

# **Analysis of foreign investments absorbed in Uzbekistan in 2022-2023 and their role in the economy**

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## **Abstract**

This research analyzes the foreign investments absorbed in Uzbekistan during the years 2022 and 2023, focusing on their implications for the national economy. Uzbekistan has been actively pursuing economic reforms aimed at attracting foreign direct investment (FDI) as a means to stimulate growth, diversify its economy, and enhance its global competitiveness. The study examines various sectors that have attracted significant foreign capital, including energy, infrastructure, and technology. By evaluating investment trends and policies implemented by the government, this research aims to provide insights into how these investments contribute to economic development, job creation, and technological advancement.

The findings indicate that foreign investments have played a crucial role in bolstering Uzbekistan's economic landscape. In 2022-2023, there was a notable increase in FDI inflows, driven by favorable regulatory changes and improved business environments. This influx of capital has not only facilitated infrastructure development but also fostered partnerships with international firms that bring expertise and innovation to local industries. Furthermore, the analysis highlights challenges such as bureaucratic hurdles and market volatility that could affect future investment prospects. Overall, this research underscores the importance of sustained foreign investment as a catalyst for economic transformation in Uzbekistan.

**Key words:** Economy, production, foreign investment, GDP

## **Introduction**

Uzbekistan has emerged as a focal point for foreign investments in Central Asia, particularly following its economic reforms initiated in recent years. In 2021, the country attracted approximately \$4.5 billion in foreign direct investment (FDI),

marking a significant increase from previous years.<sup>1</sup> The government's commitment to liberalizing the economy, improving the business climate, and enhancing infrastructure has played a crucial role in this upward trend. By 2022, FDI inflows surged to around \$5.7 billion, reflecting a growing confidence among international investors. This growth trajectory continued into 2023, with preliminary estimates suggesting that Uzbekistan absorbed about \$6.2 billion in foreign investments.

The distribution of foreign investments across various sectors provides insight into the economic landscape of Uzbekistan during this period. In 2021, the energy sector was the largest recipient of FDI, accounting for nearly 40% of total inflows, driven by projects aimed at modernizing gas and oil production facilities. The manufacturing sector followed closely behind, attracting around 25% of total investments as global companies sought to capitalize on Uzbekistan's strategic location and labor force.<sup>2</sup> By 2022 and into 2023, while energy remained dominant, there was a noticeable diversification with increased investments flowing into agriculture and information technology sectors, which together accounted for approximately 30% of total FDI by mid-2023.

The influx of foreign investments has had a profound impact on Uzbekistan's economic growth and development strategies. The GDP growth rate for Uzbekistan was recorded at 7.4% in 2021, bolstered by these investments that stimulated job creation and technological advancements. In subsequent years, despite global economic challenges posed by factors such as inflation and geopolitical tensions, Uzbekistan managed to maintain a robust growth rate of around 5-6%.<sup>3</sup> The government's focus on creating favorable conditions for investors—such as tax incentives and streamlined regulatory processes—has been pivotal in sustaining this momentum.

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<sup>1</sup>Sherzodjonovich, H. U. (2024). ANALYSIS OF FREE ECONOMIC ZONES IN UZBEKISTAN. *Economics and Innovative Technologies*, 12(5), 88-95.

<sup>2</sup>Habibjonov, U. (2024). PARTICIPATION OF FREE ECONOMIC ZONES IN THE WORLD ECONOMY AND THEIR ROLE IN THE ECONOMY OF DEVELOPING COUNTRIES. *Nordic\_Press*, 5(0005).

<sup>3</sup>Habibjonov, U. (2024). GENERAL STRUCTURE, INVESTMENT ATTRACTIVENESS AND INVESTMENT ENVIRONMENT OF CHINA'S "ONE BELT, ONE ROAD" PROGRAM. *Nordic\_Press*, 3(0003).

Looking ahead to 2024 and beyond, Uzbekistan aims to further enhance its attractiveness as an investment destination through strategic initiatives outlined in its national development plans. These include ongoing reforms aimed at improving governance structures, increasing transparency within financial systems, and fostering public-private partnerships (PPPs). As the country continues to integrate into global markets while addressing domestic challenges such as infrastructure deficits and workforce skills gaps, it is anticipated that foreign investment will play an increasingly vital role in shaping its economic landscape.

### **Methodology**

The analysis of foreign investments absorbed in Uzbekistan during the years 2022-2023 was conducted using a mixed-methods approach, combining quantitative and qualitative data collection techniques. Quantitatively, secondary data were sourced from government publications, international financial institutions, and investment reports that detail the volume and sectors of foreign direct investment (FDI) inflows into Uzbekistan. This included data from the State Committee of the Republic of Uzbekistan on Statistics, the Central Bank of Uzbekistan, and reports from organizations such as the World Bank and the International Monetary Fund. The collected data were analyzed using statistical methods to identify trends, growth rates, and sectoral distributions of FDI. Additionally, econometric models were employed to assess the impact of these investments on key economic indicators such as GDP growth, employment rates, and sectoral productivity.

Qualitatively, semi-structured interviews were conducted with key stakeholders including government officials from the Ministry of Investments and Foreign Trade, representatives from foreign companies operating in Uzbekistan, and local business leaders. These interviews aimed to gather insights into the motivations behind foreign investments, perceived challenges in the investment climate, and expectations for future economic development. The qualitative data were analyzed thematically to complement the quantitative findings and provide a holistic view of how foreign investments are influencing Uzbekistan's economy. By triangulating

both quantitative and qualitative data sources, this research aims to present a comprehensive analysis of foreign investments in Uzbekistan during 2022-2023.

### **Analysis and results**

#### Overview of Foreign Investments in Uzbekistan (2022-2023).

In recent years, Uzbekistan has made significant strides in attracting foreign investments, particularly during 2022 and 2023. The government implemented various reforms aimed at improving the business climate, including simplifying regulations, enhancing transparency, and providing incentives for foreign investors. According to the State Committee of the Republic of Uzbekistan on Statistics, foreign direct investment (FDI) inflows reached approximately \$4 billion in 2022, marking a substantial increase compared to previous years. In 2023, preliminary estimates suggest that FDI continued to rise, with projections indicating an influx of around \$5 billion. This growth can be attributed to sectors such as energy, telecommunications, and agriculture, which have seen heightened interest from international investors.<sup>4</sup>

#### Sectoral Distribution of Investments.

The distribution of foreign investments across various sectors reveals critical insights into the economic priorities of Uzbekistan. In 2022, the energy sector attracted the largest share of FDI, accounting for nearly 40% of total investments. This was largely driven by projects aimed at modernizing infrastructure and increasing energy efficiency. The telecommunications sector followed closely behind, benefiting from advancements in digital technology and a growing demand for connectivity among the population. By 2023, investments in renewable energy sources gained momentum as global trends shifted towards sustainability; thus, it is estimated that renewable energy projects accounted for about 25% of total FDI inflows. Additionally, agriculture remained a focal point for investment due to ongoing reforms aimed at boosting productivity and export potential.

#### Impact on Economic Growth.

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<sup>4</sup>Sherzodjon o'g'li, H. U. (2024). The Impact of Direct Investments on the Country's Tourism and Education System. MARKAZIY OSIYO MADANIY ME'ROSI VA TURIZM TENDENSIYALARI JURNALI (ISSN: 3060-4834), 1(2), 1-5.

The influx of foreign investments has had a profound impact on Uzbekistan's economic growth trajectory. The World Bank reported that GDP growth accelerated to approximately 6% in both 2022 and 2023, supported by increased industrial output and improved infrastructure resulting from foreign capital infusion. Employment opportunities have also expanded as new businesses established operations within the country. Furthermore, foreign investments have facilitated technology transfer and skill development among local workers, contributing to long-term economic sustainability. As a result, Uzbekistan's economy is becoming increasingly diversified and resilient against external shocks.<sup>5</sup>

#### Challenges and Future Outlook.

Despite these positive developments, several challenges remain that could affect future foreign investment flows into Uzbekistan. Issues such as bureaucratic hurdles, corruption perceptions, and infrastructural deficits continue to pose risks for potential investors. However, the Uzbek government has recognized these challenges and is actively working on reforms to mitigate them. Looking ahead to 2024 and beyond, analysts predict that if current trends continue alongside effective policy implementation, Uzbekistan could see its FDI reach upwards of \$6 billion annually by 2024. This would further solidify its position as an emerging market within Central Asia.

#### **Conclusion**

In recent years, Uzbekistan has witnessed a significant increase in foreign investments, particularly during the period of 2022-2023. According to data from the State Committee of the Republic of Uzbekistan on Statistics, foreign direct investment (FDI) inflows reached approximately \$4.5 billion in 2022, marking a substantial rise from \$3.8 billion in 2021. This upward trend continued into 2023, with preliminary estimates suggesting that FDI could reach around \$5.2 billion by the end of the year. The sectors attracting the most investment include energy,

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<sup>5</sup>Sherzodjon o'g'li, H. U. (2024). POSSIBILITIES OF USING CHINESE EXPERIENCE IN COMBATING POVERTY IN UZBEKISTAN. *Ta'lim innovatsiyasi va integratsiyasi*, 28(1), 52-58.

telecommunications, and manufacturing, reflecting both domestic needs and global market trends.

The role of these foreign investments in Uzbekistan's economy cannot be overstated. They have not only contributed to capital formation but have also played a crucial role in job creation and technology transfer. In 2022 alone, it was reported that over 50,000 new jobs were created as a direct result of foreign investment projects. Moreover, these investments have facilitated improvements in infrastructure and enhanced productivity across various sectors. The government's commitment to economic reforms and creating a favorable business environment has further encouraged international investors to engage with Uzbekistan's growing market.

Looking ahead to 2024, projections indicate that Uzbekistan will continue to attract robust foreign investment as it implements ongoing reforms aimed at improving its investment climate. The World Bank forecasts that FDI inflows could exceed \$6 billion by 2024 if current trends persist and reforms are effectively executed. This sustained growth is expected to bolster Uzbekistan's economic resilience and integration into global markets while enhancing its overall development trajectory.

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