

THE IMPACT OF MONETARY POLICY ON UZBEKISTAN'S TEXTILE AND GARMENT EXPORTS (2017–2025): EVIDENCE WITH GLOBAL COTTON-PRICE CONTROL

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Abstract. *This thesis examines how monetary conditions relate to Uzbekistan's textile and garment exports once global cotton prices are controlled for. Quarterly data for 2017Q1–2025Q4 are analyzed in a multivariate log-linear OLS framework, where exports are linked to cotton prices and domestic indicators (exchange rate, inflation, policy rate, and sector credit).*

Cotton prices are the most robust driver in the reported models (baseline elasticity ≈ 0.67 ; highly significant). In the baseline specification, the exchange rate is positive and significant, while inflation is negative and significant; credit effects are weaker and the policy rate is not significant.

A lag-augmented check suggests domestic effects are timing-sensitive and lose precision, whereas cotton remains robust. The findings imply that monetary policy primarily supports exporters through stability and predictability, while commodity-price dynamics remain central for sector export outcomes.

Keywords: *monetary policy; textile and garment exports; exchange rate; inflation; credit; global cotton prices; Uzbekistan.*

INTRODUCTION

The textile and garment industry is a strategic export-oriented sector in Uzbekistan, but it is strongly exposed to global cotton-price cycles. In this policy context, Presidential Decree PD-6 (16 January 2025) sets a target to increase annual exports of textile and sewing/knitwear products to USD 7 billion by 2027 [1].

Because commodity prices can dominate export dynamics, sector policy debates require evidence on whether domestic monetary conditions remain informative once global cotton prices are explicitly controlled for.

METHODS

The dataset is quarterly (2017Q1–2025Q4; 36 quarters). Exports (LN_EXPORT) and cotton prices (LN_COTTON) enter in natural logs. Domestic monetary attributes include the UZS/USD exchange rate (LN_EXCHANGE), inflation and the policy rate (percentage points), and credit to textile companies (LN_CREDIT).

A baseline log-linear model is estimated by OLS, and a one-quarter lag specification is used as a robustness check for delayed adjustment effects.

RESULTS

Across specifications, global cotton prices provide the clearest signal for exports. In the baseline model, the cotton-price elasticity is about 0.67 and is highly significant. Domestic channels show selective evidence: the exchange rate is positive and significant, while inflation is negative and significant; credit effects are weaker and the policy rate is not significant.

Pairwise correlations also indicate strong co-movement between exports and the exchange rate ($r \approx 0.81$) and a negative association with inflation ($r \approx -0.69$). In the lag-augmented model, cotton remains robust ($\beta \approx 0.64$; $p \approx 0.000004$), whereas domestic terms lose precision and become borderline, suggesting timing sensitivity and co-movement among regressors.

CONCLUSION

For 2017–2025, cotton-price dynamics dominate textile and garment export variation in Uzbekistan. Monetary conditions appear relevant mainly through the exchange-rate and inflation environment, but robustness checks suggest these relationships are weaker and may operate with delays.

Policy interpretation should therefore emphasize monetary stability and predictable financing conditions as enabling factors for exporters, alongside complementary measures that address external commodity-price exposure.

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