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THE IMPACT OF LABOR MIGRANT REMITTANCES ON UZBEKISTAN'S
DOMESTIC ECONOMY

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Abstract: *Labor migration and the remittances it generates have become a defining feature of Uzbekistan's economy over the past two decades. This article examines the scale of remittance inflows, which grew from roughly \$6 billion in 2020 to nearly \$19 billion in 2025, with Russia remaining the dominant source despite gradual diversification toward Kazakhstan, South Korea, Turkey, and the European Union. Drawing on Central Bank of Uzbekistan and World Bank data, the article evaluates the positive effects of remittances — poverty reduction, increased consumer demand, and balance-of-payments support — alongside structural risks, including dependence on the Russian economy, labor market distortions, and inflationary pressure. It concludes by reviewing current policy responses aimed at diversifying migration destinations and converting remittance income into more durable, productivity-based economic growth.*

Keywords: *remittances, labor migration, Uzbekistan, Russia, poverty reduction, GDP, Central Asia, balance of payments, economic diversification.*

Annotatsiya: *Mehnat migratsiyasi va undan kelib tushadigan pul o‘tkazmalari so‘nggi yigirma yil davomida O‘zbekiston iqtisodiyotining muhim xususiyatlaridan biriga aylandi. Ushbu maqolada pul o‘tkazmalari oqimining ko‘lami tahlil qilinadi: ularning hajmi 2020-yildagi qariyb 6 milliard AQSh dollaridan 2025-yilda deyarli 19 milliard AQSh dollarigacha oshgan. Rossiya pul o‘tkazmalarining asosiy manbai bo‘lib qolayotgan bo‘lsa-da, Qozog‘iston, Janubiy Koreya, Turkiya va Yevropa Ittifoqi tomon migratsiya yo‘nalishlarining bosqichma-bosqich diversifikatsiyasi kuzatilmoqda. O‘zbekiston Markaziy banki va Jahon banki ma‘lumotlariga asoslangan holda, maqolada pul o‘tkazmalarining ijobiy ta’siri — kambag‘allikni kamaytirish, iste‘mol talabini oshirish va to‘lov balansini qo‘llab-quvvatlash — bilan bir qatorda, Rossiya iqtisodiyotiga qaramlik, mehnat bozori muvozanatining buzilishi va inflyatsion bosim kabi tarkibiy xatarlar ham baholanadi. Maqola migratsiya yo‘nalishlarini diversifikatsiya qilish hamda pul o‘tkazmalaridan tushadigan daromadlarni yanada barqaror va unumdorlikka asoslangan iqtisodiy o‘sishga yo‘naltirishga qaratilgan amaldagi siyosiy chora-tadbirlarni ko‘rib chiqish bilan yakunlanadi.*

Kalit so‘zlar: *pul o‘tkazmalari, mehnat migratsiyasi, O‘zbekiston, Rossiya, kambag‘allikni kamaytirish, YaIM, Markaziy Osiyo, to‘lov balans, iqtisodiy diversifikatsiya.*

Аннотация: *Трудовая миграция и генерируемые ею денежные переводы стали одной из определяющих особенностей экономики Узбекистана за последние два десятилетия. В данной статье рассматриваются масштабы поступления денежных*

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переводов, объём которых вырос примерно с 6 млрд долларов США в 2020 году до почти 19 млрд долларов США в 2025 году. Россия по-прежнему остаётся основным источником денежных переводов, несмотря на постепенную диверсификацию направлений трудовой миграции в Казахстан, Южную Корею, Турцию и страны Европейского союза. Основываясь на данных Центрального банка Узбекистана и Всемирного банка, статья оценивает положительное влияние денежных переводов — сокращение уровня бедности, увеличение потребительского спроса и поддержку платёжного баланса — наряду со структурными рисками, включая зависимость от российской экономики, дисбалансы на рынке труда и инфляционное давление. В заключение рассматриваются текущие меры государственной политики, направленные на диверсификацию направлений трудовой миграции и преобразование доходов от денежных переводов в более устойчивый экономический рост, основанный на повышении производительности.

Ключевые слова: денежные переводы, трудовая миграция, Узбекистан, Россия, сокращение бедности, ВВП, Центральная Азия, платёжный баланс, экономическая диверсификация.

INTRODUCTION

Over the past two decades, labor migration has become one of the defining features of Uzbekistan's economic life. Hundreds of thousands of citizens leave each year to work in Russia, Kazakhstan, South Korea, Turkey, and increasingly the European Union, sending a large share of their earnings back home. These transfers, known as remittances, have grown from a modest supplement to household income into a macroeconomic force that shapes poverty rates, currency stability, and consumer demand across the country. This article examines how remittances affect Uzbekistan's economy, looking at their scale, their benefits, and the risks that come with such heavy reliance on money earned abroad.

The Scale of Remittance Inflows

The growth in remittance flows to Uzbekistan over the past five years has been dramatic. Inflows stood at around \$6 billion in 2020 and had more than tripled by 2025, reaching close to \$19 billion according to Central Bank of Uzbekistan estimates. Russia remains by far the dominant source, typically accounting for somewhere between 72 and 78 percent of total transfers in recent years, though its relative share has been gradually declining as migration destinations diversify. Kazakhstan, South Korea, Turkey, the United States, and a growing number of European countries now account for a larger slice of the total than they did five years ago.

This growth has coincided with a large outbound migrant population. More than 1.3 million Uzbek citizens were estimated to be working abroad as of early 2025, with the majority concentrated in Russia, followed by Kazakhstan and Ukraine. As of the most recent World Bank estimates, remittances equal roughly 14 to 17 percent of Uzbekistan's GDP — a smaller share than in neighboring Tajikistan (45 percent) or Kyrgyzstan (24 percent), but still a substantial component of national income given the size of Uzbekistan's economy.

Positive Effects on the Domestic Economy

Poverty reduction. The most immediate and well-documented benefit of remittances is their effect on household welfare. World Bank analysis suggests that without remittance income, Uzbekistan's poverty rate would nearly double, rising from about 9.6 percent to 16.8 percent. For many rural and lower-income families, money sent home by a relative working abroad is not a supplement to income — it is the primary source of it, covering food, housing, healthcare, and education costs that would otherwise be unaffordable.

Consumer demand and local business activity. Remittance income tends to be spent quickly and locally, on housing repairs, appliances, weddings, education, and small business investment. This spending supports retail trade, construction, and service industries in towns and villages that receive relatively little direct investment from the state or foreign companies. In this sense, remittances act as a decentralized form of economic stimulus, reaching households and communities that formal fiscal policy often misses.

Currency inflows and the balance of payments. Because remittances arrive in foreign currency, they help stabilize Uzbekistan's balance of payments and support the value of the som. In an economy still working through the transition from Soviet-era central planning to a more open, market-based system, this steady inflow of hard currency has been an important cushion, especially during periods when export revenue from cotton, gold, or natural gas has fluctuated.

Human capital and skills. Some migrants return with new technical skills, language ability, and work experience gained abroad. While not all of this transfers cleanly into the domestic labor market, government programs — such as vocational training initiatives and the "Jobs Abroad" platform — have tried to formalize migration channels and help returning workers apply what they have learned.

Risks and Structural Vulnerabilities

The same features that make remittances valuable also make them a source of economic fragility.

Dependence on a single destination country. Because Russia has historically absorbed such a large share of Uzbek labor migrants, Uzbekistan's remittance income is closely tied to the health of the Russian economy. Analysis of historical data shows that when Russia has faced economic shocks — during the 2008 global financial crisis, the 2014 oil price collapse and sanctions following Crimea, and the sanctions imposed after 2022 — remittance flows to Uzbekistan and other Central Asian countries have fallen sharply in response. This dependence leaves Uzbekistan's economy exposed to a foreign policy and business cycle it does not control.

Wage suppression and labor market distortion. Large-scale outmigration removes working-age adults, often from rural areas, which can lead to labor shortages in agriculture and construction at home. At the same time, because many migrants accept lower-skilled jobs abroad relative to their qualifications, remittances may substitute for the kind of investment in domestic job creation and productivity growth that would raise wages within Uzbekistan itself. Recent Central Bank data show real wage growth inside Uzbekistan lagging behind

wage growth in several neighboring countries, suggesting that domestic labor markets have not kept pace even as remittance income has grown.

Inflationary pressure and Dutch-disease-style effects. A steady inflow of foreign currency, if not carefully managed, can put upward pressure on domestic prices and contribute to real exchange rate appreciation, making other export sectors less competitive. Because remittance income is concentrated in consumption rather than productive investment, it does not necessarily translate into the kind of industrial or export capacity that would generate sustainable, migration-independent growth.

Social costs. Beyond the purely economic picture, large-scale labor migration has social costs that are harder to measure — family separation, the burden placed on those who remain (often women, children, and the elderly), and the loss of a working-age generation from local communities. These costs do not show up directly in GDP figures but are part of the true price of remittance-dependent growth.

Policy Responses and the Path Forward

The government of Uzbekistan has taken several steps to reduce the risks associated with remittance dependence while trying to preserve its benefits. Diversification of migration destinations — encouraging workers to seek employment in the European Union, South Korea, Turkey, and elsewhere rather than relying almost exclusively on Russia — has been an explicit policy goal, and the data show some progress: remittances from the EU, the US, and South Korea have grown at a faster rate than those from Russia in recent years, even though Russia's share remains dominant.

Domestically, the government has also promoted large public investment projects, such as the construction of New Tashkent, partly as a way to create jobs at home and reduce the economic pressure that pushes citizens to seek work abroad. Vocational training programs aim to make Uzbek workers more competitive internationally while also building skills that are useful if and when workers return.

For remittances to translate into long-term development rather than short-term consumption relief, economists generally recommend channeling a greater share of this income into savings, education, and small business investment, alongside financial products (such as remittance-linked savings accounts) that make this easier for migrant households.

CONCLUSION

Remittances have become a central pillar of Uzbekistan's economy, lifting millions of people out of poverty and providing a steady source of foreign currency that has helped stabilize the balance of payments during a period of economic transition. At the same time, this reliance carries real risks: exposure to shocks in Russia's economy, distortions in the domestic labor market, and a pattern of growth built more on consumption than on productive investment. The challenge for Uzbek policymakers is not to discourage labor migration, which remains a rational choice for many households given current wage gaps, but to manage its consequences — diversifying migration destinations, strengthening domestic job creation, and finding ways to convert remittance income into more durable forms of economic development.

“O‘ZBEKISTONDA UCHINCHI RENESSANS VA INNOVATSION JARAYONLAR JURNALI”

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