

**THE PROCESS OF LIBERALIZING THE FOREIGN EXCHANGE MARKET IN
UZBEKISTAN — SUCCESSES, RISKS AND LESSONS***Gafarova D.T.**Asian International University*

Annotation. The article analyzes the process of liberalization of the Uzbek foreign exchange market, which began in 2017 and continued in 2023-2024. Key achievements such as a decrease in the share of the dollar in foreign trade calculations, an increase in foreign currency inflows and an improvement in macroeconomic stability are considered. At the same time, risks have been identified, including exchange rate volatility, declining gold and foreign exchange reserves, and limited liquidity in the banking system. Based on the analysis, recommendations are proposed for further improvement of monetary policy.

Keywords. Liberalization of the foreign exchange market, Uzbekistan, exchange rate, gold and foreign exchange reserves, inflation, currency risks, macroeconomic stability, monetary policy.

The foreign exchange market is an important part of the economy of any country, including Uzbekistan, where its development is directly linked to successful integration into the global economy, attracting foreign investment and the stability of the national currency. In recent years, Uzbekistan has been actively pursuing reforms aimed at liberalizing the foreign exchange market. These reforms create new challenges and opportunities for the functioning of the monetary system. Understanding the theory of the foreign exchange market in Uzbekistan requires consideration of its main aspects, such as the exchange rate, supply and demand for foreign currency, as well as the influence of external economic factors.

The foreign exchange market is a system of market relations that arise in the process of exchanging one currency for another at a set exchange rate. It plays a key role in determining prices for international goods and services, as well as in maintaining domestic economic stability. The country's foreign economic activity (import, export, financial transactions) directly affects the foreign exchange market by regulating supply and demand for foreign currency. There are two main types of transactions in the foreign exchange market: spot transactions (short-term transactions) and forward transactions (long-term contracts). Spot transactions are concluded on the terms of immediate currency exchange at the current exchange rate, while forward transactions involve currency exchange at a future date at an agreed exchange rate.

The process of liberalizing the foreign exchange market in Uzbekistan began in 2017 with the introduction of a new exchange rate, when the National Bank of Uzbekistan abandoned the fixed sum rate and switched to a market-based exchange regime. Prior to that, the exchange rate of the national currency was strictly controlled, which limited opportunities for foreign trade and attracted significant currency risks for businesses and citizens. The liberalization of the foreign exchange market has led to the creation of several new conditions, including:

1. Free currency exchange: since 2017, currency exchange has become possible at the market rate. This has increased transparency and reduced market distortions related to currency scarcity and its artificial high cost.

2. Diversification of foreign exchange reserves: the country began to actively increase its gold and foreign exchange reserves, which increased the confidence of foreign investors and stabilized the exchange rate of the national currency.

3. Attracting foreign investment: the liberalization of the foreign exchange market has become one of the factors contributing to the improvement of the investment climate in the country. Uzbekistan has become more accessible to foreign investors, who can now freely exchange and export profits in foreign currency.

The main achievements of Uzbekistan in this field are as follows:

1. Reducing the dollar's share in foreign trade calculations Since 2019, the share of the US dollar in payments for imported goods has decreased from 83% to 79.5% in 2023. The dollar's share in exports decreased from 99.1% to 93.2% over the same period. At the same time, the share of settlements in rubles and soums increased, and the inflow of foreign currency increased In 2024, the population sold \$4.8 billion more in foreign currency to banks than it acquired, which indicates a surplus in the foreign exchange market.

2. Improving macroeconomic stability In 2023, real GDP growth was 6%, and inflation decreased from 12.3% at the end of 2022 to 8.1% in April 2024.

Uzbekistan's foreign exchange market is managed by the country's Central Bank, which influences the market through instruments such as interest rates, currency interventions, and regulation of commercial banks. The Central Bank conducts operations in the foreign exchange market in order to maintain the stability of the national currency and ensure macroeconomic stability. This is done through direct interventions, as well as through interest rate policies that affect the cost of borrowing and saving in the national currency. The main players in the foreign exchange market of Uzbekistan are:

- The central Bank is the main regulator of the foreign exchange market, which manages national reserves and determines the general directions of monetary policy.
- Commercial banks — carry out currency exchange, provide foreign currency loans and conduct foreign currency transactions for private clients and businesses.
- Individuals and businesses — buy and sell foreign currency for personal needs or for conducting foreign economic activity.

The foreign exchange market of Uzbekistan, like any other country, directly depends on the foreign economic situation. Among the main factors affecting the foreign exchange market of Uzbekistan are:

1. Prices of oil and other commodities. Uzbekistan is a major producer and exporter of a number of natural resources, and changes in world prices for these goods strongly affect the foreign exchange market.

2. International economic and financial crises. For example, an economic downturn in Uzbekistan's largest partner countries, such as Russia and China, may cause a drop in demand for Uzbek goods and services, which in turn will affect demand for the currency.

3. Changes in external debt obligations. Uzbekistan actively participates in international financial markets, and changes in the level of government debt or in the state of financial markets can significantly affect the country's monetary system.

4. The credit rating of the country. Changes in Uzbekistan's international credit ratings directly affect the level of investment and the value of the currency. Positive changes in the rating may contribute to the strengthening of the sum exchange rate, while negative ones may weaken it.

Despite the successful liberalization of the foreign exchange market, Uzbekistan faces a number of risks that may have a negative impact on its economy. Such risks include:

1. Exchange rate volatility. Despite the efforts of the Government and the Central Bank, the exchange rate of the national currency can fluctuate significantly, which creates risks for businesses and households, especially for those who settle in foreign currency.
2. Lack of liquidity. The country's banking system has not yet reached full maturity, and the liquidity of the foreign exchange market may remain limited, especially during periods of external economic or internal crises.
3. Dependence on external factors. The strong dependence of the Uzbek economy on foreign economic conditions makes the foreign exchange market vulnerable to fluctuations in world oil prices, as well as to changes in international politics.

Identified risks:

1. Exchange rate volatility From the beginning of 2023 to June 2024, the sum depreciated by about 12% against the US dollar.
2. Decrease in gold and foreign exchange reserves In 2023, Uzbekistan's international reserves decreased by \$1.2 billion, amounting to \$34.56 billion.
3. Limited liquidity of the banking system. The central bank has begun to partially conceal data on trading in the foreign exchange market, which may indicate a lack of transparency and liquidity.

Recommendations for the liberalization of the foreign exchange market in Uzbekistan:

1. Strengthening of gold and foreign exchange reserves It is necessary to develop a strategy to increase international reserves, which will ensure the stability of the exchange rate and increase investor confidence.
 2. Increasing the transparency of the foreign exchange market It is recommended to improve the availability and completeness of information on currency trading, which will increase confidence in the banking system and reduce the risks of speculation.
 3. Diversification of foreign exchange reserves. The possibility of diversifying foreign exchange reserves should be considered, including increasing the share of settlements in the national currency, which will reduce dependence on fluctuations in the dollar exchange rate.
- Uzbekistan's foreign exchange market has undergone significant changes in recent years due to liberalization and integration into the global economy. However, despite the successes, the country continues to face a number of challenges and risks that require further improvement of monetary and monetary policy. The success of currency reform depends on a balanced approach that takes into account both domestic economic conditions and global trends.

List of literature

1. The Central Bank of the Republic of Uzbekistan. (2024). A press release on priority measures to liberalize monetary policy. https://cbu.uz/ru/press_center/releases/38930/Ўзбекистон Republicasi Markazi banks
2. The International Monetary Fund. (2024). The IMF Executive Board has completed consultations in 2024 with the Republic of Uzbekistan in accordance with Article IV.
3. Газета.uz . (2024). The Central Bank began to limit data on foreign exchange trading and delay the publication of the reserves report.
4. Spot.uz . (2024). The share of the dollar and euro in Uzbekistan's foreign trade decreased slightly.

Список литературы:

1. Центральный банк Республики Узбекистан. (2024). Пресс-релиз о первоочередных мерах по либерализации валютной политики. https://cbu.uz/ru/press_center/releases/38930/Ўзбекистон Республикаси Марказий банки
2. Международный валютный фонд. (2024). Исполнительный совет МВФ завершил консультации 2024 года с Республикой Узбекистан в соответствии со Статьей IV. <https://www.imf.org/ru/News/Articles/2024/06/26/pr24240-uzbekistan-imf-exec-board-concludes-2024-art-iv-consultIMF>
3. Газета.uz. (2024). ЦБ начал ограничивать данные о валютных торгах и задерживать публикацию отчёта о резервах. <https://www.gazeta.uz/ru/2024/02/27/central-bank/Газета.уз>
4. Spot.uz. (2024). Доля доллара и евро во внешней торговле Узбекистана немного снизилась. <https://www.spot.uz/ru/2024/05/23/currency/>
5. Qudratova, G. M. (2025). TEXNOLOGIK PARKLARNING MINTAQA INNOVATION RIVOJLANISHINI TA'MINLASHDAGI AHAMIYATI. YANGI O'ZBEKISTON, YANGI TADQIQOTLAR JURNALI, 2(8), 170-178.
6. Sodiqova, N. (2025). IQTISODIYOT FANLARINI O'QITISHDA TALABALAR TEXNIK TAFAKKURINI RIVOJLANTIRISHNING AMALDAGI HOLATI VA TAKOMILLASHTIRISH YO'LLARI. " ПЕДАГОГИЧЕСКАЯ АКМЕОЛОГИЯ" международный научно-методический журнал, 2(19).
7. Bahodirovich, K. B. (2025, April). STRUCTURE OF THE CASH FLOWS STATEMENT. In CONFERENCE OF MODERN SCIENCE & PEDAGOGY (Vol. 1, No. 1, pp. 325-330).
8. Алимова, Ш. А. (2025). УСТОЙЧИВЫЕ ЦЕПОЧКИ ПОСТАВОК: ОТ ТРЕНДА К НЕОБХОДИМОСТИ РАСШИРЕННАЯ ВЕРСИЯ. Modern Science and Research, 4(5), 76-81.
9. Toshov, M. H. (2025). SANOAT KORXONALARIDA MEHNATGA HAQ TO'LASH TIZIMINI BOSHQARISH. Modern Science and Research, 4(4).
10. Azimov, B. (2025). METHODS AND MODELS FOR ASSESSING THE SOCIO-ECONOMIC EFFICIENCY OF REGIONAL INNOVATION INFRASTRUCTURE. International Journal of Artificial Intelligence, 1(3), 685-691.
11. Ikromov, E. I., & Safarova, J. (2025). O'ZBEKISTONDA YASHIL TADBIRKORLIKNI HUDUDLARDA RIVOJLANTIRISHI ISTIQBOLLARI. Modern Science and Research, 4(4), 421-428.
12. Raxmonqulova, N. O. (2025). DEVELOPMENT OF THE DIGITAL ECONOMY ON A GLOBAL SCALE AND THE EXPERIENCE OF COUNTRIES. SHOKH LIBRARY.
13. Shadiyev, A. X. (2025). MINTAQANING IJTIMOY-IQTISODIY RIVOJLANISHINI BOSHQARISH MEKANIZMINI TAKOMILLASHTIRISH. STUDYING THE PROGRESS OF SCIENCE AND ITS SHORTCOMINGS, 1(7), 145-150.
14. Naimova, N. (2025). THE IMPACT OF GLOBALIZATION ON MODERN ECONOMIC PROFESSIONS. Journal of Multidisciplinary Sciences and Innovations, 1(2), 153-155.
15. Bazarova, M. (2025). FEATURES OF ASSESSING THE EFFECTIVENESS OF INNOVATION RISK MANAGEMENT OF AN EDUCATIONAL ORGANIZATION IN THE PROCESS OF DIGITAL TRANSFORMATION OF ACTIVITIES. Journal of Multidisciplinary Sciences and Innovations, 1(2), 161-164.

16. Jumayeva, Z. (2025). THE ROLE OF MICROECONOMIC ANALYSIS IN ENHANCING ECONOMIC EFFICIENCY THROUGH MARKET EQUILIBRIUM ANALYSIS. *International Journal of Artificial Intelligence*, 1(3), 634-637.
17. Bobojonova, M. (2025). GREEN ENTREPRENEURSHIP IN UZBEKISTAN AND ITS OPPORTUNITIES. *International Journal of Artificial Intelligence*, 1(3), 592-595.
18. Jumayeva, Z. (2025). THE FORMATION OF THE GREEN ECONOMY CONCEPT, STAGES OF DEVELOPMENT AND ITS RELEVANCE. *International Journal of Artificial Intelligence*, 1(3), 262-266.
19. Ibragimov, A. (2025). TAX POLICY AND IMPACT ON ECONOMIC DEVELOPMENT. *International Journal of Artificial Intelligence*, 1(3), 259-261.
20. Djurayeva, M. (2025). ISSUES OF SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP DEVELOPMENT. *International Journal of Artificial Intelligence*, 1(3), 596-598.
21. Umarova, H. (2025). RIVOJLANGAN MAMLAKATLARDA KORXONA RISKLARINI BOSHQARISH VA BAHOLASH AMALIYOTI TAHLILI. *Modern Science and Research*, 4(5), 158-161.
22. Aslanova, D. (2025). CHALLENGES OF IMPLEMENTING MODERN MANAGEMENT PRINCIPLES IN THE TOURISM INDUSTRY. *Journal of Multidisciplinary Sciences and Innovations*, 1(2), 119-121.
23. Rajabova, D. (2025). SPECIFIC FEATURES AND FACTORS OF SUSTAINABLE DEVELOPMENT OF THE INNOVATIVE ENVIRONMENT IN INDUSTRIAL ENTERPRISES. *Journal of Applied Science and Social Science*, 1(2), 474-479.
24. Игамова, Ш. З. (2024). МЕТОДИЧЕСКИЕ РЕКОМЕНДАЦИИ ПО ФОРМИРОВАНИЮ ОРГАНИЗАЦИОННО-ЭКОНОМИЧЕСКОГО МЕХАНИЗМА ОБЕСПЕЧЕНИЯ ЭФФЕКТИВНОСТИ ИННОВАЦИОННОГО развития ПРЕДПРИЯТИЙ СТРОИТЕЛЬНЫХ МАТЕРИАЛОВ. *Gospodarka i Innowacje.*, 43, 335-340.
25. Akramova, O. (2025). FOREIGN COUNTRIES IN EXPERIENCE INVESTMENT ATTRACTIVENESS INCREASE MECHANISMS AND UZBEKISTAN IN PRACTICE USE OPPORTUNITIES. *Journal of Multidisciplinary Sciences and Innovations*, 1(1), 395-398.
26. Jumayev, B. (2025). BIG DATA: CUSTOMER CREDIT ANALYSIS USING DIGITAL BANKING DATABASE. *International Journal of Artificial Intelligence*, 1(2), 1056-1059.
27. Gafarova, D. (2025). INNOVATION POLICY OF THE REPUBLIC OF UZBEKISTAN: ACHIEVEMENTS AND PROSPECTS. *Journal of Multidisciplinary Sciences and Innovations*, 1(2), 165-167.