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Science Unites the World

THEORETICAL FOUNDATIONS OF INCREASING REAL MONEY INCOMES AND PURCHASING POWER OF THE POPULATION

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Abstract: The abstract examines the theoretical foundations of real money incomes and purchasing power of the population and tests them against official statistics of Uzbekistan for 2022–2026. Real income is treated as the volume of goods and services a household can buy with its nominal income at current prices, and purchasing power is measured by the author's purchasing power ratio (PPR), the ratio of per capita monthly income to the minimum consumer expenditure (MCE). The results show that real incomes have grown steadily, but their growth depends heavily on remittances, the food share of consumer spending remains above 50 %, and regional gaps in purchasing power are wide.

Keywords: real money income, purchasing power, inflation, minimum consumer expenditure, Engel coefficient, remittances, Uzbekistan.

Relevance. Raising the real incomes of the population is a central target of Uzbekistan's development strategies, including the Development Strategy of New Uzbekistan for 2022–2026 and the "Uzbekistan – 2030" strategy [1; 2]. In 2025 per capita gross national income reached about USD 3,700, while the country seeks to join the upper-middle-income group [3]. Such a transition is sustainable only if economic growth turns into higher real incomes and purchasing power of households.

Theoretical approach. Following the ILO resolution on household income statistics, household income covers all receipts in cash and in kind that are received regularly and are available for current consumption [4]. Nominal income is converted into real income by deflating it with the consumer price index: RI = NI / CPI. Keynes's consumption function shows that the marginal propensity to consume is highest in low-income households, so income gains among the poor translate most fully into consumer demand. Friedman's permanent income hypothesis adds that the stability of income matters as much as its level. Engel's law provides a quality measure of purchasing power: the lower the food share of spending, the higher the living standard. On this basis we propose the purchasing power ratio PPR = per capita monthly income / MCE, which shows how many minimum consumer baskets a person's income

can buy.

Results. Official data of the National Statistics Committee show that in 2025 per capita total income grew by 16.6 % in nominal terms and by 7.2 % in real terms [5]. Average nominal wages rose by 18.9 %, and since annual inflation fell to 7.3 %, real wage growth accelerated to about 10.9 % (author's calculation) [6]. The poverty rate fell to 5.8 %, and 302 thousand families were lifted out of poverty in 2025 [7].

Three weaknesses remain. First, the share of remittances in total household income reached about 21 % in 2025 and exceeded 30 % in Fergana, Khorezm and Andijan regions [5]. Second, food still took 56.5 % of household consumer spending in 2025, which means that most purchasing power is spent on basic needs [8]. Third, regional gaps are large: in January–September 2025 the PPR was 8.64 in Tashkent city but only 2.46 in the Republic of Karakalpakstan, against a national average of 3.62 (author's calculation based on [9], MCE = 669 thousand soums).

The author's scenario calculation shows that if inflation falls to the Central Bank's 5 % target and per capita nominal income grows by 12 % a year, the national PPR may rise from 3.72 in 2025 to about 5.0 by 2030 [10].

Conclusion. Real income growth in Uzbekistan rests on three conditions: low and stable inflation, higher labour productivity and formal employment, and well-targeted social transfers. Policy priorities include a transparent rule for setting the minimum wage relative to the MCE and the median wage, automatic indexation of pensions and benefits to actual inflation, channelling remittances into local investment, and priority funding of regions with a PPR below 3.0.

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