

## **WAYS TO STABILIZE MACROECONOMIC INDICATORS IN UZBEKISTAN**

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**Abstract:** The article analyzes the factors and mechanisms of ensuring macroeconomic stability in Uzbekistan. The main focus is on maintaining such indicators as inflation, economic growth, employment, balance of payments and budget discipline in a stable state. The coherence of monetary, fiscal, structural and institutional reforms, as well as practical mechanisms of such areas as the digital economy, export diversification, energy efficiency and regional industrialization are highlighted. The proposed methods include policy mix, the “dual mandate” approach, expectations management, data-driven decisions and a “smart” model of regulation.

**Keywords:** Macrostability; inflation targeting; fiscal rule; monetary policy; structural reforms; export diversification; human capital; digital economy; balance of payments; production chains.

### **Introduction**

Macroeconomic stability is the resilience of the economic system to external and internal shocks and the maintenance of key indicators (price level, growth rates, employment, exchange rate, balance of payments, budget deficit) within the framework of equilibrium. The process of deepening market institutions, integration into an open economy and improving the competitive environment in Uzbekistan also requires strengthening macrostability. This is closely related to increasing the consistency, predictability and effectiveness of policies.

### **Literature review**

International theoretical and empirical studies (Keynesian, monetary, new classical, new Keynesian approaches) show that for stability:

In monetary policy, clear inflation targets and central bank independence are important (Taylor rule, expectations channel).

In fiscal policy, non-cyclical, transparent budget rules (e.g. debt/GDP ratio and deficit ceilings), efficiency of spending, and broadening of the tax base are important.

In the external sector, diversification of the export composition, non-competitive forms of import substitution, and exchange rate flexibility are necessary.

Structural reforms – property rights guarantees, competition policy, state-owned enterprise reform, and deepening financial markets – determine the quality of growth.

The institutional economics literature also emphasizes legal certainty, transparency, and accountability mechanisms as crucial factors in policy stability.

### **Methods section**

The following approaches were used in this article to formulate conceptual analysis and policy recommendations:

Policy mix analysis: Assessing the coordination of monetary and fiscal measures.

Expectations Management Model: The impact of inflation expectations, exchange rate expectations, and wage formation on price stability.

Network and chain approach: Maintaining external stability through export-import flows, localization, and value chains.

Institutional diagnostics: Identifying market environment barriers, regulatory quality, and the optimal scope of state involvement.

Risk mapping: Ranking external (commodity prices, geoeconomic situation) and internal (budgetary discipline, asset quality in the banking sector) risks.

### **Results**

Uzbekistan has been actively pursuing economic reforms in recent years, which has led to significant progress in ensuring macroeconomic stability. In 2024, gross domestic product (GDP) growth was 6.5%, the inflation rate showed a downward trend, the foreign trade deficit decreased, and international reserves were maintained at a sufficient level. These achievements are being implemented within the framework of the 2017-2021 Action Strategy and the 2023 National Development Strategy for 2030. However, factors such as global economic instability, fluctuations in energy prices, the large share of the state in the economy, and infrastructure problems threaten stability. Below, a detailed analysis of the main ways to stabilize macroeconomic indicators (GDP growth, inflation, fiscal deficit, balance of payments, etc.) is provided. This analysis is based on data from the World Bank, the International Monetary Fund (IMF), and the Government of Uzbekistan[1].

Problem:

Inflation rate in May 2024 was 10.6%, mainly due to liberalization of energy tariffs and increase in global prices. The Central Bank of Uzbekistan (CBU) aims to reduce inflation to 5% by 2025, but price volatility and exchange rate pressure make it difficult to achieve this goal. At the same time, credit growth, especially in the housing and auto sectors, is increasing inflationary pressures.

Ways and measures:

Tighten monetary policy:

- The CBU should limit price increases by adjusting the key interest rate (14% in 2024) to the inflation rate and managing demand.

Maintain international reserves at a level of 4 months of import coverage to ensure exchange rate stability (equivalent to 3–4 months in 2024).

Macroprudential measures:

- Introduce macroprudential tools such as loan-to-value (LTV) and debt-to-income (DTI) ratios in banks to limit credit growth.

- Set sector-specific credit limits to reduce banks' concentration risks.

- Expand preferential lending to small and medium-sized enterprises (SMEs), but with strict monitoring to prevent inflationary pressures.

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Result:

These measures will help reduce inflation to 5–7% in 2025 and ensure stability in the foreign exchange market. At the same time, interest rates should not be too tight so as not to undermine economic growth.

Optimizing fiscal policy and reducing the budget deficit

Problem:

Although the fiscal deficit is planned to be reduced to 4% in 2024, volatility in gold prices and problems in the structure of government spending pose a threat to budget sustainability. The large share of the state in the economy and insufficient diversification of tax revenues hinder fiscal sustainability[3].

Ways and measures:

Increase tax revenues:

- Since 2020, the tax-to-GDP ratio has decreased by 2 percentage points, which indicates the need to reform the tax system.
- Expand the progressive tax system, for example, by increasing tax rates for high-income earners and reducing the shadow economy.
- Reconsider tax breaks for large enterprises, while maintaining tax breaks for small and medium-sized businesses.

Optimize public spending:

- Diversify spending to reduce dependence on gold export revenues. Minimize the risk of inflationary pressures when gold prices are high and budget deficits when they are low.
- Increase social spending (education, healthcare), but reduce inefficient subsidies (especially in the energy sector).
  - Introduce digital platforms for transparent management of public investment programs and monitoring of expenditures[2].

Improve debt management:

- Publish a public debt management strategy and make the annual borrowing plan transparent.
- Issue long-term bonds to reduce external debt by increasing reliance on domestic resources and facilitate debt servicing.

Outcome:

The fiscal deficit can be reduced to 3% by 2025 and tax revenues can reach 25-27% of GDP. This will ensure budget sustainability and increase resilience to global economic shocks.

Accelerate structural reforms and develop the private sector

Problem:

State-owned enterprises (SOEs) account for a large part of the economy (about 50% of GDP), limiting competition and reducing efficiency. Aging infrastructure and lack of private investment slow economic growth[5].

Ways and measures:

Privatize state-owned enterprises:

- Accelerate the privatization program for 2021-2025, especially in the banking, energy and telecommunications sectors.
- Improve corporate governance in SOEs: introduce independent boards of directors and make financial reporting more transparent.
- Complete small-scale privatizations and sell large assets at market prices.

Strengthen competition:

- Strengthen antitrust legislation and expand the powers of the Competition Committee.
- Simplify market access for small and medium-sized businesses, for example by digitizing the licensing and permitting process.
- Expand the system of tax incentives and guarantees for foreign investors.

**Infrastructure modernization:**

- Development of transport infrastructure: expansion of the Tashkent-Samarkand high-speed railway and modernization of road networks.
- Energy sector reform: full marketization of energy tariffs and increase the share of renewable energy to 15% in 2026-2027.
- Development of digital infrastructure: introduction of 5G networks and expansion of broadband Internet[7].

**Result:**

Increasing the share of the private sector to 60% of GDP and reducing SOEs to 30% by 2027 will increase economic efficiency. Infrastructure projects will increase exports and domestic trade.

**Strengthening foreign trade and global integration**

**Challenge:**

Although the trade deficit is expected to fall to 5% in 2024, rising global tariffs and volatile remittances pose a risk to the balance of payments. The bulk of exports (gold and gas) are dependent on global price fluctuations.

**Ways and measures:**

**Expand trade agreements:**

- Complete negotiations on accession to the World Trade Organization (WTO) and deepen Central Asian regional economic cooperation.
- Start negotiations on free trade agreements with the European Union and ASEAN countries.

**Diversify exports:**

- Provide subsidies and export guarantees to SMEs to increase exports of processed products (textiles, food, chemicals).
- Develop Central Asian transport corridors (TRACECA) to reduce transport costs.

**Transition to a green economy:**

Financing renewable energy projects within the framework of the Green Economy Strategy for 2019-2030.

- Introducing a carbon credit system and issuing green bonds in cooperation with international financial institutions.

**Result:**

Export volumes can be increased by 20% in 2025 and the foreign trade deficit reduced to 4.5%. The transition to a green economy will attract the attention of global investors.

These measures will not only ensure economic stability, but also strengthen Uzbekistan's position in the global economy and increase the standard of living of the population. For more information, please refer to the latest reports of the World Bank and IMF.

**Discussion Section**

Macrostabilization is a multi-component task. Monetary policy can contain inflation, but if the structural factors of price pressures (lack of competition, logistical constraints, low energy efficiency) are not addressed, high interest rates can put pressure on investment activity.

Therefore, the policy mix is crucial: while maintaining price stability in the short term, potential growth should be increased in the medium term through competition, exports, human capital and energy efficiency.

The fiscal rule introduces discipline into macrostabilization, but its strict application requires transparent statistics, independent audit and parliamentary oversight. External market fluctuations (commodity prices, geopolitical risks) are mitigated by a flexible exchange rate and sufficient reserves. Regional disparities are reduced by production clusters and infrastructure. Finally, the soft side of stability is institutional trust: predictable policies, fair competition, and the reliability of the judicial system.

### **Conclusion**

While inflation and fiscal discipline are the priorities for stabilizing macroeconomic indicators in Uzbekistan in the short term, structural reforms, diversification, human capital, and digital transformation are crucial in the medium- to long-term. Policy coherence, transparency, and coordination are the key to macro-stability.

**Inflation targeting and communication:** Stabilize expectations by regularly publishing Central Bank forecasts and scenarios.

**Fiscal rule:** Legitimize medium-term budget planning, debt/GDP, and deficit limits; “efficiency filter” in public spending.

**Competition and tariff policy:** Strengthen antitrust measures, balance economic rationale and social protection in logistics and energy tariffs.

**Export strategy:** Support high-value-added sectors (electronics, pharmaceuticals, food processing, IT); strengthen trade diplomacy.

**Green growth:** Expanding renewable energy projects, energy-efficient technologies, and green financing instruments.

**Financial stability:** Developing the interbank market, reducing problem assets, and deepening the capital market

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