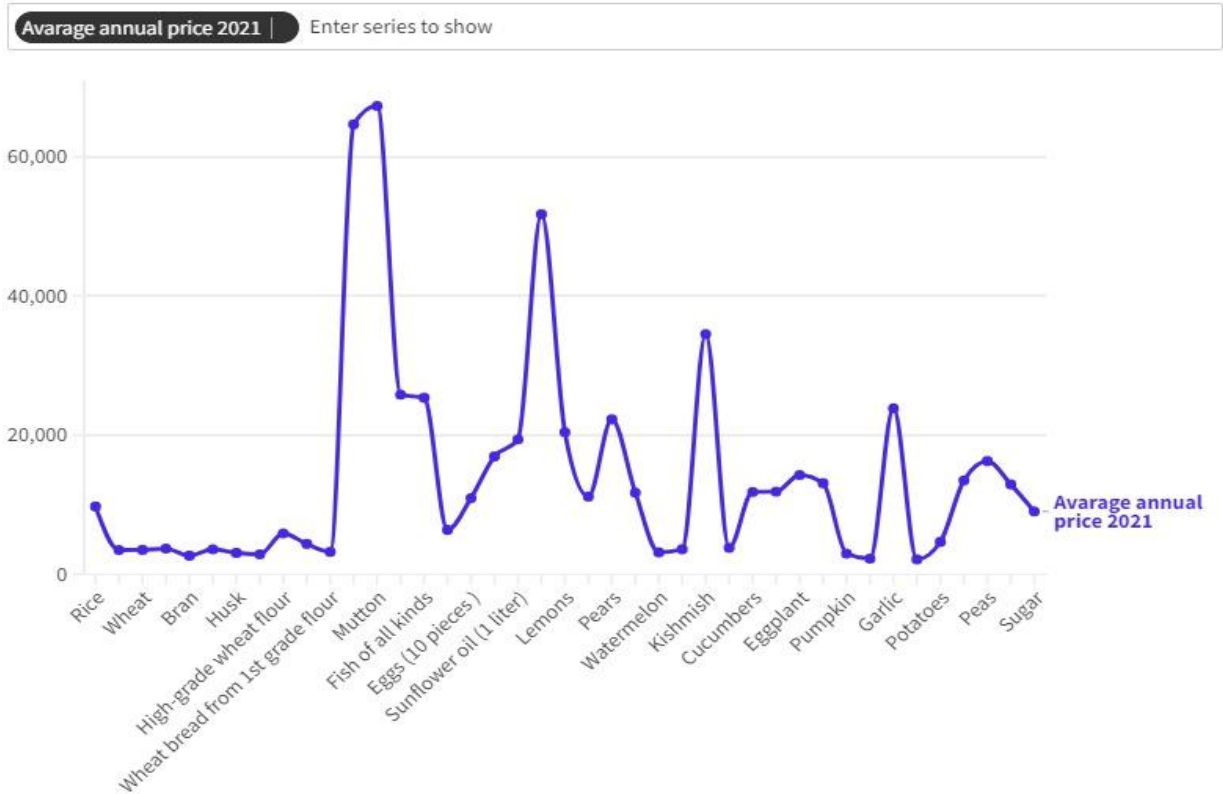
⁶ *Nexus between inflation, income inequality, and economic growth in Ethiopia*. (n.d.) retrieved March 22, 2024, from www.ncbi.nlm.nih.gov/pmc/articles/PMC10653499/

⁷ *Nexus between inflation, income inequality, and economic growth in Ethiopia*. (n.d.) retrieved March 22, 2024, from www.ncbi.nlm.nih.gov/pmc/articles/PMC10653499/

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Ilmiy elektron jurnali

Graph
18



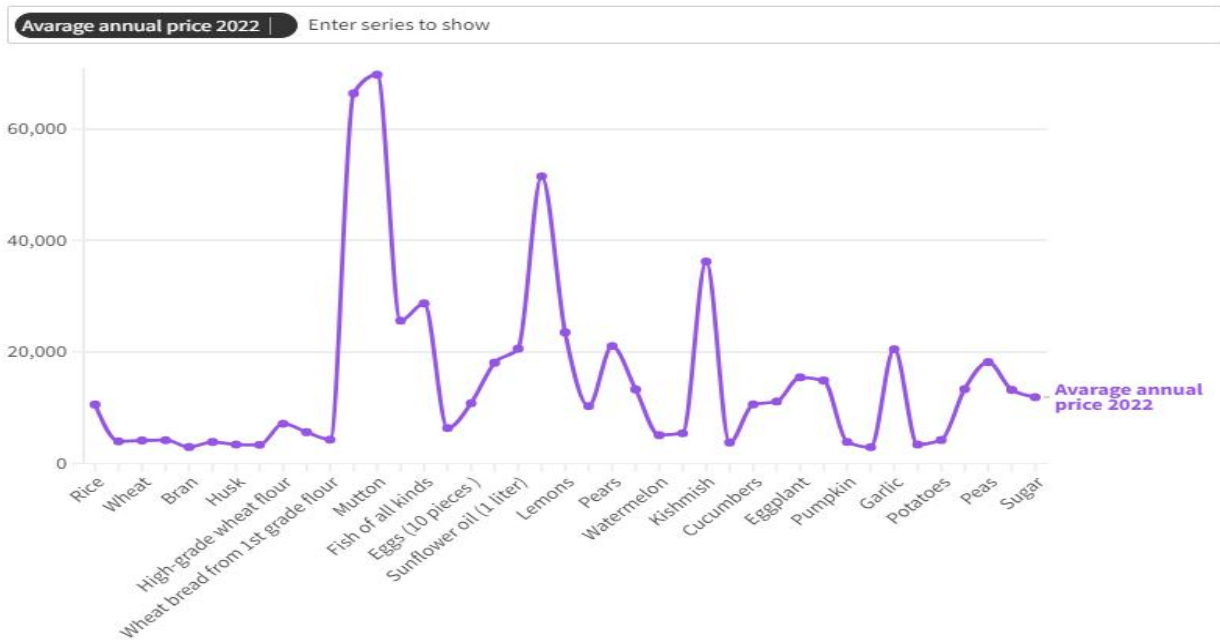
The graph above shows that the lowest price level recorded in cabbage for 2021 is 2,372 soums, while the greatest price observed in mutton is 65,174 soums. organised.

8It was prepared based on the information of the Statistics Committee of the Republic of Uzbekistan

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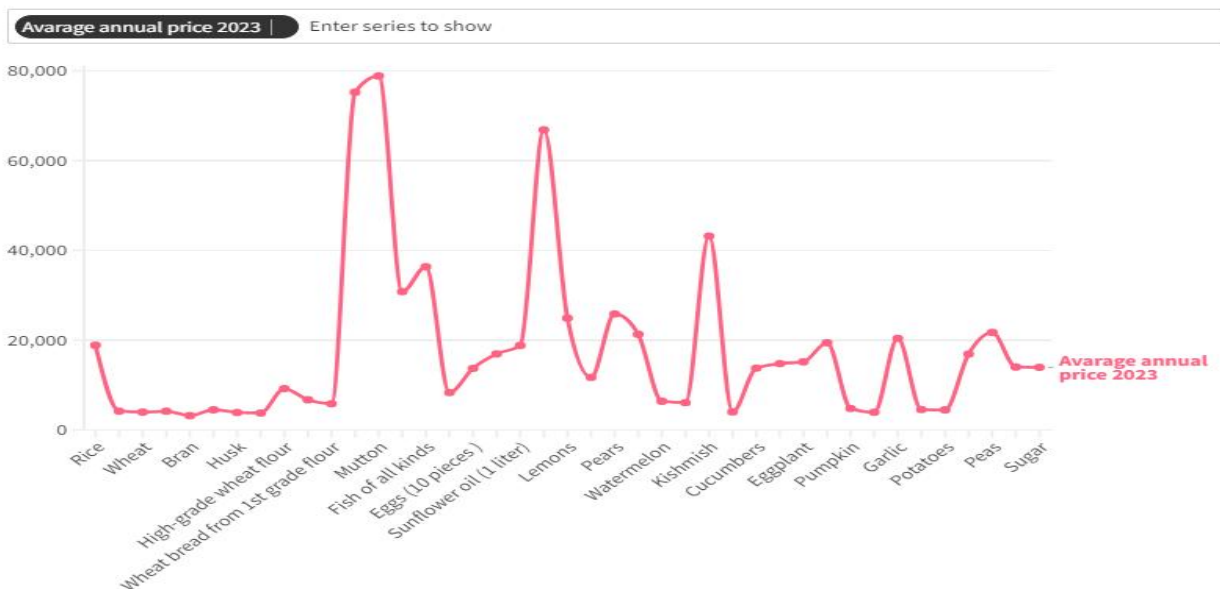
2nd
graph9



When we look at the second graph, we can see that carrots have the lowest price level for 2022 at 2,918 soums, while mutton has the highest price at 69,723 soums. Organised by Furthermore, when we average the prices of the aforementioned items in 2021 and 2022, we see that the inflation rate was 14%.

Graph
10

3

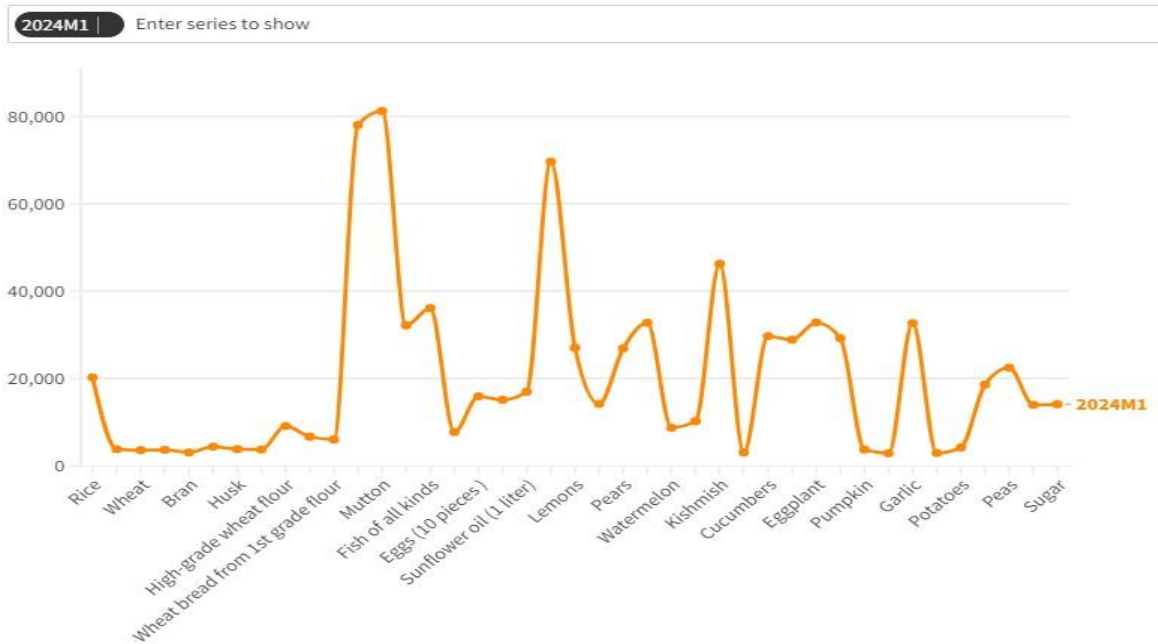


9 It was prepared based on the information of the Statistics Committee of the Republic of Uzbekistan

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When we look at the third graph, we can see that bran has the lowest price level of 3180 soums, while mutton has the maximum price of 78840 soums. Organised by Furthermore, when we average the costs of the aforementioned items in 2022 and 2023, we see that the inflation rate is fairly significant, at 19%.

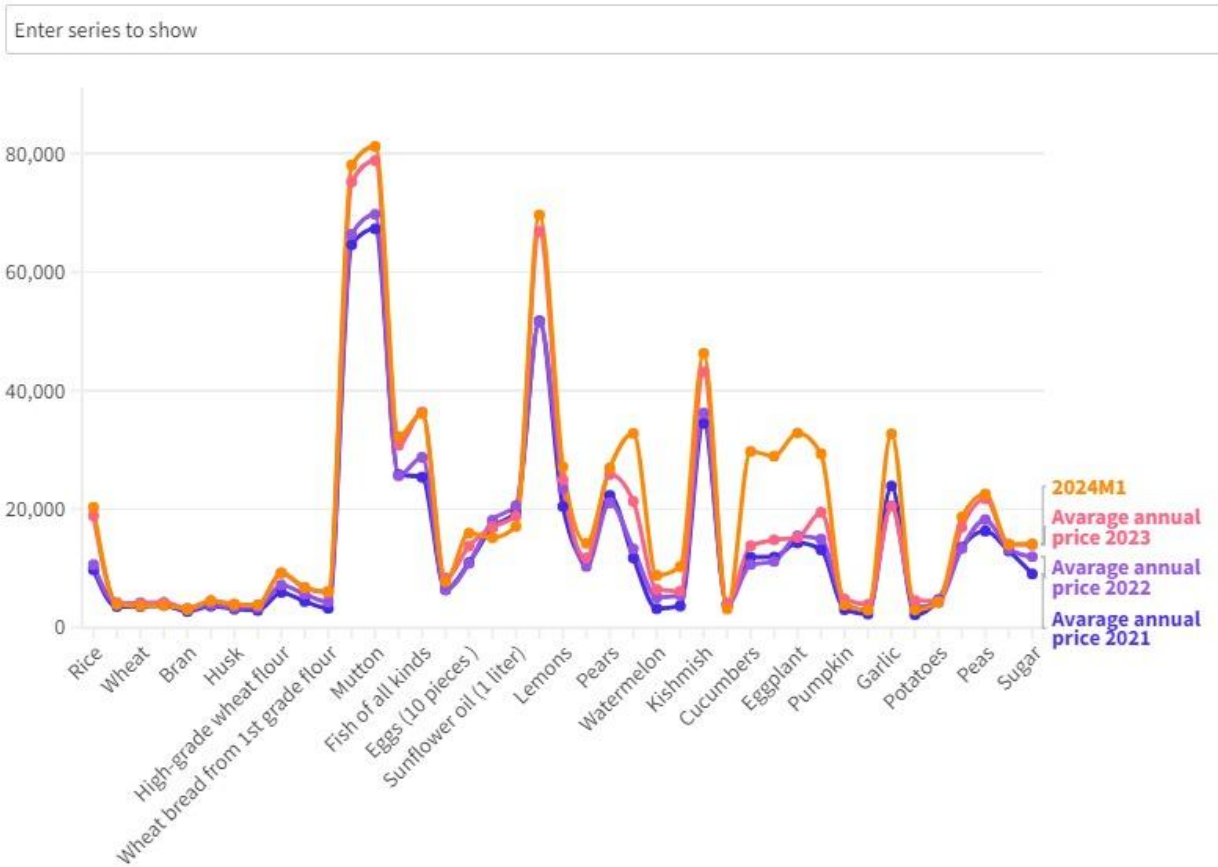
4th
graph11



The fourth graph shows that the lowest price level for 2024 is 2904 soums for carrots, while the greatest price is 81229 soums for mutton. Organised by

11 It was prepared based on the information of the Statistics Committee of the Republic of Uzbekistan

5th
graph



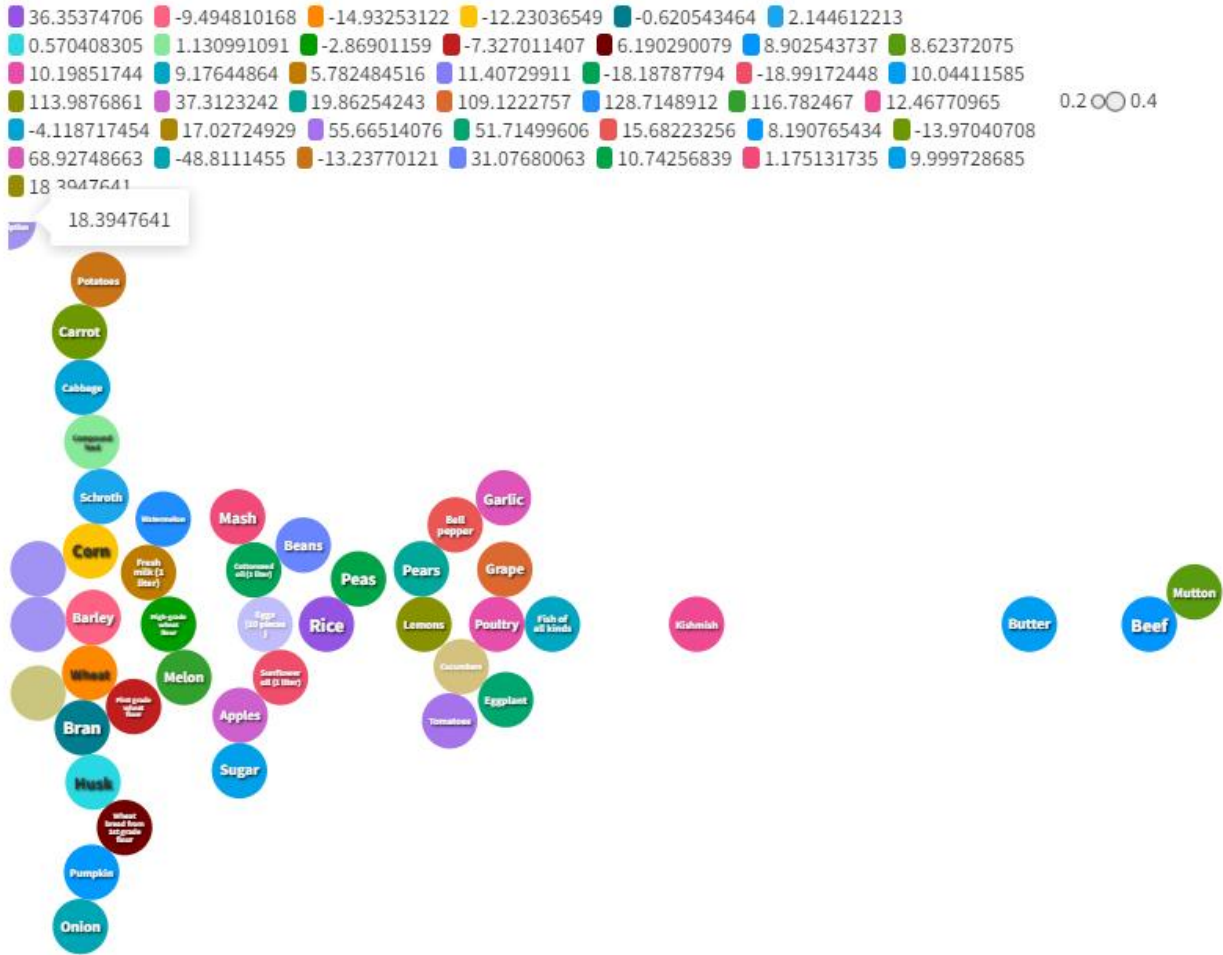
When we examine graph 5, the biggest growth in terms of food was noticed in Mutton; that is, the price of mutton in 2022 was 2,407 soums, and this indicator would rise by 2023. The price of mutton grew by 20% between 2021 and the first month of 2024, reaching 9117 and 2389 soums, respectively. Furthermore, we can observe that beef has climbed by 20.7%, as have all forms of fish, eggs, butter, pears, raisins, and garlic.

Now we'll look at the average condition of the aforesaid items in 2023 and the first month of 2024.

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Ilmiy elektron jurnali

6th
graph12



When comparing the first month of 2024 to the first month of 2023, the biggest inflation rate is observed in watermelon - 128.7149%, melon - 116.7825%, lemon - 113.9877%, grapes - 109.1223%, garlic - onion - 68.92749%, tomatoes - 55.66514%, peanuts - 51.715%, and apples - 37.31232%.

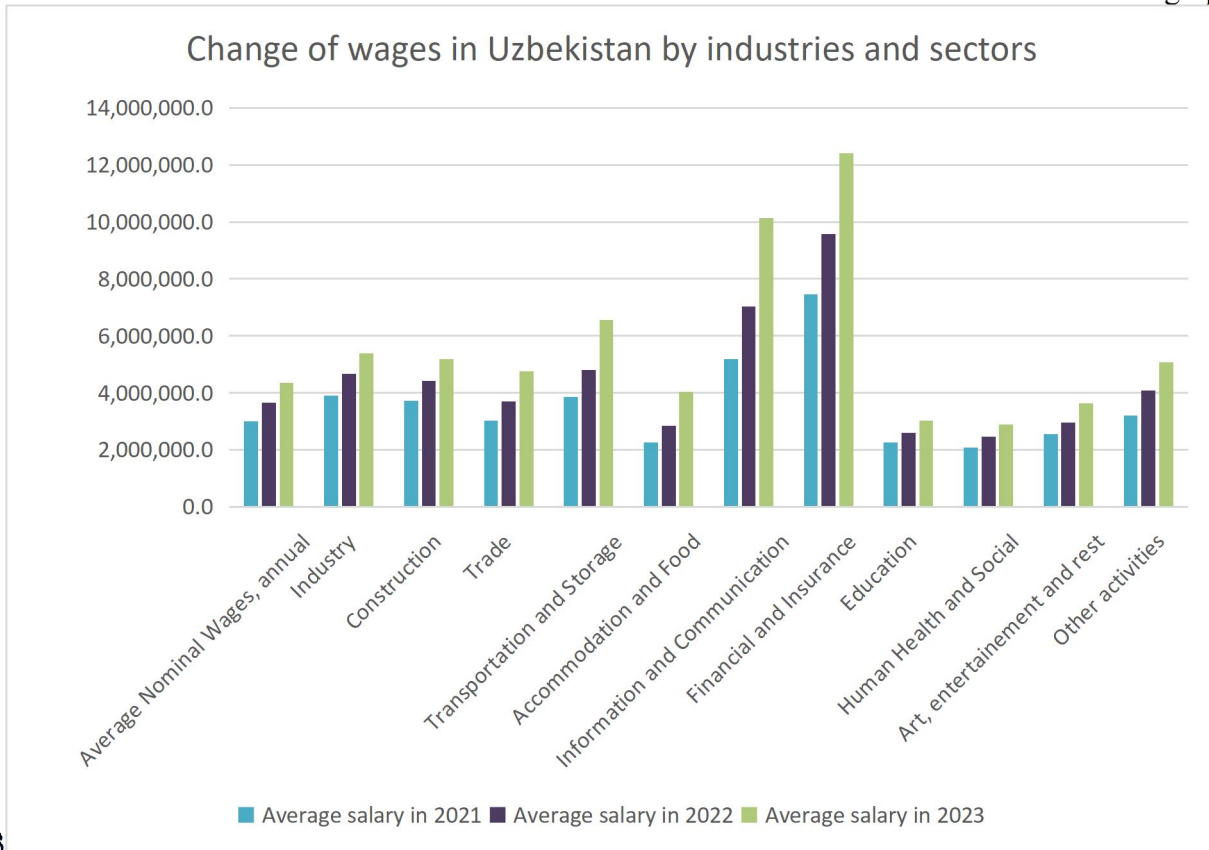
Among the items experiencing deflation, onion prices fell by 48.81115%, sunflower oil by 18.99172%, and cottonseed oil by -18.18788%. The average inflation rate for consumer items in the above-mentioned 42 kinds of consumer basket was 18.39476%.

Now we will look at compensation changes in sectors and industries in Uzbekistan from 2021 to the fourth quarter of 2023.

12 It was prepared based on the information of the Statistics Committee of the Republic of Uzbekistan

7th

graph



13

This chart 7 also shows that from 2021 to 2022, the highest salary growth was accounted for by Information and Communication at 35.67908% and Financial and Insurance at 28.47955%, while the lowest growth was 15.00731% corresponding to Education, followed by Art, Entertainment, and the rest 15.62241%. If we consider that the average rise in the price of items in the basket was 14%, we can see the population's income increasing in all of the aforementioned categories.

Discussion

When we compare the increase in wages at the end of 2022 and 2023, the highest increase in the example of these years is Information and Communication 43.8942%, Accommodation and Food-41.84302%, Transportation and Storage recorded with -36.54478%, the lowest growth level was Industry-15.68321%, Education-16.77567%, Human Health and Social-17.48849%, and the average growth level and average price increase of 42 consumer products included in the consumer basket in 2022. The wages of those engaged in these industries will fall, and the condition of living on debt will worsen; also, we may expect a significant increase in personnel unemployment.

In conclusion, the data presented in Chart 7 highlights significant disparities in wage growth across various industries from 2021 to 2022 and 2023. Sectors such as Information and Communication and Financial and Insurance experienced substantial salary increases, outpacing the average rise in the price of goods. However, industries like Education and Art, Entertainment, and others saw lower wage growth rates, potentially impacting the population's income.

13 It was prepared based on the information of the Statistics Committee of the Republic of Uzbekistan

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Looking ahead to 2023, the wage increases vary even more widely, with some sectors like Information and Communication and Accommodation and Food experiencing significant growth, while Transportation and Storage faced a notable decline. This disparity in wage growth could lead to financial challenges for workers in certain industries, potentially resulting in increased debt and higher levels of unemployment. Policymakers and businesses must address these discrepancies to ensure a more equitable distribution of economic benefits and mitigate the potential negative impacts on the workforce.

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