

Impact of gross demand factors on sustainable economic growth

Nabiyev Ulugbek Mirodiljon ugli

Andijan Institute of Mechanical Engineering
base doctoral student

Annotation: The article analyzes the real state of economic growth in Uzbekistan, provides proposals and recommendations for increasing aggregate supply, aggregate demand factors to ensure sustainable economic growth, assessing the impact of consumption and savings factors on economic growth, and increasing the country's exports.

Keywords: aggregate demand, aggregate supply, consumption, savings, imports, exports, investments, multiplier.

Introduction: The balance of gross demand and gross supply factors is considered important in ensuring sustainable economic growth. Usually a supply deficit is a situation observed in the economies of underdeveloped countries due to a shortage of production resources. At the moment, we observe that in Uzbekistan the supply of not only primary necessary consumer goods, but also secondary goods is sufficient, in some cases in excess of what is needed. The same situation manifests a state of paradox. That is, in the case of insufficient supply of products and services in Uzbekistan, a supply deficit is observed. We can explain this situation by the fact that the necessary investments in the economy are more than necessary. In this case, it is also necessary to make a special emphasis on stimulating demand factors, with the main focus on improving the effectiveness of supply factors.

THEMATIC LITERATURE ANALYSIS: The influence of economic growth and factors on it is widely described in the scientific works of Western economists. Especially Smith A., Ricardo D., Solou R., Sey J., Denison E., Domar Y., Jevons U., Jones Ch., Calder N., Clark J., Kyudland F., Lucas R., Patty U., Prescott E., Romer P., Stiglis J., Thünen I., Harrod R., Schumpeter Y. the work of Economist scientists such as have also been widely used in the research of scientists who analyzed the economic growth that followed them. Also on the scale of the Commonwealth of Independent States (CIS) Semenov A., Yasin Ye., Golub A., Gubanov S., Illarionov A., as well as scholars who have contributed to the study of economic growth and its factors. In Uzbekistan, Chepel S., Eshtaev A., Yuldashev Sh., Immortal A., Kabylov A., Kurbanova D., Gülomov S., Ashurova N., Jakhongirov I., Amirzhanova S., Khamdamov Sh., Kadyrov F. economists such as scientists have studied in their scientific research the issues of preventing economic decline and ensuring sustainable economic growth.

RESEARCH METHODOLOGY: The norm of consumption and savings, as well as the degrees of change in their size, are factors that directly affect the growth of the economy and the formation of GDP. When evaluating this effect, we use the multiplier coefficient. The multiplier answers the question of how many units the volume of GDP increases as a result of a unit increase in the volume of the fund. We calculate the multiplier for 2022. To determine the GDP change in 2022, the GDP volume in 2022 (888,341.7 crore.som) to GDP in 2021 (738,425.2 crore. som), i.e.: $= 888\ 341,7 - 738\ 425,2 = 149\ 916,5$ mlrd. an amount equal to SOM is found. To find the change in the size of the fund in 2022, the volume of the fund in 2022 (340,220.1 billion. som) to 2021 savings volume (298,087.1 crore. som), i.e.: $= 340\ 220,1 - 298\ 087,1 = 42\ 133$ mlrd. a value equal to SOM is found. We find the multiplier, as we said above, based on the ratio of the change in GDP ()to the change in the size of the fundfund,i.e.: so, in 2022, the volume of GDP increased by $m = \frac{\Delta y}{\Delta A} =$

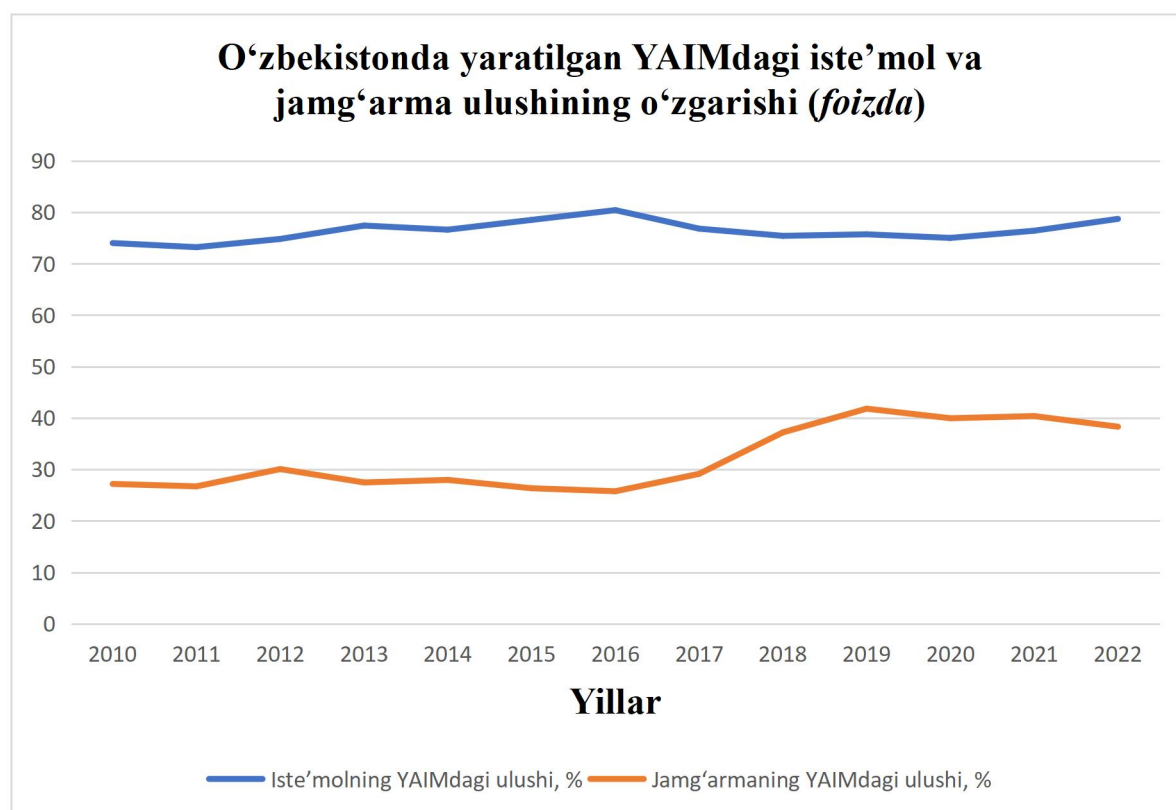
$\frac{149\ 916,5\ mlrd.som}{42\ 133\ mlrd.som} = 3,56$ units as a result of the change in the unit of the fund.

ANALYSIS AND RESULTS:The formation of gross demand stimulates the timely implementation of the consumption of products and services produced in the economy. The gross demand indicator determines the direction of gross supply, that is, GDP. Ensuring the balance of gross demand and gross supply indicators is a complex economic process and is an important condition for ensuring sustainable economic growth.

Generally, increasing gross demand is of particular importance in promoting economic growth. This assumes the research of demand factors and the promotion of their development. In this case, it will be advisable for the state to use fiscal and monetary levers.

By stimulating demand factors, quantitative and qualitative indicators of growth in the economy are improved, as well as improving the quality of social indicators and achieving an increase in the well-being of the population.

Diagram 1
Changes in the share of consumption and savings in GDP created in Uzbekistan
(in percentage)



It is clear from the indicators that the volume of gross demand in the country is more dependent on istemol (Table 2). Typically in an economy, the volume of gross demand will directly depend on consumption. We can also see this situation on the example of the economy of Uzbekistan. From this, a special emphasis should be placed on gross savings today in order to consistently continue the economic reforms carried out in Uzbekistan and ensure economic stability. In this case, it is necessary to focus the main attention on directing the accumulated additional financial resources directly to the real sector of the economy, in particular, to areas with skilled labor and the use of high technologies. It is not only through these measures that the volume of investments in the economy increases, but also their efficiency increases.

It is important to separately analyze the changes in the volumes of savings and consumption, which are among the factors that promote sustainable economic growth. We can study the correlation

of GDP, consumption and savings using a multiplier indicator (Table 1). Usually an inverse relationship is observed between the multiplier indicator and the size of the fund. This is because the multiplier indicator is calculated directly related to the volume of GDP. The share of the fund in GDP is lower when the multiplier indicator is high, and conversely the balance in the fund's GDP is higher when the multiplier Indicator shows a lower indicator.

When the economy of Uzbekistan is analyzed between 2010 and 2022, we observe that the multiplier indicator has developed unevenly. In 2018-2019, when the multiplier indicator reached its lowest level, the share of gross savings in GDP grew faster than the share of gross consumption, and as a result, the volume of GDP increased by 1.65 and 1.66 units, respectively, as a result of a one-unit change in gross savings in these years. The highest level of the multiplier indicator was observed in 2013, when the share of gross savings in GDP in this year increased more slowly than the share of gross consumption, and as a result, the volume of GDP increased by 6.85 units as a result of a one-unit change in gross savings in these years. This can be explained by the fact that the 2012 fund's share of 30.07% in GDP showed a result of 27.47% in 2013(diagram 1). The fund's share of GDP had been declining by 2016, and by 2017 the fund's share was again 29.14% in GDP, increasing by 3.38% from the previous year. This in turn caused the multiplier indicator to drop, and in 2017 it was down to 2.23 units compared to the previous year, at 2.32 units. So, in order to maintain the level of stability of economic development, it is important to achieve the multiplier indicator to remain at low levels, and for this to keep the share of the fund in GDP not less than 35%, as in recent years.

Table 1.

Savings multiplier level in Uzbekistan ¹

Years	GDP(mlrd sum)	GDP growth rate	Gross accumulation (mlrd sum)	Change of foundation (mlrd sum)	Multiplier
2010	78 936,6	7,1	21 453,6	4 586,9	3,81
2011	103 232,6	7,5	27 571,3	6 117,8	3,97
2012	127 590,2	7,1	38 368,9	10 797,5	2,26
2013	153 311,3	7,3	42 121,1	3 752,2	6,85
2014	186 829,5	6,9	52 236,0	10 114,9	3,31
2015	221 350,9	7,2	58 311,2	6 075,2	5,68
2016	255 421,9	5,9	65 794,8	7 483,5	4,55
2017	317 476,4	4,4	92 500,9	26 706,2	2,32
2018	426 641,0	5,4	158 729,5	66 228,5	1,65
2019	532 712,5	5,7	222 723,5	63 994,0	1,66
2020	605 514,9	1,9	241 931,9	19 208,4	3,79
2021	738 425,2	7,4	298 087,1	56 155,2	2,37

¹Author's development based on the data of the statistical agency under the president of the Republic of Uzbekistan.

2022	888 341,7	5,7	340 220,1	42 133,0	3,56
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Gross savings affect the volume of capital available in the economy and is an indicator that determines the level of national investment. At this point, special attention should be paid to the consumer indicator, which constitutes a higher share in the GDP structure than the fund. Consumption is an indicator that determines the level of sales of products and services produced, which is usually allocated to public and private consumption. The volume of consumption in Uzbekistan has changed unevenly during the period 2010-2016, the period of the beginning of reforms, decreased in 2017-2020, and there was a slight increase in recent years.

Table 2
Share of public and private consumption in gross consumption.²

Years	Gross consumption		Public consumption		Private consumption	
	mlrd. sum	Share in GDP, %	mlrd. sum	Share in gross consumption, %	mlrd. sum	Share in gross consumption,, %
2010	58 433,5	74,0	9 871,2	16,9	47 863,4	81,9
2011	75 571,1	73,2	12 355,4	16,3	62 367,8	82,5
2012	95 408,3	74,8	15 775,8	16,5	78 634,0	82,4
2013	118 712,9	77,4	20 421,7	17,2	97 156,7	81,8
2014	143 042,6	76,6	24 745,9	17,3	116 802,1	81,7
2015	173 804,4	78,5	30 141,1	17,3	141 907,3	81,6
2016	205 441,7	80,4	36 116,6	17,6	167 245,5	81,4
2017	243 702,0	76,8	39 987,9	16,4	201 224,0	82,6
2018	321 527,8	75,4	57 317,5	17,8	260 341,1	81,0
2019	403 230,2	75,7	86 043,6	21,3	312 060,0	77,4
2020	454 349,5	75,0	97 816,0	21,5	352 380,5	77,6
2021	563 971,3	76,4	122 473,0	21,7	437 152,2	77,5
2022	699 497,1	78,7	149 454,9	21,4	544 456,8	77,8

During the research period in Uzbekistan, the volume of private consumption in the structure of gross consumption was on average 4 times higher than the volume of public consumption. In 2010, the share of public consumption in gross consumption was 16.9%, up from 21.4% in 2022. Public consumption increased by 1.4 units in 2018 compared to 2017, up by 3.5% at once in 2019, and had a 21.3% share in gross consumption (Table 2). These large indicators can be directly related to large-

² O'zbekiston Respublikasi Prezidenti huzuridagi Statistika agentligi ma'lumotlari asosida tayyorlandi.

scale projects aimed at the development of social services and infrastructure implemented by the state in recent years. The increase in the share of public consumption in gross consumption in 2018-2022 had a relatively negative impact on the figure of private consumption. In 2010-2022, it is considered normal for the share of state consumption in gross consumption to be in the range of 16.9-21.4%, but it is necessary to reduce state consumption. Because its decrease also leads to a decrease in the rate of inflation. But government spending is divided into types of production and non-production, the increase in production costs always has a positive effect on economic growth. Therefore, determining the optimal level of government spending is the main criterion of State macroeconomic policy. This indicator directly affects the rate of economic growth.

Judging from the above, it is advisable to ensure that the optimal level of consumption for the duration of the economic growth rate in Uzbekistan is in the range of 64-66%, the share of public consumption in its composition is 16-17%, and the share of private consumption is in the range of 48-49%. The share of the fund, on the other hand, represents acceptable indicators with an average range of 34-35%.

To ensure an effective level of consumption, it is necessary to carry out the following activities:

- transfer of the burden of taxes from manufacturers to consumers;
- increase the cost of targeted production of the state, aimed at science and technology, science and education.

According to some researchers, under the conditions of re-industrialization of the economy, the share of the fund in GDP is required to be in the range of 35-40%. Statistical studies have shown an increase in the National Savings norm to 1% in developed nations and 0.5% in developing nations as a result of an additional 1% increase in GDP.

Based on the effective use of the fund, we offer the following measures to ensure the duration and improve the quality of sustainable economic growth:

- increase the penetration of existing population funds into the real sector of the economy as an investment based on the development of the securities market;
- to increase the efficiency of the transformation of enterprise funds into investments on the basis of expanding the base of regulatory documents aimed at ensuring the flow of inter-sectoral capital.

Qgdek causes an increase in the volume of consumption and a decrease in the volume of savings. This situation means that the country needs to grow its share of exports.

The increase in export potential will increase production in the economy. In doing so, manufacturers encourage demand for their product by selling the finished product on the foreign market. This circumstance ensures that national manufacturers are constantly focused on the introduction of new technology. In turn, exporting firms place a high demand on the quality of raw materials supplied to them, as well as on personnel qualifications. In general, this continuity is considered to be aspects that promote the quality of sustainable economic growth, ensuring the competitiveness of the economy.

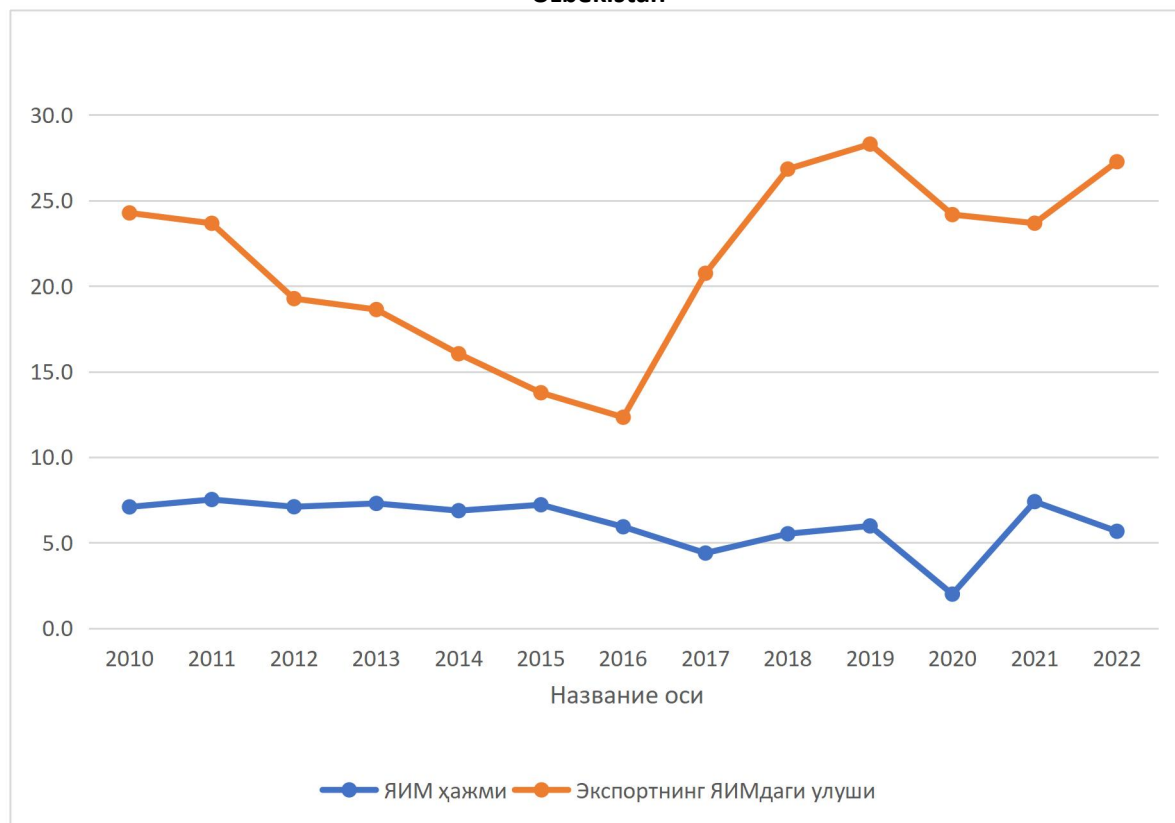
The increasing share of exports in GDP in the economy is a driving force for economic growth. When the steady growth of a number of countries, such as China, South Korea, was studied, the share of average exports in GDP for economic growth observed over a period of 10-15 years represented a state of 30%. It should be noted that Chinese exports have been acting as a catalyst for economic growth for many years.³

2 – diagram

³ Новоселова Л. О реализации инвестиционной составляющей стратегии экономического роста в КНР // Российский экономический журнал. - М.: 2006. No4. С.63-72.

Changes in economic growth and share of exports in GDP in Uzbekistan (in percentage)⁴

Changes in economic growth and share of exports in GDP in Uzbekistan



The share of exports in GDP in Uzbekistan was 21.5% in 2010-2022. In the period before the economic reforms of 2010-2016, the share of exports in GDP represented an average of 18.3%, while in the period 2017-2022 the average value of this indicator was 25.2% (diagram 2).

The quality of export relations is determined on the basis of the total export balance of ready-made competitive products. When the geographical aspects of exports were researched, it was found that developed countries have increased salmog in its composition, and this is considered a positive case.

CONCLUSIONS AND SUGGESTIONS: Judging by the above, when the composition of exports is studied, the main part of exports carried out to other countries consists of raw material resources, in the CIS countries this indicator corresponds to the contribution of finished products and services. When compared with the CIS countries, the economy represents a growing competitiveness, while exports carried out with other countries require an increase in the export of ready-made competitive products. Particular importance should be attached to food and light industry, based on the capabilities of the country. The country should promote its entry into the market of developed and developing countries through these goods. To do this, the state must provide tax and Customs benefits to the above two lines networks in order to reduce the transportation costs of goods and services produced by firms. Because for the development of the economy, it is necessary to increase the share of finished goods, not raw materials, in exports.

Developing food and light industry as promising sectors in the country, in order to expand the export of products produced on their basis, it is required to: provide subsidies to exports; expand tax

⁴ O'zbekiston Respublikasi Prezidenti huzuridagi Statistika agentligi ma'lumotlari asosida tayyorlandi.

benefits to exporters depending on the volume of exports carried out; establish the production of competitive export products based on state investment of modern technologies for light industrial enterprises processing cotton fiber.

To further increase the level of exports in Uzbekistan, we offer:

- further expansion of exports of processing industrial products;
- high-income exports from outdated and unpromising production, further improving the state policy on the redistribution of resources to industries producing goods and services;
- development of infrastructure serving for export;
- to provide benefits to encourage the export of new and promising industries.

Also of particular importance is the study of foreign trade turnover in terms of goods and geographically. Special attention is paid to increasing the share of machinery and equipment in the Import structure, while geographically, priority is given to goods carried out by developed countries. The main focus in this is on capital demand, goods and means of production.

When the geographical structure of foreign trade was studied during the research period, there was a decrease in the share of exports, which was directed to most developed countries. This is considered a geographically negative state, as noted above. After all, in order to increase the competitiveness of foreign trade of the economy of Uzbekistan, it is necessary to involve the investments of these countries in the production of ready-made, high-quality products.

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