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Balancing between Reform and Control: Uzbekistan's Hybrid Economic Model in 2026

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Abstract

Since gaining independence in 1991, Uzbekistan has maintained a considerable degree of state intervention while gradually implementing market-oriented reforms, particularly since 2016. The nation's economy has been marked by a pronounced reliance on natural resources, particularly natural gas and gold. In addition to these elements, there is a historically significant agricultural sector predominantly focused on cotton production. Recent macroeconomic indicators demonstrate stable economic growth, with the country's Gross Domestic Product (GDP) expanding at an average rate of approximately 6 percent annually. The volume of foreign trade has reached unprecedented levels, propelled by export diversification and stronger partnerships with major economies, including China and Russia. Furthermore, remittances from labor migrants in Russia have been identified as a pivotal economic factor, contributing significantly to the nation's GDP and fostering household consumption. Despite these positive trends, Uzbekistan faces several structural challenges, including persistent inflationary pressures, vulnerability to changing external conditions and the dominant role of the state in key sectors such as banking. A positive shift in the current account balance, supported by capital inflows and rising international reserves, underscores Uzbekistan's economic progress and outlook for the future.

Keywords: Uzbekistan, economy, monetary policy, trade

Introduction

General economic characteristics of Uzbekistan

Since independence in September 1991, Uzbekistan has largely maintained a Soviet-style managed economy (a form of economy similar to a planned economy), despite attempts to diversify the Uzbek economy over the years. As a partial result, Uzbekistan rose to become the world's fifth-largest cotton exporter and [seventh-largest](#) cotton producer in the late 2010s and now [ranks sixth](#) in global cotton production. In addition to cotton production, a significant portion of the Central Asian country's foreign exchange revenues comes from natural gas and gold exports, and together with its giant Soviet-era power generation facilities, Uzbekistan has become one of the largest electricity producers in Central Asia.

Besides cotton, the main agricultural products of Uzbek agriculture are rice, grapes, fruits, vegetables, wheat, corn, and potatoes. Karaku sheep are raised in the mountainous regions, and silkworm breeding is characteristic of the Fergana Basin. The country's industry is based on the traditional textile, cotton, and food processing industries, as well as the chemical and engineering industries. The country's main exports include cotton, natural gas, gold, electricity, fertilizers, metals, textiles and foodstuffs. Uzbekistan's [main trading](#) partners are China, Russia, South Korea, Kazakhstan, Türkiye and Germany.

Uzbekistan: Selected Economic Indicators 2022-2026

	2022	2023	2024	2025	2026
			Est.	Proj.	Proj.
National income 1/					
Real GDP growth (percent change)	6.0	6.3	6.5	5.9	5.8
Nominal GDP (in trillions of Sums)	996	1,204	1,455	1,733	2,005
GDP per capita (in US dollars)	2,555	2,849	3,113	3,487	3,805
Population (in millions)	35.3	36.0	36.9	37.7	38.5
Prices		(Percent change)			
Consumer price inflation (end of period) 2/	12.3	8.7	9.8	8.4	6.5
GDP deflator	14.5	13.8	13.3	12.5	9.4
External sector		(Percent of GDP)			
Current account balance	-3.2	-7.6	-5.0	-5.0	-4.8
External debt	49.2	54.5	56.2	55.4	55.2
			(Level)		
Exchange rate (in sums per U.S. dollar; end of period)	11,225	12,339	12,920
Real effective exchange rate					
Government finance		(Percent of GDP)			
Consolidated budget revenues	28.8	26.7	26.5	26.3	26.4
Consolidated budget expenditures	32.3	31.6	29.7	29.3	29.4
Consolidated budget balance	-3.5	-4.9	-3.2	-3.0	-3.0
Adjusted revenues 3/	27.7	25.9	25.5	25.3	25.5
Adjusted expenditures 3/	31.3	29.9	27.8	27.3	27.8
Adjusted fiscal balance	-3.7	-4.0	-2.3	-2.0	-2.3
Policy-based lending	-0.1	0.9	0.9	1.0	0.7
Overall fiscal balance 3/	-3.5	-4.9	-3.2	-3.0	-3.0
Public debt	30.5	32.2	32.6	33.3	33.2
Money and credit		(Percent Change)			
Reserve money	31.4	4.9	9.5	9.2	8.8
Broad money	30.2	12.2	30.6	19.4	16.3
Credit to the economy	21.4	23.2	4.0	19.3	16.0

1/ Incorporates latest revision to national accounts data, which raised the average nominal GDP for 2017-2023 by about 11 percent.

2/ The CPI projection incorporates the effect of the announced increases in energy prices in 2024 and 2025.

3/ IMF staff adjusts budget revenues and expenditures for financing operations, such as equity injections, policy lending, and privatization of state enterprises. The overall fiscal balance until 2021 is more negative than the consolidated budget balance as the latter excluded privatization receipts. Since 2022, there is no difference as the authorities started including all privatization receipts as financing.

Source: UzStat and IMF data

Growth prospects

The International Monetary Fund (IMF) has revised its economic growth forecast for Uzbekistan upward, expecting faster expansion in 2025–2026. However, the IMF also warns that inflation is likely to rise alongside growth.

According to the IMF's data Uzbekistan's economic growth was 6.8 percent in 2025, a 0.9

percentage point increase from the previous report in April. The 2026 forecast has improved as well: growth is now expected to reach 6 percent, up from the previous estimate of 5.8 percent. Although Uzbekistan has access to Russian oil and gas based on long-term contracts, the Middle East crisis and the closure of the Strait of Hormuz can make all previous predictions obsolete. The main reason for this is that the eventual collapse of global demand and world economic crisis can decrease Uzbekistan's revenues.

The IMF has also revised its inflation forecast for next year, predicting 7.1 percent growth, compared to its April estimate of 6.5 percent, which was close to the central bank's 5 percent target.

At the same time, the IMF expects a significant improvement in Uzbekistan's current account balance. The current account deficit is now estimated at 2.4 percent of GDP in 2025 (down from 5 percent) and 4.6 percent in 2026 (down from 4.8 percent). This improvement is likely related to the rise in global gold [prices](#), which exceeded USD 5 000 per ounce in January 2026.

The Central Bank of Uzbekistan [published](#) its monetary policy guidelines for 2026–2028 in early 2026. These guidelines present the latest macroeconomic and inflation developments and the baseline projections for the period 2026–2028. The goal of monetary policy is to ensure price stability and reduce inflation to a medium-term target of 5 percent.

Uzbekistan's economy is expected to remain stable in 2025 and grow at a relatively high rate. Economic activity is supported by increased investment, rising consumer demand in line with household income growth, and robust export performance. Higher foreign investment and increased investment activity, supported by rapid credit expansion, are contributing to strong growth in services, industry, and construction.

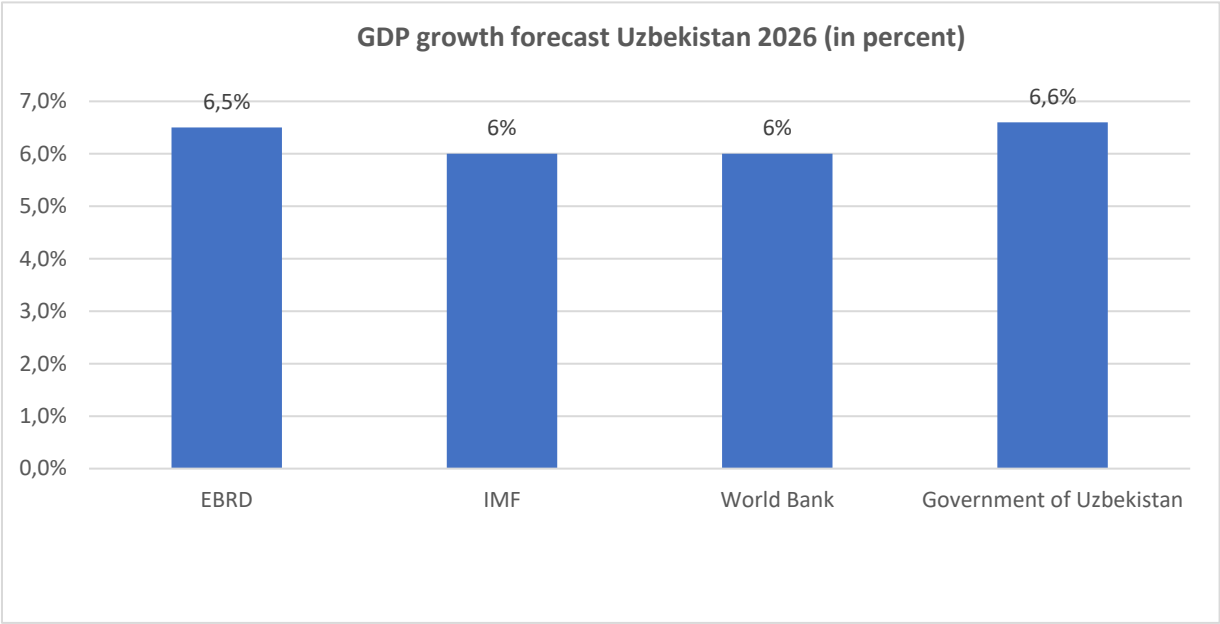
However, risks related to the import supply of certain consumer goods led to higher inflation and temporarily raised inflation expectations in the first quarter of 2025. Relatively tight monetary policy and the decline in imported inflation due to the stronger exchange rate contributed to easing inflationary pressures and expectations in the third quarter. Headline inflation is expected to reach approximately 8 percent by the end of 2025.

Risks and questions

The medium-term projections for 2026–2028 are based on a baseline macroeconomic scenario reflecting expectations about the evolution of external and domestic conditions. Externally, global growth is expected to remain relatively weak amid lingering uncertainties. Internally, the scenario assumes:

- Gradual stabilization of aggregate demand;
- Normalization of credit growth;
- Wage growth in line with labor productivity increases;
- Return of remittances to their medium-term path;
- Stable investment inflows;
- Fiscal deficit not exceeding 3 percent of GDP.

Under this scenario, real GDP growth will reach 5.5–6.5 percent in 2026 and 6–7 percent in 2027–2028. The Uzbek Central Bank is firmly committed to its medium-term inflation target of 5 percent. Headline inflation will fall to 7 percent by the end of 2026, reach the target in 2027, and remain at that level from 2028 onward. To ensure low and stable inflation, structural reforms are needed to strengthen competition, improve trade openness, and develop energy security, infrastructure, and the financial sector.



Source: own compilation based on the IMF, World Bank, EBRD and Government of Uzbekistan data

Foreign Trade Turnover

In 2025, Uzbekistan’s foreign trade turnover [reached](#) a historic high of USD 81.2 billion. It is demonstrating impressive growth of 20.7 percent compared to 2024. Exports increased by 24 percent and the diversification of trading partners expanded to 193 countries.

Uzbekistan concluded 2025 with outstanding [results](#) in foreign trade activities. According to data published by the National Statistics Committee on January 21, 2026 the most popular tourist destination in Central Asia. Uzbekistan foreign trade turnover for January-December 2025 amounted to USD 81.2 billion. This number is USD 13.9 billion (20.7%) higher than was in 2024.

These indicators reflect the [dynamic](#) development of Uzbekistan’s foreign economic relations and the successful implementation of the economic diversification strategy. Over the last three years, the foreign trade turnover grew from USD 63.5 billion in 2023 to USD 81.2 billion in 2025.

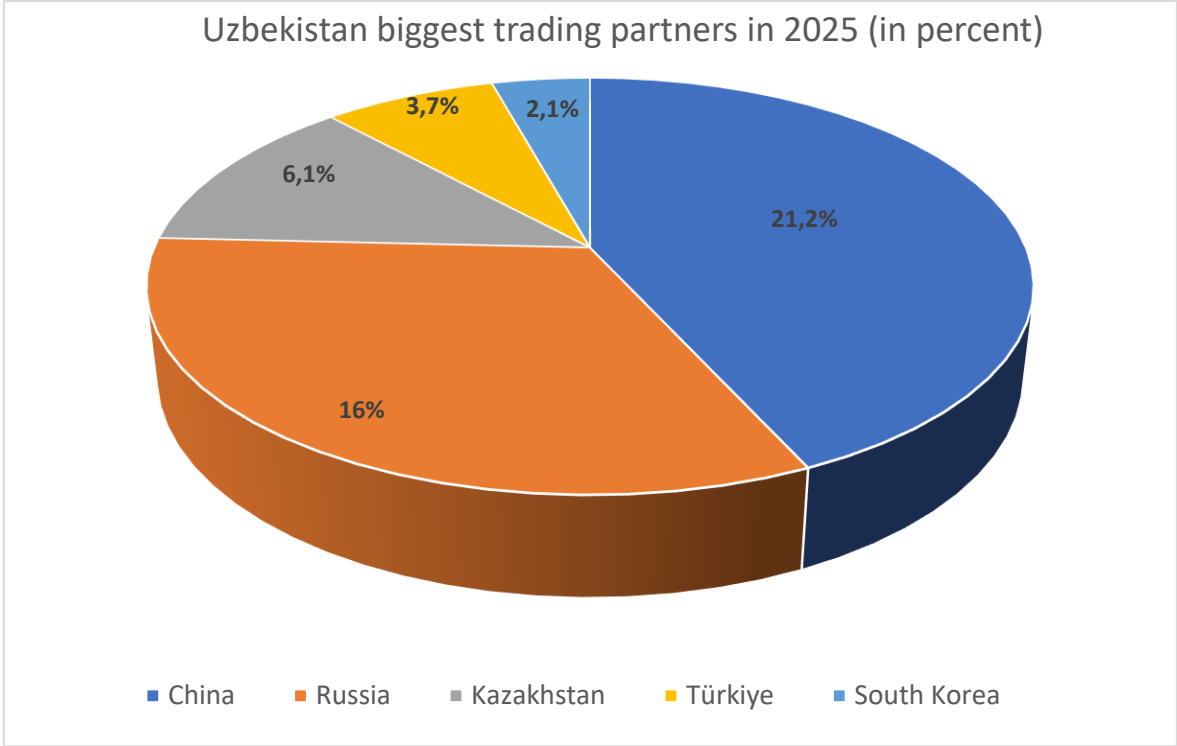
Export Potential

Achievements in the export sector are particularly noteworthy. The volume of exports of goods

and services in 2025 reached USD 33.8 billion, an increase of 24 percent compared to 2024. This is the highest growth rate among the main indicators of foreign trade, indicating the increased competitiveness of Uzbek products in global markets.

In the structure of exports, goods account for 71.1 percent, food products and live animals 8.7 percent, chemicals and similar products 6.3 percent, and miscellaneous manufactured articles 5 percent. Service exports for the analyzed period amounted to USD 9.8 billion or 28.9 percent of total exports, showing a growth of 28.9 percent compared to 2024.

Uzbekistan maintains trade relations with 193 countries, highlighting the broad geographical diversification of Uzbekistan’s external economic ties. The highest volume of foreign trade turnover was recorded with China (USD 17.2 billion), Russia (USD 13.0 billion), Kazakhstan (USD 5.0 billion), Türkiye (USD 3.0 billion) and South Korea (USD 1.7 billion).



Source: UzStat

Notably the trade turnover with China grew by 35.9 percent compared to 2024, reaching USD 17.2 billion against USD 12.7 billion a year earlier.

Uzbekistan's main partners for the export of goods and services in 2025		
Country	Billion Dollars	Percentage of total exports
China	4,3	12,8
Russia	2,5	7,3
Kazakhstan	1,5	4,6
Afghanistan	1,5	4,5
Türkiye	1,1	3,4
France	0,9	2,6
Kyrgyzstan	0,8	2,3
United Arab Emirates	0,7	2,1
Tajikistan	0,7	2
Pakistan	0,3	1

Source: UzStat

Revenues from unexpected sources

End of 2025, the total remittances received amounted to USD 18.9 billion. The data was published by the Central Bank of the Republic in January 2026.

According to the regulatory authority, the annual figure increased by 27.2 percent compared to 2024, representing an increase of USD 5.1 billion. The total remittances received by the country accounted for more than 12.8 percent of its gross domestic product. It is evident that throughout the course of 2025, the total volume of remittances consistently maintained a value that did not fall below USD 1 billion on a monthly basis. The highest figure was recorded in July 2025, at USD 1.97 billion.

Recent data indicates that remittances to Uzbekistan exhibited a 27.2 percent increase over the past year, reaching a total of USD 19 billion. This growth can be attributed, at least in part, to the strengthening of the Russian [ruble](#) and the increase in the number of labor migrants. According to data provided by the [Bank of Russia](#), the ruble exhibited a 23 percent strengthening against the dollar in 2025. The positive difference between the purchase and sale of foreign currency by the population of [Uzbekistan](#) increased 1.4-fold, reaching USD 9.7 billion. These factors contributed to an increase in the supply of currency and played a role in the strengthening of Uzbekistan's national currency, the sum.

Remittances from the Russian Federation continue to be the predominant source of income. In recent years, the amount of money sent home by Uzbek migrant workers has grown dramatically: in 2022, it reached 17.0 billion USD, then fell to 11.4 billion in 2023, and rose again to 14.8 billion in 2024. The traditional sending countries are the Russian Federation (in 2024, ~77% of the transfers came [from there](#)), Kazakhstan, South Korea, and Türkiye; however, the role of global travel channels (e.g., the EU) is growing. Nevertheless, the state of the Russian economy and the ruble exchange rate fluctuations [strongly](#) influence the remittance [volumes](#). Based on the total remittance statistics, this revenue source can account for around 20 percent of the GDP, making the country heavily dependent on the foreign income of its labor force.

Foreign exchange earnings from international tourism decreased in 2020 due to the pandemic (to USD 0.35 billion), but have grown rapidly since 2022, reaching USD 2.17 billion in 2023 and USD 3.20 billion in [2024](#) (approximately 2.8% of GDP in 2024). This growth is linked to an increase in inbound tourists (6.6 million in 2023 and approximately 8.0 million in 2024) and the impact of international advertising campaigns. While tourism's contribution remains modest (less than 3% of GDP in 2024), it grew faster than average from 2022 to 2024. This growth is driving the diversification of foreign exchange earnings and the development of the service sector.

By the conclusion of 2024, remittances from Russia to Uzbekistan amounted to USD 11.5 billion, constituting 77 percent of the aggregate volume of remittances from foreign countries. In the first half of 2025, this figure reached 78 percent.

A close examination of the relevant [statistics](#) reveals a robust correlation between financial flows and labor migration. From January to September of 2025, the number of Uzbek citizens employed abroad reached 1.86 million, marking a 1.38-fold increase compared to the same period in the previous year. Of these, approximately 1.3 million people were employed in Russia.

Economic development priorities

Since 2016 the country has undertaken ambitious reforms with the objective of enhancing the [efficiency](#) of its economy. These reforms have resulted in the creation of new employment opportunities and the strengthening of the Uzbek economy's thriving sectors. On December 20, 2022, the President delineated six pivotal areas of economic development in his address: (1) implementing a reform of public administration; (2) and further strengthening the welfare state (further elaborated below) by centering human beings around state action; (3) building human rights protection and freedoms as the constitutional duty of the state; (4) a reinforced protection of nature, including the protection of water resources; (5) by improving the business environment free market mechanisms; (6) ensuring healthy competition and the inviolability of private ownership; promoting entrepreneurship; and attracting investment and privatizing the largest public enterprises and banks.

Energy

Energy reform was initiated in 2019 as part of Uzbekistan's ongoing structural reforms. While natural gas remains the primary source of energy in Uzbekistan, the reform [aimed](#) to diversify the country's energy portfolio. Uzbekistan's economy is one of the most energy-intensive globally, with significant potential for energy efficiency, according to reports. Natural gas dominates Uzbekistan's [energy mix](#), accounting for 85–90 percent of the country's electricity generation. The government of Tashkent has expressed intentions to modernize existing thermal power plants that generate electricity, recognizing their obsolescence and low efficiency. The country boasts considerable potential in the domains of renewable energy sources, particularly solar energy, given its favorable climate, which experiences 300 to 320 sunny [days](#) annually. Wind energy and hydropower represent additional areas of promise for the country.

Education

In countries with a comparable level of development, the education sector constitutes 6.21 percent of the GDP in 2024. Uzbekistan's education system is characterized by its comprehensive and universal nature, with a mandatory education period of 11 years. Annually, approximately 35,000 students travel abroad for their studies, primarily to Russia, Germany, and Türkiye. The number of higher education institutions and graduates is increasing. From 70 higher education establishments in 2016 to [162](#) in 2022, including private, public, and foreign universities. In [2020](#), the Central Asian country is expected to produce 83,900 graduates from higher education institutions (compared to 53,300 in 1991).

Recent reforms in Uzbekistan have placed a significant emphasis on fostering start-ups and business initiatives across the country. Uzbekistan currently holds the 82nd position in the global creative industries sector. Recent reforms in Uzbekistan have placed a significant emphasis on fostering business start-ups, enterprise projects, and the support infrastructure for these enterprises. A pivotal aspect of these reforms pertains to the enhancement of human capital, particularly in the domains of creative abilities, innovative entrepreneurship, and innovation. In the context of youth policies, the "Uzbekistan 2030 Strategy" envisions the establishment of a creative park in each region of the country.

The economy and the state

Uzbekistan economic growth outlook for 2025 and 2026 remains robust, although a moderation in growth compared to current levels is anticipated. Furthermore, the country's robust economic recovery can be explained by the substantial structural reforms implemented since 2017, which have resulted in a fundamental transformation of economic dynamics. The comprehensive nature of these reforms has profoundly impacted the economy in its entirety. Real GDP grew by a 5.3 percent annual growth during the 2017-2024 period. In accordance with government directives, financial resources have been allocated for the modernization of airport infrastructure, the establishment of specialized economic zones, and the development of a USD 3 billion green [data center](#).

The state exerts significant control over the economy through public enterprises and state-owned banks, which collectively hold a substantial 65 percent of banking assets. This concentration of financial resources in state-owned entities further limits competition and hinders the full development of the private sector. In the financial sector, a notable shift has occurred with the privatization of certain banking institutions.

However, despite this transition, the government's influence remains substantial. In 2024, the government retained a significant stake in loans, accounting for a 24.1 percent share of loans. This strategic intervention by the government serves to ensure that financial resources are allocated to their intended purposes, thereby fostering economic stability and growth. The influx of foreign investment in private companies can be attributed to the implementation of economic reforms and the subsequent enhancement of the business environment. By the year 2025, major [projects](#) were expected to have been completed, including a USD 2.4 billion wind farm with [ACWA Power](#) and an electric vehicle factory through a partnership between BYD and UzAuto Motors. Furthermore, these advancements signify substantial progress in the domains of renewable energy and the automotive sector.

Household consumption has demonstrated resilience, bolstered by the growth in real wages and substantial remittances from the diaspora, notably from Russia, which contributed an additional 10 percent of GDP in 2024. It is evident that there has been a substantial increase in household income, which has contributed to a notable decline in poverty rates. The data indicates a decrease from 20.7 percent in 2024 to 16.6 percent in 2025, suggesting a positive correlation between economic growth and reduced poverty levels. This indicates a substantial enhancement in the living conditions of the population. Job creation is gaining momentum, with employment expanding at a rate of 1.7 percent/year, which exceeds the 1 percent annual growth rate of working-age individuals.

In accordance with prevailing trends, inflation is expected to persist at a low level, while prices of utilities and transportation are anticipated to rise. This phenomenon can be attributed to the government's gradual phase-out of fuel subsidies and the subsequent adjustment of electricity prices, initiated in 2024. The objective of these measures is to show the true costs of public expenditures and to promote fiscal prudence. In essence, these measures entailed a gradual elimination of selected tax benefits, akin to the approach previously employed in the context of Value Added Tax (VAT) exemptions. The government has indicated its intention to allocate 1 million Soms (approximately equivalent to 80-81 US dollar) to impoverished households in November 2025, with the aim of mitigating the impact of escalating energy costs.

Summary

Since gaining independence in 1991, Uzbekistan has maintained a Soviet-style managed economy while endeavoring to diversify its economic base. The country has emerged as a major player in cotton production and export, alongside natural gas and gold exports, and has become one of Central Asia's largest electricity producers. Key agricultural products include rice, grapes, and fruits, while industries focus on textiles, cotton, and food processing. The primary trade partners of Uzbekistan are China, Russia, and Kazakhstan.

Economic indicators demonstrate steady growth in GDP and population, alongside fluctuations in consumer price inflation and external sector balances. The country's growth prospects, as outlined in a World Bank report, project continued expansion. In 2025, Uzbekistan's foreign trade turnover increased. China and Russia remain the country's primary trade partners, while Kazakhstan maintains its position as a significant economic actor.

The economic performance of Uzbekistan is reflected in the selected indicators for the 2022–2026 period. The period was characterized by stable real GDP growth, expanding nominal GDP, rising per capita income, and population growth. Inflation rates have been effectively contained, and the nation's trade balance and public finances are subject to meticulous oversight.

Trade has been a robust catalyst for economic growth in recent years, and projections indicate its sustained contribution to the economy in 2026. In 2025, foreign trade turnover reached an unprecedented USD 81.2 billion, with exports also demonstrating substantial growth. In terms of trade, Uzbekistan's most significant economic partners are China, Russia, Kazakhstan, Türkiye, and South Korea. Nonetheless, in 2025, remittances from abroad became an additional driving force of the Uzbek economy, contributing meaningfully to the growth of Uzbek

household incomes. The substantial rise in remittances can be ascribed to a number of factors, including the dynamics of the foreign exchange market and labor migration to Russia.

Moreover, the economic reforms currently being implemented in Uzbekistan since 2016 have centered on areas such as the promotion of entrepreneurship. In 2026, the ongoing economic reforms initiated in previous years will continue, with a particular focus on achieving economic and development goals. These goals include enhancing educational outcomes, increasing mineral resource production, and fostering the growth of renewable energy sources. At the regional level, Tashkent tries to assume a leading role, which has given rise to a competitive dynamic with Kazakhstan, as the two countries struggle for influence. The geographical position of Uzbekistan, a country that is bordered by every country in the region as well as Afghanistan, presents a unique challenge. An examination of economic data reveals that Uzbekistan, has experienced a period of political and economic stability despite the global geopolitical developments that have transpired.