

**SOCIO-ECONOMIC MECHANISMS FOR ENSURING
MACROECONOMIC STABILITY IN UZBEKISTAN**

Annotatsiya. Mazkur ilmiy ishda O'zbekiston Respublikasida makroiqtisodiy barqarorlikni ta'minlashning ijtimoiy-iqtisodiy mexanizmlari tizimli tahlil qilinadi. Tadqiqotda iqtisodiy islohotlarning makroiqtisodiy ko'rsatkichlarga ta'siri, fiskal va monetar siyosatning uyg'unligi, soliq va kredit siyosati vositalarining roli hamda aholi farovonligini oshirishga xizmat qiluvchi davlat siyosatining yo'nalishlari yoritiladi. Shuningdek, xalqaro tajriba asosida milliy iqtisodiy barqarorlik modelining ustun jihatlari va muammoli jihatlari aniqlanib, ularni takomillashtirish bo'yicha taklif va tavsiyalar ishlab chiqiladi. Tadqiqot natijalari davlat iqtisodiy siyosatini shakllantirish, strategik rejalashtirish va ijtimoiy barqarorlikni ta'minlashda amaliy ahamiyat kasb etadi.

Kalit so'zlar: makroiqtisodiy barqarorlik, fiskal siyosat, monetar siyosat, ijtimoiy-iqtisodiy mexanizm, inflyatsiya, davlat byudjeti, soliq siyosati, kredit siyosati, iqtisodiy islohotlar, barqaror rivojlanish.

Аннотация. В данной научной работе проводится системный анализ социально-экономических механизмов обеспечения макроэкономической стабильности в Республике Узбекистан. В исследовании освещается влияние экономических реформ на макроэкономические показатели, согласованность фискальной и монетарной политики, роль инструментов налоговой и кредитной политики, а также направления государственной политики, способствующие повышению благосостояния населения. Кроме того, на основе международного опыта выявлены сильные и проблемные стороны модели национальной экономической стабильности, а также разработаны предложения и рекомендации по её совершенствованию. Результаты исследования имеют практическое значение для формирования государственной экономической политики, стратегического планирования и обеспечения социальной стабильности.

Ключевые слова: макроэкономическая стабильность, фискальная политика, монетарная политика, социально-экономический механизм, инфляция, государственный бюджет, налоговая политика, кредитная политика, экономические реформы, устойчивое развитие.

Annotation. This scientific study presents a systematic analysis of the socio-economic mechanisms for ensuring macroeconomic stability in the Republic of Uzbekistan. The research highlights the impact of economic reforms on macroeconomic indicators, the coherence between fiscal and monetary policies, the role of tax and credit policy instruments, and the directions of state policy aimed at improving the well-being of the population. Furthermore, based on international experience, the strengths and challenges of the national model for economic stability are identified, and proposals and recommendations for its improvement are developed. The results of the study are of practical importance for shaping state economic policy, strategic planning, and ensuring social stability.

Keywords: macroeconomic stability, fiscal policy, monetary policy, socio-economic mechanism, inflation, state budget, tax policy, credit policy, economic reforms, sustainable development

Introduction

In today's context of globalization and economic competition, macroeconomic stability plays a crucial role in ensuring the economic development and social well-being of every country. Macroeconomic stability refers to maintaining inflation at a controlled level, achieving a balanced state budget and external trade balance, ensuring the stability of the national currency, full

employment, and sustainable growth of production. Under such conditions, the social orientation of government economic policy, the coherence between fiscal and monetary strategies, and the improvement of tax and credit systems gain special importance.

In recent years, Uzbekistan has undertaken fundamental economic reforms, including the liberalization of currency policy, deregulation of the banking and financial system, and the improvement of the external trade and investment environment. These measures form the main directions for achieving macroeconomic stability. In the national development strategy initiated by President Shavkat Mirziyoyev, based on the principle of "For the dignity of man," ensuring economic stability and public welfare has been defined as a top priority.

From this perspective, the relevance of the topic lies in the importance of analyzing how socio-economic mechanisms function in ensuring macroeconomic stability in Uzbekistan, evaluating their effectiveness, and identifying existing challenges. The research explores the dynamics of macroeconomic indicators, the interaction of economic policy tools, and the mechanisms developed based on international experience and national models. The results of this study are of practical significance for shaping economic policy, improving public budget and fiscal-customs strategies, and defining systemic measures that ensure macroeconomic stability in the fields of social protection and employment.

According to the "Uzbekistan-2030" Strategy, by 2030 it is planned to increase the gross domestic product (GDP) to 160 billion USD and per capita income to 4,000 USD. The target inflation rate is set at 5–6%, with annual investment growth of 7%, a budget deficit below 3%, and public debt not exceeding 50% of GDP. Additionally, the annual volume of lending is expected to reach 40 billion USD, and exports are planned to grow 2.0 times. These target indicators are aimed at ensuring macroeconomic stability and improving the well-being of the country's population. In this regard, systematic monitoring, timely identification of problems, and the development of specific mechanisms and measures to achieve macroeconomic stability are of great importance and relevance.

According to academic literature, macroeconomic policy refers to the actions of the state aimed at stabilizing the economy. It is implemented through interconnected components such as monetary, fiscal, foreign economic, investment, and social policies.

The essence of macroeconomic stabilization lies in overcoming macroeconomic imbalances, which are characterized by changes in gross national product (GNP), price level fluctuations, and employment shifts. There are two main scenarios of macroeconomic stabilization. The first is orthodox, and the second is heterodox. The orthodox scenario consists of a set of macroeconomic instruments, including tight monetary policy, minimizing the budget deficit, and controlling the money supply. This approach relies on market regulators such as price liberalization, wage growth limitations, and liberalization of all areas of activity, including foreign trade.

Heterodox (mixed) stabilization measures, supported by the author, focus on limiting excessive demand and stimulating supply. In this case, the state regulates the prices of socially significant goods and services, foreign trade, and the foreign exchange market, and supports entrepreneurs through direct subsidies, tax incentives, and credit preferences. By regulating the levels of inflation and unemployment, the government ensures macroeconomic stability and sustainable economic growth. In addition to the main tasks, macroeconomic stabilization measures include a whole range of interconnected issues. These are economic efficiency (labor productivity, resource conservation, etc.), trade balance (exports and imports), maintaining the level of national production (services), fair income distribution including employment, low unemployment and poverty rates, exchange rate stability, and others.

Research Methods.

The article employs methods of comparative and causal analysis, statistical comparisons, expert assessments, and other modern methods for evaluating macroeconomic regulation aimed at ensuring socio-economic stability.

Analysis and Results.

Macroeconomic stability requires timely response, the establishment of mechanisms, and the elimination of emerging potential external and internal risks. External threats are driven by the increasing tensions in global political, economic, social, and environmental spheres in recent years. The uncertainty and instability of the global economic situation have led to the rise of protectionist sentiments, the introduction of various sanction regimes, the disruption of long-standing trade and economic ties, and the search for new markets. Additionally, global climate change and its consequences require the adoption of additional mitigation measures. Internal risks are largely associated with the country's high demographic potential, placing additional pressure on the economy. The depletion of water resources, the degradation of land resources, as well as environmental problems related to the Aral Sea, also affect sustainable development. Despite external and internal risks, Uzbekistan has been taking timely measures to counter adverse threats and continues to maintain positive dynamics of sustainable development.

The macroeconomic trends observed in 2022–2024 demonstrate the effectiveness of large-scale reforms focused on the development of a market economy and on institutional and structural transformations aimed at ensuring macroeconomic stability. The most significant measures for macroeconomic stability include efforts to ensure the sustainability of economic growth, improve monetary and fiscal policies, boost foreign economic and investment activities, significantly reduce poverty and unemployment, and create a favorable investment climate and business environment (Table 1).

Table 1

Macroeconomic trends of Uzbekistan.¹

	Macroeconomic indicators	2020 y.	2021 y.	2022 y.	2023 y.	2024 y.
1	GDP Growth (in %)	2,0	7,4	6,0	6,3	6,0
2	Share of Investment in GDP (%)	34,6	32,4	26,7	29,9	33,5
3	Foreign Trade:					
	Exports (billion USD)	15,1	16,7	19,7	24,4	27,5
	Imports (billion USD)	21,1	25,5	30,8	38,2	39,1
4	Budget Deficit (as % of GDP)	-3,0	-3,0	-3,6	-5,0	-4,0
5	Inflation Rate (in %)	11,1	10,0	12,3	8,8	10,0
6	Poverty Rate (in %)	-	-	14,1	11,0	8,9

Over the past three years, the economy has maintained relatively high growth rates (6.0–6.3 percent). The Republic significantly outpaces the CIS countries, particularly those in Central Asia, in terms of GDP growth rates. According to World Bank estimates, in 2024, global GDP growth averaged 3.2 percent, with China at 4.8 percent, Russia at 3.6 percent, Turkey at 3.0 percent, Kazakhstan at 3.5 percent, and Kyrgyzstan at 6.5 percent. Economic growth has been mainly driven by the sustainable development of the services sector, industry, and construction. The primary factor behind the stable economic growth is investment activity. Investments in fixed capital increased by 1.7 times over 2022–2024, and their share of GDP rose from 26.7 percent to 33.5 percent.

The high level of investment activity is the result of growth in savings and accumulations. Over the 2022–2024 period alone, household incomes increased by 1.3 times, remittances by 1.9 times, services exports by 2.6 times, and retail trade turnover by 1.3 times. A total of 90 billion USD in investments was utilized. According to the Ministry of Economy and Finance of the Republic of Uzbekistan, the total volume of investments from all financing sources is planned to reach 564 trillion soums by 2025. The volume of foreign trade during the analyzed period increased by 1.8 times, including a 1.8-fold increase in exports and a 1.9-fold increase in imports. Despite these positive developments, there remains a trade imbalance where imports exceed exports, although a gradual reduction is observed (12.2 percent in 2022 and 9.7 percent in 2024).

¹ Источник: данные комитета по статистике

It should be noted that export growth in Uzbekistan is the second most important factor driving economic growth after investments.

Ensuring macroeconomic stability is largely linked to market-oriented reforms in taxation. In particular, tax rates for both enterprises and individuals have been significantly reduced, enabling entrepreneurs to conduct business activities more actively. For example, between 2018 and 2024, the corporate income tax rate was reduced from 16 to 15 percent (for comparison, 20 percent in Kazakhstan), the value-added tax (VAT) from 20 percent to 12 percent (12 percent in Kazakhstan), the personal income tax from 7.5–22 percent to 12 percent (10 percent in Kazakhstan), the property tax for legal entities from 5 to 1.5 percent (1.5 percent in Kazakhstan), and the social tax from 15–25 percent to 12 percent (12.5 percent in Kazakhstan). The overall tax burden has become relatively optimal and low compared to Uzbekistan's major international partners. In recent years, Uzbekistan has achieved a significant reduction in the poverty rate, decreasing it from 14.1 percent to 8.9 percent¹. By 2025, it is planned to further reduce poverty to 6.0 percent. Within a relatively short period, Uzbekistan has managed to accomplish the targeted twofold reduction in poverty by 2030, in line with Goal 1 of the country's national Sustainable Development Goals (SDGs).

Specific measures have been implemented to reduce poverty through the introduction of a national model based on seven principles:

- Sustainable employment and high income generation;
- Access to education and workforce training;
- Guaranteed state-provided healthcare services;
- Access to social services;
- Improvement of housing conditions;
- Development of neighborhood (mahalla) infrastructure by the state;
- Direct dialogue between citizens and government officials.

Reducing poverty has been defined as a top priority for all government bodies, organizations, and the country's socio-economic policy. In 2025, it is planned to lift 1 million people out of poverty². A large package of measures has been implemented to create new jobs by stimulating various forms of employment and small entrepreneurship. As a result, the unemployment rate decreased from 10.5 percent in 2020 to 5.3 percent in 2024 — nearly halved.

Alongside clear positive developments, the reforms aimed at revitalizing and liberalizing society, developing market mechanisms, and the intensification of external risks and threats have also led to several challenges in maintaining macroeconomic stability.

First, currency devaluations may lead to increased inflation and higher budget expenditures for servicing external debt. Second, the most pressing issue at the moment is the relatively high inflation rate (11.1 percent in 2020 and 10.0 percent in 2024), which undermines purchasing power (affecting incomes, wages, and increasing social risks). Third, public debt remains relatively high (27.0 percent in 2020 and 40.0 percent in 2024), along with the budget deficit (3.0 percent in 2020 and 4.0 percent in 2024). In 2025, external public debt may reach 45 billion USD. Fourth, external trade remains unbalanced, with imports exceeding exports. According to forecasts, exports in 2025 will amount to 30.5 billion USD, while imports will reach 40.87 billion USD. Fifth, external risks are intensifying, including the global economic slowdown, financial market instability, rising protectionist sentiments and sanctions regimes, increased global competition, and the urgent need to transition to a green and digital economy.

In addition, resource efficiency remains relatively low compared to global standards, especially regarding key indicators such as energy intensity, material intensity, water usage, capital intensity, and labor productivity. Taking into account current trends, internal and external risks, as

¹ Источник: Указ Президента Республики Узбекистан «О мерах по внедрению новой системы обеспечения высокого экономического роста и занятости населения в регионах, а также повышению роли и ответственности местных хокимиятов в данном направлении» УП №223 от 20 декабря

² Указ Президента Республики Узбекистан «Вывести на новый уровень по снижению бедности и повышению благосостояния населения». УНП №143 от 23 сентября 2024г.

well as international experience, the main objective of Uzbekistan's sustainable development is to maintain macroeconomic stability by strengthening the balance and interconnection of the key components of macroeconomic regulation.

According to the target indicators, the unemployment rate should be reduced to below 5.0 percent by 2025. The ongoing targeted macroeconomic policy requires enhanced coordination among ministries and agencies responsible for implementing specific instruments and mechanisms that influence macroeconomic stability. International practices of developing countries in macroeconomic regulation indicate that the level of monetization of the economy in Uzbekistan remains relatively low. This lag reflects the underdevelopment of financial markets and the presence of a substantial shadow economy. Additionally, interest rates for business loans in Uzbekistan have remained relatively high for several years compared to other countries. There is a need to improve institutional reforms by establishing a balanced mechanism to ensure macroeconomic stability and sustainable economic growth. This includes developing a unified document in the form of a dedicated "Program", which consolidates all current sectoral, regional, and functional target programs, investment projects, as well as incentives and preferences aimed at stimulating entrepreneurial activity.

The main priority areas for ensuring macroeconomic stability include:

- Further improvement of monetary instruments and development of the financial market;
- Significant enhancement of fiscal policy through the reduction of non-productive expenditures and the promotion of the digital and green economy;
- Development of a comprehensive set of additional measures to reduce the potential for high inflation;
- Increasing the efficiency of rising investment volumes to achieve tangible outcomes;
- Preventing sharp social stratification, including income disparity;
- Further improvement of tax administration aimed at reducing the informal sector;
- Adoption of additional measures to expand export potential and strengthen the localization of production based on local raw materials and resources.

Below are key recommendations for specific components of macroeconomic stability. In the field of monetary policy, increasing its effectiveness is essential for achieving the target parameters of economic growth (6–7 percent annually). These measures include:

- Developing additional tools for preventing and reducing unjustifiably high inflation levels through key instruments such as the refinancing rate, monetization level, stabilization of the exchange rate;
- Improving statistical reporting in line with international best practices;
- Timely identification of internal and external risks;
- Easing monetary policy when necessary;
- Conducting in-depth analysis of monetary indicators in correlation with fiscal policy and economic growth goals;
- Formulating measures for the early mitigation of external risks and threats that could lead to currency devaluation and increased inflation rates, among other challenges.

It is important to consider the real possibilities and conditions for the Central Bank to apply the inflation targeting mechanism, which is widely used in global practice, including in countries with transitional economies. It is advisable to extensively use econometric models and artificial intelligence for in-depth analysis and forecasting of monetary indicators, particularly in assessing the impact of monetary instruments on the functioning of the shadow economy.

Improving fiscal (budgetary-tax) policy should focus on significantly increasing the efficiency of budget resource utilization. Specifically, it is recommended to:

- Conduct an inventory of government institutions to assess their actual need for allocated space and utilities (electricity, water, heating, etc.);
- Optimize budgetary organizations;
- Promote decentralization in the formation of budgets at various levels;
- Establish systematic monitoring of the effectiveness of tax benefits and preferences;

- Broadly implement digital and innovative technologies, energy-saving measures, and other efficiency-enhancing tools.

Digitalization in tax administration and the elimination of bureaucratic barriers for entrepreneurs is particularly relevant. Special attention should be given to reducing and regulating inflationary processes. A monthly systematic monitoring system should be established to assess the impact of the refinancing rate, lending volume, and monetary aggregates on the inflation level. Additionally, it is advisable to conduct weekly assessments of inflation based on external factors, including imports and exports of consumer goods from neighboring countries, and to carry out an in-depth analysis of pricing factors. This would help enable timely management decisions based on their impact on the population's well-being, especially for low-income households.

In ensuring macroeconomic stabilization, not only the quantitative volume but also the quality and efficiency of investments play a crucial role. Addressing this issue requires a comprehensive approach that considers the influence of monetary and fiscal policy tools, as well as economic growth dynamics, on investment processes. In this regard, alongside attracting foreign direct investment (FDI), it is essential to stimulate domestic investment activity, including mobilizing household savings and private entrepreneurs' resources. This also involves implementing a performance management system for investment engagement, particularly in the field of public-private partnerships (PPP), conducting inventories and evaluations of the effectiveness of tax incentives and preferences offered to investors, and expanding the stock market and the securities market.

It is important to strengthen the alignment between investment policy and broader efforts to liberalize goods markets, ensure sustainable economic development, and improve key macroeconomic indicators. The participation of foreign investors in the banking and financial sector is also considered important to expand financing and lending opportunities for entrepreneurs. Further development of financial infrastructure — including insurance companies, investment funds, rating agencies, consulting centers, and engineering services — is advisable to better mobilize the financial and investment resources of entrepreneurs and the population.

A comprehensive mobilization of macroeconomic instruments is required to expand exports of goods and services while relatively reducing imports. This should be based on an active state policy of production localization leveraging the country's rich natural and economic potential. It is advisable to identify specific product groups with comparative advantages, accelerate the process of accession to the World Trade Organization (WTO) while protecting the domestic market during the initial phase, and continuously improve tariff policy in line with external market conditions — including in neighboring countries — to facilitate timely managerial decisions. Ensuring the social orientation of the state budget and preventing high levels of social inequality are essential components of macroeconomic stability and sustainable development. Despite the positive outcomes of social policy and poverty reduction in Uzbekistan, some issues remain unresolved. In recent years, there has been a growing trend of social stratification, which could lead to increased social risks.

In this context, it is crucial to establish quarterly monitoring systems to track levels of social inequality, particularly with regard to household income, in order to implement preventive measures. It is also important to prepare monthly balances of essential goods to meet the population's real needs, and to regularly monitor the purchasing power of incomes across different social groups. Strengthening the balance among the key components of macroeconomic regulation tools requires a series of institutional reforms. To ensure macroeconomic stability and sustainable development, a package of sectoral, regional, and functional programs is being implemented through relevant ministries and agencies, each with its own goals and functions. However, in such conditions, it is difficult to achieve interconnected and balanced economic development based on national interests.

Therefore, it is advisable that, under the leadership of the Ministry of Economy and Finance, an annual unified document be developed – the “Program for Macroeconomic Stability and Sustainable Development of Uzbekistan.” This document should cover all sectors of the

economy, the social sphere, and environmental sustainability. It should consist of a conceptual part defining priorities and macroeconomic target indicators, as well as a program section outlining state mechanisms for ensuring sustainable development.

The programmatic section should include:

- Measures for granting tax, credit, and customs benefits, subsidies, and quotas or licenses;
- The formation of targeted investment projects;
- The development and implementation of state-targeted programs;
- Key initiatives aimed at improving the well-being of the population and reducing poverty.

A third section of the program should provide forecast calculations for sustainable development, containing analytical and informational material to justify the target indicators. The development of this program should be aligned with the “Uzbekistan–2030” Strategy. Its effective implementation will largely depend on the coordinated use of macroeconomic indicators by ministries, government agencies, and local authorities.

Conclusion

Overall, the policy of ensuring macroeconomic stability is a vital priority in the ongoing reforms aimed at achieving sustainable economic growth and enhancing the well-being of the population. A key step in this direction is the development of a comprehensive “Program” for macroeconomic stability, in which all core components are interlinked and balanced. This includes the continued improvement of monetary, fiscal, foreign economic, investment, and social policies, consolidated into a single official document to ensure full coordination among relevant ministries and agencies. Uzbekistan’s socio-economic mechanisms for ensuring macroeconomic stability have become increasingly comprehensive and strategically oriented over the past several years. Sustained GDP growth, a significant reduction in poverty and unemployment, the stimulation of investment activity, and the adoption of fiscal and monetary reforms have all contributed to improved macroeconomic indicators. However, challenges such as inflation, trade imbalances, public debt, and social inequality remain.

The government's multi-dimensional approach — including inflation targeting, public-private partnership development, expansion of export potential, tax policy reform, and the promotion of digital and green economy principles — reflects a strong commitment to long-term economic resilience. Moreover, social policies aimed at improving the well-being of vulnerable groups, increasing employment, and ensuring access to education and healthcare underscore the inclusive nature of the reform agenda.

To further consolidate macroeconomic stability and ensure sustainable development, Uzbekistan must continue institutional reforms, enhance inter-ministerial coordination, and adopt an integrated national framework. The proposal to establish an annual “Program for Macroeconomic Stability and Sustainable Development” is timely and vital. This unified document should align sectoral, regional, and social priorities, enabling coherent policy implementation across all levels of government. In conclusion, Uzbekistan’s experience highlights the importance of harmonizing economic growth with social equity, institutional efficiency, and international competitiveness — all of which are essential to navigating future global and domestic challenges.

REFERENCES

1. Asian Development Bank. (2023). *Asian Development Outlook 2023: Economic trends in Central Asia*. Manila: ADB.
2. International Monetary Fund. (2024). *Republic of Uzbekistan: Staff Report for the 2024 Article IV Consultation*. Washington, DC: IMF.
3. World Bank. (2023). *Uzbekistan Economic Update: Navigating Challenges*. Washington, DC: World Bank.
4. Ministry of Economy and Finance of the Republic of Uzbekistan. (2024). *Macroeconomic Indicators of Uzbekistan (2022–2024)*. Tashkent: MoEF.
5. United Nations Development Programme. (2023). *Sustainable Development Goals in Uzbekistan: Progress and Challenges*. New York, NY: UNDP.

6. Mirkasimov, B. & Ibragimov, R. (2022). Structural reforms and macroeconomic stability in Uzbekistan. *Journal of Central Asian Studies*, 29(2), 134–151.
7. Karimov, O. (2021). Inflation targeting as a tool of monetary policy: The case of Uzbekistan. *International Economics and Economic Policy*, 18(4), 589–608.
8. Economic Research Institute. (2024). *The role of investment and fiscal policy in ensuring macroeconomic stability: A case study of Uzbekistan*. Tashkent: ERI.
9. Sadikov, A. (2023). Uzbekistan's public debt management and fiscal sustainability. *Belt and Road Economics Journal*, 5(1), 44–63.
10. Central Bank of Uzbekistan. (2024). *Annual Report 2023: Financial and Monetary Policy Overview*. Tashkent: CBU.
11. United Nations Economic and Social Commission for Asia and the Pacific. (2022). *Macroeconomic Policy and Inclusive Development in Central Asia*. Bangkok: UNESCAP.
12. Khakimov, P. & Yakubov, S. (2023). Digitalization, green economy, and macroeconomic stability in Uzbekistan. *Economic Policy and Development Review*, 10(3), 76–95.
13. The Economist Intelligence Unit. (2023). *Uzbekistan Country Report 2023: Growth, Inflation, and Trade Prospects*. London: EIU.
14. Ganiev, J. (2022). Fiscal reforms and poverty reduction in Uzbekistan: Lessons from recent experiences. *Central Asian Survey*, 41(2), 204–220.
15. Organization for Economic Co-operation and Development. (2023). *SME Development and Structural Reform in Uzbekistan*. Paris: OECD.