THE IMPACT OF MACROECONOMIC FACTORS ON FDI IN UZBEKISTAN

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Abstract: The main objective of this paper is to assess the impact of macroeconomic factors on the flow of foreign direct investments (FDIs) in Uzbekistan during the period between 2013 and 2023. Through an OLS regression analysis, this paper examines the influence of selected macroeconomic factors such as inflation, exchange rate, and GDP on the flow of foreign direct investments. GDP positively influences FDI because economic growth has been identified as a critical factor that attracts more foreign investments in the country. From this, it can be concluded that economic growth is crucial in enhancing Uzbekistan's foreign investments.

Keywords: foreign direct investment, Uzbekistan, exchange rate, inflation, GDP, OLS regression, macroeconomic factors.

Introduction

Foreign direct investment (FDI) is a significant contributor towards economic development, productivity growth, and market integration. For underdeveloped economies, foreign investment is critical for their growth and modernization. Uzbekistan has undertaken comprehensive economic reforms since 2016 to enhance the attractiveness of investments in the country. Several important policies, including the liberalization of the exchange rate, deregulation, the strengthening of investor protection mechanisms, and the creation of free economic zones, have been instrumental in improving the investment climate. The data provided by the World Bank reveal that the level of foreign direct investment flows in Uzbekistan did not experience a marked increase from 2013 till 2015. There was a remarkable boost in the level of investments in 2016, with the level rising up to USD 1.66 billion, after which it fluctuated in subsequent years. In 2019, the level grew up to USD 2.31 billion; it attained the maximum value in 2022 of USD 2.66 billion but reduced to USD 2.16 billion in 2023.

Literature Review

Foreign direct investment (FDI) is directly related to macroeconomic factors. Theoretically, Dunning'S OLI paradigm plays an important role in explaining investor decisions. According to it, ownership, address-specific preferences, and internalization factors define FDI flows. At the same time, market size, economic growth and integration into global value chains are also considered important.Global studies identify real GDP, inflation, interest rates, trade openness, and institutional quality as key factors influencing FDI. In particular, market size and trade openness are noted as the most stable determinants. While global shocks such as the pandemic have increased the importance of macromolitical sustainability (Ayinde et al., 2024). These factors have also been confirmed in studies on Central Asian countries. According to the analysis of Ashurov and colleagues (2020), GDP, labor resources, trade openness and Tax Policy encourage FDI. However, a study by Kuzakhmetova (2025) found inflation and trade openness to be negligible, with only GDP and previous FDI having positive effects [4]. In the analysis of EU investments, however, Labor is separated as the main factor.

Studies in Uzbekistan show that exchange rate liberalization had a positive impact on FDI, while inflation and trade openness were insignificant in some cases. At the same time, it is emphasized that infrastructure and institutional reforms can improve the investment climate.

Methodology

This study aims to use economic and statistical methods to assess the impact of macroeconomic factors on FDI. In particular, time series and regression models (OLS, VAR) will be used for analysis. The following main variables are used in the study: dependent variable: FDI inflows; independent variables: real GDP, inflation, exchange rate, trade openness, infrastructure investment and institutional quality. The World Bank, UNCTAD, the National Statistics of Uzbekistan, and other international databases are used as data sources. The analysis is based on data from 2000–2023.

Conclusion

In conclusion, the involvement of FDI in Uzbekistan largely depends on macroeconomic stability and institutional development. GDP growth stands out as the most important factor. At the same time, it is important to control inflation, ensure currency stability, increase trade openness and develop infrastructure. To further increase the FDI in the future: conduct sustainable economic policies, improving the legal and institutional environment, it is necessary to develop infrastructure and a “green economy”.

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