

## Uzbekistan Records Strong 8.7% Q1 Growth Amid Broad Reforms

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Uzbekistan's economy demonstrated strong and sustained expansion in the first quarter of the year, recording 8.7% GDP growth, alongside record investment inflows, declining inflation, and steady export expansion. The performance exceeded projections by leading international financial institutions and reflected the effectiveness of ongoing structural reforms.

GDP at current prices reached \$36.9 billion, marking one of the strongest quarterly performances in recent years.

International institutions had forecast lower growth for Uzbekistan. The Asian Development Bank projected 6.7%, the World Bank revised its estimate from 6.0% to 6.4%, while the IMF increased its forecast to 6.8%. However, actual performance reached 8.7%, surpassing all expectations. The closest domestic forecast came from the Center for Economic Research and Reforms, which estimated up to 7% growth. Sectoral expansion was broad-based. Construction grew 15.0%, services expanded 8.8%, industry increased 8.0%, and agriculture

grew 5.1%. Strong industrial gains included oil refining (+29.5%), apparel and textiles (+15.3%), knitwear (+26.9%), and automotive production (+12.5%), including buses (+64.7%) and trucks (+46.6%). Within services, education rose 22.5% and financial services 22.4%. Uzbekistan continued efforts to formalize economic activity, reducing the shadow economy from 24.8% to 22.9%, improving transparency and increasing reported GDP performance. Market-oriented reforms also strengthened investor confidence, reflected in Uzbekistan's rise of 14 positions in the Index of Economic Freedom, entering the category of moderately free economies for the first time.

Global economic instability continues to impact price dynamics. Oil prices increased by 40%, while logistics disruptions raised transport costs by 25–30%. Despite these pressures, Uzbekistan managed to reduce inflation significantly. Consumer prices rose 1.93% in Q1, while March monthly inflation stood at 0.6%. Annual inflation fell to 7.1%, compared to 10.34% a year earlier.

Food security measures included subsidized livestock imports, 50% transport cost reimbursement for imports from Mongolia, and approval for importing 100,000 sheep and goats. Authorities have set a national target of keeping inflation below 6.5% in 2026.

Fiscal performance improved sharply. State budget revenues increased 35%, tax revenues grew 24%, and customs revenues rose 20%. Local budget resources increased 21%, supported by land sales and privatization generating \$47.1 million. An additional \$90.6 million was transferred from the central budget, while district-level retention reached \$115.3 million, 4.2 times higher than last year, reflecting a policy of strengthening regional financial independence.

Investment activity reached unprecedented levels. Total investment stood at \$12.85 billion (+41.5%), while foreign direct investment reached \$8.84 billion (+45.7%). A total of 1,508 new projects were launched, creating around 28,000 jobs. China remained the largest investor with \$6.4 billion, followed by Russia, Türkiye, the UAE, and Germany.

Uzbekistan also plans to implement 125 projects worth \$5.1 billion with international financial institutions in 2026. In Q1 alone, \$947 million in foreign loans were mobilized, exceeding forecasts by 120%. The government also announced plans to list 30% of state assets worth \$2.4 billion on international stock markets for the first time. A National Investment Fund has been established, with 13 strategic enterprises

transferred to Franklin Templeton management. An AI-based investment platform will be introduced to guide regional project selection and streamline investor access.

Exports grew 26% to \$5.8 billion, expanding across 147 districts with 4,000 exporting enterprises. Uranium exports rose 95%, non-ferrous metals doubled, oil and gas increased 15%, textiles reached \$731 million (+18%), construction materials rose 75%, jewelry increased 54%, fruit and vegetables reached \$320 million (+12%), and food exports surged 120%. Services exports reached \$2.2 billion (+35%). New export markets worth \$162 million were opened across 86 countries, including the United States, Austria, Poland, South Korea, and regional partners.

Despite strong performance, 908 entrepreneurs with contracts worth \$3.6 billion were unable to begin exports due to external market conditions, highlighting ongoing trade challenges.

Uzbekistan allocated \$11.5 billion to SME financing. In the first quarter, \$2.9 billion in credit was issued, including \$659 million under state programs. Around 21,000 microprojects were implemented, supporting income growth for 52,000 citizens. Permanent jobs were provided to 167,000 people, while 737,000 citizens received support for income generation. Additionally, 241,000 informal workers were formalized. Social support programs assisted 86,000 vulnerable families through 105,000 services. Women's employment programs benefited 26,000 women, while youth initiatives supported 58,000 young citizens.

Regional development funds totaled \$297 million, with an additional \$329 million allocated to "New Image of Uzbekistan" areas. As a result, poverty declined to 5.0%, and unemployment to 4.7%, with further reductions expected.

Infrastructure development included 89 km of drinking water networks, 8.2 km of sewerage systems, and 40 km of roads, improving living standards nationwide.

In the global context, IMF forecasts place world growth at 3.1%, with advanced economies at 1.5–1.6%. Uzbekistan's 8.7% growth significantly exceeds emerging market averages, including India's projected 7.3%. The country is expected to maintain 8.3–8.7% growth in 2026, driven by services, industry, and construction.

At the Samarkand Forum of the Asian Development Bank, attended by over 4,000 participants from 100 countries, Uzbekistan strengthened its partnership with the ADB, which now totals nearly \$16 billion. A new

\$12.5 billion cooperation program (2024-2030) was launched covering infrastructure, energy, private sector development, and human capital.

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