

# The Impact of State External Debt on the National Economy of Uzbekistan

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**Abstract:** The article examines Uzbekistan's state external debt, its forms and structure. Trends in the field of public debt management, as well as its positive and negative impact on the country's national economy, are analyzed.

**Keywords:** state debt, external debt structure, national economy, state budget.

## Introduction

One of the main trends in the development of the global economy in recent years is the intensification of the globalization process. Globalization of the world economy is an opportunity to accelerate economic development. This could also pose a threat to the country's economic security. Uzbekistan's consistent integration into the modern global economy requires taking into account the impact of the globalization process on the national economy. In recent years, the problem of external debt has become a global problem. The return on state external debt is one of the important factors in the country's macroeconomic stability. Uzbekistan's fiscal capacity, its foreign exchange reserves, and consequently, the stability of the national currency, interest rates, investment climate, and the behaviour of all segments of the domestic financial market depend on the nature of solving the debt problem. However, the lack of a consistent national policy on attracting and using external financial resources has led to an increase in external debt and is a serious obstacle to economic transformations.

## Literature review

According to E.R. Orlova, according to Mrs. E.R., state debt is an integral part of the economic system, and many of its elements, especially the national budget, currency, credit, monetary system, inflation rate, domestic and foreign savings, foreign investments, have a direct and indirect impact on the country's national economy.[1]

Based on the scientific views of the economist H.L. Nalgiyev, state external debt has a negative impact on the country's economy. Among such factors, the following can be highlighted:[2] – the excessive increase in state external debt forces the government to restrict investment capital investments in the national economy; the state's involvement in borrowing operations contributes to the diversion of solid budget funds from the needs of the country's economic and social development; when the state receives excessive external borrowing, domestic finances become dependent on international ones; external government borrowing requires repayment along with interest.

The state's economic climate is determined by the state of the state budget, its surplus, deficit, or balance. The budget is one of the important tools for managing the economic situation in the country. In the case of a deficit, we are faced with its aggregate characteristic - state debt. The state debt is a very important category, its purpose is not only to attract funds, but also to regulate the monetary circulation, to influence the budgetary process and the entire economic process, and also to develop international cooperation.

V.M. Fedosov, S.Ya. Sutormina, and V.M. Ogorodnik believe that "state debt is the sum of unpaid domestic state loans, as well as the sum of a country's financial obligations to foreign ones at a certain date".[4]

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According to the local economist Ataniyazov, "The state debt is a system of monetary relations that leads to the redistribution of free capital of residents, non-residents, foreign countries and international currency funds, which are converted into debts aimed at satisfying certain state needs."

Local economists T.Malikov and A.Vahobov also commented that, according to them, external debt refers to the amount of obligations of the Republic of Uzbekistan that arose as a result of the state attracting funds from abroad.

### Analysis

An analysis of Uzbekistan's external debt requires consideration of several key factors, including debt structure, main sources of financing, and the impact of debt obligations on the country's economy.

In recent years, Uzbekistan has been actively increasing the volume of external debt, which is due to the need to finance infrastructure projects, develop the economy and modernize various industries. The size of the country's external debt is constantly changing depending on the attraction of new loans and changes in exchange rates.

As of 2023-2024, Uzbekistan's external debt is about \$24-25 billion. It is important to note that this indicator is increasing, but there is also an economic growth that can compensate for the burden of debt obligations.

This year, according to the refined estimates, the state debt is expected to be 39.7 billion US dollars. According to forecasts, by 2025, the state debt will reach 45.1 billion US dollars or 36.7 percent of GDP.

In 2025, according to forecasts, the consolidated budget will amount to 49.3 trillion soums (3.0 percent of GDP), 55.5 trillion soums (3.0 percent of GDP) and 64.1 trillion soums (3.0 percent of GDP) in 2026-2027, respectively.

The following sources will be used to cover the consolidated budget deficit (49.3 trillion soums) and repay the main debt in the amount of 46.1 trillion soums.

Table 1

**Uzbekistan's external debt structure [7]**

Spheres	2019 year		2020 year		2021 year		2022 year		2023 year	
	million dollars	% to debt	million dollars	% to debt	million dollars	% to debt	million dollars	% to debt	million dollars	% to debt
State external debt, total	15 687	100%	21 093	100%	23 582	100%	25 914	100%	29 639	100%
including:										
To support the state budget	1 768	11%	4 319	20%	5 862	25%	8 647	33%	11 738	40%
Fuel and energy industry	4 270	27%	5 629	27%	5 884	25%	5 822	22%	5 791	20%
Oil & Gas	1 858	12%	2 623	12%	2 884	12%	2 754	11%	2 060	7%
Electrical engineering	2 370	15%	2 952	14%	2 928	12%	2 987	12%	3 427	12%
Coal industry	42	0%	55	0%	72	0%	81	0%	304	1%
Transport and transport	2 110	13%	2 377	11%	2 542	11%	2 509	10%	2 771	9%



infrastructure										
Railways	1 098	7%	1 162	6%	1 216	5%	1 142	4%	1 196	4%
Highways	607	4%	659	3%	709	3%	812	3%	1 114	4%
Air transport	405	3%	556	3%	617	3%	555	2%	461	2%
Agriculture and water management	<b>1 855</b>	<b>12%</b>	<b>2 333</b>	<b>11%</b>	<b>2 428</b>	<b>10%</b>	<b>2 537</b>	<b>10%</b>	<b>2 657</b>	<b>9%</b>
Agriculture	1 269	8%	1 627	8%	1 721	7%	1 808	7%	1 870	6%
Water management	586	4%	705	3%	707	3%	730	3%	787	3%
Housing and communal services	<b>1 796</b>	<b>11%</b>	<b>2 022</b>	<b>10%</b>	<b>2 197</b>	<b>9%</b>	<b>2 299</b>	<b>9%</b>	<b>2 610</b>	<b>9%</b>
Housing construction	1 079	7%	1 232	6%	1 346	6%	1 353	5%	1 364	5%
Drinking water supply and sewerage	651	4%	715	3%	745	3%	763	3%	847	3%
Infrastructure improvement in cities and villages	32	0%	35	0%	47	0%	81	0%	264	1%
Recycling of household waste	34	0%	39	0%	47	0%	75	0%	85	0%
Heat supply	0	0%	1	0%	12	0%	27	0%	50	0%
Support for entrepreneurship and industrial production	<b>1 377</b>	<b>9%</b>	<b>1 392</b>	<b>7%</b>	<b>1 383</b>	<b>6%</b>	<b>1 066</b>	<b>4%</b>	<b>1 078</b>	<b>4%</b>
Chemical industry	<b>948</b>	<b>6%</b>	<b>1 031</b>	<b>5%</b>	<b>1 196</b>	<b>5%</b>	<b>1 026</b>	<b>4%</b>	<b>896</b>	<b>3%</b>
Health, education, ICT and other spheres	<b>1 564</b>	<b>10%</b>	<b>1 990</b>	<b>9%</b>	<b>2 091</b>	<b>9%</b>	<b>2 008</b>	<b>8%</b>	<b>2 098</b>	<b>7%</b>

From external sources:

- issuance of loans and euro bonds of international financial institutions - 38.3 trillion soums.
- loans for the implementation of state targeted programs - 18.8 trillion soums.
- From internal sources:
- issuance of state treasury bonds - 25.2 trillion soums.
- revenues from the privatization of state assets - 10.0 trillion soums.
- repayment of budget loans issued in previous years - 3.1 trillion soums.



**Table 2 State external debt by creditors**

№	Indicators	2019	2020	2021	2022	2023
		year	year	year	year	year
		<i>million dollars</i>	<i>million dollars</i>	<i>million dollars</i>	<i>million dollars</i>	<i>million dollars</i>
<b>1</b>	<b>State external debt, total</b>	<b>15 687</b>	<b>21 093</b>	<b>23 582</b>	<b>25 914</b>	<b>29 639</b>
<b>1.1.</b>	<b>International financial institutions</b>	<b>7 448</b>	<b>10 057</b>	<b>10 926</b>	<b>13 804</b>	<b>16 627</b>
	Asian Development Bank	3 876	4 985	5 219	6 030	6 441
	World Bank	2 722	3 734	4 327	5 527	6 570
	Islamic Development Bank	749	824	885	904	911
	Asian Infrastructure Investment Bank	0	1	4	570	1 321
	International Monetary Fund	0	397	386	367	811
	European Bank for Reconstruction and Development	1	2	17	132	174
	Other IMF (Agriculture Development Fund, OPEC Fund and others)	100	114	88	274	399
<b>1.2.</b>	<b>Financial institutions of foreign governments</b>	<b>7 239</b>	<b>9 291</b>	<b>10 051</b>	<b>9 519</b>	<b>9 614</b>
	China State Development Bank, China Eximbank and others	3 349	4 020	4 200	3 965	3 775
	Japan International Cooperation Agency and others	1 935	2 376	2 659	2 300	2 359
	The Korea Eximbank, the Korea Economic Development Fund, etc.	749	998	1 019	966	794
	French Development Agency	435	682	585	718	828
	Saudi Development Fund	123	142	141	143	140
	State Bank of Germany	138	147	129	116	114
	The State Bank of Spain	81	106	99	80	73
	Others	428	820	1 218	1 230	1 531
<b>1.3.</b>	<b>Investors</b>	<b>1 000</b>	<b>1 746</b>	<b>2 605</b>	<b>2 591</b>	<b>3 397</b>
	International Bonds	1 000	1 746	2 605	2 591	3 397

The foreign debt structure (which is one of the indicators of actual risk to the economy related to changes in the exchange rate) mainly consists of loans in dollars, Uzbek soums and Japanese yen. 6.83 trillion soums have been allocated for servicing the state debt and paying interest on it. It should be recalled that in 2023, it was planned to allocate 6.87 trillion soums to pay interest on the state debt, but in fact, 1.12 billion dollars were paid (about 13.15 trillion soums at the average rate last year). In addition, the Ministry of Economy of Uzbekistan explained that at the beginning of last year, interest rates on international financial markets (SOFR) were 2.99%, and by the end of the year they reached 5.34%, due to which interest payments on state debt increased. That is, debt service has become more expensive.



## Conclusions

Thus, public external debt can have both a positive and a negative impact on Uzbekistan's national economy. The formation and regulation of external debt is an important aspect that influences the state of state finances, the country's investment climate, the structure of consumption, the development of international cooperation and many other elements of society's socio-economic life. When studying the impact of public debt on the country's national economy, the following pattern can be identified: the higher the debt amount, the more cumbersome its impact on the economy.

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