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## THE ROLE OF GDP IN THE ECONOMY OF UZBEKISTAN

*Abdullayeva Hilola Nutfilloyevna,  
teacher of the Economics Department  
Bukhara State University*

*Ravshanov Manuchekhr Abdisolom ugli,  
student of Bukhara State University*

### Annotatsiya

Ushbu maqolada iqtisodiyotning yalpi ichki mahsulot statistik ko'rsatkichlari qanday omillarga bog'liqligi, hozirgi kunda ular qanday holatdaligi yoritib berilgan.

**Key words:** GDP, market value, global situation, growth rate, trend, budget, foreign investments.

Gross domestic product is a contraction of total acceptance and a macroeconomic indicator that directly reflects the market value of goods and services at the end of each year (that is, intended for direct consumption). Also, GDP is a report produced during the year for consumption in all sectors of the economy of the country, and savings of fixed exports using factors of production of national equipment. This concept was first proposed by Simon Kuznets in 1934. GDP is an annual report on the consistency of production of existing and established countries, which world economists divide into parts. GDP determines the growth of prices in the current year based on current prices (without ratio) in world markets.

The GDP (inflation-adjusted) determines the rate of price growth relative to the previous year or any other reference point. The GDP always takes into account the existing goods and measures the price changes based on the extent of production growth in countries. The GDP serves as a tool to effectively control the purchasing

power of the economy in line with the inflation rate. The year 2022 was a period of serious tests for the economy of Uzbekistan. The Center for Economic Reforms and Research analyzed the country's development process during this period. Factors such as the uncertainty of the post-pandemic global conjuncture, economic difficulties in countries with major trading partners, fluctuations in global market prices, disruptions in transportation and logistics chains, and overall volatility had an impact. However, the economy demonstrated resilience to external challenges. According to the State Statistics Committee, Uzbekistan's gross domestic product (GDP) increased by 5.7% in 2022, but the growth rate decreased compared to 2021 (7.4%). Despite unfavorable external conditions, the situation varied in different countries with major trading partners. In Kyrgyzstan, the GDP increased by 7% in 2022, while the growth rate was 3.6% at the end of 2021. In Kazakhstan, the growth rate decreased from 4.3% in 2021 to 3.1% in 2022.

According to experts, the growth rate of China's GDP slowed down towards the end of the past year and is estimated to be around 3%. The Russian economy experienced a decline due to internal processes and sanctions. As a result, from January to November, the Russian economy decreased by 2.1% compared to the same period in 2021. In 2022, inflation in Uzbekistan accelerated from 10% in 2021 to 12.3%. This is mainly attributed to the increase in global prices and the rise in the cost of goods imported into Uzbekistan. For instance, in Russia, one of the major suppliers to Uzbekistan with approximately 20% of imports, inflation increased from 8.4% in 2021 to 11.9% in 2022. Similarly, in Kazakhstan (which accounts for about 11% of Uzbekistan's imports), inflation rose from 8.4% to 20.3%. In Uzbekistan, the prices of food products increased by 15.6% (compared to 13% in 2021), and non-food products increased by 10.7% (compared to 7.8%). The increase in the prices of paid services remained at an average level of 8.4% (7.7%). At the end of the year, investments in fixed capital decreased by 0.5%. In addition, the declining trend in concentrated investments continues, with their volume decreasing by 23%. Government-guaranteed foreign investments, loans, and credit attraction faced regulatory constraints, resulting in a 33% decrease. Moreover, budget allocations for investments decreased by more than 15%. At the same time, there is an increase of 4.9% in the volume of non-concentrated investments.

In particular, direct foreign investments and credits, which constitute the majority of non-concentrated investments, increased by 1.3% and amounted to \$8.5 billion. Investments directed from corporate accounts increased by 8.9%, population funds increased by 3.2%, and credits from commercial banks and other debts increased by 7.8%. Overall, the share of non-concentrated investments in the total volume of investments increased from 80.8% to 85.1%, while the share of concentrated investments decreased from 19.2% to 14.9%. According to the year-end results, there is an observed increase in production volume across all sectors of the economy.

According to statistical data, the transportation and IT sectors were the most active, experiencing a simultaneous growth of 14.7%. The slowest growth rates were observed in agriculture, mining, and fishery sectors (3.6%).

When calculated at the average exchange rate of the US dollar, the nominal GDP amounted to \$80.384 billion for the GDP, increasing to \$11.18 billion compared to the

previous year and significantly surpassing \$9.3 billion in 2020, reaching \$69.235 billion.

During the period of January to March in 2022, the per capita GDP, based on current prices, amounted to 4,604.6 thousand Uzbekistani soms (equivalent to 420 US dollars), showing a growth of 3.7% compared to the corresponding period of 2021.

In order to continue the implementation of ongoing reforms in all sectors, the "Development Strategy of New Uzbekistan for 2022-2026" and its corresponding "roadmap" were presented for public discussion. As a result of extensive public discussions, the state program "Development Strategy of New Uzbekistan for 2022-2026" (hereinafter referred to as the "Development Strategy") and its approval for implementation in the "Year of Enhancing Human Dignity and Active Community" were confirmed, based on the following seven priority directions derived from the concept of "Moving from the Strategy of Actions to the Strategy of Development":

- Upholding human dignity and further developing a society of free citizens to achieve the prosperity of the state.
- Elevating justice and the rule of law as the fundamental and essential condition for development in our country.
- Accelerating the rapid development of the national economy and ensuring high growth rates.
- Implementing a just social policy and developing human capital.
- Ensuring spiritual progress and advancing the field to a new stage.
- Addressing common social issues based on national interests.
- Enhancing the security and defense capabilities of our country, pursuing an open, pragmatic, and active foreign policy.

What needs to be done to develop the economy of Uzbekistan - Recommendations from World Bank experts:

Emphasizing the importance, the growth rates of GDP in Uzbekistan should be significantly higher than the current level in order to join the ranks of countries with higher income levels by 2030.

The World Bank has announced a new study analyzing the main challenges and opportunities for Uzbekistan's socio-economic development. It provides recommendations for addressing sector-specific obstacles, limiting the government's involvement in the economy, developing human capital, and transitioning to a green economy.

"In light of official goals, preparations are underway for the next phase of reforms. Specifically, reducing poverty by twice the current rate among the population by 2026 and aiming to join the ranks of countries with higher income levels by 2030 are being considered. To achieve this, it is necessary for the growth rates of GDP to be significantly higher than the current level. The report also emphasizes the need to create more job opportunities aligned with these goals and to enhance the participation of citizens, particularly youth, women, and vulnerable individuals, in economic processes."

In order to achieve the above-mentioned goals in Uzbekistan, development can be supported in the following four directions:

1) Promoting the growth of the private sector and creating sustainable employment opportunities:

- Improving mechanisms for the allocation of land, labor, and financial resources.

- Enhancing the regulatory and legal framework focused on promoting competition in the private sector.

- Implementing external trade and investment policies that facilitate the integration of the private sector into the global economy.

- Developing effective services to support private sector enterprises.

- Streamlining agricultural market reforms, ensuring their alignment with the activities of the state.

2) Reforming the role of the state to develop a market economy in the country:

- Transforming the functions of the state from being the primary producer of goods and services to promoting market development.

- Reducing the involvement of state-owned enterprises in the economy and increasing their efficiency.

- Developing necessary socio-economic infrastructure.

- Combating corruption and enhancing the governance activities of various authorities.

- Continuing the decentralization of state functions.

- Increasing the accountability of state institutions to citizens.

3) Enhancing human capital development in the country:

- Improving the quality of education system and addressing existing shortcomings.

- Enhancing access to primary and higher education institutions.

- Improving the effectiveness of the healthcare system and expanding access for citizens.

- Expanding access to water supply and sanitation services throughout the country.

- Strengthening the measurement system for poverty and improving state programs and their effectiveness in combating poverty.

- Developing a state policy that encourages the increased participation of vulnerable populations in the labor market.

- Improving the effectiveness of the social protection system and ensuring the coverage of needy individuals.

4) Promoting ecologically sustainable development:

- Managing natural resources, including water and land resources, more efficiently.

- Reducing emissions of greenhouse gases into the atmosphere, increasing energy efficiency, and modernizing various sectors of the economy, including the energy sector.

- Enhancing the management system for natural disasters.

Note: Please note that this translation has been provided to the best of my ability, but it may not capture the exact nuances and terminology of the original text.

"I would like to express my gratitude for the valuable information provided to our partners and stakeholders in the government to foster closer collaboration and facilitate the preparation of the National Development Strategy. The report serves as a foundation for identifying key priorities to be implemented within the next five years. It outlines the financial and analytical support that we offer to the authorities in order to effectively carry out significant reforms. The program will be presented for approval to the Board of Executive Directors of the World Bank at the end of this month," stated Marko Mantovanelli, the Country Manager of the World Bank's Uzbekistan office.

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