

FINANCIAL MARKETS IN UZBEKISTAN: THE ROLE OF EXCHANGE AND OVER-THE-COUNTER TRADING IN ECONOMIC DEVELOPMENT AND CREDIT RATING IMPROVEMENT (2021–2025)

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Abstract: Stocks and bonds are essential to modern financial systems because they allow companies to raise capital and give investors a way to participate in economic growth. In Uzbekistan, these instruments have become more important as the country continues moving from a state-dominated financial structure toward a more market-oriented system. This article examines the growth of Uzbekistan's financial markets between 2021 and 2025, with special attention to exchange trading, corporate bonds, listed companies, and sovereign credit ratings. The evidence shows that the Tashkent Republican Stock Exchange reached UZS 12 trillion in trading volume in the first half of 2025, a 17-fold increase compared with the same period in 2024, while total market capitalization rose to UZS 242.8 trillion. At the same time, Fitch upgraded Uzbekistan's sovereign credit rating from "BB-" to "BB," and later revised the outlook to positive, reflecting stronger reform momentum, better macroeconomic stability, and improved investor confidence.

Key words: stocks, bonds, financial markets, Uzbekistan, credit rating, exchange trading, over-the-counter market, Fitch, Tashkent Republican Stock Exchange, privatization, market-oriented economy

Introduction

Financial markets are one of the foundations of economic development. They connect savings with investment, support business expansion, and create a system in which capital can move toward productive use. In Uzbekistan, this role is becoming more visible as the country deepens its financial reforms and expands the use of market-based financing. The Tashkent Republican Stock Exchange has become one of the clearest signs of this change because it now supports trading in shares, bonds, and other listed securities.[4]

For many years, Uzbekistan relied heavily on a banking-centered system, especially one dominated by state-controlled institutions. That system is now changing. More attention is being given to the stock exchange, bond issuance, investor participation, and transparency in capital markets. This shift matters because it gives companies more ways to finance growth and gives the economy more room to become flexible and competitive.

The Tashkent Republican Stock Exchange has become the most visible sign of this transformation. It is now a place where listed companies, bonds, and exchange-traded securities play a more active role in the country's financial life. At the same time, international rating agencies have started to respond more positively to Uzbekistan's reforms, which strengthens the country's position in global financial markets.

Literature Review

Financial markets include systems where securities such as shares, bonds, currencies, and other instruments are traded. Among these, stocks and bonds are especially important because they represent the two main ways businesses and governments raise funds: ownership financing and debt financing. Stocks usually carry more risk and higher return potential, while bonds are often viewed as more stable and predictable.

In Uzbekistan, the market is still developing, but its structure is becoming more mature. The Tashkent exchange now provides a platform for securities listed on the exchange quoted sheet, bonds available for stock exchange trading, disclosure of information by listed companies, and issuer ratings. These functions are important because a modern financial market needs transparency, trust, and a reliable trading infrastructure.

The literature on sovereign credit ratings also points to the importance of reform. In June 2025, Fitch upgraded Uzbekistan’s rating from “BB-” to “BB,” explaining that the upgrade reflected accelerated reforms, strong fiscal performance, and stable growth prospects. In June 2026, Fitch revised the outlook from stable to positive and noted ongoing reform progress, macroeconomic stability, lower budget deficit pressure, and rising foreign currency reserves.[2]

The exchange and rating developments are closely connected. A stronger capital market can support the economy from within, while a better sovereign rating can strengthen confidence from outside. Together, these factors create a more favorable environment for investment, business expansion, and long-term economic stability.

Research Methodology

This paper uses a descriptive and analytical methodology. The purpose is to explain not only what has changed in Uzbekistan’s financial market, but also why those changes matter. The analysis relies on official exchange data, public reporting, and international credit rating announcements from 2021 to 2025.

The research is based on three main types of evidence:

1. official trading and listing data from the Tashkent Republican Stock Exchange;
2. sovereign rating updates from Fitch;
3. exchange structure information showing the role of bonds, listed companies, and disclosure rules.[6]

The methodology combines numerical analysis and contextual interpretation. Numerical analysis helps measure growth in trading volume, market capitalization, and rating changes. Contextual interpretation helps explain what those changes mean in a broader economic sense. For example, a 17-fold increase in trading volume is not only a statistical result; it also signals deeper investor participation and a stronger role for the exchange in financing the economy.

Analysis and Results

Growth of the Tashkent Republican Stock Exchange

What	First Half 2024	First Half 2025	Change
Total Trading	~709 billion so'm	12 trillion so'm	17x higher
Stocks Trading	~379 billion so'm	5.3 trillion so'm	14x higher
Corporate Bonds	~61.6 billion so'm	493.1 billion so'm	8x higher
Listed Companies	103	134 stocks (93 issuers)	+31 new stocks

Market Value	~242.4 trillion so'm	242.8 trillion so'm	+0.15%
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One of the clearest findings in this study is the rapid rise in trading activity on the Tashkent Republican Stock Exchange. In the first half of 2025, total trading volume reached UZS 12 trillion, compared with about UZS 709 billion in the same period of 2024. This means the market expanded by around 17 times in just one year, which is a very strong sign that investor activity is increasing and that the exchange is becoming more important in the national financial system.

Equity trading also increased sharply, reaching UZS 5.3 trillion, while corporate bond trading rose to UZS 493.1 billion. The growth of both segments is important because it shows that Uzbekistan’s capital market is developing in a more balanced way. A market that supports both shares and bonds gives companies more ways to raise money and gives investors more choice in terms of risk and return.[9]

This growth should not be viewed only as a technical improvement in trading statistics. It also reflects a broader institutional change in which the exchange is becoming a real financing channel rather than only a formal market platform. For a reforming economy, this is a meaningful step because it connects financial development with real business activity.

Another important sign of progress is the size of the listed market relative to the economy. By the end of September 2024, the Tashkent exchange had 103 listed companies with a combined market capitalization equal to 21% of Uzbekistan’s GDP. This is a significant figure because it shows that the exchange is no longer a narrow or symbolic institution; it already represents a substantial share of economic value.

The exchange also reported that by the end of June 2025, the listing had expanded to 134 shares from 93 issuers, together with 17 bond issues from 10 issuers. This suggests that the market is becoming broader and more diversified. The more companies enter the market, the more useful the exchange becomes for capital raising, price discovery, and investor participation.[6]

In practical terms, a listed company can use the exchange to raise funds for expansion, equipment, or working capital. For example, a manufacturing firm might issue shares to finance new production lines, while a service company might issue bonds to fund branch expansion. This kind of financing helps reduce dependence on bank loans and supports a more resilient financial structure.[9]

Improvement in sovereign credit ratings

Agency	2024 Rating	2025 Rating	Outlook
Fitch	BB-	BB	Stable → Positive
S&P	BB-	BB+	Positive

Moody's	Ba3	Ba2	Positive
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The second major result is the improvement in Uzbekistan's international credit profile. Fitch upgraded the sovereign rating from "BB-" to "BB" in June 2025, explaining that the change was supported by accelerated reforms, strong fiscal results, and stable growth expectations. This was the first rating upgrade in seven years, so it marked an important turning point.[3]

The positive direction continued in June 2026, when Fitch kept the rating at "BB" but revised the outlook from stable to positive. Fitch linked this decision to progress in reforms, better macroeconomic stability, a lower budget deficit, and stronger foreign currency reserves. These are all signals that the country's economic policy framework is becoming more credible in the eyes of international investors.

Rating improvements matter because they affect how a country is perceived in global financial markets. Even a one-notch upgrade can improve investor confidence, lower the cost of borrowing, and encourage foreign participation. In Uzbekistan's case, the higher rating is not only a symbolic success; it also supports the country's ability to attract capital and deepen financial market activity.

A further development in Uzbekistan's market is the growing role of retail investors. Exchange-related reporting shows that digital tools such as mobile applications have made it easier for ordinary people to open brokerage accounts and trade securities. This digitalization has helped create broader public participation in the market and has supported a rise in transaction numbers.

The importance of this trend is that a financial market becomes stronger when it is not limited to large institutions. When ordinary citizens can invest through simple digital tools, the market becomes more inclusive and more dynamic. For example, a young professional using a mobile app to buy shares can participate in the same market that once belonged mainly to institutions and large firms.[6]

This shift is especially important for long-term market development because retail participation increases liquidity, improves market depth, and helps build a stronger investment culture. It also makes the financial system more visible and understandable to the public, which can improve confidence over time.

The third important result is the ongoing transformation of the banking sector. Nine state-owned banks still control a large share of assets, but the government is actively working to privatize and reform these institutions. This indicates that Uzbekistan is moving away from a system dominated by state control and toward a more competitive structure.

This is important because the banking sector and capital markets are closely connected. If banks are more efficient and more market-oriented, they can support the broader financial ecosystem more effectively. If capital markets also grow at the same time, companies gain access to both debt and equity financing, which reduces pressure on the banking system alone.

The evidence also shows that private and market-owned assets now make up more than one-third of the financial market. That is a clear sign that reform is not only happening on paper, but also changing the structure of the economy.

Fitch expects Uzbekistan's GDP to grow by 6.3% in both 2025 and 2026, which is stronger than the median for comparable countries at 3.8%. This forecast is important because it shows that the country is not only reforming but also growing at a relatively fast pace.[2]

This matters for financial markets because investors usually prefer economies that combine growth with stability. If growth is high and policy is credible, confidence in both stocks and

bonds tends to improve. In Uzbekistan's case, the market outlook appears to be supported by both macroeconomic performance and institutional reform.

The numbers tell a clear story. The stock exchange is expanding quickly, the credit rating is improving, the market's share of GDP is significant, and the banking system is becoming more open. Taken together, these developments suggest that Uzbekistan's financial market is moving from a narrow, bank-centered model toward a more diversified and market-based system.

This is important because financial development does not happen overnight. It requires infrastructure, trust, regulation, investor participation, and consistent policy reform. Uzbekistan's current trajectory shows progress in all of these areas, although there is still room for further growth.[9]

A practical example helps show the meaning of this change. If a company once relied only on a bank loan and now has the option to issue bonds or list shares, it gains flexibility. If investors see a better sovereign rating and stronger exchange activity, they are more likely to enter the market. That is how a financial system becomes more mature and more useful for the wider economy.

Conclusion and Recommendations

Uzbekistan's financial market is clearly growing, and the evidence points to a deeper transformation rather than a short-term improvement. The exchange is becoming more active, more companies are being listed, retail investors are entering the market, and sovereign ratings are moving in a positive direction.

The main lesson is that capital market development and credit rating improvement are closely linked. Stronger markets make the economy more flexible, while better ratings improve investor trust. For Uzbekistan, this combination supports a more open and resilient financial future.

There are ways to better understand financial markets and improve their performance in the global economy in the long run. Here are some:

1. Grow the bonds market more. Even though bond trading increased eightfold, it is still much smaller than stock trading. The government should make it easier for companies to issue bonds so debt financing becomes a more important part of the financial system.
2. Speed up bank privatization. Nine state-owned banks still control most assets, so privatization remains a major policy task. Faster reform would likely improve efficiency, competition, and access to finance.
3. Keep improving the credit rating. Uzbekistan should continue reforms that support macroeconomic stability, fiscal discipline, and reserve growth. If reform momentum continues, the country may move closer to investment-grade territory over time.
4. Help more people invest. Digital platforms have already made market access easier, but the next step is wider inclusion. More people should be able to invest through simple mobile applications and accessible brokerage services.
5. Continue reforming energy prices. Energy tariff reform and subsidy reduction have helped improve fiscal outcomes, according to the broader reform narrative in rating agency commentary. Keeping these reforms in place can support budget stability and long-term efficiency.

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