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PROBLEMS OF ENSURING STABILITY OF THE NATIONAL ECONOMY AND NATIONAL CURRENCY OF UZBEKISTAN

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ABSTRACT

The article studies the theoretical and practical aspects of ensuring the stability of the national economy and the national currency of Uzbekistan. The main factors affecting the stability of the national economy and currency are studied, the level of inflation, monetary policy, the state of the foreign exchange market, foreign direct investment and the foreign trade balance are analyzed. Special attention is also paid to the monetary policy of the Central Bank and its impact on economic stability. Within the framework of the study, existing problems were identified and appropriate recommendations and conclusions were formulated on their solutions.

KEYWORDS

National economy, national currency, inflation, monetary policy, foreign exchange market, investments, Central Bank.

Introduction

Ensuring the stability of the national economy and national currency is of strategic importance for any state and is one of the main conditions for the formation of macroeconomic stability and achieving sustained economic growth. In particular, the issues of rapid development of the Uzbek economy, improving the investment climate, and ensuring a balanced foreign trade balance are directly related to the value of the national currency and its stability.

In particular, global economic processes, foreign trade relations, and changes in financial markets affect the stability of the national currency rate, increasing the importance of such factors as the inflation rate, the balance of payments situation, and the effectiveness of monetary policy. Therefore, in order to ensure the stability of the national currency and the economy, issues such as conducting an effective macroeconomic policy, improving the monetary policy mechanisms of the Central Bank, strengthening the currency market, and increasing the stability of the financial system are of urgent importance.

Ensuring the stability of the national economy and national currency of the Republic of Uzbekistan is one of the priorities of state policy. In recent years, important reforms have been carried out in this area, and relevant regulatory legal acts have been adopted.

In particular, Decree No. PF-5177 “On Preliminary Measures to Liberalize Currency Policy” adopted on September 2, 2017, includes issues such as liberalizing the foreign exchange market, determining the exchange rate of the national currency against foreign currencies based on market mechanisms, and creating a favorable environment for foreign investments[1].

Also, Resolution No. PQ-3272, “On Measures to Further Improve Monetary Policy” adopted on September 13, 2017, is aimed at coordinating the general economic, fiscal, and monetary policies, ensuring the balance of the state budget, and reducing the level of inflation[2].

According to statistical data published by the Central Bank of the Republic of Uzbekistan, in 2023, the services sector will account for 50,5% of the gross domestic product, industry for 26,8%, agriculture for 20,2%, and construction for 4,8%[3].

This article theoretically and practically analyzes the factors affecting the stability of the national economy and national currency of Uzbekistan, identifies existing problems, and develops scientifically based proposals and recommendations for their solution.

Literature Review

The stability of the national economy and national currency is important for the economic independence and sustainable development of every country. Economists and experts tried to reveal their essence by offering different approaches and definitions to these topics. The concept of the national economy means an integrated economy that includes all industries and sectors, micro- and macro-level economies, a functional economy, and many infrastructures in the territory of the country. According to economic definitions, the national economy encompasses the mutual relations of economic entities formed and developed on the basis of the social division of labor. According to another approach, the national economy is a system of historically formed or radically renewed, changing, and developing property and other socio-economic relations of the people living in the territory of a country or state, as well as the spheres, sectors, organizations, enterprises, territories, and regions of economic activity conditioned by them, which also have local characteristics.

Economists consider the effectiveness of macroeconomic policy, the stability of the investment environment, the balancing of the labor market, and the inflation rate to be the main factors for ensuring the stability of the national economy.

The stability of the national currency plays an important role in the economic security and overall economic stability of the country. Scientists emphasize that the depreciation of the national currency is one of the main factors threatening the security of the national economy. The depreciation of the national currency is directly related to external economic factors, the balance of exports and imports, investment flows, and the stability of domestic financial policy.

Therefore, the effectiveness of the monetary policy conducted by the central bank and the coordinated implementation of budget and monetary policy are noted as important factors in ensuring the stability of the national currency. According to economists, in order to achieve currency stability, it is important

[1] Decree No. PF-5177 of the President of the Republic of Uzbekistan dated September 2, 2017 "On initial measures to liberalize the currency policy". - National database of legislation of the Republic of Uzbekistan (Lex.uz): https://lex.uz/docs/-3326421

[2] Resolution PQ-3272 of the President of the Republic of Uzbekistan dated September 13, 2017 "On measures to further improve the monetary and credit policy". - National database of legislation of the Republic of Uzbekistan (Lex.uz): https://lex.uz/ru/docs/-3339554

[3] Central Bank of the Republic of Uzbekistan. Statistical bulletin for the first quarter of 2023. - Official website of the Central Bank of the Republic of Uzbekistan (CBU.uz): https://cbu.uz/upload/medialibrary/188/xv6wegnnjw6p8loup148porukfjyges8/Markaziy-banki-Statistik-byulletini-2023_yil-I-chorak.pdf

to introduce a free currency exchange system based on market mechanisms, control inflation, and strengthen the competitive environment in the economy.

The gradual liberalization of the national currency exchange rate will serve to develop the country's foreign economic relations, create a favorable business environment for investors, and stimulate overall economic growth.

The integration of the national economy into the world market is also one of the important factors affecting its stability. This process includes the entry of the national economy into the international market, the development of foreign trade relations, and its adaptation to the global economic system. In particular, the balance of exports and imports, foreign direct investment, and the balance of foreign trade are of great importance in strengthening the national economy.

According to studies conducted by the World Bank and the International Monetary Fund, the openness of the national economy to foreign markets is considered one of the important factors stimulating economic growth. Therefore, many countries are taking measures to adapt the national economy to the requirements of foreign markets and increase the competitiveness of the national currency.

The definitions and approaches of economists and specialists show the interdependence of various factors in ensuring the stability of the national economy and the national currency. The strength of the national economy, currency stability, and integration into the international market contribute to the overall economic stability and development of the country.

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Research Methodology

Foreign and domestic experiences in ensuring the stability of the national economy and national currency of Uzbekistan were analyzed theoretically and practically. Also, the article effectively used methods such as comparison, scientific-theoretical comparison, observation, comparative economic analysis, systematic approach, and logical approach.

Analysis and Results

Ensuring the stability of the national economy and the national currency is one of the priorities of Uzbekistan's economic policy. Some problems in the country's economy can affect the stability of the national currency and undermine macroeconomic stability. In particular, low per capita GDP, high inflation and unemployment rates, and a negative foreign trade balance pose serious threats to economic stability.

One of the main problems in the economy is the low level of GDP per capita. Although the Uzbek economy has shown stable growth rates in recent years, in 2024 the gross domestic product (GDP) is expected to grow by 6,5%, or 1,45 quadrillion soums, and GDP per capita will reach 39,1 million soums (3,093 US dollars)[4].

Analyses and studies show that one of the main indicators of the stability of the national economy is the stability of the state budget. In recent years, the socio-economic reforms implemented in Uzbekistan have led to a sharp increase in the volume of financial resources. This, in turn, has led to the emergence of negative balances between state budget indicators, that is, between income and expenditure. The table below provides relevant information on this.

Table 1 Information on revenues, expenditures and results of the state budget of the Republic of Uzbekistan for 2020-2024 (at the expense of trillion soums)

Years	Revenues	Expenditures	Budget deficit	as a percentage of GDP
2020	128,4	133,6	5,2	1,4
2021	147,0	152,8	5,8	1,5
2022	171,5	182,0	10,5	2,2
2023	207,0	225,0	18,0	3,0
2024	270,4	312,9	42,5	4,0

Based on the data presented in the table, it can be seen that over the past five years, state budget revenues and expenditures in Uzbekistan have been steadily growing. From 2020 to 2024, revenues increased from 128,4 trillion soums to 270,4 trillion soums, and expenditures from 133.6 trillion soums to 312,9 trillion soums. However, since the growth rate of budget expenditures exceeded revenues, the budget deficit has been increasing year by year.

If in 2020 the budget deficit amounted to 5,2 trillion soums, by 2024 this figure will reach 42,5 trillion soums. Also, the share of the budget deficit in GDP has increased, from 1,4% in 2020 to 4,0% by 2024. This indicates a rapid growth in state spending and an increased need to finance the budget deficit. This trend reflects an increased active role of the state in the economy, an increase in large investments and social spending. However, a sharp increase in the budget deficit may affect the financial stability of the state. Therefore, it is necessary to implement specific measures in the coming years to increase the efficiency of state spending, diversify sources of revenue, and balance the budget.

At the same time, the high level of inflation is one of the important factors affecting the value of the national currency. Although a number of measures have been taken in Uzbekistan in recent years to reduce inflation, the overall increase in prices is especially noticeable in the consumer market, as a result of which the purchasing power of the population is decreasing. For example, while the inflation rate exceeded 10% in 2023, inflation in 2024 was around 9,5%[5]. The Central Bank's monetary policy is crucial in controlling the level of inflation, and at the same time, a high share of administered prices in the inflation structure remains. This limits the effectiveness of monetary instruments in the fight against inflation.

The negative balance of foreign trade is also one of the dangerous factors for the stability of the national currency. The excess of import volumes over export volumes, especially in industrial and consumer goods, creates a foreign trade imbalance, increasing the risk of devaluation of the national currency.

[4] State Statistics Committee of the Republic of Uzbekistan. GDP and GDP per capita indicators in 2024. – Source: https://www.gazeta.uz/oz/2025/02/07/gdp-uzbekistan/

[5] State Statistics Committee of the Republic of Uzbekistan. GDP and GDP per capita indicators in 2024. – Source: https://www.gazeta.uz/oz/2025/02/07/gdp-uzbekistan/

This, in turn, can lead to an increase in inflation and a decrease in incomes and purchasing power of the population. Uzbekistan needs to further deepen reforms to improve foreign trade policy, diversify exports, and reduce dependence on imports. For example, in the first half of 2023, Uzbekistan's foreign trade turnover amounted to 29,2 billion US dollars, an increase of 19,4% compared to the same period in 2022. The export volume amounted to 12,1 billion dollars, and the import volume amounted to 17,0 billion dollars[6].

Table 2 Data on Uzbekistan's foreign trade turnover in 2020-2024 (billion US dollars)

Years	Export	Import	Total foreign trade turnover	Balance	Balance in %
2020	14,1	22,2	36,3	-8,1	-22,3
2021	16,6	25,5	42,1	-8,9	-21,1
2022	19,3	31,2	50,5	-11,9	-23,6
2023	24,4	38,2	62,6	-13,8	-22,0
2024	26,94	38,98	65,93	-12,03	-18,2

The table shows that in 2020-2024, Uzbekistan's foreign trade turnover (FTC) has been steadily increasing. In 2020, it amounted to $36,3 billion, and by 2024 it reached $65,93 billion. This indicates a significant increase in the volume of foreign trade.

Like the budget deficit, the trade balance also remains in deficit; that is, imports exceed exports. In 2020, the trade balance deficit amounted to $8,1 billion, and in 2023 this figure increased to $13,8 billion. However, in 2024, the trade deficit decreased to $12,03 billion, which may be the result of a faster growth in exports than imports.

Although Uzbekistan is increasing its foreign trade volume year after year, the trade balance still remains in deficit. To increase the share of exports in relation to imports, it is necessary to produce value-added products, support local industry, and diversify export markets.

The above-mentioned problems are the main factors affecting the stability of the national economy and currency, and their elimination should be considered one of the priorities of Uzbekistan's economic policy. In such conditions, it is possible to ensure the stability of the national economy and currency by further improving the effectiveness of the Central Bank's monetary policy, deepening economic reforms, and improving the investment climate.

Conclusion

The stability of the national economy of Uzbekistan and the national currency—the soum—is one of the priorities of the country's economic policy. In recent years, a number of reforms have been implemented to stimulate economic growth, liberalize foreign trade, and introduce market mechanisms. However, the growing state budget deficit and the negative balance of foreign trade remain two of the main factors affecting the stability of the national currency.

To ensure the stability of the national economy, effective management of state expenditures, increasing revenues, and reducing dependence on external debt are of great importance. In order to reduce the budget deficit, it is necessary to increase state revenues by expanding the tax base, further improving

[6] State Statistics Committee of the Republic of Uzbekistan. GDP and GDP per capita indicators in 2024. – Source: https://www.gazeta.uz/oz/2025/02/07/gdp-uzbekistan

the business environment, and creating new production capacities. Effective targeting of state investments and expanding private sector participation in infrastructure projects have a positive impact on the stability of the national economy.

The negative balance of foreign trade is one of the factors directly affecting the stability of the national currency. A high share of imports increases the demand for foreign exchange, increasing the risk of devaluation of the soum. Therefore, it is necessary to stimulate exports, diversify export markets, and expand the production of import-substituting products. Strengthening the production of value-added products and accelerating industrialization processes will serve to protect the national currency from external influences.

To ensure the stability of the national currency, it is necessary to conduct monetary policy cautiously, control inflation, and effectively manage liquidity in the banking sector. The Central Bank, using monetary policy tools, should prevent sharp fluctuations in the foreign exchange market and take reliable measures to stabilize the soum.

In conclusion, in order to ensure the stability of the national economy and the national currency of Uzbekistan, one of the urgent tasks is to pay attention to the proportionality of the state financial policy, improve the foreign trade balance, and stimulate exports, as well as adapt monetary policy to market mechanisms. Such approaches serve to strengthen economic stability, protect the national currency from external influences, and ensure general economic growth.

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