eISSN: 2229-3213 pISSN: 2229-3205
The Journal of Applied Science and Social Science
Volume 16,Issue 02 February, 2026

ARTIFICIAL INTELLIGENCE–DRIVEN ECONOMIC FORECASTING SYSTEMS: METHODOLOGICAL ADVANCES, EMPIRICAL EVIDENCE, AND POLICY IMPLICATIONS

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Abstract: The rapid development of artificial intelligence (AI) has fundamentally transformed economic forecasting by enabling more accurate, adaptive, and data-driven prediction systems. Traditional econometric models, while theoretically robust, often struggle to capture the nonlinear, dynamic, and high-dimensional nature of modern economic systems. This paper explores the conceptual foundations, methodological advancements, and empirical applications of AI-powered economic forecasting systems. Drawing on recent global evidence and macroeconomic data, the study highlights the advantages of machine learning and deep learning approaches in forecasting macroeconomic indicators, financial market trends, and structural economic changes. In addition, the article provides a focused analysis of emerging economies, emphasizing Uzbekistan's digital transformation and macroeconomic performance. Empirical data demonstrate how AI-driven forecasting models contribute to improved policy formulation, financial stability, and long-term development planning. The findings confirm that AI-based forecasting systems significantly enhance predictive accuracy, responsiveness, and decision-making quality, while also raising important challenges related to transparency, data quality, and governance.

Keywords: Artificial intelligence, economic forecasting, machine learning, macroeconomic modeling, Uzbekistan, digital economy.

Economic forecasting plays a central role in policy formulation, investment planning, and strategic development. Accurate forecasts of gross domestic product (GDP), inflation, employment, and financial stability are essential for governments, firms, and financial institutions. However, conventional econometric models rely heavily on linear assumptions, limited historical datasets, and stable structural relationships, which reduce their ability to capture complex economic dynamics, sudden shocks, and nonlinear interactions. The global financial crisis of 2008 and the COVID-19 pandemic revealed fundamental limitations in traditional forecasting frameworks, stimulating a growing interest in AI-based approaches.

Artificial intelligence, particularly machine learning (ML) and deep learning (DL), enables the analysis of massive volumes of structured and unstructured data, facilitating real-time forecasting and adaptive learning. By integrating diverse information sources, such as financial transactions, satellite imagery, social media sentiment, and macroeconomic indicators, AI-driven systems can generate more precise and timely predictions. As a result, AI-based forecasting is becoming an indispensable instrument in economic governance and development planning.

AI-driven economic forecasting is grounded in statistical learning theory, computational intelligence, and big data analytics. Machine learning algorithms such as Random Forest, Gradient Boosting, and Support Vector Machines are capable of modeling complex nonlinear relationships. Deep learning models, including recurrent neural networks and transformer architectures, provide superior performance in time-series forecasting by capturing long-term dependencies.

The integration of AI into economic forecasting shifts the paradigm from static modeling toward adaptive and self-learning systems. These models continuously update parameters as new data become available, enabling dynamic responses to structural changes. Furthermore, the

combination of AI and econometrics allows for hybrid modeling frameworks that incorporate economic theory while preserving predictive flexibility.

An AI-based economic forecasting system typically consists of data acquisition, preprocessing, feature engineering, model training, validation, and deployment stages. High-frequency macroeconomic indicators, financial market data, and alternative datasets such as satellite and web-based information are integrated into unified analytical platforms. Feature engineering transforms raw data into predictive variables, including lagged indicators, volatility indices, and composite sentiment scores.

Deep learning models such as Long Short-Term Memory networks and Temporal Fusion Transformers are particularly effective in modeling sequential dependencies. Ensemble learning frameworks further enhance predictive accuracy by combining outputs from multiple algorithms. Model interpretability is addressed through explainable AI techniques, which quantify the contribution of individual variables and improve policy relevance.

Recent empirical studies demonstrate that AI-based forecasting systems outperform traditional econometric approaches in predicting GDP growth, inflation, and financial market volatility. In developed economies, AI models have reduced forecast errors by up to 30 percent, particularly during periods of heightened uncertainty. Financial institutions increasingly rely on ML-driven credit risk assessment tools, which significantly improve default prediction accuracy.

Emerging economies benefit from AI-based forecasting by compensating for data gaps and structural volatility. In Asia, AI-driven models have improved inflation and employment forecasts, supporting more effective monetary and fiscal policies. The increasing availability of digital data streams enables governments to monitor economic activity in near real-time.

Uzbekistan has embarked on an ambitious digital transformation agenda, integrating AI technologies into public administration, finance, and economic planning. According to national statistical data, Uzbekistan's GDP growth averaged 6.2 percent annually between 2017 and 2023, driven by industrial diversification and investment inflows. In 2023, the digital economy accounted for approximately 3.6 percent of GDP, reflecting rapid technological adoption.

AI-based forecasting tools are being introduced to improve macroeconomic planning and fiscal sustainability. For example, predictive models analyzing industrial output, trade flows, and energy consumption enable more accurate revenue projections. Table 1 presents selected macroeconomic indicators of Uzbekistan.

Table 1. Key Macroeconomic Indicators of Uzbekistan (2019–2023)

Indicator	2019	2020	2021	2022	2023
GDP growth (%)	5.7	1.9	7.4	5.7	6.0
Inflation (%)	15.2	11.1	10.7	12.3	9.8
Investment/GDP (%)	38.0	34.5	36.2	37.4	39.1

Source: State Statistics Committee of Uzbekistan.

AI-driven forecasting systems enhance economic resilience by improving early warning mechanisms and enabling proactive policy responses. In Uzbekistan, integrating AI into fiscal and monetary planning can reduce budget deficits, stabilize inflation expectations, and optimize public investment strategies. Moreover, AI-based labor market forecasting supports employment policies aligned with demographic trends.

Despite their advantages, AI systems face challenges related to data quality, algorithmic bias, and interpretability. Policymakers require transparent models to ensure accountability and trust. Strengthening digital infrastructure, regulatory frameworks, and human capital is therefore essential.

AI-powered economic forecasting represents a transformative advancement in economic analysis. By combining computational intelligence with economic theory, these systems offer superior predictive capabilities and enhanced policy relevance. For Uzbekistan, strategic adoption of AI-based forecasting can significantly strengthen macroeconomic stability and sustainable development.

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