THE DECLINE OF DEPOSIT INTEREST RATES AND ITS MEDIUM-TERM IMPACT ON REAL ESTATE MARKET DYNAMICS IN UZBEKISTAN

Jumaniyozov Razzakbergan Palvannazirovich, senior lecturer, Mamun University

ABSTRACT. Recent reduction of deposit interest rates in Uzbekistan created growing discussion regarding future redistribution of household capital and investment flows within the national economy. The gradual decline of profitability ***in traditional banking deposits May influence behavioural preferences of savers*** and increase attractiveness of alternative investment instruments, especially urban real estate assets.

The findings demonstrate that lower deposit profitability May gradually accelerate movement of savings toward residential property markets, particularly within rapidly urbanising cities. The study additionally demonstrates that real estate increasingly functions as a quasi-financial asset in the Uzbek economy under conditions of limited alternative investment instruments.

Keywords: monetary transmission mechanism, financial disintermediation, housing assetisation, investment migration, deposit profitability, speculative housing demand, urban capital allocation, inflation hedging behaviour, residential asset appreciation, banking sector liquidity.

INTRODUCTION. The transformation of monetary conditions within emerging economies frequently produces significant consequences for real asset markets. Deposit interest rates represent one of the major instruments influencing household saving behaviour, banking sector liquidity, and allocation of private capital between financial and physical assets.

For several years, relatively high deposit rates in national currency functioned as an important mechanism for retaining household savings within the banking system. Under conditions of elevated inflation and restrictive monetary policy,

commercial banks competed aggressively for liquidity by offering attractive interest rates on term deposits.

However, recent changes in inflation expectations and monetary policy conditions contributed to visible reduction of average deposit profitability across multiple banking segments. Simultaneously, urban housing markets, particularly in Tashkent, continued demonstrating relatively stable investment attractiveness due to demographic growth, urbanisation, and continuing perception of real estate as a reliable store of value.

LITERATURE REVIEW. The interaction between financial returns and real asset investment has long been examined within macroeconomic and urban economic literature. Classical portfolio allocation theory suggests that households continuously compare expected returns and perceived risks across different investment categories.

Hyman Minsky emphasised that prolonged monetary shifts may significantly influence speculative behaviour and asset price cycles. According to his financial instability perspective, declining returns in traditional financial instruments may encourage increasing participation in higher-risk or less liquid markets, including real estate.

Several studies concerning post-Soviet economies demonstrate that households frequently demonstrate stronger trust toward physical assets than abstract financial instruments. Historical inflation episodes, currency instability, and limited capital market development strengthened cultural preference for real estate ownership across many transition economies.

Contemporary monetary transmission literature also indicates that declining deposit rates may influence property markets indirectly through behavioural channels rather than purely through mathematical return comparisons.

METHODOLOGY. The present research applies an interdisciplinary methodological approach combining macro-financial analysis, behavioural economic evaluation, and comparative urban market analysis.

The research focuses on several interconnected variables:

- declining real deposit profitability;
- household investment redistribution;
- urban housing demand;
- speculative apartment acquisition;
- rental market expansion;
- construction sector absorption capacity.

Unlike purely traditional housing market models, the present study approaches real estate as a hybrid economic category functioning simultaneously as:

1. consumption asset;
2. inflation hedge;
3. investment instrument;
4. informal retirement security mechanism.

RESULTS AND DISCUSSION. The research findings indicate that shrinking deposit profitability in Uzbekistan may gradually transform the behavioural structure of household investment allocation during coming years. Although banking deposits continue remaining important savings instruments, declining real returns increasingly reduce their comparative attractiveness relative to physical assets.

One of the most visible tendencies concerns strengthening perception of residential property as a quasi-financial instrument. Households increasingly evaluate apartments not purely from residential necessity perspectives but also from long-term wealth preservation considerations.

The findings additionally indicate that shrinking deposit rates may influence different social groups differently. Middle-income households traditionally dependent on banking deposits for conservative savings strategies may gradually diversify toward small residential investments, particularly compact apartments intended for rental purposes.

Higher-income groups, however, are likely to increase concentration within premium real estate segments. Premium housing demonstrates several characteristics attractive under declining deposit conditions:

- relative scarcity;
- stronger inflation resistance;
- prestige signalling;
- better rental monetisation potential;
- stronger long-term appreciation expectations.

The study additionally demonstrates that construction sector expansion may partially absorb increasing investment demand. During recent years, Uzbekistan experienced substantial residential construction growth, particularly within Tashkent and surrounding districts.

Nevertheless, the study suggests that housing markets may increasingly experience financialisation tendencies. In such conditions, apartments gradually become investment containers rather than purely residential spaces.

Another important observation concerns generational investment psychology. Younger urban households increasingly demonstrate stronger willingness to treat property as an active financial strategy rather than purely family inheritance asset.

Overall, the study demonstrates that shrinking deposit rates may become an important medium-term driver supporting urban property prices in Uzbekistan.

CONCLUSION. The conducted research examined the possible medium-term impact of shrinking deposit rates on the real estate market of Uzbekistan. The study demonstrated that declining profitability of traditional banking deposits may gradually alter household investment behaviour and strengthen attractiveness of residential property as an alternative asset category.

The analysis confirms that real estate increasingly functions as a hybrid economic instrument combining residential utility, inflation protection, and long-term capital preservation functions.

The findings additionally indicate that behavioural and psychological factors play highly important roles in this process. Expectations regarding future housing appreciation, inflation persistence, and financial security significantly influence investment decisions within emerging property markets.

The research also revealed that premium and investment-oriented housing segments are likely to benefit more strongly from declining deposit profitability compared to commoditised residential markets.

In conclusion, shrinking deposit rates may become one of the important structural factors influencing future urban investment behaviour in Uzbekistan.

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