

THE IMPACT OF MONETARY AND FISCAL POLICY ON UZBEKISTAN'S EXPORT VOLUME: AN EMPIRICAL ANALYSIS

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In recent decades, the role of exports in Uzbekistan's economy has significantly increased. The country remains an important exporter of cotton, gold, and uranium, and in recent years has expanded to include textiles, food products, and services. On the path to trade development, the government's economic policy—particularly in the monetary and fiscal spheres—plays a key role. I am trying to thoroughly understand how exactly monetary and fiscal regulation affects export dynamics, relying on data, economic theories, and contemporary case studies. Monetary policy, that is, the actions of the Central Bank to manage the money supply and interest rates, has a direct impact on exports. Lowering interest rates makes credit cheaper, encourages production expansion, and consequently increases the supply of exportable goods. At the same time, the devaluation of the national currency (the Uzbek sum) makes Uzbek products more competitive in global markets. However, too rapid or sharp a devaluation can lead to inflationary expectations and increased costs for imported components used by exporters. Since 2017, Uzbekistan has been experiencing a gradual liberalization of its exchange rate and a reduction in administrative barriers for exporters. The abolition of the mandatory sale of export proceeds and the transition to a floating exchange rate have allowed enterprises to respond more flexibly to external shocks. These changes were followed by a moderate weakening of the sum and an increase in export revenues, especially in agriculture and light industry.

Keywords: fiscal policy, monetary policy, export, Uzbekistan, regression analysis.

Fiscal policy refers to the set of government measures for managing budget revenues and expenditures, including taxes and subsidies. In the context of exports, tax incentives,

export subsidies, and investments in infrastructure (logistics, transport corridors) are of primary importance.

In recent years, the government of Uzbekistan has pursued a path of reducing the tax burden for export-oriented companies, encouraging the formation of export clusters and special economic zones. Many exporters have received tax holidays, reduced profit and property tax rates, and simplified VAT refund procedures. These measures have significantly increased activity in the export sector, especially among small and medium-sized businesses.

Government investments in infrastructure—ports, railroads, customs modernization—should not be overlooked either. Such investments reduce exporters’ operational costs, speed up product delivery, and enhance the country’s actual export potential.

To objectively assess the impact of monetary and fiscal policy on exports, I use statistics from the Ministry of Economy, the Central Bank, and the World Bank over the past ten years. Through correlation and regression analysis, it becomes evident that periods of moderate money supply growth and smooth devaluation of the sum generally coincide with an increase in the absolute volume of exports. However, if money issuance occurs too rapidly, inflation begins to rise, and export earnings become less effective due to increased domestic costs.

The reduction of the corporate income tax rate for exporters from 14% to 7% led to a rapid increase in the number of export contracts. Similarly, the expansion of logistics subsidies enabled agricultural enterprises to access new markets in East and Southeast Asia. Thus, it can be confidently stated that comprehensive budgetary support is critically important for growing exports not only in volume but also in quality.

Period	Export, bln USD	Export Growth	Money Supply (M2)	Fiscal Deficit
2020–2021	14.6 → 16.53%	—	—	
2021–2022	16.5 → 21.93%	—	—	
2022–2023	21.9 → 24.1+9.8%	+30% M2	—	
2023–2024 (proj)	24.1 → 26.9+8.4%		Continued growth in M2	Deficit to decrease to 3% of GDP

Explanation of Export Dynamics and Macroeconomic Indicators (Uzbekistan, 2020–2024)

Over the period from 2020 to 2024, Uzbekistan has demonstrated a steady increase in export volumes, accompanied by significant monetary and fiscal developments.

2020–2021: Export revenues increased from \$14.6 billion to \$16.5 billion, reflecting a 13% growth. While specific data on money supply and fiscal deficit for this period is limited, this marks the beginning of the post-pandemic recovery, supported by rising global commodity prices and improved logistics.

2021–2022: Exports surged further to \$21.9 billion, showing a remarkable 33% annual growth. This sharp increase is likely attributed to higher external demand, liberalization measures, and a favorable exchange rate environment. However, macro indicators like M2 and fiscal deficit were not officially emphasized in public data during this period.

2022–2023: Export growth slowed to 9.8%, reaching \$24.1 billion. Notably, this period saw a 30% increase in the M2 money supply, indicating an expansionary monetary stance. While this likely supported domestic production and investment, it also carried inflationary risks that may have limited export efficiency gains.

2023–2024 (projected): Exports are expected to reach \$26.9 billion, with an 8.4% increase. The Central Bank is continuing its policy of monetary growth to stimulate the economy. At the same time, the fiscal deficit is forecasted to decline to 3% of GDP, signaling a shift toward greater budgetary discipline. This combination aims to balance growth stimulation with macroeconomic stability.

Uzbekistan's economic landscape has undergone significant transformation in recent years, driven in part by evolving monetary and fiscal policies. These policies play an instrumental role in shaping the country's export volume—a fundamental indicator of international competitiveness and integration into global markets. Amid increasing global economic volatility and the spillover effects of external shocks, Uzbekistan has experienced notable developments in its domestic economic sectors. For instance, data indicate that in 2023 small business and private entrepreneurship contributed 51.2% to the country's GDP, with small business entities accounting for 26.9% of industrial output—a marked increase from earlier decades⁶. Moreover, improvements in primary fiscal balances, bolstered by unanticipated positive spillovers from regional geopolitical events, suggest that Uzbekistan's fiscal environment has been evolving toward greater stability¹.

This article empirically examines the impact of monetary and fiscal policies on Uzbekistan's export volume. It aims to integrate insights from general econometric

methods, studies on export performance determinants, and contextual data on Uzbekistan's small business sector. By reviewing relevant literature, describing a robust methodological framework, and analyzing available empirical indicators, this study provides a comprehensive perspective on the policy measures that may drive export growth in Uzbekistan. The focus on both monetary aspects (such as bank credit conditions) and fiscal components (including export promotion measures) allows for a holistic understanding of these interrelated policy domains.

Empirical Strategy Diagram

Below is a flowchart representation of the methodological approach used in this analysis:

Define Research Objectives

Select Export Propensity and Intensity Models

Collect Data on Monetary Policy Indicators (Bank Credit, Interest Rates)

Collect Data on Fiscal Policy Indicators (Export Promotion, Fiscal Balance)

Specify Control Variables (Firm Size, Age, Productivity)

Apply Binary Response Model for Export Propensity

Correct for Sample Selection Bias Using Heckman Selection Model

Apply Fractional Response Model for Export Intensity

Analyze and Interpret Results

Derive Policy Implications

END

Monetary Policy Effects:

Enhanced bank credit availability has a positive correlation with the growth prospects of small businesses. As credit conditions improve, firms are more likely to invest in capacities that facilitate export-oriented activities. The data imply that monetary easing measures, reflected in lower interest rates and expanded credit, indirectly boost export performance by fostering a competitive domestic business environment.

Fiscal Policy Effects:

Fiscal measures, particularly those geared toward export promotion and infrastructural support, have contributed to an improved fiscal balance in Uzbekistan. The spillover effects from regional shocks have further enhanced fiscal stability, thereby creating a more supportive environment for exporters. Policies that include subsidies, tax breaks, and promotional programs have been effective in reducing the cost burden on exporters and enabling smoother market access.

Integrated Policy Implications:

The synthesis of results indicates that a coordinated approach combining both monetary and fiscal policies is likely to yield substantial benefits for Uzbekistan's export sector. For instance, while monetary measures ensure that firms have the financial resources necessary for expansion, fiscal interventions directly incentivize export activities and enhance competitiveness on the global stage.

The empirical evidence reviewed in this study, although constrained by data limitations, strongly supports the notion that both monetary and fiscal policies exert a considerable influence on the export volume of Uzbekistan.

In conclusion, while data limitations constrain a fuller empirical assessment, the examined literature and available indicators clearly signal that well-coordinated monetary and fiscal policies are critical to bolstering Uzbekistan's export volume. Continued research with more granular data is necessary to refine these insights and inform targeted policy interventions that sustain international competitiveness.

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