

SCIENTIFIC AND THEORETICAL BASIS AND FACTORS OF ENSURING MACROECONOMIC STABILITY

Kholkhodzhaev S.M.

Independent Researcher of Tashkent State University of Economics

Abstract

There are many factors that ensure macroeconomic stability, but among them, economic and financial, monetary and credit, and social factors are of particular importance, but among them, financial factors have the greatest influence. This article analyzes macroeconomic stability and financial factors to achieve it, analyzes some directions of its provision in the economy of Uzbekistan, and considers issues related to solving existing problems.

Keywords: Economy, macroeconomics, macroeconomic indicators, macroeconomic stability, economic rating, macroeconomic policy, state financial policy, economic indicators, economic balance, stability, economic factors.

Introduction

Macroeconomic stability requires a balanced state policy in various sectors of the economy, which the state achieves through economic policy, and in this process, rational regulation of society and flexibility of economic policy are of great importance. From this point of view, measures aimed at ensuring balanced economic development, preventing crises, and creating favorable conditions for economic growth will be a condition for ensuring macroeconomic stability.

To achieve and maintain macroeconomic stability, the state implements a set of measures in the sphere of economic policy. These measures will be aimed at preventing crises, ensuring sustainable economic growth, and protecting the financial system. In essence, macroeconomic stability is achieved through coordinated actions of the central bank, government, and business. Maintaining it requires flexibility in economic policy, controlling inflation and budget expenditures, as well as investing in long-term development. As a result of the implementation of comprehensive measures in the field of economic policy aimed at ensuring macroeconomic stability, it is possible to prevent crises, ensure sustainable economic growth, and protect the financial system.

Among these, economic factors are of great importance, as macroeconomic stability itself requires the correct implementation of economic measures. In general, economic factors include many factors, which we will analyze theoretically and practically within the framework of our research.



Literature Review

Of course, the factors of ensuring macroeconomic stability in each national economy, including the study of the scientific and theoretical foundations of financial factors, and the assessment of their impact, are being studied as the object of many scientific studies. Among them, in the scientific works of Seligman E., J.S.Mill, F.Kene, A.Smith, D. Ricardo, U.Petty, McConnell K.R., A.I.Kravchenko, M.A.Arzumanov, M.K.Chernyakov, V.Filonenko, A.A.Yasakova, much attention is paid to the factors of ensuring macroeconomic stability.

Of course, this problem is also being deeply analyzed within the framework of scientific research by our local scientists. In the scientific research of domestic economists such as B.B. Berkinov, F.Kh. Mamatova, N.M. Makhmudov, N.R. Avazov, F.Nasriddinov, N.Zhumaev, A.Absalamov, M.T. Askarova, Zh.Zh. Dzhamolov, V.A. Mutalimov, financial factors, as well as other factors ensuring macroeconomic stability in the national economy, were also studied, scientific conclusions were made, and some scientific recommendations were given.

However, the need for scientific research remains as a pressing issue of analyzing the influence of financial factors on ensuring macroeconomic stability in the economy of Uzbekistan.

Research Methodology

When conducting research on macroeconomic stability and priority issues of its provision, methods widely used in the methodology of scientific research are also used. When revealing the essence of the financial factors of macroeconomic stability, deductive or inductive methods were used, and when analyzing the factors influencing it, methods of grouping, synthesis, and analysis were effectively used. In addition, based on statistical analysis, dynamic changes in economic and financial indicators are analyzed. The research widely uses research methods, including logical and comparative, abstract-logical thinking methods.

Analysis and results

In the Decree of the President of the Republic of Uzbekistan dated January 28, 2022 No. UP-60 "On the Development Strategy of New Uzbekistan for 2022-2026," the main goal of ensuring macroeconomic stability in the economy of Uzbekistan is defined as: increasing the gross domestic product per capita by 1.6 times in the next five years and per capita income by more than 4 thousand US dollars by 2030, as well as creating the basis for joining the ranks of "countries with above-average income." Certainly, ensuring such a grand economic task requires the correct determination of macroeconomic tactical directions.



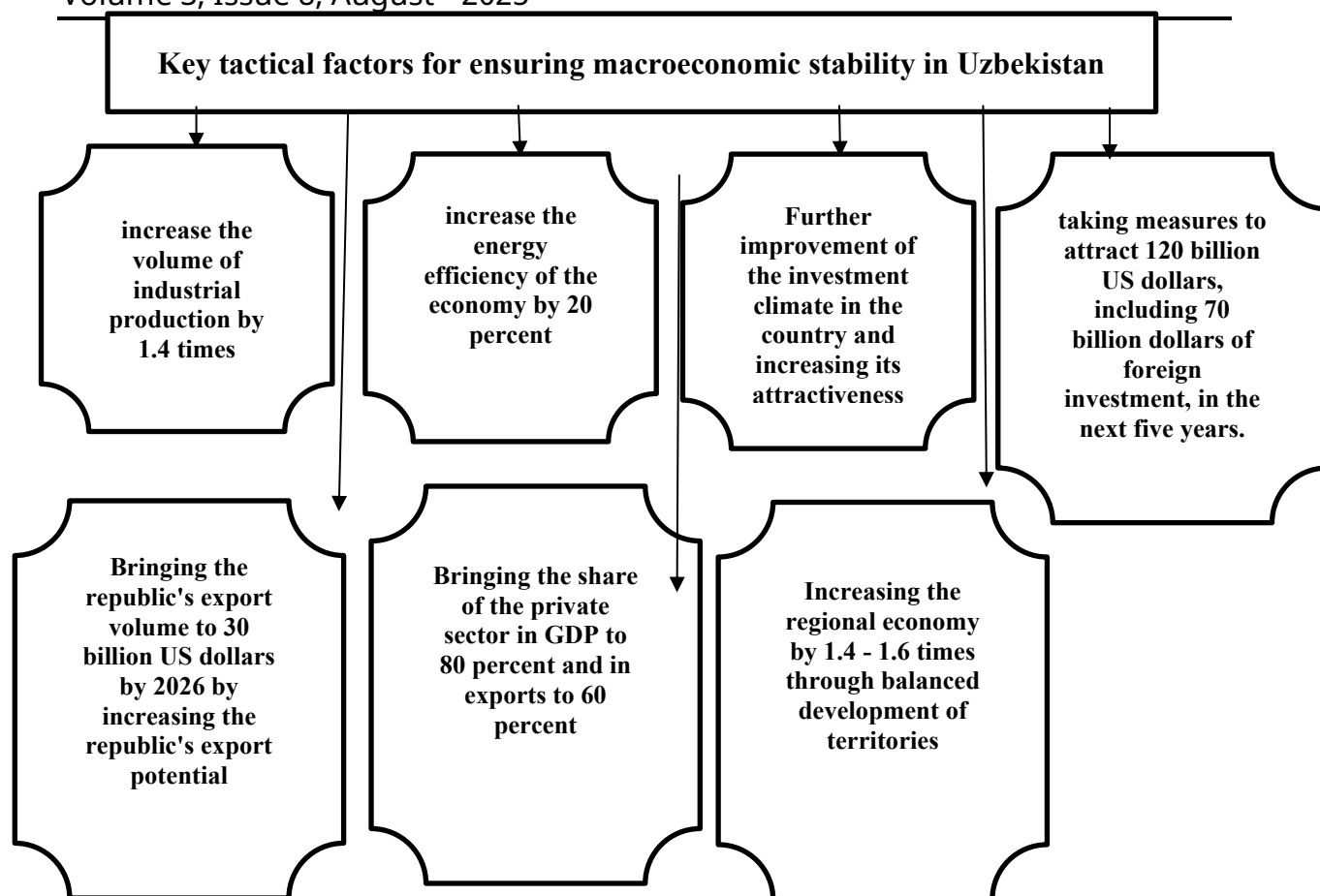


Figure 1. Key tactical factors for ensuring macroeconomic stability in Uzbekistan

In addition to those presented in this figure, smaller tactical directions have also been identified to achieve the main goal, the implementation of each of which requires the definition of sectoral and macroeconomic tasks based on specific analysis at the national economic level. Increasing the volume of industrial production alone by 1.4 times requires, firstly, strengthening foreign direct investment and reinvestment processes in the national market, increasing the volume of investments attracted to them in fixed capital by at least 3 times, accelerating the modernization of production, increasing the volume of products with high added value using domestic capabilities, and implementing similar measures.

It should be noted that in recent years, despite the influence of the external economic and political situation on the economy of our country and the benefits and preferences provided to businesses in order to mitigate it, the importance of the fiscal impact of macroeconomic stability has increased due to the stability of prices for gold, copper, and natural gas, which are the main export commodities of Uzbekistan, on the world market and the strengthening of tax administration in recent years .

It should be noted that in order to ensure macroeconomic stability in the national economy, the President of the Republic of Uzbekistan adopted a number of decrees and resolutions, as a result of which interruptions in Uzbekistan's foreign trade operations due to global economic uncertainties, the elimination of socio-economic problems arising within the country with an

increase in prices for basic consumer goods, as well as ensuring the stability of the population's solvency were achieved.

Table 1. Economic growth forecasts for some countries (in percent)

No	Countries	International Monetary Fund forecast		World Bank forecast	
		2023	2024	2023	2024
1.	World economy	3.0	2.9	2.5	2.1
2.	Russia	2.2	1.1	1.6	1.3
3.	Chinese	5.0	4.2	5.1	4.6
4.	Turkey	4.0	3.0	4.2	3.1
5.	Kazakhstan	4.6	4.2	4.5	4.3
6.	Kyrgyzstan	3.4	4.3	3.5	4.0
7.	Tajikistan	6.5	5.0	6.5	5.0
8.	Azerbaijan	2.5	2.5	1.5	2.4
9.	Georgia	6.2	4.8	5.9	4.8

According to forecasts based on the calculations of the International Monetary Fund, in the next year, economic growth rates may slow down, the main reason for which is the continuation of strict monetary policy in the economy jahon under conditions of high global inflation, as well as fiscal consolidation to reduce the burden of public debt in a number of countries. According to the analysis of this international institution, the global economy will slow down from 3.0% in 2023, to 2.9% in 2024, and the economies of developed countries, respectively, from 1.5% to 1.4%. Although the 4 percent economic growth rate in the economies of developing countries is maintained this year, our country's main trading partners, including the Russian economy, will slow down from 2.2 percent in 2023 to 1.1 percent in 2024, China from 5.0 percent to 4.2 percent, Turkey from 4.0 percent to 3.0 percent, and Kazakhstan from 4.6 percent to 4.2 percent.

According to forecasts, In 2023-2024, the economy of Uzbekistan is expected to grow within 5.6-5.8 percent, and in 2025-2026, it is expected to grow to 6.2 and 6.4 percent, respectively. At the same time, it is forecasted based on the set goal of bringing the gross domestic product per capita to 4 thousand US dollars by 2030. As a basis for this, in our opinion, in our republic development of human capital, reform of the energy resources market, acceleration of privatization and transformation of enterprises, implementation of measures for the rational use of natural resources, in particular water resources, measures to expand the use of public-private partnership projects in the development of social and production infrastructure are required. For this, it is necessary to ensure the sustainable growth of Uzbekistan, despite the economic and political uncertainties observed in the world in recent years.

However, in our opinion, it is necessary to coordinate macroeconomic policy, taking into account the influence of a number of negative factors on achieving such macroeconomic stability. That is, as a result of the slowdown in the economic growth of the main partner countries, external demand may decrease, it is necessary to take into account the persistence of high price elasticity of the main export commodities, as a result of the increase in interest rates

by the central banks of large countries, the increase in the cost of borrowed funds in the international financial market may continue, the persistence of high uncertainties in the trend of economic development in the medium term in the context of a complex global geopolitical situation, etc. may lead to negative consequences and weaken macroeconomic stability.

In order to ensure macroeconomic stability in Uzbekistan and increase its growth rates in 2024, it is necessary to ensure an increase in the volume of industrial production by 6 percent, construction work - by 6.3 percent, agriculture - by 4 percent, and market services - by 14.9 percent, which, as the first to ensure the stability of macroeconomic and fiscal buffers, will require an increase in the volume of assimilated investments in fixed assets in 2024 by 6.1 percent, direct foreign investments by 36 percent and the volume of non-gold exports by 15 percent, and economic growth will require a consistent continuation of structural reforms, as well as a balanced implementation of fiscal and monetary policy and reducing the impact of macro-fiscal risks.

Also, in the world economy, the continuation of monetary policy under conditions of high global inflation, the direction of fiscal consolidation in some countries towards reducing the burden of public debt, the moderation of global economic growth rates in the next <8 years is observed. In general, in the world economy, the rate of global economic growth on average will be around 3.0-3.2 percent, and it is forecasted that this indicator will be maintained in the next (2024-2026) <18 years.

If we analyze the forecast indicators of economic growth rates in the countries of the world and Uzbekistan by international financial institutions (World Bank), then, without taking into account the situation during the COVID-19 pandemic, forecast indicators of economic growth in Uzbekistan over the past three years will be around 6 percent, while in reality, economic growth was not less than 6 percent, and in 2024, it will be 6.5 percent instead of 6.2 percent, as predicted.

Table 1. National forecasts of GDP growth rates in Uzbekistan by international financial institutions in percent

No	International financial institutions	2024	2025	2026	2027
1.	International Monetary Fund forecast	5.4	5.5	5.5	5.5
2.	World Bank forecast	5.5	5.5	5.6	x
3.	Asian Development Bank forecast	5.5	5.6	x	x
4.	National forecast	6.0	6.2	6.4	6.2-6.4

According to the World Bank's forecasts, economic growth in Uzbekistan is relatively higher than in neighboring countries such as Kazakhstan, Kyrgyzstan, Tajikistan, and the main partner countries Russia, China, and Turkey, among which Tajikistan's indicator was quite close to Uzbekistan's.

In the table above, the recommendations given in the reports of the Asian Development Bank, the International Monetary Fund, the World Bank, and other international organizations on changes in the economy of Uzbekistan, as well as national forecasts of macroeconomic indicators, were positive indicators, if compared to our national forecasts, the difference averaged about 1 percent. Of course, according to the forecasts of the International Monetary Fund, the growth rate of the main trading partners, including the Russian economy, is expected to slow down from 3.2 percent in 2024 to 1.8 percent in 2025, in China from 4.6 percent to 4.1 percent, while the forecast indicators of the growth of the Turkish economy from 3.1 percent to 3.2 percent and in Kazakhstan from 3.1 percent to 5.6 percent differ significantly from the World Bank forecasts.

From this, it can be seen that the World Bank's forecasts are more pessimistic than the forecasts of the International Monetary Fund, and compared to the real situation, the forecasts of the International Monetary Fund are much more reliable, which has influenced the forecasts of international financial institutions for Uzbekistan's economic growth to be 6 percent. It can also be noted that, despite the serious impact of the external economic and political situation on the economy of our country, the strengthening of the focus of benefits and preferences on business in order to mitigate it, the stability of prices for gold, copper, and natural gas, which are the strategically important main export commodities of Uzbekistan, on the world market, gave impetus to ensuring the established indicators of economic growth in our national economy, and the observed decrease in prices for food and other basic goods on the world market had a relatively negative impact.

Table 2. Analysis of investment factors for ensuring macroeconomic stability in Uzbekistan

No	Indicators @5-years	2020				
		2021	2022	2023	2024	1.
Dynamics of the volume of investments in fixed assets (trillion soums)	201.2	239.6	266.2	361.1	493.7	2.
Dynamics of growth rates of investments in fixed assets (in percent)	95.6	102.9	100.2	123.4	127.6	3.
Dynamics of the share of investments in fixed assets from centralized sources of financing (in percent)	19.9	19.2	15.7	14.0	10.5	4.
4	Dynamics of the share of investments in fixed assets from decentralized sources of financing (in percent)	80.1	80.8	84.3	86.0	89.5
5.	Dynamics of the technological composition of investments in fixed assets (in percent)	100.	100.	100.	100.	100.
	machine, equipment, inventory	49.5	47.5	43.2	46.0	46.9
	construction and installation works	43.4	44.5	49.2	46.1	43.1
	other expenses	7.1	8.0	7.6	7.9	100.

Investments exist as an important economic instrument in ensuring growth and macroeconomic stability in any national economy. Proper spending and effective management of investments create the basis for the creation of added value in the economy. Indeed, in ensuring economic growth, both public and private high growth rates of investments are also important. does.

If we look at the analysis, in 2023 compared to 2022 <3 years, the volume of investments disbursed from all sources of financing in the economy increased by real 22.1 percent and amounted to 352.1 trillion soums. Analyzing the volume of decentralized investments, in 2023 compared to 2022, it increased by 26.2 percent and grew to 307.3 trillion soums, but centralized investments decreased by 0.7 percent and amounted to 44.8 trillion soums.

As can be seen from the data in the table above, the dynamics of the volume and growth rates of investments in fixed assets and the dynamics of the share of investments in fixed assets from decentralized sources of financing tended to increase over the analyzed years (2020-2024), while the dynamics of the share of investments in fixed assets from centralized sources of financing, on the contrary, decreased during the analyzed period and to a certain extent reduced the growth of the national economy.

In 2024, total financing in Uzbekistan investments in the amount of 493.7 trillion soums were disbursed, which is 27.6% more than in the previous year (2023). It is known that investments in fixed assets are a set of expenses aimed at the acquisition and reproduction of new fixed assets, the highest indicators and growth rates of which are not guaranteed by sources of financing and are due to other foreign investments and loans, which increased by 66.2% compared to 2023.

If we consider the relationship between macroeconomic stability and investment, then investment, as one of the economic factors, determines the continuity of macroeconomic stability, balanced GDP growth, high productivity, low unemployment, and economic diversification serve to prevent crises and ensure the country's long-term development. The investment-economic factors of macroeconomic stability are related to production, employment, investments, the level of competition, and foreign economic activity, which determine the stability of the economy, its ability to adapt to crises and ensure growth.

Inflation and budget deficit are interconnected and have a significant impact on macroeconomic stability. Excessive budget deficits lead to increased inflation, and high inflation can worsen the budget deficit. A sound budget and monetary policy will balance these factors and ensure sustainable economic growth. Inflation and budget deficit are two main macroeconomic indicators that affect the economic stability of the country. Their relationship is determined by the state's monetary and fiscal policy, as well as the economic situation.

When inflation is high, the real value of tax revenues decreases (if the tax system is not adjusted to price increases), which increases the budget deficit, since expenditures (for pensions, wages, social benefits) grow faster than income. Inflation reduces the purchasing power of the population, which forces the state to increase social payments (pensions, benefits, subsidies).

A high budget deficit can exacerbate inflation, and inflation, in turn, worsens the budget deficit by increasing government spending and reducing real tax revenues. For maintaining macroeconomic stability, balanced management of public finances and control of inflation are necessary. Their uncontrolled growth leads to economic crises, a decline in the standard of living, and a decrease in confidence in the public financial system.



A high budget deficit increases public debt, which can lead to an increase in interest rates and a weakening of the national currency. High inflation increases government spending on social benefits, civil servants' salaries, and other obligations.

Table 3. Analysis of sources of financing the deficit in the financial system of Uzbekistan (trillion soums)

No	WHO @@7-years	Composition	2021			
			2023	2024	2025 (forecast)	External sources
1.						
At the expense of borrowed funds from international financial institutions	12.2		36.0	31.8	33.8	2.
Attraction of external debt to state programs	7.6		7.1	11.8	19.9	Internal resources
3.						
Issue of government treasury bonds	1.8		17.0	25.0	30.0	4.
Through the privatization of state assets	0		6.6	6,6	10.0	10.0
5.	Return of budget loans issued in previous years		0	0	2.8	2.8
6.	At the expense of the balance at the beginning of the year		0	5.9	0.8	8.8
7.	Fund for Reconstruction and Development		19.2	16.9	14.0	0

Analysis of the current situation in our republic, aimed at ensuring macroeconomic stability based on financing the budget deficit and its proper financial management, is extremely important in this regard. Based on the data in the table above, if we look at the analysis of deficit financing sources in the financial system of Uzbekistan, the sources of financing are mainly carried out in two forms, that is, from external and internal sources. Financing from borrowed funds of international financial institutions as external sources in 2021 amounted to 12.2 trillion soums, and in 2025 it is planned to increase 3 times and amount to 33.8 trillion soums. The source of the issuance of state treasury bonds, which are considered internal sources, is planned to be 30.0 trillion soums in 2025, which is 16.6 times ($30/1.8$) more than in 2021. The source of budget loans has remained unchanged in recent years, averaging 10.0 trillion soums. Depending on the state's financial policy, the types and amounts of deficit financing sources in the financial system vary. For example, in 2025, it is not planned to attract funds from the Fund for Reconstruction and Development to finance the budget deficit.

In our republic, following the "Financial Rule," the budget deficit in 2024 amounted to 52.5 trillion soums, taking into account external borrowings attracted for the implementation of state programs, about 4.0 percent of GDP, and in the next medium term, it is set to maintain it at an average of 3 percent. The forecast parameters of the Consolidated Budget of the Republic of Uzbekistan for 2024-2026 are included at the upper limit of 60 percent of the gross domestic product, which is considered macroeconomically safe in the medium term.

Conclusion/Recommendations

As a general conclusion, it can be noted that if we consider the relationship between macroeconomic stability and investments, then investments, as one of the economic factors, determine the continuity of macroeconomic stability, a balanced growth of gross domestic product, high productivity, low unemployment, and economic diversification serve to prevent crises and ensure the long-term development of the country. The investment-economic factors of macroeconomic stability are related to production, employment, investments, the level of competition, and foreign economic activity, which determine the stability of the economy, its ability to adapt to crises and ensure growth.

Investment instruments (factors) as economic factors are the main factor in ensuring macroeconomic stability, effective management of public finances, stability of the financial, production and service systems, and a favorable investment climate serve to maintain the stability of the economy and its long-term growth. Investment activity creates conditions for sustainable economic development and reduction of the risk of financial crises.

The impact of prices on macroeconomic stability remains at the center of scientific analysis as one of the main issues in the economy, since the price level is directly related to such key macroeconomic indicators as inflation, employment, economic growth, and the national currency exchange rate. Inflation and budget deficit are closely interconnected and have a significant impact on macroeconomic stability. Uncontrolled growth of the deficit can lead to accelerated inflation, and high inflation can exacerbate fiscal problems. Effective fiscal and monetary policy will allow us to minimize these risks and ensure sustainable economic development.

If the implementation of measures to influence macroeconomic stability through the proper organization of financing the budget deficit constitutes the content of the state's important financial policy, then, in turn, the elimination of the budget deficit and the creation of a budget surplus as a natural economic process is an important issue in this regard. In this respect, the budget surplus, which exists as a situation where state revenues exceed expenditures, affects national macroeconomic stability by its economic nature.

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