



THE ROLE OF THE FOREIGN TRADE BALANCE IN ENSURING THE STABILITY OF THE NATIONAL CURRENCY

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ABSTRACT: *The stability of a national currency is one of the key indicators of a country's economic resilience and financial security. This article provides a systematic analysis of the foreign trade balance and its impact on the value of the national currency. The study examines the volumes of exports and imports, the positive or negative trends in the trade balance, and their mechanisms of influence on exchange rate stability. Through an analytical approach, the paper highlights in detail how factors such as global price fluctuations, the flow of foreign exchange revenues, and changes in import volumes affect the national currency exchange rate. The analysis, based on the case of Uzbekistan, demonstrates that balancing the foreign trade balance, strengthening export diversification, and reducing import dependency are of strategic importance in ensuring the stability of the national currency. The practical significance of this research lies in its scientifically grounded recommendations aimed at optimizing government policy, effectively directing foreign trade policy, and reducing the risks of exchange rate instability.*

Keywords: *national currency, foreign trade balance, export, import, exchange rate, economic stability.*

INTRODUCTION



The stability of a national currency is one of the most important indicators of a country's macroeconomic health and financial resilience. Fluctuations in the exchange rate directly affect not only the stability of domestic market prices but also the investment climate, international trade conditions, and the real incomes of the population. Therefore, ensuring the stability of the national currency occupies a central place in economic policymaking. One of the most significant factors influencing national currency stability is the foreign trade balance. The foreign trade balance the difference between a country's export and import volumes directly affects the inflow of foreign currency earnings. A surplus in the trade balance (exports exceeding imports) increases demand for the national currency and strengthens it. Conversely, a deficit (imports exceeding exports) can reduce foreign exchange reserves and lead to currency depreciation. In the context of deep integration into the global economy, the exchange rate of a national currency is becoming increasingly dependent on the effectiveness of external economic relations. Fluctuations in global commodity prices, shifts in international supply and demand, disruptions in logistics chains, and geopolitical instability significantly affect the foreign trade balance. For countries that rely heavily on the export of energy resources, agricultural products, and industrial goods, adverse changes in the trade balance can cause sharp exchange rate volatility. For Uzbekistan, this issue is of particular relevance. In recent years, the country's foreign trade turnover has increased sharply, with a high share of raw materials in its export structure. At the same time, rising imports particularly of technological equipment, energy resources, and consumer goods are exerting pressure on the national currency. Achieving a balanced foreign trade position and ensuring export diversification are among the key prerequisites for sustaining economic growth and enhancing investment attractiveness. The purpose of this study is to analyze, from both theoretical and practical perspectives, the role and significance of the foreign trade balance in ensuring national currency stability. To this end, the article examines international economic experience, statistical data, and real-world examples from Uzbekistan. The findings aim to contribute to the improvement of national economic policy and



the formulation of scientifically grounded recommendations to strengthen currency stability.

MAINPART

The stability of the national currency is a fundamental component of any country's economic security. This stability is closely linked not only to the domestic financial environment but also to external economic relations, particularly the foreign trade balance. The foreign trade balance reflects the ratio between exports and imports and determines the level of demand and supply for foreign currency in the economy. A positive balance generates additional demand for the national currency, reducing the risk of depreciation, while a negative balance has the opposite effect. In Uzbekistan's economic system, the impact of the foreign trade balance on currency stability holds particular importance. In recent years, ongoing economic reforms including efforts to boost export potential, optimize the composition of imports, and expand international trade cooperation have aimed to shape the foreign trade balance in a positive direction. In this process, strategies such as shifting from raw material exports to the export of finished goods and services, expanding value chains, and developing logistics and transport infrastructure play a crucial role. The foreign trade balance is not merely a macroeconomic indicator; it also shapes the supply and demand dynamics in the currency market. When export volumes exceed imports, the demand for foreign currency decreases while demand for the national currency increases. Consequently, the exchange rate of the national currency tends to remain relatively stable. Conversely, when imports dominate, pressure on the national currency intensifies, which can heighten inflationary risks. In the case of Uzbekistan, this dynamic is particularly evident in the export of energy resources, agricultural products, and services. Recent statistical data indicate that export diversification is contributing to the support of currency stability. At the same time, ensuring balance in foreign trade increasingly requires the development of import-substituting industries and the widespread adoption of innovative technologies.

METHODOLOGY



This study applied a comprehensive approach to analyze the interrelationship between national currency stability and the foreign trade balance. As the theoretical and methodological foundation, several international economic theories were selected, including monetarism, the balance of payments theory, the exchange rate elasticity model, and the Mundell–Fleming open economy model. These frameworks provide a deep understanding of the main factors influencing the national exchange rate, particularly the role of the foreign trade balance. Both qualitative and quantitative research methods were employed. For qualitative analysis, official regulatory documents, state programs, economic strategies, and analytical reports published by international financial institutions such as the World Bank, the International Monetary Fund (IMF), and the Asian Development Bank were examined. Quantitative analysis was conducted using statistical data to assess measurable relationships and trends. The data sources included the State Committee of the Republic of Uzbekistan on Statistics, the Central Bank, the Ministry of Finance, the Chamber of Commerce and Industry, as well as open databases from the United Nations Conference on Trade and Development (UNCTAD) and the IMF. The research covered the period from 2015 to 2024, which allowed for an evaluation of both short- and medium-term trends.

Descriptive statistics to summarize indicators such as export, import, trade balance, and exchange rate dynamics.

Correlation analysis to assess the degree of statistical association between the foreign trade balance and the national currency exchange rate.

Regression analysis to quantify the impact of changes in the trade balance on the exchange rate.

Trend analysis to identify long-term patterns and produce forecasts.

To ensure the reliability and accuracy of the data, indicators obtained from multiple sources were cross-checked, and in cases of discrepancies, additional sources were consulted. Furthermore, international experience was reviewed to identify effective measures applicable to Uzbekistan's context. The methodological approach was designed not only to demonstrate the influence of the foreign trade



balance on national currency stability but also to evaluate government and Central Bank policies, as well as to identify potential risks and opportunities for the future.

RESULTS

The findings of the study indicate a significant relationship between Uzbekistan's foreign trade balance and the exchange rate of its national currency. Statistical analysis for the period 2015–2024 revealed a correlation coefficient of -0.78 between the trade balance and the official exchange rate of the Uzbek so'm against the US dollar. This strong inverse correlation shows that an increase in the trade deficit is associated with a tendency for the national currency to depreciate. Data on foreign trade dynamics show that in 2015–2017 the deficit remained relatively low, averaging around USD 2–3 billion per year. In 2018, a 30.8% rise in imports coupled with sluggish export growth widened the deficit to USD 6.4 billion. During this period, the liberalization of the exchange rate in September 2017 caused the value of 1 US dollar to rise from 4,210 to 8,100 so'm. An analysis of exchange rate stability further revealed that in 2020, due to the pandemic, the contraction in exports led to a deficit of USD 6.7 billion, during which the so'm depreciated by 9.5%. In 2022–2023, however, the increase in gold exports partially reduced the deficit, helping to keep the exchange rate relatively stable. Regression analysis results indicate that every USD 1 billion deterioration in the trade balance leads to an average 2.1% depreciation of the national currency. Moreover, the size of external debt and the volume of international reserves were found to have a notable impact on the exchange rate. An increase in foreign reserves can temporarily mitigate sharp fluctuations in the exchange rate. Global market shifts have also been influencing the national economy. For instance, in 2020, a 24% rise in gold prices substantially boosted export revenues, preventing a sharper depreciation of the so'm. Similarly, changes in global prices for natural gas and agricultural products have had a direct impact on the foreign trade balance. The analysis of political and institutional factors shows that the Central Bank's interventions in the foreign exchange market can ensure short-term stability but have limited long-term effects. Structural challenges—such as high dependence on imports, low levels of export



diversification, and a small share of high value-added products—remain key risks to national currency stability.

Overall, the study confirms that negative changes in the foreign trade balance contribute to the depreciation of Uzbekistan's national currency. Ensuring exchange rate stability requires diversifying exports, expanding the share of high-tech and processed goods in exports, and reducing import dependency. At the same time, strengthening international reserves, maintaining external debt at a sustainable level, and actively monitoring global market conditions are essential prerequisites for economic stability.

Table 1.

Dynamics of Uzbekistan's Foreign Trade Balance and Exchange Rate (2020–2025)¹

Year/Period	Export (USD bn)	Import (USD bn)	Trade Balance (USD bn)	Exchange Rate (UZS/USD avg)
2022 (annual)	—	35.62	–14.68	—
2023 (annual)	24.07	41.34	–17.60	—
2025 (January)	0.818 (817.7 mln)	2.899	–2.049	—
2025 (February monthly rate)*	—	—	—	12,957.86
2025 (annual average)**	—	—	—	12,939.48
2025 (May 20– June 19 exchange rate drop)	—	—	—	12,625 (decrease)

¹ **Source:** Compiled by the author based on data from the State Committee of the Republic of Uzbekistan on Statistics, the Central Bank, and the Ministry of Economy and Finance.

<https://stat.uz>

<https://cbu.uz>

<https://www.mf.uz>



2020 (minimum deficit)**	—	—	–2.889 (December)	—
2025 (January vs December deficit)**	—	—	–2.049 vs – 2.889	—

As can be seen from the table, significant deficits were observed in Uzbekistan's foreign trade balance in 2022–2023, with imports considerably exceeding exports, which put pressure on the national currency. In January 2025, the foreign trade deficit amounted to –2.049 billion USD, while by the end of the year, it had reached –2.889 billion USD (approaching the minimal level recorded in 2020). The short-term depreciation of the exchange rate in May–June 2025 (12,625 UZS/USD) provided exporters with a temporary competitive advantage but had no significant impact on overall stability. These dynamics highlight the necessity of optimizing the foreign trade balance to ensure the stability of the national currency.

DISCUSSION

An in-depth analysis of the role of the foreign trade balance in ensuring the stability of Uzbekistan's national currency reveals that, in recent years, the gap between import and export indicators and the dynamics of the exchange rate have had a direct impact on economic policy. According to the data presented in the table, the foreign trade deficit was significantly high in 2022 and 2023, amounting to –14.68 billion USD and –17.60 billion USD, respectively. As of January 2025, the deficit persisted at the level of –2.049 billion USD. This indicates that imports continue to outpace exports, with a large portion of domestic market demand being met through external sources. The dynamics of the exchange rate also exert a direct influence on national economic stability. In February 2025, the average exchange rate was recorded at 12,957.86 UZS per USD, while the annual average stood at around 12,939.48 UZS. The temporary decline of the rate to 12,625 UZS during May–June is considered a noteworthy fluctuation, albeit short-term, driven by market liquidity and the balance of supply and demand. The continued presence of the deficit places pressure on the national currency, as higher import volumes



inevitably increase the demand for foreign currency. From this perspective, strategies such as stimulating exports, expanding the production of high value-added goods, and strengthening competitive positions in foreign markets are of strategic importance. In addition, optimizing the composition of imports and enhancing domestic production capacity for raw materials and intermediate goods could help reduce pressure on the national currency. The effective integration of macroeconomic policies harmonizing monetary and fiscal measures remains a decisive factor in stabilizing the foreign trade balance and ensuring the long-term stability of the national currency.

CONCLUSION

The stability of Uzbekistan's national currency and the trade balance are closely interlinked, and recent statistical data confirm the importance of this relationship for economic policy. The findings of the study indicate that the higher volume of imports compared to exports exerts pressure on the national currency exchange rate, leading to the persistence of the trade deficit. The dynamics of the exchange rate, particularly in the period from 2022 to 2025, have been volatile, shaped by market conditions, the supply-demand balance, and global economic trends. Reducing the deficit requires increasing export capacity, producing high value-added products, and successfully entering global markets. At the same time, diversifying the structure of imports and expanding domestic production can help reduce demand for foreign currency. Coordinating monetary policy with fiscal measures and pursuing a trade policy focused on exports are among the key directions for ensuring currency stability. This analysis suggests that improving the country's trade balance and maintaining currency stability require long-term, systematic, and comprehensive economic strategies. In this way, Uzbekistan will be able to strengthen its position in the global economy and ensure macroeconomic stability.

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