



### PROBLEMS OF MACROECONOMIC POLICY AND SUSTAINABLE ECONOMIC GROWTH

Fayzieva Shakhnoza Rustamovna

Candidate of Economic Sciences, Lecturer at the Department of Regional Economics and Management, Faculty of Economics, National University of Uzbekistan

#### ABSTRACT

The article deals with the issues of macroeconomic policy, which is aimed at ensuring sustainability and maintaining high levels of development of the country. The processes of ensuring macroeconomic stability, the state budget, including the poverty reduction strategy in the country are analyzed.

**Keywords:** foreign investments, investment potential, innovation, the human capital, electronic money, stock exchanges.

It is widely recognized today that macroeconomic policies aimed at sustainability are a prerequisite for development, achieving and maintaining high levels of development. To ensure macroeconomic stability, the state budget, including the country's poverty reduction strategy, must be financed in a sustainable, inflation-free manner. The formation and integration of a country's macroeconomic policy and poverty reduction strategy are repetitive processes.

As noted in the Address of President Shavkat Mirziyoyev to the Oliy Majlis, in 2021 the country's economy is expected to grow by at least 5%. However, the fact that uncertainty in the global economy can last a long time requires finding and mobilizing additional resources for economic growth. Therefore, on January 26, President Shavkat Mirziyoyev held a meeting on ensuring sustainable economic growth this year. Leaders at all levels are tasked with studying the situation in the community in their field, identifying "growth points" and developing them.

The meeting considered measures to fully utilize these reserves, achieve additional economic growth and ensure macroeconomic stability.

Ensuring the adequacy of basic foodstuffs, prevention of factors influencing the rise in prices was once again touched upon.

Additional reserves have also been identified in the industry. In particular, it was noted that it is necessary to extend the "industrial chains" in the fields of chemistry, metallurgy, mechanical engineering, electrical engineering, pharmaceuticals, construction materials, textiles, leather and footwear, which are the main "drivers". Tasks were also set to transform large state-owned enterprises, optimize costs and management systems. There are many untapped opportunities in the services sector as well. The President stressed the need to fully mobilize them, increase the number of service outlets in the regions, expand new types of modern services. It is planned to involve young people in the program of development of the service sector in 2021-2023.



The meeting also touched upon the implementation of investment projects. About 18 trillion soums have been allocated for 1,752 facilities under this year's Investment Program. Strict instructions were given on the rational use of these funds, careful development of project documentation and quality assurance of construction.<sup>1</sup> The officials informed about the plans to reduce the middle and lower levels of the ministries and departments of the economic complex to the mahalla and to establish a system of work closer to the population.

Macroeconomic stability is also the basis of any successful effort to increase private sector development and economic growth. In the absence of macroeconomic stability, domestic and foreign investors will move away and resources will be diverted elsewhere. In fact, the econometric evidence of investment behavior suggests that macroeconomic instability has a significant and negative impact on private investment in addition to traditional factors.

Macroeconomic stability is also the basis of any successful effort to increase private sector development and economic growth. In the absence of macroeconomic stability, domestic and foreign investors will move away and resources will be diverted elsewhere. In fact, the econometric evidence of investment behavior suggests that macroeconomic instability has a significant and negative impact on private investment in addition to traditional factors.

Due to the high level of macroeconomic policy in Uzbekistan, macroeconomic indicators continue to grow at a record pace this year. In the first 9 months of 2021, the country's GDP grew by 6.9% (Figure 1).



Figure 1. Development of the economy of Uzbekistan in January-September 2021 (+ infographic)

<sup>1</sup> Speech by President of the Republic of Uzbekistan Shavkat Mirziyoyev at a meeting on sustainable economic growth.



For comparison, in the same period last year, economic growth due to the pandemic was only 0.8%. Despite the ongoing pandemic, the external environment has generally improved. The economies of key partner countries continue to recover actively. Thus, Kazakhstan's GDP grew by 3.4% in January-September 2021 against the background of last year's decline. According to the results of three quarters, the economy of Kyrgyzstan overcame the recession and grew by 0.1%. Turkmenistan's GDP grew by 6.2%. In Russia, economic growth was 4.7% in January-August, according to the Ministry of Economic Development.

Inflation is slowing in Uzbekistan. In September, the consumer price index increased by 5.9% compared to December last year, which is 6.3% lower than the same period last year. The highest increase in prices was observed for consumer goods by 6.7%. Prices for non-food products increased by 4.9% in 9 months. However, this year the cost of services will grow by 6.1% compared to 4.5%.<sup>2</sup>

In general, the recommendations on macroeconomic policy are based on two views. First, it is necessary to assess the appropriate policy position that is acceptable under certain conditions, i.e., whether to strengthen or loosen fiscal and / or monetary policy. Second, there is a choice of specific macroeconomic policy instruments that will be beneficial to the country. In practice, these two ideas are closely related. Changing the policy position is often done by adopting a new tool or changing an existing one. More importantly, both views are necessary for efforts to increase economic sustainability.

In order to ensure prices and financial stability in the economy, reduce inflation to 5% by the end of 2023, at the meeting of the Board of the Central Bank on October 21, 2021 "Main directions of monetary policy for 2022 and 2023-2024" The first conceptual project was approved.

In the context of the pandemic, in order to strike a balance between the tasks of supporting economic activity and ensuring price stability in 2020, the Central Bank's key rate was reduced from 16% to 14% and monetary conditions were slightly eased to a relatively stable phase. In the last 9 months of 2021, these monetary conditions remained unchanged.

The task of ensuring macroeconomic stability in the country in the coming years requires the beginning of gradual fiscal consolidation from 2022, and the ratio of fiscal deficit to GDP is projected to form around 2.0-3.0% in 2023-2024.

The issue that needs to be addressed in the coming years is the elimination of long-term stable factors of inflation. This is, first of all, the development of competition in the consumer market, consumer goods measures such as increasing production, reducing the concentration of imports of goods, development of trade and service infrastructure in the regions.

The successful implementation of these structural reforms will allow for a gradual transition to a neutral environment for monetary conditions once inflation reaches the target level.

According to the main scenario of macroeconomic development, the pandemic situation in the world and in our country will stabilize, and vaccination of the population against coronavirus will continue. The post-crisis recovery of the world economy will continue, and in most countries the economy will reach its full potential. At the same time, the non-spread of new

---

<sup>2</sup> <https://Review.uz/>



more dangerous strains of the virus and the gradual easing of quarantine measures were also accepted as the main conditions.<sup>3</sup>

There are two main sources of economic instability: exogenous shocks and misguided policies. Exogenous shocks, such as trade shock conditions, natural disasters, changes in capital flows, etc., can cause the economy to become unbalanced and require compensatory measures. For example, many low-income countries have a narrow export base, often with one or two major commodities. Therefore, shocks to the world prices of these goods can have a strong impact on a country's income. Alternatively, the equilibrium may "spontaneously emerge" due to improper macroeconomic management. For example, an overly soft fiscal position can increase aggregate demand for goods and services, which puts pressure on a country's external balance of payments, as well as domestic price levels. Sometimes economic crises are the result of both external shocks and mismanagement.

Macroeconomic policies affect and contribute to rapid, sustainable economic growth aimed at reducing poverty in a variety of ways. By pursuing sound economic policies, politicians send clear signals to the private sector. The level at which policymakers establish their policy-making experience affects private sector confidence, which in turn affects investment, economic growth, and poverty outcomes.

A prudent macroeconomic policy can lead to low and stable inflation. Inflation damages the poor by slowing growth and redistributing real incomes and wealth to the detriment of those who are unable to protect their economic interests in society. High inflation can also lead to high volatility in relative prices and lead to risky investment decisions. If inflation does not start at a very high level, rapid inflation may also have short-term production costs, which should be compared to ongoing inflation costs.

Depending on debt sustainability, policymakers can help create the conditions for sustainable and sustainable development to reduce growth and poverty by eliminating uncertainty about the government's ability to service new debt. By keeping domestic and external debt at a level where sustainable service is possible without over-squeezing non-debt expenditures, policymakers can also ensure that sufficient internal resources are available to finance important social programs.

#### List of used Literature

1. Economics for managers: textbook. In 2 books. Book I. / ed. A.A. Porokhovsky, I.M. Tenyakova. - M.: Publishing house "Book-Memoir", 2019.
2. Gudkova T.V., Kaimanakov S.V., Kulkov V.M. et al. Economy of Russia: textbook. Tutorial. 156 p., 10 p.p., KnoRus Moscow. 2019
3. Taranukha Yu.V. Microeconomics. Textbook. 408 p., 25.5 p.p., KnoRus Moscow. 2019
4. Kadomtseva S.V. Public finances. Tutorial. 264 p., 16.5 p. KnoRus Moscow. 2019
5. Gudkova T.V., Zazdravnykh A.V., Ulupova V.L. Modern firm: behavior, strategy, culture. Tutorial. 96 p., 6 pp., KnoRus Moscow. 2019.

---

<sup>3</sup> The first draft of the Central Bank's "Monetary Policy Guidelines for 2022 and 2023-2024".