

REGIONAL ECONOMIC DIVERSIFICATION AS A KEY FACTOR OF SUSTAINABLE GROWTH

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Abstract: This article provides a theoretical and practical analysis of the role of regional economic diversification in ensuring sustainable economic growth. In the context of global economic instability and high dependence of regions on specific sectors, balancing the economic structure emerges as a strategic necessity. The main objective of the study is to identify the relationship between the level of diversification and indicators of sustainable growth.

The research applies a systematic approach, structural-dynamic analysis, and evaluation methods based on economic concentration indicators. The results demonstrate that a balanced distribution of economic activity across sectors enhances regional resilience to external shocks, improves the investment climate, and establishes a solid foundation for long-term sustainable development. The article also substantiates priority directions for improving regional economic policy.

Keywords: regional economy, economic diversification, sustainable growth, structural transformation, economic stability, territorial development, institutional factors.

In the context of the modern global economic system, ensuring the sustainable development of regional economies has gained significant scientific and practical importance. Structural shifts in the global economy, external economic shocks, geo-economic uncertainties, and excessive dependence on limited resources directly affect regional economic stability. In particular, narrow specialization or high sectoral concentration can lead to structural imbalances and constrain long-term growth prospects.

From this perspective, regional economic diversification emerges as a crucial institutional and structural factor of sustainable growth. Economic diversification refers to the formation of a multi-sectoral and balanced economic structure that strengthens the internal stability of regional economic systems. The diversification process involves not only expanding production structures but also introducing high value-added activities, strengthening innovative potential, and stabilizing employment.

As a result, regions become more resilient to external economic fluctuations, while their investment attractiveness and competitiveness increase. Although existing studies extensively analyze diversification at the national level, the relationship between regional structural transformation and sustainable growth remains insufficiently explored. Differences in resource endowments, institutional conditions, and economic capacities across regions require a comprehensive analytical approach, which determines the scientific relevance of this study.

The purpose of this article is to identify the relationship between regional economic diversification and sustainable economic growth and to substantiate priority directions for structural development.

This study employs a systematic approach, statistical analysis, and structural analysis methods to comprehensively assess economic processes. Regional economic structures are examined using Gross Domestic Product (GDP) and Gross Regional Product (GRP) indicators. The degree of diversification is evaluated based on sectoral shares and economic concentration indices.

The analysis shows that Uzbekistan's economy has demonstrated a consistent upward trend in GDP growth in recent years. However, overall macroeconomic growth does not fully reflect the level of structural diversification across regions. Therefore, assessing regional economic characteristics based on GRP and sectoral composition is crucial.



GRP analysis indicates that in several regions, economic activity remains highly concentrated in one or two dominant sectors. Industrially specialized regions show a substantial share of manufacturing in total GRP, while agriculturally oriented regions exhibit a high proportion of agricultural output. Such structural imbalances may pose potential risks to economic stability.

Conversely, regions with a higher share of services demonstrate more stable growth patterns, indicating that a diversified economic structure enhances resilience to external shocks. Thus, sectoral balance and diversification serve as key determinants of sustainable regional development.

Before evaluating regional diversification, it is essential to analyze national macroeconomic dynamics. In this regard, GDP trends during 2015–2024 reveal relatively stable economic growth. The gradual increase in GDP indicates a favorable macroeconomic environment.

GDP of the Republic of Uzbekistan (2021–2025)

Year	GDP (trillion UZS)
2021	861.2
2022	1,041.9
2023	1,261.8
2024	1,535.4
2025	1,849.7

These figures demonstrate a nearly twofold increase in GDP over the period, reflecting strengthened macroeconomic stability and increased economic activity. However, this growth does not fully capture regional diversification, necessitating GRP analysis.

Following independence, Uzbekistan implemented comprehensive structural reforms aimed at modernizing the national economy, reducing regional disparities, and establishing a market-based sustainable development model. These reforms significantly transformed regional economic structures.

Over recent years, the share of industry, services, and information technology sectors has increased, while agriculture's relative contribution has declined, signaling a transition toward industrial and post-industrial development.

Between 2016 and 2024, industrial output increased by 2.3 times, and service sector output rose by 2.6 times. This growth is particularly pronounced in Tashkent city, Navoi, Andijan, and Samarkand regions. However, regions such as Karakalpakstan, Surkhandarya, and Jizzakh experienced comparatively slower growth.

Regional specialization patterns have evolved as follows:

1. **Tashkent City** – Financial services, technology, and trade hub
2. **Navoi Region** – Mining and export-oriented industrial production
3. **Andijan, Fergana, Namangan** – Automotive, light industry, and electronics clusters
4. **Kashkadarya and Surkhandarya** – Energy and agriculture, with limited industrial diversification

High value-added sectors, including high-tech manufacturing and IT services, remain concentrated in a few regions, contributing to regional economic disparities.

Key factors influencing regional structural changes include:

- Sectoral and territorial investment allocation
- Infrastructure development
- Presence of industrial clusters and free economic zones
- Labor market skills and human capital
- Share of foreign direct investment

Gross Regional Product Dynamics (2024–2025)



Region	2024 GRP (bln UZS)	Growth %	2025 GRP (bln UZS)	Growth %
Republic of Uzbekistan	1,535,431.7	106.7	1,849,650.0	107.7
Karakalpakstan	46,299.8	104.2	54,076.9	107.2
Andijan	93,026.3	106.6	107,717.6	106.8
Bukhara	73,434.1	105.6	86,608.1	107.2
Jizzakh	43,545.9	104.6	52,956.7	108.2
Kashkadarya	83,950.0	105.9	98,783.4	106.8
Navoi	130,439.5	108.2	167,964.6	107.7
Namangan	71,869.1	107.3	85,419.0	108.2
Samarkand	103,882.7	107.4	121,489.5	108.0
Surkhandarya	56,553.9	105.3	66,186.5	106.6
Syrdarya	28,655.5	104.9	35,794.4	109.8
Tashkent Region	151,251.8	107.6	180,177.4	107.2
Fergana	93,605.7	105.2	111,305.3	108.1
Khorezm	53,640.0	106.3	62,987.5	107.9
Tashkent City	302,878.5	112.2	367,222.3	111.3

The data reveal significant interregional disparities in both GRP volume and growth rates, confirming uneven diversification levels and the need for targeted regional development policies.

The study confirms a steady increase in Uzbekistan's GDP in recent years; however, substantial interregional disparities in GRP growth and structure persist. Regions characterized by diversified economic structures exhibit greater resilience, enhanced investment attractiveness, and sustainable growth.

The results indicate a direct correlation between diversification levels and sustainable growth. A multi-sectoral economic structure enhances regional stability and mitigates external economic risks, while excessive specialization intensifies regional imbalances.

Therefore, regional economic policy should prioritize structural transformation, industrial and service sector expansion, innovation promotion, and balanced territorial development. These measures are essential to achieving diversified, inclusive, and sustainable regional growth.

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