

Development of the Economic Condition in an Active Economy

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Abstract

The article reveals the features of the development of the economic situation in the context of economic activity, outlines the features of the revival of the economy, accompanied by an investment boom in the conditions of the revival of the economy of Uzbekistan on a new basis, determines the mechanism for choosing an investment strategy, the pace and efficiency of investments, their payback.

Keywords: *capital investments, changes in the volume of investments, economic revival, long-term credit, scenario for the development of events, investment priority, investment projects, investment policy.*

Over the past 10 years, the gap between the rate of GDP growth, investment inflow and the commissioning of fixed assets was insignificant (in 2000-2017, capital investments grew at a noticeable pace, mainly due to the attraction of investments in the oil and gas sector of the economy).

However, later the crisis caused by the coronavirus pandemic hit the investment complex most severely: with a fall in GDP in 2008-2010. Not only the volume of investments fell, but also the commissioning of fixed assets fell.

There is no doubt that in 2011-2015 the economic recovery was accompanied by an investment boom - faster growth of capital investments and the introduction of fixed assets compared to other macroeconomic indicators. To reach the pre-crisis level (and move from recovery to recovery), it was necessary to increase the annual volume of capital investments and the commissioning of fixed assets against the 2017 level. To achieve this in 2010-2015, the average annual growth rate of investments and input of fixed assets should have been 21.0 and 32 percent, respectively. It was unlikely. Therefore, the recovery period for the investment climate has become longer, even under a favorable forecast scenario.

Some signs of a crisis and a transition to economic recovery have already been observed since 2016. The commissioning of residential buildings increased in 2016 compared to 2015 by 7%. Capital investments increased by more than 6% compared to the corresponding period. The share of long-term credit investments in their total volume increased from 3.5% in 2015 and 5.1% in 2017 to 8.4-8.8%.

The volume of foreign investment in the economy in 2019 increased exponentially. It is unlikely that this growth rate will continue in the future, and the amount of investment itself is still small (the global experience of foreign direct investment in 2021 increased by \$28.5 billion). However, the trend itself is encouraging. It is too early to talk about the beginning of an investment boom, but in a favorable scenario, it can unfold from the beginning of 2022 at the speed of a chain reaction (in

an unfavorable scenario - 2008-2010 - with lower growth rates), which will contribute to the revival of the economy of Uzbekistan on a new basis.

It should also be noted that the choice of investment strategy will largely depend on the pace and efficiency of investments and their return on investment. To a decisive extent, this will depend on an informed choice of the most promising objects for investment. Developing a strategy is a matter not only of the state and local authorities, but also of every investor, every entrepreneur.

It is traditionally believed that the most effective fields for investment in Uzbekistan are primary industries (and, above all, oil and gas production, metallurgy), as well as housing construction and transport. These favorites received about 45 percent of all investments in 2021, including housing construction - 22.6 percent (in 2019 - 14.3 percent), transport - 8.3 percent, fuel and energy industry - 6.7 percent. The industries that received the least investment were the manufacturing industry (especially mechanical engineering and light industry) and agriculture, whose share in capital investment fell from 11.4 percent in 2019 to 3.3 percent in 2020. Investments in the reconstruction of premises for commercial banks and firms and the construction of new housing are developing at a high pace. Similar imbalances are observed in the structure of foreign investment: in 2020, half of it was directed to the processing industry, 8 percent to construction, and only 3.6 percent to mechanical engineering.

It is obvious that such an investment strategy is largely futile. Rich deposits of gas and other minerals are gradually being exhausted, the volume of geological exploration is increasing, and the increase in proven reserves is increasing slightly. The collapse of the manufacturing industry with an increase in the share of the mining industry (over 5 years, the physical volume of production in the former increased by only 7.1 percent, including in mechanical engineering - by 5.5 percent and in light industry - by 7.4 percent, while in the mining industry – by 30 percent) practically weakly increases the economy's ability to independently update fixed capital and saturate the market with manufactured goods and food.

Currently in Uzbekistan, in accordance with the laws and government regulations adopted for 2017-2021, the development of a forecast and concept of socio-economic development of Uzbekistan for the long term (2022-2035), a forecast and program for the coming years (until 2025) is beginning G.). The most important part of these documents was the section related to investments.

The first place among the strategic priorities of the investment business in Uzbekistan, of course, belongs to investment programs and projects aimed at meeting the population's demand for quality goods, services, and housing. It is here that there is real money, secured by the income of the population (in 2021, 45.4 percent of GDP - \$28.6 billion - was spent on final consumption of households; in developed countries this share is usually 62-60 percent); capital turns over faster in the consumer market, demand for means of production heats up, giving impetus to the revival of other sectors of the economy. It can be expected that in the future the structure of investments (both internal and external) will change in favor of the consumer sector. This is all the more significant because for decades the consumer sector has been relegated to the background; heavy industry will be the first priority. During the years of crisis, in addition to housing construction, the share of other segments of the consumer market (food, food industry, production of services, medicines, healthcare services, education, culture) decreased significantly in the total volume of investments. It is necessary to eliminate these distortions.

Of no less importance is the priority of high technologies, on which the competitiveness of manufactured goods and services in the domestic and foreign markets (the line between them in an open economy is increasingly blurred) and the effective implementation of all other investment

priorities depend to a decisive extent. A sharp absolute and relative reduction in investments in science, innovation, and mechanical engineering undermines the competitiveness of domestic products, deepens unstable development, and increases the dangerously increased dependence on imports of finished products.

Innovative projects that ensure the development and expansion of production of those goods and services that exceed or equal the foreign level and have the necessary patent protection deserve priority support. The number of such high-tech niches is small and is rapidly declining in the context of a sharp decrease in investments in science and innovation, but they exist.

In the field of extraction, processing and use of mineral and agricultural raw materials and energy supply, the focus of investment policy needs to be shifted from expanding the involvement of natural resources in production to the completeness of their extraction and the complexity of processing, and the implementation of resource-saving technologies. In recent years, the energy and material intensity of national income in Uzbekistan has increased significantly. This is a dead-end path of development.

Investment projects aimed at the formation of modern infrastructure (technical re-equipment of transport and communications), development of export and import-substituting industries are promising. Priorities aimed at maintaining innovatively developing enterprises and technical equipment for law enforcement agencies and other government institutions remain relevant.

For each group of investors, each decision there is its own field of investment priorities. For small private businesses, investment in the consumer and innovation sectors is a priority. Large businesses focus primarily on the fuel and raw materials industries, telecommunications, and export production. Without government support, the development of science, education, culture, technology, and means of transport is impossible. Foreign investors are flocking to the fuel and processing industries, communications, and trade. In the future, individual, territorial priorities will be increasingly consistent with each other, and they must be taken into account so as not to invest capital in unpromising projects.

A domestic financial corporation, when developing an investment business strategy, should strive to support the most promising areas. It is necessary to prepare and provide intersectoral investment programs in the field of using modern information technologies in art and education, organizing health improvement, treatment and improving the educational level of children. Develop a program "High Technologies for Medicine". This will help concentrate investments on a small number of socially significant and high-tech projects.

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