



## **THE IMPORTANCE OF GOLD IN ENSURING ECONOMIC STABILITY**

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<b>ABSTRACT</b>	<b>KEYWORDS</b>
This article analyzes the formation process of the gold market, its current state, and future development prospects. The main objective of the study is to identify key trends emerging in the course of the comprehensive reform of the national gold market, examine existing challenges through a systematic approach, and develop scientifically grounded proposals and recommendations to address them.	Gold market, price stability, investment potential, regulatory policy, gold reserves.

### **Introduction**

In the international monetary system, gold occupies a special place as the most reliable unit of measurement, a rare metal and a high-quality exchange asset. For centuries, its incomparable role in international financial relations has been undoubtedly recognized by economists, and scientific foundations have been formed in this regard that do not require proof. However, the role of gold in the economic development of individual countries is unique, and it is necessary to substantiate this situation through in-depth economic and financial analyses and clarify its macroeconomic significance. As is known, gold plays an important role as an asset with high value in the process of developing and strengthening the economy of the Republic of Uzbekistan. From the point of view of currency value, gold is considered a factor strengthening the economic stability and external economic image of Uzbekistan. During the years of independence, the gold industry served as one of the leading sectors in the formation of the national economy.

Natural resources, in particular gold, are of strategic importance in the economy of Uzbekistan. Due to the large geological reserves and promising deposits available in the country, the gold industry has become one of the main drivers of economic growth. Growing demand in the global gold market, increased interest in investment and jewelry products, as well as reforms aimed at liberalizing the domestic market, further expand the development prospects of this sector.

### **Literature Review on the Topic**

According to N. Zakharova, gold has always been considered the main unit of measurement of national wealth, serving as a symbol of economic stability and wealth. She notes that since ancient times, people have sought to store gold in the form of bullion, coins and jewelry, which indicates that it has not only

economic, but also social and cultural significance [1]. Gold has been actively used as a means of payment for centuries and has played an important role in world economic history. Its physicochemical properties and the specific geographical location of deposits have determined the status of gold as a valuable and sought-after mineral.

J. Ataniyazov notes that gold is currently mainly used by states to form gold-foreign exchange reserves and as a means of covering the deficit in the country's balance of payments [2]. In his opinion, such a functional role of gold is an important factor in ensuring international financial stability, and it is of particular importance as a safe asset in conditions of global economic instability.

According to Russian economist Y. Yurova, global gold markets are dominated by physical gold and its derivatives, which is the basis for gold's stable position in the global financial system [3].

The uncertainties and geopolitical tensions arising in the modern economic environment significantly hinder the consistent development of the world gold market. In this regard, economists believe that precious metals are recognized as the main reserve and source of wealth in the financial and economic system, and the stability of the country's national currency largely depends on the size of gold and foreign exchange reserves and the degree of their diversification. According to statistics provided by Bloomberg, today more than 50 gold markets operate on the continents of America, Asia, Africa and Western Europe [4].

According to E. Dariusz, the world's gold reserves are mainly located in Australia, Russia and South Africa, with China, Australia and Russia being among the largest gold producers [5]. These countries provide more than 30 percent of world gold production. Also, 48 percent of the demand for gold falls on the jewelry industry, and the greatest demand in this area is formed by business entities in China and India.

According to S. Artemyev and I. Dolmatovich, the supply and demand for gold on the world market, as well as its price, are directly affected by a number of factors - global political and economic changes, scientific and technological progress, and other external environmental influences [6].

## **Research Methodology**

This study used a complex scientific and methodological approach to study the stages of formation of the gold market in the Republic of Uzbekistan, its current state and development prospects.

## **Analysis and discussion of results**

The Republic of Uzbekistan is currently among the 15 largest gold producing countries in the world. The country has large deposits in the gold industry, the largest of which is the Muruntau deposit located in the Navoi region and is one of the largest deposits in the world. Also, deposits such as Amantoytau, Darkan, Kyzylkum, Kokpatas have high geological reserves and form the country's gold resource base. Navoi Mining and Metallurgical Combine (NMMC) and Almalyk Mining and Metallurgical Combine (AMMC) are industrial entities of strategic importance in the processes of gold mining and processing. These enterprises have formed production capacities in accordance with international standards by introducing modern technologies. As a result, they occupy an important place in the supply of competitive gold products on the world market.

In recent years, significant institutional reforms have been carried out in Uzbekistan to liberalize the gold market. In particular:

Since 2018, individuals and legal entities have been granted the right to freely purchase gold bars;  
The production of investment bars has been launched;  
Permits and customs procedures for gold export have been simplified;  
New financial products, such as gold deposits and metal accounts, have been introduced by commercial banks.

These measures serve to expand the competitive environment in the domestic market, increase investment attractiveness, and ensure financial transparency.

Analysis of the domestic market shows that demand for gold products has increased significantly in recent years. This growth is explained, on the one hand, by the increased interest of the population in investment instruments, and, on the other hand, by the activation of heavy industry. In particular, the growing demand for jewelry is emerging as an important factor increasing the economic value of gold. The export geography of gold produced by the Republic of Uzbekistan in the foreign market mainly includes countries such as Switzerland, the United Arab Emirates and the People's Republic of China. According to the results of 2023, the country's budget received about 7 billion US dollars from gold exports. This indicator clearly demonstrates the strategic importance of the gold industry in ensuring the financial stability of the state. In the coming period, diversification of gold exports, development of new market segments and expansion of export geography are among the priority areas serving the country's macroeconomic stability.

The International Monetary Fund regularly maintains statistics on national assets published by various countries. This data is used by the World Gold Council to periodically rank and report on the gold reserves of countries. Table 1 below shows the share of gold in the gold and foreign exchange reserves of countries as of May 2025.

Table 1 Share of gold in countries' gold and foreign exchange reserves according to the World Gold Council (May 2025) [7]

<i>No</i>	<i>Country</i>	<i>Gold reserves (tons)</i>	<i>The share of gold in the RFEG</i>
<b>1</b>	<i>USA</i>	<i>8133,5</i>	<i>74,9%</i>
<b>2</b>	<i>Germany</i>	<i>3351,2</i>	<i>77,1%</i>
<b>3</b>	<i>Italy</i>	<i>2451,8</i>	<i>74,1%</i>
<b>4</b>	<i>France</i>	<i>2437,0</i>	<i>74,7%</i>
<b>5</b>	<i>Russia</i>	<i>2332,7</i>	<i>29,5%</i>
<b>6</b>	<i>China</i>	<i>2292,3</i>	<i>6,5%</i>
<b>7</b>	<i>Switzerland</i>	<i>1039,9</i>	<i>9,6%</i>
<b>8</b>	<i>India</i>	<i>879,6</i>	<i>13,4%</i>
<b>9</b>	<i>Japan</i>	<i>845,9</i>	<i>6,6%</i>
<b>10</b>	<i>Turkey</i>	<i>623,9</i>	<i>43,6%</i>
<b>11</b>	<i>Netherlands</i>	<i>612,4</i>	<i>64,9%</i>
<b>12</b>	<i>Poland</i>	<i>509,3</i>	<i>22,0%</i>
<b>13</b>	<i>Taiwan</i>	<i>422,4</i>	<i>4,7%</i>
<b>14</b>	<i>Portugal</i>	<i>382,6</i>	<i>84,0%</i>
<b>15</b>	<i>Uzbekistan</i>	<i>367,6</i>	<i>77,0%</i>

This table shows the amount of gold in the gold and foreign exchange reserves of countries as of May 2025 and its share. As can be seen from the table, the United States is the world leader with 8,133.5 tons of gold reserves, and its share in the gold and foreign exchange reserves is 74.9%. Germany, Italy and France also have large gold reserves, and their share of gold is around 74-77%.

In large countries such as Russia and China, the share of gold is relatively low, at 29.5% and 6.5%, respectively. This indicates that other assets also play a large role in their reserves. Countries such as Switzerland, India and Japan also have a smaller share of gold, and they have focused on diversifying their reserves.

Portugal and Uzbekistan have high rates of share of gold reserves. For example, in Portugal, gold reserves account for 84% of total reserves, and in Uzbekistan 77%.

The Central Bank of the Republic of Uzbekistan performs functions such as management, settlement, and storage of reserves of assets such as gold, foreign currency and securities in it, financial derivatives, based on international standards. There are a number of requirements for these assets to be recognized as reserves, including: they must be highly liquid assets, be in a currency that performs the function of international money, and be under the free disposal and control of monetary institutions.

In order to ensure the sustainable and competitive development of the gold industry in Uzbekistan, the following strategic directions are considered priority:

Development of commodity exchanges - increasing market transparency, liquidity, and fairness of price formation mechanisms by implementing gold trading through electronic platforms.

Expanding private sector participation - simplifying the licensing and permitting processes, as well as involving small and medium-sized businesses in gold mining and processing activities, will create opportunities for developing a cluster approach in the gold industry.

Improving the regulatory framework - it is necessary to consistently improve the legislative framework regulating the circulation, export and activities of gold producers, which will serve as an institutional guarantee of the stability of the industry.

Ensuring environmental sustainability - minimizing the negative impact on the environment during the exploitation of mines, ensuring compliance with the principles of sustainable development through the introduction of “green technologies”.

Creating a national brand - by forming a national brand with international certificates called “Gold of Uzbekistan”, it is possible to bring products to higher segments of the world market, increase the level of trust and increase export volumes.

## Conclusions and Recommendations

The policy of managing gold and foreign exchange reserves pursued by the Central Bank of the Republic of Uzbekistan is being implemented in accordance with modern international financial standards. This policy serves the goals of ensuring the country’s macroeconomic stability, creating a mechanism for protecting against external economic threats, and stimulating economic growth.

Firstly, the volume of Uzbekistan’s gold and foreign exchange reserves is relatively stable and sufficient, which serves as a reliable financial reserve to cover the country’s external debt obligations and import needs. According to the recommendations of the World Bank and the International Monetary Fund, such reserves should be able to cover at least 3-6 months of imports. Uzbekistan’s reserves meet these criteria.

Secondly, the diversified portfolio policy pursued by the Central Bank is aimed at ensuring a balance between different forms of gold and foreign exchange, as well as assets located in different geographical zones. In this case, gold reserves are becoming important not only as a factor of financial security, but also as an investment tool.

Thirdly, the existing reserves serve to maintain the country's financial stability in the event of fluctuations in world prices, exchange rate instability or a global financial crisis.

Fourthly, the Central Bank's application of a profitable investment strategy also increases the efficiency of reserve management. Within the framework of this strategy, investments in liquid and low-risk international assets not only preserve the value of reserves, but also ensure their real profitability.

In general, the policy of managing gold and foreign exchange reserves implemented by the Central Bank of the Republic of Uzbekistan justifies itself as a strategic mechanism for ensuring economic security and plays an important role in increasing the economy's resilience to external risks.

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