

Article

Assessing The Impact of Macroeconomic Factors on The Investment Activity of Joint-Stock Companies

Aytmuratova Ulbike Jalgasovna

1. Karakalpak State University, Associate Professor (PhD), Department of Finance and Financial Technologies

* Correspondence: a.ulmeken@karsu.uz, ulbikeaytmuratova@gmail.com

Abstract: This article examines the impact of major macroeconomic factors on the investment activity of joint-stock companies. Particular attention is given to economic growth, inflation, interest rates, exchange rate dynamics, and the availability of financial resources as key determinants of corporate investment decisions. The study combines theoretical analysis with an assessment of recent macroeconomic and investment indicators of Uzbekistan. Official statistical data indicate that investment activity has expanded considerably in recent years, while changes in inflation, monetary conditions, exchange rates, and domestic demand have influenced the investment environment. The results suggest that economic growth and expanding market demand generally create favorable conditions for corporate investment, whereas high inflation, elevated financing costs, and exchange-rate uncertainty may increase investment risks and reduce the attractiveness of long-term projects. The article proposes an integrated approach to improving investment decision-making in joint-stock companies based on macroeconomic monitoring, scenario analysis, diversification of financing sources, and systematic assessment of investment risks.

Keywords: joint-stock companies, investment activity, macroeconomic factors, inflation, economic growth, interest rate, exchange rate, investment risk, corporate finance, Uzbekistan

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1. Introduction

Investment activity is one of the most important determinants of the long-term development and competitiveness of joint-stock companies. Investment decisions allow companies to expand production capacity, introduce new technologies, modernize fixed assets, improve labor productivity, and enter new markets. However, corporate investment decisions are not determined exclusively by internal financial resources or management strategies. They are also strongly influenced by the broader macroeconomic environment.

Changes in economic growth, inflation, interest rates, exchange rates, consumer demand, and access to financial resources can substantially affect the expected profitability and risk of investment projects. Therefore, an assessment of macroeconomic conditions is an essential component of effective investment planning.

This issue is particularly relevant for Uzbekistan, where investment activity has expanded rapidly in recent years. According to the National Statistics Committee, investments in fixed assets amounted to 603.6 trillion soums in 2025, compared with 507.5 trillion soums in 2024. The official annual growth rate of investments in fixed assets was 13.1% in 2025 [1].

At the same time, Uzbekistan's economy demonstrated strong growth in 2025. According to the International Monetary Fund, real GDP increased by 7.7%, while

consumer price inflation declined to 7.3% at the end of the year, compared with 9.8% a year earlier. The IMF also noted that strong consumption and investment were among the main drivers of economic growth [2].

These developments demonstrate the importance of studying the relationship between macroeconomic conditions and corporate investment behavior.

The purpose of this research is to assess how major macroeconomic factors influence the investment activity of joint-stock companies and to identify mechanisms for improving investment decision-making under changing economic conditions.

The main objectives of the study are:

- a. To examine the theoretical relationship between macroeconomic factors and corporate investment;
- b. To analyze recent investment dynamics in uzbekistan;
- c. To identify the potential effects of inflation, economic growth, interest rates, and exchange-rate movements on joint-stock companies;
- d. To determine the main channels through which macroeconomic uncertainty affects investment decisions;
- e. To develop recommendations for improving corporate investment management.

1.1 Theoretical Foundations of Corporate Investment

Corporate investment theory explains capital expenditure as a response to expected demand, the marginal productivity of capital, financing costs, and managerial expectations. Keynes emphasized expectations and the marginal efficiency of capital as central to investment decisions [3]. Jorgenson's neoclassical formulation subsequently linked the desired capital stock to output and the user cost of capital [4], while Tobin's q framework connected market valuation with incentives to acquire additional capital [5]. These approaches imply that macroeconomic conditions influence investment by changing expected cash flows, discount rates, and the relative attractiveness of new capital.

1.2 Economic Growth and the Accelerator Mechanism

The accelerator mechanism predicts that sustained output and demand growth induce firms to expand productive capacity. When sales expectations improve, joint-stock companies are more likely to undertake modernization, capacity expansion, and technology acquisition. However, the response is not automatic: capital adjustment costs, sectoral demand, and the irreversibility of investment can delay expenditure even during periods of strong aggregate growth [6], [7]. Consequently, GDP growth should be interpreted as an enabling condition whose effect depends on firm-specific opportunities and constraints.

1.3 Interest Rates, Capital Structure, and Financial Constraints

Interest rates affect investment through the discount rate and the cost of external finance. The capital-structure proposition of Modigliani and Miller provides the benchmark for understanding financing choices [8], whereas empirical research shows that imperfect capital markets make investment sensitive to internal cash flow and access to credit [9], [10]. Firms facing information asymmetry may prefer retained earnings and debt before issuing new equity, producing a financing hierarchy that can restrict otherwise profitable projects [11]. Joint-stock companies with limited collateral, short credit histories, or concentrated funding sources are therefore especially exposed to monetary tightening.

1.4 Inflation, Uncertainty, and Investment Irreversibility

Inflation affects capital budgeting by raising input prices, complicating forecasts of nominal revenue and cost, and altering real financing conditions. When investment is partly irreversible, uncertainty increases the value of waiting and may cause firms to postpone projects until information improves [7]. Macroeconomic uncertainty can also generate sharp contractions in investment and hiring [12], while policy uncertainty has

been associated with lower corporate capital expenditure, particularly among firms whose investments are difficult to reverse [13]. Predictability is therefore as important as the level of inflation itself.

1.5 Exchange Rates and Imported Capital Goods

Exchange-rate movements have heterogeneous effects on investment. Depreciation raises the domestic-currency price of imported machinery, technology, and intermediate inputs, but it can improve export competitiveness and increase domestic-currency revenue for exporters. Evidence on investment responses shows that the net effect depends on industry markups, trade exposure, and the currency composition of costs and revenues [14]. For Uzbekistan's joint-stock companies, foreign-currency liabilities and dependence on imported equipment are therefore essential elements of project risk assessment.

1.6 Governance and Investment Efficiency

Macroeconomic signals are transmitted through corporate decision-making and governance arrangements. Sound disclosure, accountable boards, protection of shareholder rights, and effective risk oversight can improve capital allocation and reduce agency-related overinvestment or underinvestment. The G20/OECD Principles of Corporate Governance emphasize board responsibility, transparent disclosure, and equitable treatment of shareholders as foundations for resilient corporate financing and investment [15]. These mechanisms are particularly relevant to joint-stock companies, where ownership structure and oversight influence how managers respond to macroeconomic opportunities and risks.

1.7 Empirical Evidence and Research Gap

Microeconometric research confirms that firm investment reflects both macroeconomic conditions and heterogeneous company characteristics, including productivity, cash flow, leverage, and adjustment costs [16]. Uzbekistan's recent reforms, financial deepening, and strong investment growth create a distinctive setting, but the available policy literature remains more developed at the aggregate level than at the level of joint-stock company decision-making [17], [18]. Prior studies therefore do not fully integrate growth, inflation, financing costs, exchange-rate exposure, and corporate governance within a single framework tailored to these companies.

1.8 Contribution and Conceptual Framework

This study addresses the identified gap by combining established investment theory with recent macroeconomic evidence from Uzbekistan. Its analytical framework treats economic growth, inflation, interest rates, exchange-rate dynamics, domestic demand, and financial availability as external conditions that alter expected returns and investment risk. Firm-level financial structure, import dependence, export orientation, sector, and governance are treated as transmission factors. The resulting logic is: macroeconomic conditions → expected returns and risks → corporate appraisal and financing decisions → investment activity. This framework supports the subsequent comparative and statistical analysis without assuming that every joint-stock company responds uniformly to the same macroeconomic shock.

2. Materials and Methods

The study applies a combination of systematic, comparative, statistical, and analytical approaches.

The systematic approach is used to examine the interaction between macroeconomic conditions and corporate investment decisions. Comparative analysis is applied to identify changes in investment activity over time.

Statistical analysis is based primarily on official data from the National Statistics Committee of the Republic of Uzbekistan and macroeconomic assessments published by the International Monetary Fund.

The following macroeconomic variables are considered in the analysis:

1. Real GDP growth;
2. Inflation;
3. Interest rates and financing costs;
4. Exchange-rate dynamics;
5. Domestic demand;
6. Availability of financial resources.

Corporate investment activity is represented primarily by changes in investment in fixed assets and gross fixed capital formation.

The conceptual relationship can be expressed as follows:

Macroeconomic Conditions → Expected Returns and Investment Risks → Corporate Investment Decisions → Investment Activity

The analysis also considers the fact that the impact of each macroeconomic factor may vary according to the sector, financial structure, export orientation, import dependence, and investment horizon of a particular joint-stock company.

3. Result

3.1. Dynamics of Investment Activity

Uzbekistan has experienced a significant increase in investment activity during the past several years.

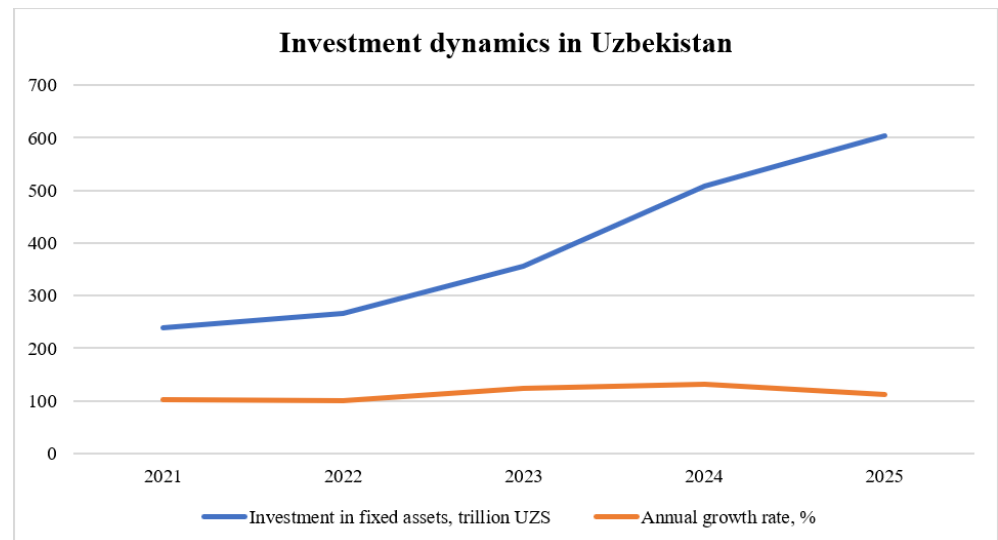


Figure 1. Investment dynamics in Uzbekistan

The data show a substantial increase in investment in fixed assets. The volume increased from 239.6 trillion soums in 2021 to 603.6 trillion soums in 2025. Thus, the nominal volume of investment more than doubled over the period.

The strongest annual growth rate was recorded in 2024, when investment in fixed assets increased by 31.3%. In 2025, investment continued to grow, although the annual growth rate moderated to 13.1%.

This development indicates that investment activity remained strong despite changes in the macroeconomic environment.

3.2. The Role of Economic Growth

Economic growth is one of the most important factors influencing corporate investment. When GDP and domestic demand increase, companies generally face expanding markets and stronger incentives to increase production capacity.

In 2025, Uzbekistan's real GDP growth reached 7.7%. According to the IMF, growth was broad-based, with particularly strong expansion in services and construction, while investment and consumption remained important growth drivers [2].

For joint-stock companies, sustained economic growth can improve expected future cash flows and increase the attractiveness of investment projects.

The relationship can be illustrated as:

GDP growth $\uparrow \rightarrow$ **Demand** $\uparrow \rightarrow$ **Expected revenue** $\uparrow \rightarrow$ **Investment incentives** $\uparrow$

However, economic growth does not automatically result in higher investment by every company. Sector-specific demand, access to financing, profitability, and business expectations also determine corporate investment behavior.

3.3. Inflation and Corporate Investment

Inflation affects investment decisions through several channels.

First, inflation increases the cost of equipment, construction materials, wages, transportation, and other inputs. Second, it complicates long-term financial planning because future costs and revenues become more difficult to forecast. Third, persistent inflation can reduce the real value of expected investment returns.

At the same time, the impact of inflation depends on its level and predictability. According to the IMF, Uzbekistan's headline CPI inflation decreased from 9.8% at the end of 2024 to 7.3% at the end of 2025 [2].

The reduction in inflation can improve the predictability of investment calculations and reduce uncertainty for long-term projects.

For joint-stock companies, the following relationship is particularly important:

Inflation $\uparrow \rightarrow$ **Input costs** $\uparrow \rightarrow$ **Investment uncertainty** $\uparrow \rightarrow$ **Expected real return** $\downarrow$

However, companies with strong pricing power or foreign-currency revenues may be able to compensate for part of the inflationary pressure.

3.4. Interest Rates and Financing Costs

The cost of financing is a critical determinant of investment decisions. Companies frequently finance capital expenditures through a combination of retained earnings, bank loans, bonds, and equity financing.

An increase in interest rates raises the cost of debt financing. Consequently, companies may postpone projects with relatively low expected returns.

The theoretical relationship can be expressed as:

Interest rate $\uparrow \rightarrow$ **Cost of capital** $\uparrow \rightarrow$ **Net present value of projects** $\downarrow \rightarrow$ **Investment demand** $\downarrow$

This effect is particularly important for capital-intensive joint-stock companies operating in manufacturing, infrastructure, energy, construction, and transportation.

Therefore, investment planning should include sensitivity analysis to changes in financing costs.

3.5. Exchange-Rate Dynamics

Exchange-rate fluctuations represent an important risk for joint-stock companies operating in an open economy.

Companies that import machinery, technological equipment, components, and raw materials may experience an increase in investment costs when the domestic currency depreciates. For example, a project requiring imported equipment becomes more expensive in domestic currency terms if the exchange rate moves unfavorably.

However, the effect is not necessarily negative for all companies. Export-oriented firms may receive higher domestic-currency revenues when foreign-currency earnings are converted into local currency.

Therefore, the impact of exchange-rate changes depends on the company's foreign-currency exposure.

Table 1. Main channels through which macroeconomic factors affect corporate investment

Macroeconomic factor	Primary transmission channel	Expected impact on investment
GDP growth	Market demand and expected revenue	Generally positive
Inflation	Costs and uncertainty	Generally negative when high/volatile
Interest rates	Cost of financing	Generally negative
Exchange rate	Imported equipment and foreign-currency exposure	Mixed
Domestic demand	Sales expectations	Generally positive
Credit availability	Access to external financing	Generally positive

The data demonstrate that macroeconomic variables affect investment through different transmission channels. Therefore, corporate investment policy should not rely on a single macroeconomic indicator.

3.6. Investment Growth and Macroeconomic Conditions

The relationship between investment and macroeconomic conditions can be summarized through a comparative framework.

Table 2. Investment and selected macroeconomic indicators in Uzbekistan

Indicator	2024	2025
Investment in fixed assets, trillion UZS	507.5	603.6
Investment growth rate, %	31.3	13.1
Real GDP growth, %	—	7.7
CPI inflation at year-end, %	9.8	7.3

The data show that investment continued to expand in 2025 while inflation declined and economic growth remained strong. This combination created a relatively supportive macroeconomic environment for investment activity.

At the same time, the lower investment growth rate compared with 2024 suggests that the pace of investment expansion moderated. This indicates that investment dynamics depend on a broader set of factors than economic growth alone.

3.7. Integrated Assessment of Macroeconomic Risks

For joint-stock companies, macroeconomic risk assessment should be incorporated into the investment decision-making process.

A practical assessment framework can include:

1. **Base scenario**
Assumes continuation of current economic trends.
2. **Inflation scenario**
Assumes an increase in inflation and input costs.
3. **Interest-rate scenario**
Assumes an increase in borrowing costs.
4. **Exchange-rate scenario**
Assumes significant currency depreciation or appreciation.
5. **Demand scenario**
Assumes a slowdown or acceleration in domestic and external demand.

For each scenario, companies should estimate changes in:

- a. Project revenue;
- b. Operating costs;
- c. Financing expenses;

- d. Cash flows;
- e. Profitability;
- f. Payback period;
- g. Net present value;
- h. Internal rate of return.

This approach allows management to identify investment projects that remain economically viable under different macroeconomic conditions.

3.8. The Role of Financial Diversification

One of the important findings of the study is that companies can reduce their sensitivity to macroeconomic shocks by diversifying financing sources.

A joint-stock company should not rely exclusively on bank loans. Depending on its size and regulatory conditions, it can combine:

- a. Retained earnings;
- b. Equity financing;
- c. Corporate bonds;
- d. Bank financing;
- e. Leasing;
- f. Foreign investment;
- g. Strategic partnerships.

Diversification can reduce dependence on a single financing channel and improve financial flexibility.

This is particularly important during periods of high interest rates or restricted credit conditions.

4. Discussion

The findings indicate that the investment activity of joint-stock companies in Uzbekistan is shaped by the interaction between favorable economic growth and persistent macroeconomic risks. The continued expansion of fixed-asset investment alongside strong GDP growth suggests that rising demand and improved revenue expectations encouraged companies to expand their productive capacity, consistent with the accelerator and neoclassical investment theories [4], [6]. However, inflation, borrowing costs, and exchange-rate fluctuations may reduce the financial feasibility of long-term projects by increasing input prices, the cost of capital, and the domestic-currency value of imported equipment. These effects are particularly significant for companies that depend heavily on external financing or foreign technology, supporting earlier evidence that financial constraints and external exposure influence corporate investment decisions [9], [10], [14], [15]. The results also demonstrate that macroeconomic improvement does not affect all companies uniformly because investment responses depend on sector, capital structure, import dependence, export orientation, and corporate governance. Therefore, joint-stock companies should integrate macroeconomic monitoring, scenario analysis, financing diversification, and exchange-rate risk assessment into their investment appraisal systems to maintain investment efficiency under changing economic conditions.

5. Conclusion

The study demonstrates that macroeconomic factors play an important role in determining the investment activity of joint-stock companies. Economic growth, inflation, interest rates, exchange rates, domestic demand, and access to financial resources influence both the expected profitability and the risk profile of corporate investment projects.

The analysis of Uzbekistan's recent data indicates that investment activity has expanded considerably. Investment in fixed assets increased from 239.6 trillion soums in

2021 to 603.6 trillion soums in 2025. In 2025, real GDP growth reached 7.7%, while year-end inflation declined to 7.3%.

The findings suggest that strong economic growth and expanding investment activity can create favorable conditions for joint-stock companies. At the same time, inflation, financing costs, and exchange-rate uncertainty remain important factors that should be incorporated into corporate investment planning.

Based on the results, the following recommendations are proposed:

1. **Strengthen macroeconomic monitoring.** Joint-stock companies should regularly monitor GDP growth, inflation, interest rates, exchange rates, and demand indicators.
2. **Introduce scenario-based investment planning.** Major investment projects should be evaluated under several macroeconomic scenarios rather than under a single forecast.
3. **Apply sensitivity analysis.** Management should estimate how changes in inflation, financing costs, exchange rates, and demand affect project profitability.
4. **Diversify financing sources.** Companies should combine internal and external financing instruments to reduce dependence on a single source of capital.
5. **Improve financial risk management.** Companies with significant foreign-currency exposure should systematically assess exchange-rate risks when planning investment projects.
6. **Strengthen investment appraisal systems.** Net present value, internal rate of return, payback period, and risk-adjusted return should be considered together when evaluating investment projects.
7. **Integrate macroeconomic analysis into corporate strategy.** Investment decisions should be aligned with long-term expectations concerning economic growth, market demand, inflation, and financing conditions.

In conclusion, the investment activity of joint-stock companies is determined by the interaction of internal corporate capabilities and the external macroeconomic environment. Therefore, effective investment management requires not only financial analysis of individual projects but also continuous assessment of macroeconomic risks and opportunities.

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