

BALANCE OF PAYMENTS CRISIS AND SHORT-TERM SOLUTIONS FOR UZBEKISTAN

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<https://doi.org/10.5281/zenodo.20078103>

Annotation. This paper discusses Uzbekistan's current account deficit and whether or not it represents a problem with its balance of payments using information from the International Monetary Fund (IMF Article IV Consultation, 2026), as well as Central Bank of Uzbekistan and World Bank data. There are still underlying vulnerabilities with the economy such as: high reliance on imports, increased external debt and sensitivity to global events. Some of the recommendations to reduce risks and improve Uzbekistan's overall external position include: export support, import-relative optimization, effective management of available reserves, and better coordination of fiscal and monetary policies.

Keywords: balance of payments, current account deficit, international reserves, remittances, gold exports, external debt, macroeconomic stability, short-term solutions.

Аннотация. В этом докладе рассматривается дефицит текущего счёта Узбекистана и вопрос о том, представляет ли он проблему для его платёжного баланса используя данные Международного Валютного Фонда (Консультации по статье IV МВФ, 2026 год), а также Центрального Банка Узбекистана и Всемирного Банка. Тем не менее, в экономике сохраняются уязвимости, такие как высокая зависимость от импорта, рост внешнего долга и чувствительность к глобальным экономическим событиям. Среди рекомендаций по снижению рисков и улучшению внешнеэкономического положения Узбекистана можно выделить: поддержку экспорта, оптимизацию импорта, эффективное управление имеющимися резервами, а также более скоординированную фискальную и монетарную политику.

Ключевые слова: платёжный баланс, дефицит текущего счёта, международные резервы, денежные переводы, экспорт золота, внешний долг, макроэкономическая стабильность, краткосрочные решения.

Introduction. The balance of payments reflects how a country's economy is connected with that of other countries and therefore, it is one of the main indicators of an economy's relationship with other economies in terms of trade, services, income, and capital. A trade deficit over time may lead to declining in exchange rates, depletion of international reserves, increased external debt and macroeconomic instability.

In recent years, Uzbekistan has demonstrated strong economic growth, achieving 7.7% real GDP growth in 2025, driven by robust domestic consumption, investment, and export performance. However, the external sector remains vulnerable due to a structural trade deficit, high reliance on imports of machinery, energy, and intermediate goods, and exposure to global shocks such as commodity price fluctuations and geopolitical tensions. According to the IMF's

2026 Article IV Consultation, although the current account deficit narrowed to 3.9% of GDP in 2025 — supported by record-high remittances and gold exports — challenges related to external sustainability persist¹.

This article aims to review the current period of Uzbekistan’s balance of payments by using the latest data, including those released by CBU, IMF & WB, and identify potential threats to it and provide practical recommendations on how to strengthen Uzbekistan’s external economic standing.

The structure of the paper includes a review of theoretical foundations, analysis of recent trends, evaluation of risks, and a set of targeted short-term solutions tailored to Uzbekistan’s economic context.

Research methodology. This study uses both qualitative and quantitative approaches to perform the research. It utilizes a comparative dynamic method that compares the results of the sample in order to analyze Uzbekistan’s balance of payments. The quantitative methods are applied through sources, including the Central Bank of Uzbekistan, International Monetary Fund and World Bank. Secondary data was analyzed using descriptive statistics, with both descriptive and trend analysis. The reliability of the findings was ensured by cross-referencing information from different reputable sources.

Literature review. A major theme of academic international economics has been the relationship between balance of payments and current account deficits.

Paul Krugman and Maurice Obstfeld state in their book "International Economics: Theory and Policy" that a persistent current account deficit can lead to external instability and ultimately a balance of payments crisis when it is financed through short-term capital without productive investments².

The Russian economist, S. Yu. Glazyev, has emphasized the role of state regulation of the balance of payments for transitional economies’ economic sovereignty and stability in his geo-economic publications³.

Uzbek researcher R. Zayniddinov states that the digital economy’s development and increased service exports can positively impact Uzbekistan’s balance of payments in his 2024 research study, “The Influence of the Digital Economy on Economic Development: Evidence from Uzbekistan”⁴.

In this case, the writers of the present article share an agreement with the respective findings presented by the previous articles. However, our opinion based upon our reading of the articles is that they primarily concentrate on the structural and long-term effects of an adjustment, whereas there are minimal practical suggestions available regarding short-term stabilization of any country’s balance of payments, including the Republic of Uzbekistan, considering its present economic condition.

Analysis and results. According to the data of the Central Bank of Uzbekistan, the International Monetary Fund and the World Bank, Uzbekistan’s balance of payments has shown the following dynamics over the past five years:

Figure 1.

¹ IMF. Uzbekistan: Staff Concluding Statement of the 2026 Article IV Mission. April 13, 2026.

² Krugman, P., Obstfeld, M., Melitz, M. International Economics: Theory and Policy. 12th edition. Pearson, 2022.

³ Glazyev, S. Yu. Geo-Economics and Eurasian Integration. Moscow, 2021.

⁴ Zayniddinov, R. The Influence of the Digital Economy on Economic Development: Evidence from Uzbekistan. 2024.

Key Indicators of Uzbekistan’s Balance of Payments (2021–2025)⁵.

Year	Current account balance (% of GDP)	Trade deficit (% of GDP)	Remittances (billion USD)	International reserves (billion USD)	Reserves (months of imports)	External debt (billion USD)
2021	-6.3	-12.5	~12.0	~35	~8-9	43.2
2022	-3.2	-10.8	~14.0	~40	~10	51.8
2023	-7.6	-13.5	~13.5	~45	~11	61.2
2024	-5.0	-11.0	14.8	~55	~12	71.0
2025	-3.9	-8.5	18.9	70-75	13-17	89.6

A substantial closing of the current account deficit occurred in 2025. The current account deficit was recorded at 3.9% of GDP, which was the lowest it had been for the past five years. This positive turn of events was mainly due to an increase in remittances, which rose to 18.9 billion \$ (an increase of 27% compared to the previous year), and a strong surge in the export of gold and other commodities.

Although this is an improvement, there are still many structural issues in the economy:

- the trade deficit remains negative because the economy relies heavily on imports of capital goods, machinery, energy and other products used in the production and distribution of goods and services that are essential for the ongoing expansion of the economy;

- external debt has been increasing consistently and was recorded at more than \$71 billion in 2025;

- the economy continues to depend predominantly upon a small range of commodities for export purposes (including gold, copper and remittances).

According to the IMF and the CBU forecasts, they expect the current account deficit to continue narrowing over the next several years, reaching about 3,0%-3,5% of GDP by 2026 due to ongoing support from remittances and gold prices⁶. However, there also exist risks such as potential remittance slowdowns, fluctuating commodity prices, and continued growth of external debt.

Even though the improved balance of payment had a major turnaround in the year 2025, it is not possible to deem it stable at this point. The external situation still retains sensitivity to shocks from the outside such as falling resource prices, falling remittance levels or tightening conditions of the global financial system. This requires considerable structural reform including long-term solutions as well as immediate short-term action on policy issues to continue to build on the advancements made through the new recent improvements.

Conclusion and recommendations. According to the assessment, Uzbekistan’s balance of payments has made great improvement with the current account balance declining to 3.9%

⁵ Made by author using official data from Central Bank of Uzbekistan. Balance of Payments Reports, 2025, World Bank. Uzbekistan Economic Update, 2026, IMF. Uzbekistan: Staff Concluding Statement of the 2026 Article IV Mission. April 13, 2026.

⁶ Central Bank of Uzbekistan. Balance of Payments Reports, 2025.

of GDP by the end of 2025 as well as sufficient international reserves, and anticipated continued development in 2026. Yet there are still some underlying structure vulnerabilities to the economy (i.e., a continuing trade deficit; increasing debt owed internationally; excessive reliance upon limited export commodities; etc.). Thus, while it is possible to refer to it as a total crisis; however, in order to maintain stable external conditions over the long term; it is necessary for the government to take pre-emptive action now.

Here are several ideas for what to do now in Uzbekistan (for the next 2 years):

- increase export activity of non-gold products (such as textiles, agriculture, tourism and IT) by demonstrating a concerted pace to expedite their development;
- provide temporary, targeted incentives that optimize importation of essential capital goods and restrict non-priority consumer imports (i.e., luxury items);
- encourage remittance recipients to transfer money through formal channels and develop additional incentives to effect larger amounts of remittances to/from Uzbekistan;
- market liberalisation (e.g., allow the currency to float) while continuing the build-up of international reserves if the environment is conducive;
- maintain good fiscal management by maintaining a budget deficit below 3% of GDP and limiting new external debt issuance;
- increase coordination of monetary policy with fiscal policy to enhance management of external risks.

The successful implementation of these short-term recommendations, in addition to continued structural economic reform initiatives, will positively impact Uzbekistan's relative position in the international economy and mitigate the effects of global economic shocks on Uzbekistan.

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