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ANALYSIS OF DOMESTIC INVESTMENT AND FOREIGN DIRECT INVESTMENT (FDI)

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Abstract
This article analyzes the role of domestic investments and foreign direct investments (FDI) in the economy of Uzbekistan and their distribution by sector. The reforms implemented in the country to improve the investment climate, the dynamics of investment flows and their ratio to gross domestic product (GDP) are highlighted, as well as economic efficiency indicators. The contribution of FDI to technological innovation, the introduction of modern management systems, and the creation of new jobs is also shown based on numerical analysis. The economic activity of domestic investors and financial support measures provided by the state are also studied in detail.

Keywords: FDI, modernization, manufacturing, mining, inclusive growth.

Introduction

In a market economy, investment is one of the most important factors of economic growth. Especially for developing countries, attracting foreign direct investment (FDI) along with domestic investment provides positive results in the economy, such as technological modernization, job creation, and strengthening international cooperation. Uzbekistan has implemented significant reforms in recent years to improve the investment climate, protect investor rights, and create a favorable tax and regulatory environment. This has strengthened the confidence of international investors in the country and created the basis for increasing FDI inflows. At the same

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time, the activity of domestic investors has also increased, and high growth rates are observed in various sectors of the economy through domestic investment. This article provides an in-depth analysis of the main indicators of Uzbekistan's investment activity, their composition, and efficiency.

In 2024, fixed capital investments in Uzbekistan amounted to 493.7 trillion UZS (39.03 billion USD), which is an increase of 127.6% compared to the previous year. Within this total volume, FDI and foreign loans accounted for 150.5 trillion UZS (11.9 billion USD), or a significant part of total investments - 30.5% (total 333.8 trillion UZS with foreign loans). Foreign direct investment (FDI) increased by 53.6% in 2024, reaching 11.9 billion USD. Their share in GDP was 10.3% - an increase of 2.4 percentage points compared to previous years. In 2023, FDI amounted to USD 7.2 billion, which was lower than the figure in 2022, but higher than the average for 2019–21.

Table 1[1]Analysis of investment structure by source (2024)

Source of funding	**Trln UZS**	**Mlrd USD**	**Share (%)**
FDI	150.5	11.9	30.5% (with foreign investment + debts)
Foreign loans	23.6	1.87	One part
Enterprise funds	87.0	6.88	24.1% total
Public funds	32.0	2.53	
Total investments	493.7	39.03	

According to 2025 data, FDI by local authorities and sector amounted to 44.1 trillion UZS (3.41 billion USD), an increase of 124.3% compared to the same period last year, and 127.8% in dollar terms. By sector:

- Manufacturing: 32.2%
- Electricity and gas supply: 22.7%
- Mining: 13.0%
- Agriculture: 9.7%
- Construction: 5.0%
- Transport and IT - lower ratios

Regional distribution:

- Namangan region — 7.49 trillion

[1] UNCTAD World Investment Report, lloydsbanktrade - FDI hajmlari va zaxirasi 2023-24 statistikasi

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- Tashkent region — 6.36 trillion
- Tashkent city — 4.38 trillion
- Navoi and Samarkand regions are also among the active regions

FDI in 2023 was 7.2 billion USD, the main investors:

- China - 25.6%
- Russia - 13.4%
- Saudi Arabia - 7.9%
- Turkey and UAE - 6.4% and 5.8%, respectively
- Germany - 4.3%

Table 2[2] The volume of foreign direct investment entering the economy of Uzbekistan (2017-2024)

Years	Investment volume (billion US$)	Main areas
2017	1.8	Energy, agriculture
2018	2.1	Infrastructure, chemistry
2019	2.3	Textiles, energy
2020	2.0	Agriculture, transportation
2021	2.5	Energy, renewable energy
2022	2.8	Infrastructure, IT
2023	3.0	Green energy, agriculture
2024	3.2	High technology, transportation

The volume of foreign direct investments entering the economy of Uzbekistan has a constant growth trend from 2017 to 2024. This is certainly a positive situation. The fact that investments attracted in recent years are being attracted to the green energy, high technology and transport sectors, and the effective use of funds has a positive impact on the investment climate of our country.
In January-June 2024, 156.7 trillion soums of foreign investment and loans to fixed capital were absorbed in the Republic of Uzbekistan.

[2] International Journal of Finance and Digitalization

Of them, 13.6 trillion soums were foreign loans under the guarantee of the Republic of Uzbekistan, 143.1 trillion soums were foreign direct investments and unguaranteed foreign loans, 76.3 trillion soums were other foreign investments.

Investments in fixed capital are a key indicator of economic development as they directly impact job creation, infrastructure modernization, and the country's competitiveness. In 2024, the Republic of Uzbekistan achieved significant success in attracting capital, reflected in an increase in investments by 127.6% compared to the previous year. The total volume of utilized funds amounted to 493.7 trillion UZS, equivalent to 39.03 billion USD at an average exchange rate of 12,651.54 UZS/USD. Over the past five years, the volume of investments in fixed capital has increased almost 2.3 times, reflecting significant changes in economic policy and efforts to improve the investment climate. While in 2020 the volume of investments was 210.2 trillion UZS, this figure grew to 493.7 trillion UZS in 2024. Growth rates showed stable acceleration: from 102.9% in 2021 to 127.6% in 2024.

Key factors influencing this dynamic include:

- Active attraction of foreign investments;
- Implementation of large-scale infrastructure projects;
- Modernization and digitalization programs in industry;
- Improved conditions for private entrepreneurship.

Attracted funds (75.9%) amounted to 374.7 trillion UZS (29.63 billion USD), including:

- Unsecured foreign investments and loans— 159.6 trillion UZS (12.62 billion USD);
- Foreign direct investments— 150.5 trillion UZS (11.90 billion USD);
- Foreign loans guaranteed by the Republic— 23.6 trillion UZS (1.87 billion USD).

Own funds (24.1%) amounted to 119.0 trillion UZS (9.40 billion USD), including:

- Corporate funds— 87.0 trillion UZS (6.88 billion USD);
- Household funds— 32.0 trillion UZS (2.53 billion USD).

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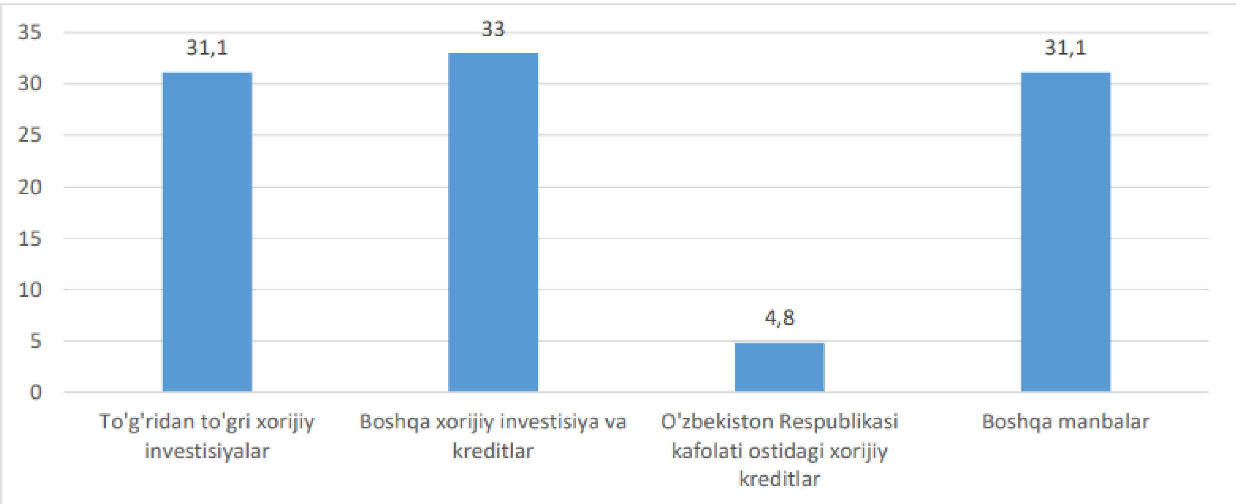
It is worth noting that foreign investments accounted for a significant share — approximately 333.8 trillion UZS (26.39 billion USD), underscoring the growing interest of international investors in the Uzbek market.

2024 marked a significant milestone for Uzbekistan's economy. The successful attraction of substantial investment volumes and their allocation across key economic sectors lay the foundation for further growth. However, to sustain the momentum, continuous efforts to improve the investment climate and increase the share of high-tech industries are necessary.

Table 3[3] The volume of foreign investments and loans in fixed capital, their growth rates, and the USD equivalent by year are presented below:

Year	Investment Volume, trillion UZS	Growth Rate, %	Equivalent, billion USD
2020	89.8	98.9	8.90
2021	101.4	102.1	9.55
2022	113.9	100.5	10.31
2023	201.7	163.8	17.18
2024	333.8	152.1	26.39



Graph 1[4] Composition of foreign investment and loans in fixed capital in %

[3] https://invexi.org/press/investments-in-fixed-capital-of-the-republic-of-uzbekistan-in-2024/
[4] International Journal of Finance and Digitalization

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The data in Figure 1 shows the composition of foreign investments and loans to fixed capital, which amounted to 31.1% of total direct foreign investments, 4.8% of total foreign loans guaranteed by the Republic of Uzbekistan, and 33% of total other foreign investments and loans. From the above data, it can be seen that the small share of foreign loans guaranteed by the Republic of Uzbekistan is certainly a positive situation.

The total FDI stock in 2023 was 14.8 billion USD, or 16.3% of GDP. In 2024, the FDI stock reached 11.9 billion USD. Uzbekistan significantly increased the volume of investment in 2024 and 2025: fixed capital investments grew by 127-128%, and FDI increased by 53%. FDI plays a major role in the country's economy, accounting for 30-40%. The most popular investment areas are manufacturing, energy and mining, as well as the agricultural sector, which is now beginning to take a strong position. By region, Namangan and Tashkent cities and regions are the leaders. Investors are mainly from China, Russia and the Middle East, and diversification across various sectors continues in the future.

Conclusion

In conclusion, domestic and foreign investments play an important role in the economy of Uzbekistan. Institutional reforms, tax breaks, and the expansion of free economic zones implemented in recent years play an important role in attracting investors to the country. The increase in FDI in the industry, energy, transport, and infrastructure sectors is accelerating economic growth and technological modernization. At the same time, the activity of domestic investors is a key factor in developing domestic production capacities, creating import-substituting products, and ensuring regional economic balance.

In the future, sustainable and inclusive economic growth can be achieved by further improving the investment climate, encouraging the private sector, and establishing long-term, reliable partnerships with external investors. Consistent continuation of state policy in this regard is of great importance.

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