THE CURRENT FINANCIAL STATE OF BUILDING MATERIALS INDUSTRY ENTERPRISES IN THE REPUBLIC OF UZBEKISTAN

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ABSTRACT

This article analyzes the current financial state of building materials industry enterprises in the Republic of Uzbekistan. It examines the sector's production dynamics in recent years, investment inflows, export-import indicators, the profitability level of enterprises, credit and tax burdens, as well as issues related to capacity utilization efficiency. The research findings show that the sector has completed a phase of rapid quantitative growth and is now moving toward a new stage of development based on structural change and efficiency. The article also offers practical recommendations for strengthening the financial stability of enterprises.

Introduction

The building materials industry is one of the most rapidly developing sectors of Uzbekistan's economy. Population growth, the expansion of urban development programs, and the steady growth in the volume of housing and infrastructure construction continue to keep domestic demand for the sector's products consistently high. Over the past decade, a number of regulatory and legal documents — most notably the President's decrees and resolutions on the accelerated development of the building materials industry — have created favorable conditions for attracting foreign and domestic investment into the sector, expanding production capacity, and diversifying product ranges.

However, the sector's rapid scaling has also given rise to a number of financial and economic challenges: a surplus of production capacity for certain types of products, growing credit and tax burdens on enterprises, rising energy prices, and intensifying competition. For this reason, a comprehensive analysis of the current financial state of building materials industry enterprises, identification of the factors affecting their stability, and the development of relevant recommendations are of pressing scientific and practical importance.

The purpose of this article is to assess the financial state of Uzbekistan's building materials industry enterprises based on statistical and analytical data, to identify the sector's strengths and weaknesses, and to develop proposals for ensuring its sustainable development.

1. Overall State and Institutional Base of the Sector

Uzbekistan currently has close to 13,000 building materials manufacturing enterprises in operation. In recent years the range of products manufactured has expanded considerably: whereas 120 types of products were once produced, today this figure exceeds 180 types. This demonstrates that the sector is developing steadily not only in terms of volume but also in terms of product range.

Between 2017 and 2024, the sector showed a consistent growth trend: production volume increased roughly fourfold — from 11.4 trillion soums to 47.1 trillion soums — the market size reached approximately $3.5 billion, and the average annual real growth rate stood at 9.2 percent. The sector's contribution to gross domestic product reached 1.3 percent, confirming its growing role in the country's industrial structure. During this period the number of enterprises grew by nearly 9,600, and employment approached 98,000 people.

This scaling was accompanied by substantial investment resources: over eight years the sector attracted a total of $10.8 billion, including $2.2 billion in 2024 alone. This enabled a multi-fold increase in the output of key products — cement, ceramics, construction glass, paints and varnishes, and polymer pipes.

Table 1. Production volumes of key building materials and growth rates in 2024

Product type	2024 volume	Growth vs. 2017
Cement	18 mln. tons	2-fold
Ceramic products	143 mln. sq. m	15-fold
Construction glass	26 mln. sq. m	3.6-fold
Paints and varnishes	112 thousand tons	2-fold
PVC pipes and fittings	175 thousand tons	3.5-fold

Source: compiled by the author based on data from the journal Iqtisodiy Sharh (Economic Review).

2. Financial State of Enterprises and Profitability Levels

One of the most important indicators for assessing the sector's financial state is the level of production capacity utilization, since this indicator directly affects enterprises' ability to generate net profit. Analysis shows that by 2024–2025 the cement industry completed its phase of rapid expansion and entered a phase of structural maturity. Cement production per capita reached 0.54 tons, a level approaching that of more developed regional markets such as Kazakhstan (0.62 tons).

Because new capacity has been brought online faster than the growth rate of domestic demand, the average capacity utilization rate of cement plants fell to 50–55 percent. This limits enterprises' ability to cover fixed costs, raises the unit cost of production, and puts pressure on profit margins. According to analysts, when capacity utilization falls below 60 percent, bringing new capacity online creates no additional value; instead it intensifies competitive pressure and lowers the sector's average profitability.

At the same time, the sector has not seen a sharp drop in prices. This is explained by the high share of transport costs in production costs, which means the market functions not as a single national space but as a set of relatively autonomous regional sub-markets. Excess supply in one region does not automatically translate into nationwide price pressure, because competition is largely local — determined by logistical distance, proximity to end consumers, and the stability of contractual relationships. This factor allows enterprises with a favorable regional location to maintain relatively higher margins.

As a result, competitive advantage in the sector is no longer built primarily on increasing production volume but on operational efficiency — lower cost, optimized logistics, and stable contractual relationships with regional customers. Financial discipline, cost control, and rational capacity management are becoming more important than nominal scale.

3. Investment Activity and Use of Credit Resources

The high volume of investment directed into the sector expands production potential on the one hand, while increasing the credit burden on enterprises on the other. Since many large-scale projects are financed through foreign and domestic bank loans, exchange rate fluctuations and high interest rates have a significant impact on enterprises' financial stability.

The state has implemented a number of measures to support the sector. In particular, an additional $50 million is planned to be allocated to support building materials manufacturers. In addition, to improve energy efficiency, enterprises that modernize heating and drying furnaces, mills, and other energy-intensive equipment are eligible for compensation of 7 percent of interest on soum-denominated loans and 4 percent on foreign-currency loans.

Over the past decade, the volume of conditional fuel consumed by enterprises in the sector has roughly halved. Following energy audits conducted at 34 large enterprises that together account for 65 percent of the sector's total electricity consumption, 240 million kilowatt-hours of electricity were saved in a single year. This is a practical result of enterprises' efforts to optimize costs and thereby improve their financial performance.

4. Tax and Credit Debt Problems

One of the most pressing financial problems facing the sector is the high level of tax debt. According to the State Tax Committee, as of January 1, 2026, the number of construction-sector enterprises (including building materials manufacturers) with tax debt exceeding 100 million soums stood at 1,243, with total debt of 1.3 trillion soums. Of this total debt, 522.5 billion soums, or 38.7 percent, is attributable to just the ten largest debtor enterprises. This indicates a high degree of concentration in the sector's debt burden — meaning the financial difficulties of a handful of large enterprises significantly affect the overall statistics for the sector as a whole.

By region, Andijan region leads in tax debt among construction enterprises, with debt totaling 124.6 billion soums. Enterprises in Bukhara, Navoi, and Samarkand regions also show high levels of debt. Such regional disparity highlights the need to improve regional industrial policy and to strengthen mechanisms for working individually with problem enterprises.

At the same time, meetings chaired by the President have specifically examined the operations of enterprises that, for various reasons, are not operating at full capacity and have seen declining revenue; such cases have been noted particularly in the building materials, textile, food, and petrochemical sectors. This points to declining financial performance at a number of enterprises and underscores the need for targeted support measures.

5. Foreign Trade Activity and Export Potential

Strengthening export potential plays an important role in reinforcing the financial stability of the building materials industry. Between 2017 and 2024, the sector's exports grew

11.7-fold, reaching $831 million. This is the result of an expanding product range and gradual integration into regional markets.

According to the Uzsanoatqurilishmateriallari association, in 2025 the country set a target of exporting $1.2 billion worth of building materials, with production volume for the year expected to reach 50 trillion soums. Planned output included 18 million tons of cement, 48.2 million square meters of glass, 52 million square meters of ceramic tile, and 95 million square meters of gypsum board. To support exports, trading houses and warehouses are planned in Kazakhstan, Latvia, Tajikistan, the United States, Russia, and Afghanistan.

A relevant Cabinet of Ministers resolution sets out target indicators for the sector's development through 2030: raising production volume to 73 trillion soums at an average annual growth rate of 7.5 percent, increasing exports to $1.3 billion, and reducing imports to $437 million. The plan also envisages mastering more than fifty new product types and further expanding employment. Achieving these targets will directly serve to strengthen the financial stability and investment attractiveness of the sector's enterprises.

5.1. Regional Production Structure and Its Financial Implications

The uneven regional distribution of building materials production capacity directly affects the financial performance of sector enterprises. Regions rich in raw materials (limestone, gypsum, clay, sand and gravel) — Tashkent, Samarkand, Navoi, and Kashkadarya — host large cement and ceramics plants that benefit from relatively low production costs and good logistical access. At the same time, enterprises located far from raw-material bases are forced to operate at lower profitability due to high transportation costs.

This regional imbalance increases enterprises' need for credit resources, as staying competitive requires additional spending on improving logistics infrastructure and modernizing warehousing and transport systems. As a result, the financial stability of enterprises in less favorable locations can be significantly lower than the sector's average indicators.

5.2. Labor Resources and Their Impact on Financial Performance

While the growth in sector employment is a positive trend, a shortage of qualified engineering and technical personnel and production operators is negatively affecting enterprises' labor productivity. According to representatives of international consulting firms, the shortage of skilled labor is pushing companies toward modern technologies and automated solutions; however, such transitions require additional capital expenditure and may further increase enterprises' financial burden in the short term.

At the same time, higher labor productivity offers the potential, over the long term, to reduce enterprises' production costs and increase profitability. For this reason, aligning the workforce training system with enterprises' needs is one of the key conditions for ensuring the sector's financial stability.

6. The Impact of Recent Changes in Tax and Accounting Regulations

Starting in 2026, significant changes are being made to the tax accounting system in the building materials industry. In particular, from July 1, 2026, the use of the general Unified Electronic National Catalogue of Goods and Services (MXIK/IKPU) for building materials will be gradually restricted, being replaced by 200,800 detailed identification codes based on the new National Classifier of Construction Resources. Such digitalization measures are expected to further increase the transparency of enterprises' accounting and tax reporting, as well as strengthen tax oversight.

At the same time, changes to the procedure for sick-leave payments and updates to the system of social insurance and other mandatory payments may affect the structure of enterprises' current expenses. To adapt to these changes, enterprises need to modernize their accounting and financial management systems.

6.1. Dynamics of the Sector's Key Financial and Economic Indicators

The table below presents a comparison of the sector's key indicators for 2017 and 2024–2026. The indicators show that alongside the sector's quantitative growth, the factors affecting financial stability are also intensifying.

Indicator	2017	2024–2026
Production volume	11.4 trln. soums	47.1 trln. soums
Market size	—	≈$3.5 bln.
Export volume	≈$71 mln.	$831 mln.
Number of enterprises (increase)	baseline	+9,600
Employment (increase)	baseline	≈98,000 people
Cement capacity utilization	high	50–55%
Enterprises with tax debt over 100 mln. soums	—	1,243 / 1.3 trln. soums

Source: compiled by the author based on data from the journal Iqtisodiy Sharh (Economic Review), the State Tax Committee, and the Uzsanoatqurilishmateriallari association.

The table shows that the sector's quantitative indicators — production volume, exports, and employment — continue to demonstrate stable growth. At the same time, factors such as the decline in capacity utilization and the accumulation of tax debt indicate that the sector's qualitative indicators, i.e. its financial efficiency, require serious attention.

7. Key Risks Affecting the Financial Stability of Sector Enterprises

Based on the analysis conducted, the following key risks are affecting the financial state of building materials industry enterprises:

— for certain product types, particularly cement, production capacity exceeding domestic demand and the resulting decline in capacity utilization;

— enterprises' reliance on foreign-currency loan obligations and exposure to exchange-rate volatility;

— rising production costs as energy prices (natural gas, electricity) are gradually brought closer to market levels;

— the accumulation of tax and other mandatory payment debts at a number of enterprises;

— high transport and logistics costs leading to regional market fragmentation, reducing the competitiveness of enterprises in certain regions;

— a shortage of qualified engineering, technical, and skilled labor, negatively affecting labor productivity and production efficiency.

All of the factors above indicate that the sector's further sustainable development must now be ensured not merely by bringing new capacity online, but by improving the financial and operational efficiency of existing enterprises.

Conclusion and Recommendations

The analysis conducted shows that Uzbekistan's building materials industry has achieved substantial quantitative growth in recent years: production volumes have increased several-fold, the number of enterprises and employment have expanded, and export potential has grown significantly. At the same time, the sector is currently at a transitional stage — moving from an extensive growth model toward an intensive, efficiency-based development model. This transition period is generating certain financial tensions within enterprises, including underutilized capacity, a growing tax and credit burden, and declining revenue at some enterprises.

To strengthen the financial stability of sector enterprises, the following recommendations are proposed:

1) introducing a unified coordination mechanism that comprehensively assesses the balance of supply and demand by region and product type before new production capacity is commissioned;

2) expanding the scope of state subsidies and loan-interest compensation programs aimed at improving enterprises' energy efficiency;

3) developing and implementing individual financial recovery programs for enterprises with high tax debt;

4) further expanding trade and logistics infrastructure in foreign markets and aligning product quality with international standards in order to boost export potential;

5) improving the quality of financial management by digitalizing and increasing the transparency of enterprises' financial reporting;

6) improving the system for training qualified personnel for the sector and strengthening cooperation between vocational education institutions and enterprises.

Consistent implementation of the measures outlined above will help strengthen the financial stability of Uzbekistan's building materials industry enterprises, enhance their competitiveness, and support the sector in achieving its strategic goals set for the period through 2030..

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