

Problems and solutions in the development of the economy of Uzbekistan

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Abstract: This article analyzes the indicators of economic development of Uzbekistan. Today, the problems and shortcomings in the development of the economy of Uzbekistan have been deeply analyzed, and the experience of foreign countries has been studied.

Key words: global, gross domestic product, inflation, trade, investment, loans, diversification, cost.

The post-pandemic recovery was influenced by factors such as the instability of the global economy, difficulties in the economies of major trading partners, price fluctuations on world markets, disruption of transport and logistics chains and general uncertainty of the situation.

However, the economy has demonstrated resilience to external challenges. According to the State Statistics Committee, the gross domestic product (GDP) of Uzbekistan grew by 5.7% in 2022, but the growth rate decreased compared to 2021 (7.4%).

Against the backdrop of unfavorable external conditions, the situation in the main trading partner countries developed differently.

In 2022, Kyrgyzstan's GDP grew by 7%, and at the end of 2021 the growth was 3.6%. Kazakhstan's growth rate will decline from 4.3 percent in 2021 to 3.1 percent in 2022.

Experts estimate that by the end of last year, China's GDP growth had slowed to about 3 percent. At the end of the year, amid conflict and sanctions, the Russian economy entered a recession. As a result, in January-November the Russian economy shrank by 2.1% compared to the same period in 2021.

In 2022, inflation in Uzbekistan accelerated from 10% to 12.3% in 2021. This is mainly due to the rise in world prices, the increase in the cost of products in countries that are the main suppliers to the Uzbekistan market.

For example, inflation in Russia, which accounts for about 20 percent of the country's imports, rose from 8.4 percent in 2021 to 11.9 percent in 2022. Over the same period, inflation in Kazakhstan (about 11% of Uzbekistan's imports) increased from 8.4% to 20.3%.

In Uzbekistan, in 2022, prices for food products increased by 15.6 percent (in 2021 - by 13 percent), for non-food products - by 10.7 percent (7.8 percent). The increase in prices for paid services remained at an average level of 8.4 percent (7.7 percent).

At the end of the year, investments in fixed capital decreased by 0.5 percent. At the same time, the downward trend in centralized investments continues; their volume decreased by 23%.

Regulatory restrictions on government-guaranteed foreign investment, credit and borrowings resulted in a 33 percent decline. Investments from the budget were also reduced by more than 15 percent.

At the same time, there is an increase in the volume of decentralized investments by 4.9%. In particular, foreign direct investment and credit, which make up the bulk of decentralized investment, increased by 1.3% to \$8.5 billion.

Investments directed at the expense of enterprises increased by 8.9%, private funds - by 3.2%, loans from commercial banks and other debt funds - by 7.8%.

In general, over the year, the share of decentralized investments in the total volume of investments increased from 80.8% to 85.1%, and the share of centralized investments decreased from 19.2% to 14.9%, respectively.

At the end of the year, growth in production volumes was observed in all sectors of the economy. Industry growth slowed to 5.2 percent in 2021 (growth in 2021 was 8.8 percent). The largest growth was recorded in electricity, gas, steam and air purification networks - by 12.7 percent. The volume of production in industrial sectors increased by 5.3 percent.

Mining sector growth is slowing from 10.8 percent in 2021 to 2.1 percent in 2022. At the same time, the production of consumer goods accelerated significantly - to 19.4% in 2022 (13.9% in 2021).

The services sector grew by 15.9% in 2022 (19.5% in 2021). Growth is observed in all sectors.

In 2022, financial services will grow at the fastest rate - 29.3 percent, communication and information services - 25.5 percent, education - 15.3 percent, accommodation and food - 14.7 percent, rent and lease - 12.2 percent, healthcare - will increase by 11.5 percent.

The volume of services provided in the transport sector increased by 12.4 percent, motor transport services - by 6.5 percent, passenger turnover - by 5.6 percent. At the same time, the growth rate of cargo turnover slowed from 11.8 percent in 2021 to 0.5 percent in 2022. In contrast, the growth rate of retail turnover accelerated from 12 percent in 2021 to 12.3 percent in 2022.

The growth rate in the construction sector actually remained the same as last year at 6.6%, compared to 6.8% in 2021.

In agriculture, the growth rate decreased slightly and reached 3.6% (in 2021, production growth was 4%).

Foreign trade activity continued to expand until the end of 2022. For the first time in the history of independence, the volume of foreign trade increased by 18.6% compared to 2021 and reached \$50 billion.

Also, export figures set a record in 2022, its volume increased by 15.9% and amounted to more than \$19 billion by the end of the year (in 2021 the increase was 10.3%). During the period under review, imports increased by 20.4%.

The increase in export volumes in 2022 is due to an increase in supplies abroad of food products by 24%, energy and petroleum products by 34%, chemical products by 17%, machinery and equipment by 41%.

Exports of textile products increased by 8.6% and reached \$3.2 billion. The volume of exports of services increased 1.5 times and amounted to \$4 billion. It is noted that in 2022, as in 2021, gold worth \$4.1 billion was exported.

The main increase in imports was the supply of machinery and equipment by 16%, chemical products by 19%, food products by 35%, non-ferrous metals and products made from them by 45%, ferrous metals and products from them by 18%. energy and petroleum products were expected to increase by 15 percent. The volume of imports of services increased by 43 percent. In general, in 2022, despite many external and internal difficulties, the economy of Uzbekistan demonstrated stability. The projected growth rates for 2022 have actually been achieved. Naturally, shocks and the global situation have had a negative impact on economic development. This led to a slowdown in economic growth and increased inflation. At the same time, despite the difficulties of foreign economic activity, there was an increase in the export of raw materials and diversification of the geography of product supplies abroad. According to the calculations of international experts and organizations, 2023 will cause serious problems for the global economy and the risk of a global recession against the backdrop of intensifying geopolitical confrontation and ongoing uncertainty regarding the situation related to the coronavirus. Accordingly, the economy of Uzbekistan will continue to develop in unfavorable conditions this year. Taking into account external risks, GDP growth is expected to reach 5.3% in 2023 and accelerate in subsequent years.

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