

The Role of External Factors in Ensuring Macroeconomic Stability: An Analytical Study Based on Uzbekistan's Experience

Eshqulova Nasiba Normuminovna

Independent Researcher at the Scientific Research Center “Scientific Foundations and Problems of the Development of the Economy of Uzbekistan” under TSEU Lecturer at the Department of Economics, Termez Institute of Economics and Service

Abstract This article provides an empirical analysis of the external factors influencing sustainable economic growth, focusing on Uzbekistan as a case study. Key variables examined include foreign trade, foreign direct investment, external debt, and international reserves. In recent years, the share of foreign trade in the country's GDP has increased significantly; however, a persistent trade deficit and the high share of gold exports have exerted downward pressure on macroeconomic stability. The growing cost of servicing external debt and the decline in international reserves indicate a growing reliance on external financial sources. The article offers recommendations for strengthening macroeconomic stability through export diversification, increasing the share of high value-added products, adopting a prudent external debt strategy, and enhancing international reserves. The results underline the importance of managing external factors in a comprehensive and balanced manner to achieve sustainable growth.

Keywords: macroeconomic stability, foreign trade, external debt, export diversification, gold exports

INTRODUCTION

In today's global economic environment, the long-term development prospects and socio-economic advancement of countries are closely linked to ensuring sustainable economic growth. Sustainable economic growth is not merely the increase in GDP; it also encompasses a growth pattern aligned with social equity, environmental balance, and the efficient use of resources. Recognized as one of the core directions within the United Nations Sustainable Development Goals (SDGs), sustainable growth has become a central focus of development strategies across nations.

In recent years, major shifts in the world economy – such as climate change, the aftermath of the pandemic, international financial crises, energy security concerns, and geopolitical instability – have exposed the vulnerabilities of the traditional economic growth model. Countries with high dependence on external factors are particularly susceptible to global shocks, placing their economic stability at significant risk. Therefore, studying sustainable economic growth has become not only theoretically important but also of great practical relevance.

Achieving sustainable economic growth requires consideration of not only internal but also external factors. In particular, trade openness, inflows of foreign direct investment, the level of external debt, the global financial environment, and the degree of international economic integration all have a substantial impact on economic growth processes. For developing countries, external factors serve as vital sources of economic resources. However, their positive outcomes are contingent upon effective governance, institutional stability, and coherent macroeconomic policy. Thus, the cautious management of external factors is a strategic necessity.

Accordingly, the role of external drivers in sustainable economic growth has been widely explored in scientific literature. Empirical studies conducted in various regional and macroeconomic

contexts reveal that the effects of these factors can vary significantly. For instance, trade openness and foreign investment have yielded positive outcomes in some countries, whereas in others, where institutional capacity is limited, these same factors have led to economic instability.

The relevance of studying sustainable economic growth lies in several dimensions. First, it is necessary to assess the impact of global challenges on national economies, which requires a deep understanding of and response to a complex economic environment. Second, identifying the conditions and mechanisms through which external factors – such as international trade, foreign investment, exchange rates, global financial flows, and economic integration – contribute to sustainable growth is of key importance. Third, it is crucial to develop strategic approaches to support national economic policy and ensure long-term stability. Therefore, this topic is of high importance in academic research and plays a vital role in the formulation of practical solutions and policies.

In this context, Uzbekistan has also undertaken a series of structural reforms. The year 2025 has been declared as the “Year of Environmental Protection and Green Economy,” with initiatives such as carbon credit markets and ecological projects being implemented. Under the national development strategy through 2030, the integration of the economy and environmental policy is being strengthened. Solar and wind power stations are being constructed to reach a 40% share of renewable energy in the national energy mix. International loans have been attracted to support the development of telecommunications infrastructure. Joint projects in transport, energy, and environmental sectors are being implemented in cooperation with the European Union, the C5+1 format, and Rosatom. These reforms contribute directly to sustainable development.

Furthermore, the “Uzbekistan – 2030” Strategy outlines goals to double the size of the national economy and attain upper-middle-income country status by 2030. This includes increasing GDP to USD 160 billion and per capita income to USD 4,000. Achieving macroeconomic stability requires efficient management of energy, water, and infrastructure resources. Monetary, fiscal, and trade policies will be coordinated, and competition will be promoted. Annual inflation is projected to remain within the range of 5–6%. Efforts to improve the investment climate and deepen institutional reforms are underway. The ratio of public debt to GDP is planned not to exceed 50%, and capital investment is expected to grow at an annual rate of approximately 7%.

LITERATURE REVIEW

Numerous studies have empirically examined the impact of external factors on achieving sustainable economic growth, drawing on diverse regional and methodological approaches to reach significant conclusions. For instance, Armeanu, Vintilă, and Gherghina (2017), in their study of 28 European Union countries, identified innovation capacity, environmental efficiency, energy security, and institutional stability as key drivers of sustainable growth. Their analysis highlights that not only internal, but also external and systemic factors exert considerable influence on economic stability.

In the African context, Yakubu et al. (2019) based their research on the experiences of Egypt, Nigeria, and South Africa, revealing that fiscal discipline, tax policy, trade relations, and exchange rate stability directly affect growth. While external debt is evaluated as a negative factor, the study emphasizes that sound financial management and macroeconomic policy can lay the foundation for sustainable development.

Similarly, a study by Koirala and Pradhan (2020) covering 12 Asian countries identified foreign direct investment, trade openness, and political stability as key external factors contributing positively to sustainable development. In a comparable vein, Batrancea et al. (2021) empirically demonstrated that international aid, external financing, and quality of governance are crucial to achieving sustainable growth across African nations.

In recent years, external debt has become an especially pressing topic. Chien et al. (2022) analyzed the post-pandemic impact of external debt on fiscal policy, concluding that if external debt is used effectively and strategically, it can stimulate sustainable economic recovery; otherwise, it can exacerbate macroeconomic challenges.

A further study focusing on Asian economies by Lee and Hong (2010) emphasized trade openness, technological adoption, and infrastructure development as essential components of long-term sustainable growth strategies. This approach illustrates how global economic integration supports sustained growth.

Radmehr et al. (2022) investigated the global impact of trade openness, financial development, and foreign direct investment on sustainable growth, emphasizing that these factors enhance the adaptability of economic systems to external environments. Their findings indicate that countries more integrated into the global economy are better positioned to achieve macroeconomic stability. Finally, Diemer (2019) outlined six key drivers of sustainable development—ecological balance, economic efficiency, social justice, governance quality, technological progress, and global cooperation. These dimensions align closely with the findings of the previously mentioned studies, particularly regarding the role of external integration and global partnerships as central to economic stability.

Collectively, these studies underscore the robust empirical foundation regarding the influence of external factors—such as trade openness, foreign investment, external debt, financial system development, institutional quality, and international cooperation—on sustainable economic growth. However, whether these factors exert a positive or negative effect largely depends on how they are managed. Effective policy and governance play a decisive role in channeling external drivers toward long-term economic stability.

ANALYSIS AND RESULTS

External factors influencing sustainable economic growth have a direct impact on domestic production, employment, exchange rate stability, and technological modernization processes. While the positive dynamics of these external drivers accelerate economic growth, their negative effects can lead to financial instability and macroeconomic disruption. Therefore, monitoring external factors and implementing economic policies in accordance with their behavior is considered a strategic imperative. In Uzbekistan, a series of structural reforms have been carried out to ensure sustainable economic development.

An analysis of external factors contributing to economic stability shows that, in 2024, Uzbekistan's foreign trade turnover reached USD 65.9 billion, reflecting the country's increasing economic engagement in international markets. Exports amounted to USD 26.9 billion, while imports stood at USD 38.9 billion, resulting in a trade deficit exceeding USD 12 billion.

It is well known that one of the most critical determinants of economic stability is external trade policy. According to statistical data, the share of foreign trade in Uzbekistan's GDP rose from 30.8% in 2015 to 64.4% in 2023, while the share of merchandise trade increased from 24.3% to 53.9%. This indicates a deepening integration of the national economy into global markets and

highlights the growing influence of external factors on economic growth. Expansion of foreign trade contributes to increased foreign currency inflows, access to advanced technologies, and greater competitiveness. However, it also exposes the economy to heightened sensitivity to global price fluctuations, external demand shifts, and geopolitical risks (see Table 1).

In 2023, Uzbekistan's net trade balance in goods reached a deficit of USD 14.9 billion, which represents a significant deterioration compared to 2015. This continuing import dominance indicates insufficient development of domestic production. To ensure economic stability, it is essential to shift the trade balance toward a positive direction. Key measures include diversifying exports, increasing the share of high value-added products, and gradually substituting imports with domestically produced goods. Otherwise, excessive reliance on the external sector poses risks to long-term macroeconomic stability.

Meanwhile, the share of foreign trade in the country's GDP has significantly increased—from 30.8% in 2015 to 64.4% in 2023. However, the net trade in goods has remained negative throughout this period, reaching USD –14.9 billion in 2023. This reflects a persistent imbalance in trade, with imports consistently exceeding exports.

Table 1

Foreign Trade Indicators of Uzbekistan [12]

| Year | Foreign Trade (% of GDP) | Merchandise Trade (% of GDP) | Net Trade Balance (USD Billion) |
|-------------|---------------------------------|-------------------------------------|--|
| 2015 | 30,8 | 24,3 | –2,1 |
| 2016 | 29,2 | 23,6 | –2,4 |
| 2017 | 42,6 | 31,7 | –2,2 |
| 2018 | 64,1 | 48,1 | –6,9 |
| 2019 | 65,0 | 54,7 | –7,3 |
| 2020 | 56,1 | 49,7 | –6,2 |
| 2021 | 57,5 | 48,9 | –8,8 |
| 2022 | 63,9 | 48,3 | –11,7 |
| 2023 | 64,4 | 53,9 | –14,9 |

External debt plays a crucial role as a financial resource for sustainable economic growth. It can support infrastructure financing, modernization of strategic industries, and economic stimulation. In particular, external financial resources are vital for technological modernization, expanding export capacity, and job creation. However, excessive growth in external debt can become a burden on the national budget and threaten macroeconomic stability through rising debt service obligations. Additionally, foreign currency-denominated debt poses serious risks if the national currency depreciates. Therefore, not the volume but the purpose, terms, and efficiency of debt

utilization are critical. External debt should be directed only toward productive, high-return projects that contribute to sustainable economic development.

Another key factor in ensuring sustainable growth is the country's strategic reserves, especially gold and foreign exchange reserves. These reserves serve as a safeguard, maintaining financial stability and protecting the economy from external shocks and exchange rate volatility. Adequate international reserves enhance resilience against geopolitical crises, global price fluctuations, and trade restrictions. Such reserves are viewed positively by international credit rating agencies and increase investor confidence. Moreover, they function as a financial buffer to support fiscal balance and mitigate the effects of economic downturns. Thus, reserves play a strategic role in macroeconomic stability, and their effective management is essential for long-term economic sustainability.

According to statistical data, Uzbekistan's external debt service payments increased significantly from USD 1.25 billion in 2015 to USD 8.54 billion in 2023 (Figure 1), representing nearly a sevenfold rise. This trend has accelerated since 2019, largely due to the growing volume of external debt, increased financing of large-scale investment projects, and the maturity of principal and interest obligations. Furthermore, post-pandemic fiscal expansion and increased public spending on infrastructure have also contributed to this trend.

At the same time, the ratio of international reserves to external debt has been declining year by year. In 2015, reserves amounted to approximately 181% of external debt, enabling full coverage of external liabilities. However, this ratio steadily decreased and fell to 58% by 2023, indicating a growing gap in the country's ability to cover external debt with its reserves (Figure 2). Since 2020, this decline has become more pronounced, coinciding with rising external debt levels and exerting pressure on Uzbekistan's financial stability and exchange rate security.

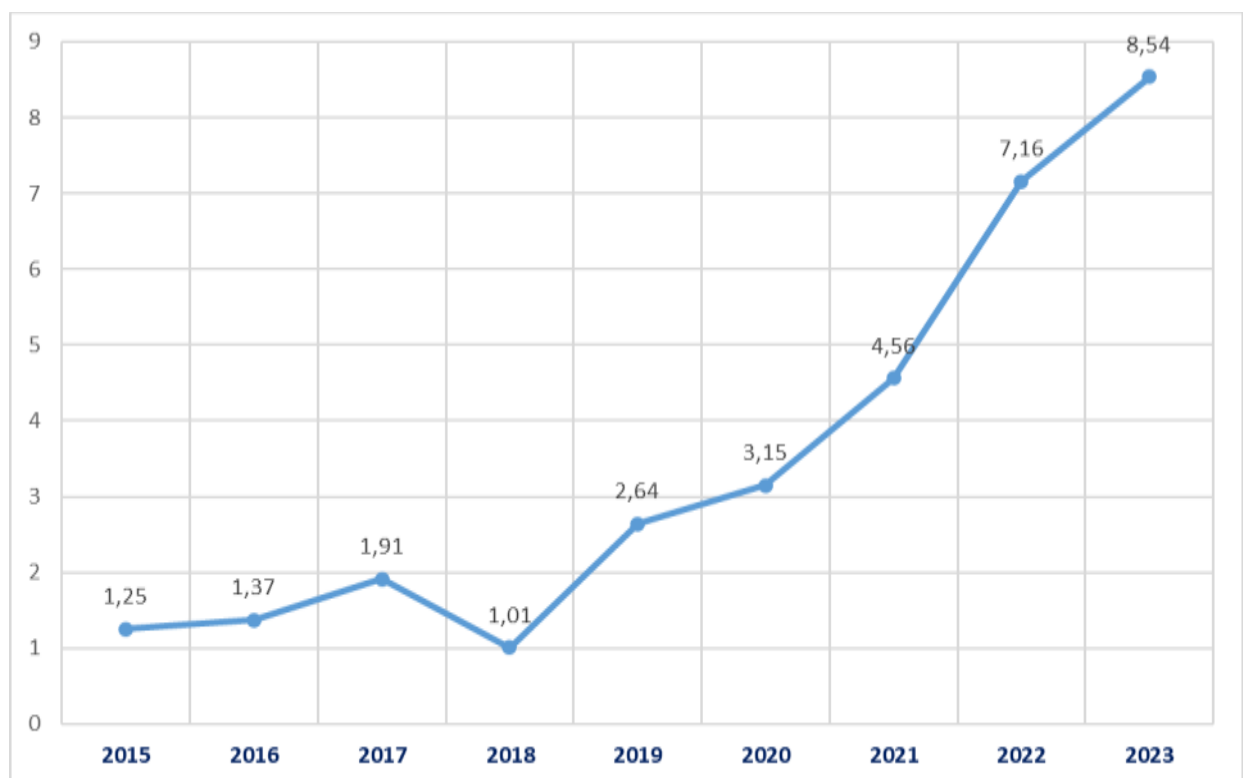


Figure 1. External debt service (US\$ billion) (2015–2023) [12]

This situation presents certain risks for economic stability. The rapid growth of external debt service increases pressure on the state budget, the balance of payments, and international reserves. To ensure effective debt management, it is essential to diversify the sources and interest rates of borrowings, revise the terms of external loans, and channel debt into high value-added, high-return projects. Otherwise, excessive dependence on external financial resources could threaten economic independence and macroeconomic stability. Therefore, consistency and caution in debt strategy are of strategic importance.

Strengthening international reserves, especially gold and foreign exchange reserves, serves as a key strategic instrument for sustainable economic development. These reserves help the country maintain financial stability in the face of external economic shocks. In particular, in conditions of global price fluctuations, geopolitical instability, currency market volatility, and balance of payments imbalances, gold and foreign exchange reserves act as a “financial buffer.” They help stabilize the exchange rate, finance imports, and ensure timely repayment of external debt. Furthermore, adequate reserve levels are positively assessed by international credit rating agencies, which in turn boosts investor confidence. Therefore, for Uzbekistan, the continuous accumulation of reserves is vital not only for short-term financial stability but also for

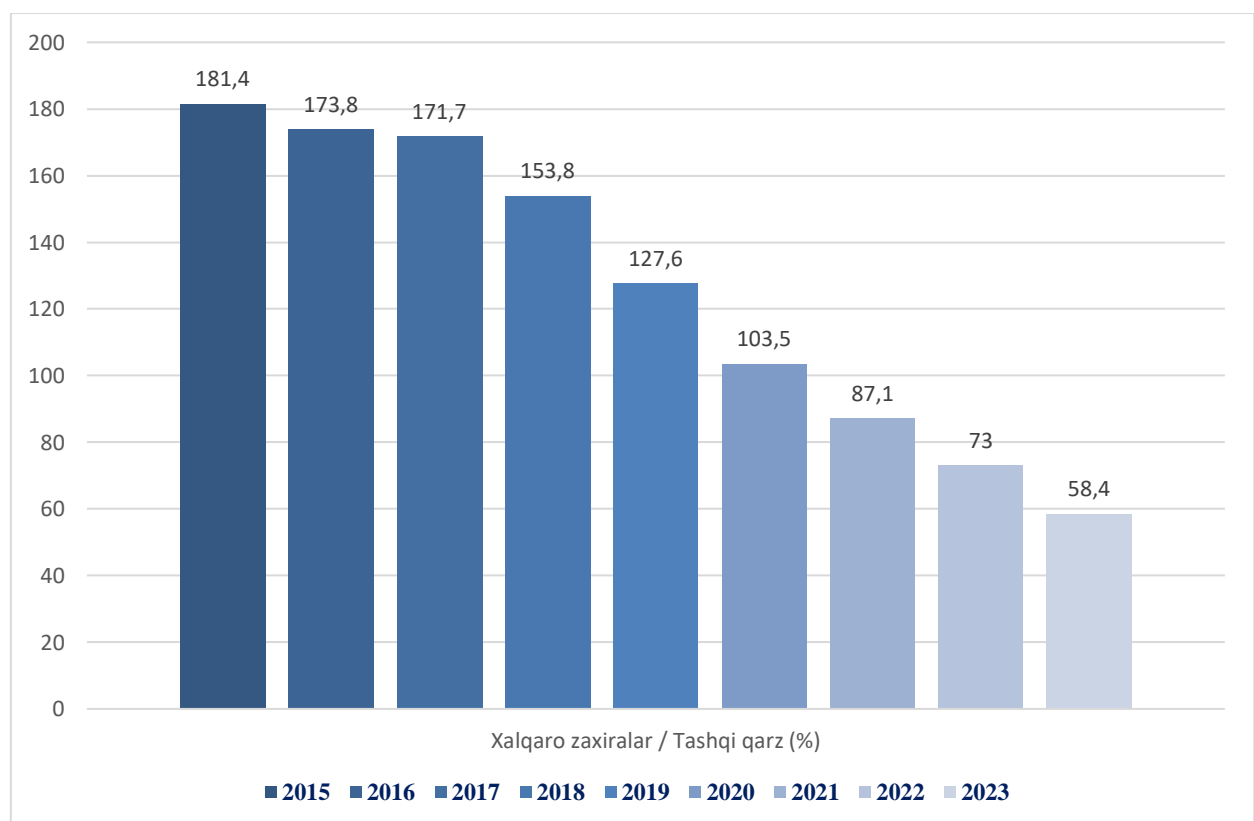


Figure 2 International reserves to total external debt stocks (%). [12]

building a resilient economic model capable of withstanding external threats and ensuring long-term growth.

Between 2019 and 2024, Uzbekistan’s non-monetary gold exports experienced significant fluctuations. In 2019, gold exports amounted to USD 4.92 billion, rising to USD 5.8 billion in

2020, with its share in total exports increasing to 38.4%. This sharp rise was likely influenced by global gold price increases. However, during 2021–2022, gold exports declined to USD 4.1 billion, and its share in total exports fell to around 20%. In 2023, gold exports surged dramatically to USD 8.15 billion, marking a 198.4% growth rate. In 2024, the volume of exports slightly decreased to USD 7.48 billion (Table 2).

Non-monetary gold exports play a significant role in the national economy by increasing foreign exchange earnings and improving the trade balance. However, for sustainable economic growth, it is a strategic priority not to rely excessively on gold exports. Instead, it is essential to diversify exports by increasing the share of high value-added products.

2-table

Uzbekistan's non-monetary gold exports (2019-2024) [12]

| Year | mln USD | change % | % of total volume |
|------|----------|----------|-------------------|
| 2019 | 4 918,30 | 169 | 28,2 |
| 2020 | 5 804,40 | 118 | 38,4 |
| 2021 | 4 109,80 | 70,8 | 24,7 |
| 2022 | 4 110,30 | 100 | 20,8 |
| 2023 | 8 153,80 | 198,4 | 32,8 |
| 2024 | 7 480,60 | 91,7 | 27,8 |

CONCLUSION AND RECOMMENDATIONS

The growing importance of external factors in Uzbekistan's economy — notably the rising share of foreign trade in GDP, increasing external debt levels, and expanding investment inflows — presents both new opportunities and potential risks for sustainable development. The sharp increase in external debt servicing costs, the persistent trade deficit, and the dominance of imports over exports are putting significant pressure on macroeconomic stability. Therefore, ensuring macroeconomic stability and enhancing resilience to external shocks remain critical priorities for the country.

Uzbekistan's increasing dependence on external factors has made its economy more vulnerable to global cyclical fluctuations. The fact that the share of foreign trade in GDP rose from 30.8% in 2015 to 64.4% in 2023 indicates deep integration into the international market. However, the continuously negative net merchandise trade balance and the low level of export diversification are undermining economic stability. In particular, the fluctuating share of gold in total exports acts as a destabilizing factor for macroeconomic stability.

Over-reliance on gold exports increases the economy's sensitivity to global price volatility, which in turn leads to instability in the trade balance and international reserves. Thus, it is essential to diversify the export structure, develop processing and innovation-driven industries, and expand the export of services to achieve stable foreign exchange earnings. In parallel, external borrowing

should be directed solely to economically productive and high-return projects and managed with caution. Regularly increasing international reserves also remains a key factor in ensuring Uzbekistan's economic security.

To this end, the following measures are recommended: First, diversify the export structure and increase the share of high value-added products. Second, channel external debt only into economically efficient projects and optimize loan conditions.

Third, reduce dependence on imports by developing local production, strengthen international reserves, and coordinate macroeconomic policies to support Uzbekistan's long-term sustainable economic development.

REFERENCES

1. Resolution No. 83 of the Cabinet of Ministers of the Republic of Uzbekistan dated 21.02.2022 "On additional measures to accelerate the implementation of national goals and objectives in the field of sustainable development for the period until 2030".
2. Resolution No. 83 of the Cabinet of Ministers of the Republic of Uzbekistan dated 21.02.2022 "On additional measures to accelerate the implementation of national goals and objectives in the field of sustainable development for the period until 2030".
3. Armeanu, D. Ș., Vintilă, G., & Gherghina, Ș. C. (2017). Empirical study towards the drivers of sustainable economic growth in EU-28 countries. *Sustainability*, 10(1), 4. <https://doi.org/10.3390/su10010004>
4. Yakubu, Z., Abdul-Rahaman, A.-R., & Bokpin, G. A. (2019). Financial and economic determinants of sustainable economic growth in Egypt, Nigeria and South Africa. *Journal of International Studies*, 12(4), 249–267. <https://doi.org/10.14254/2071-8330.2019/12-4/17>
5. Koirala, B. S., & Pradhan, G. (2020). Determinants of sustainable development: Evidence from 12 Asian countries. *Sustainable Development*, 28(1), 39–45. <https://doi.org/10.1002/sd.1968>
6. Batrancea, L., Rathnaswamy, M. M., & Batrancea, I. (2021). A panel data analysis of economic growth determinants in 34 African countries. *Journal of Risk and Financial Management*, 14(6), 260. <https://doi.org/10.3390/jrfm14060260>
7. Chien, F., Sadiq, M., Hsu, C.-C., et al. (2022). Does external debt as a new determinant of fiscal policy influence sustainable economic growth: Implications after COVID-19. *Economic Change and Restructuring*, 1–21. <https://doi.org/10.1007/s10644-022-09386-5>
8. Lee, J. W., & Hong, K. (2010). Economic growth in Asia: Determinants and prospects. *Asian Development Bank Economics Working Paper Series*, (220). <https://doi.org/10.2139/ssrn.1722531>
9. Radmehr, R., Ozturk, I., & Sharif, A. (2022). Assessing the global drivers of sustained economic development: The role of trade openness, financial development, and FDI. *Sustainability*, 14(21), 14023. <https://doi.org/10.3390/su142114023>
10. Diemer, A. (2019). Six key drivers for sustainable development. *International Journal of Environmental Sciences & Natural Resources*, 18(4), 128–156. <https://doi.org/10.19080/IJESNR.2019.18.555994>
11. Official website of the Statistical Committee of the Republic of Uzbekistan. – URL: <https://www.stat.uz/>
12. **World Bank.** *World Development Indicators*. [Electronic resource]. – Available at: <https://databank.worldbank.org/source/world-development-indicators> (accessed: June 2, 2025).