German Economic Team

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POLICY BRIEFING UZBEKISTAN

Uzbekistan's construction materials industry: how to secure future growth?

- Summary of results -

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Outline

1. Motivation
2. Definition and categorisation of construction materials
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5. Foreign trade
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1. Motivation

- Uzbekistan is experiencing a strong growth of the construction sector, volume of construction works reached UZS 313.8 tn (about USD 24 bn) in 2025, up 14% on 2024 and more than double the 2022 level
- Additionally, infrastructure pipeline of mega-projects worth USD 27 bn, including the Jizzakh nuclear power plant to the New Tashkent international airport
- The construction materials industry has been both the enabler and a principal beneficiary of this expansion: over the past decade the sector attracted around USD 11-12 bn of investment
- Three reasons make the construction materials industry worth a dedicated analysis
  - Macroeconomic weight: the industry is the supply base of one of the fastest-growing parts of the economy and chances for domestic value added and employment
  - Competitiveness potential: sector's further growth depends on international competitiveness and on the ability to move into higher-value products, which makes the sector a test case for Uzbekistan's broader industrial upgrading agenda
  - Changes for German investments and European companies to participate
- **Goal of the Policy Briefing**:
  - **Provide a diagnostic of the sector and identifies main bottlenecks for future growth**
  - **Develop recommendations for accelerating growth and strengthening international competitiveness**

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2. Definition and categorisation of construction materials

- No single statistical category called “construction materials”; every definition is a proxy
- This paper works with an analytical framework of three value-added tiers, built on the stage-of-processing logic of the material-flow literature

Tier	Definition	Main products
Tier 1 - Basic/commodity	Bulk mineral products; low value per tonne; energy-intensive; freight-limited trade; compete on cost	Cement, lime, gypsum (raw), aggregates, bricks, concrete and precast
Tier 2 - Processed standard products	Meaningful processing depth; regionally tradable; quality and consistency decide market access	Float glass, ceramic tiles, sanitary ware, gypsum board, dry mixes, plastic and ceramic pipes, worked stone
Tier 3 - Advanced/engineered materials	Technology- and know-how-intensive; high value density; tradable over long distances; where global margins sit	Mineral-wool and polymer insulation, insulating glass units, construction chemicals (paints, admixtures, sealants), specialty cements, composites, engineered systems

Source: own framework

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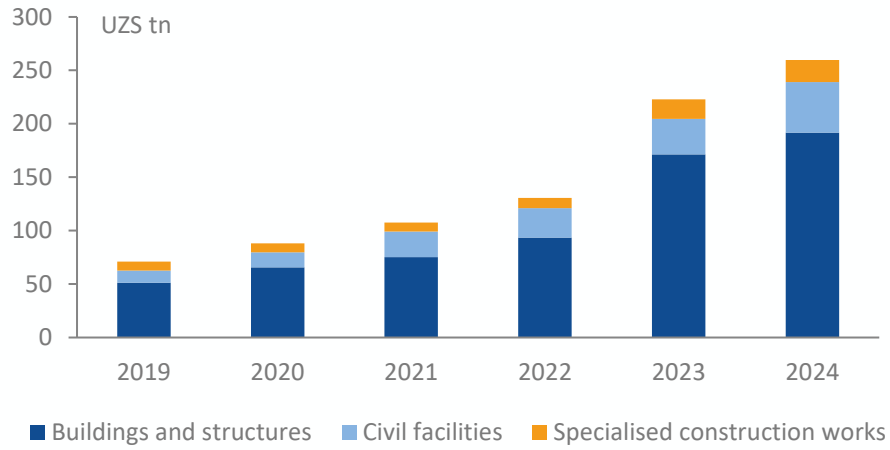
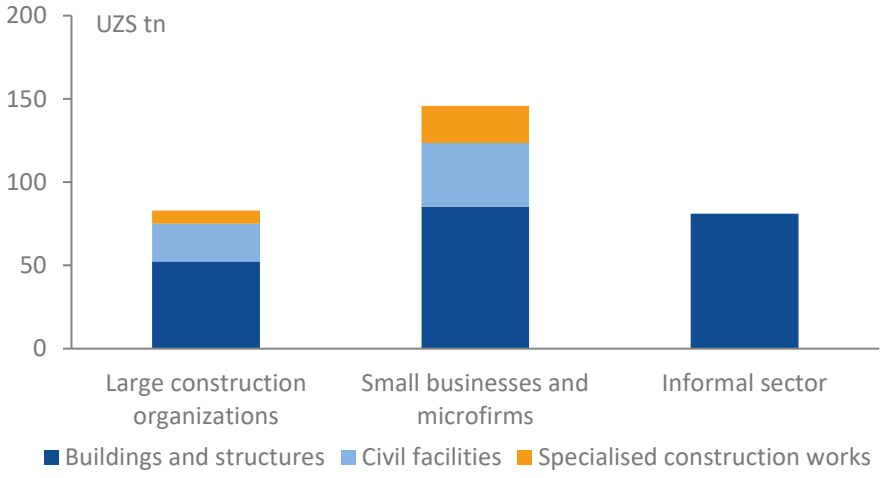
3. Demand for construction materials

Volume of construction works, 2019-2024



Source: own illustration based on Statistics Agency of Uzbekistan (2026a). Nominal values.

Sectoral overview of construction works, 2024



Source: own illustration based on Statistics Agency of Uzbekistan (2026b). Nominal values.

- Demand for construction materials rests on four categories, shares in 2024
  - residential housing – 72%
  - commercial construction – 18%
  - infrastructure and mega-projects, and export markets – 10%
- Small enterprises and the informal sector together perform about three quarters of all construction

Residential housing

- Annual commissioned floor area about 15.5 m m² in 2019 to 2024
- Presidential Decree PP-29: doubling of annual multi-apartment building, from 135,000 (2025) to 280,600 units by 2040
- Volume market for cement, concrete and aerated blocks, bricks, gypsum board and dry mixes, ceramic tiles and sanitary ware
- Expected growing demand for energy-efficient design like mineral-wool and polymer insulation, insulating glass units, etc

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3. Demand for construction materials

Commercial construction

» 20-25 m m² of commercial buildings are commissioned annually

» Together with housing this generates materials demand of at least USD 10 bn per year

» Commercial projects skew the mix toward processed and engineered products: float and processed glass (facades, safety glass, insulating units), steel and aluminium structures, sandwich panels, flooring, and construction chemicals

Infrastructure and mega-projects

» At the Tashkent International Investment Forum in June 2026, 177 agreements worth USD 43 bn were signed, and infrastructure projects worth USD 27 bn were offered to investors

- Including the Jizzakh nuclear power plant, the New Tashkent airport, a 55,000-seat stadium and the 282-km Tashkent-Samarkand highway.
- Parallel tourism programme foresees 34 large facilities and more than 1,000 accommodation facilities including 200 hotels within two years

Export demand

» Neighbouring countries total import construction materials worth around USD 13 bn per year

» The government has identified additional near-term export potential of USD 440 m in Central Asia

➢ Summary: There is a strong underlying, organic driver: population growth and urbanisation generate real demand for new housing and renovation independent of any single programme.

➢ On top of this natural demand, the government's housing and energy-efficiency targets add a policy-driven layer

Source: Data based on President of Uzbekistan (2025), Statistics Agency (2026a)

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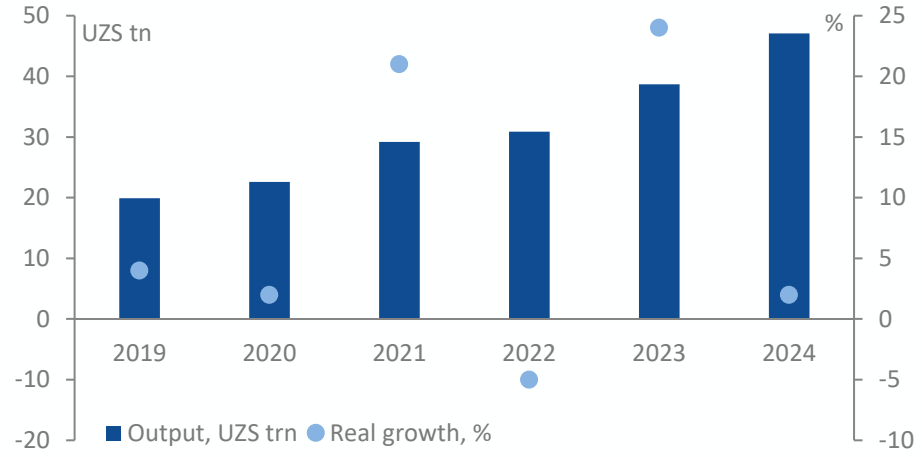
4. Supply of construction materials

Construction materials sector output and its real growth, 2019-2024



Source: own illustration based on CERR (2025)

Product-level dynamics, 2017 - 2024

Product output	2017	2024	Measurement unit
Portland cement	9.1	17.9	m t
Ceramic products	9.6	143.3	m m²
Construction glass	7.3	26.2	m m²
Paints and coatings	59.5	111.6	tsnd t
PVC pipes and fittings	50.3	174.5	tsnd t

Source: own illustration based on CERR (2025)

- Output grew from UZS 19.9 tn (2019) to UZS 47.1 tn (2024) in current prices with the average real growth of 8.2% per year
- Cumulative investment reached USD 9.8 bn, the sector employed 97,600 people and about 9,600 enterprises as of 2024
  - GDP share of 1.3%, with a domestic market being estimated at USD 3.5 bn
- **Strong growth of Tier 1 output led to overcapacity**
- Example cement
  - Installed cement capacity stands at about 40 m t per year across 42 plants, while domestic demand in 2024 was 18.1 m t.
  - Part of the imbalance: foreign-invested mega-plants e.g. seven facilities with Chinese investment and a combined design capacity of about 14.4 m t/year
  - Excess capacity leads to lower prices: decrease from USD 65-70/t in 2020-21 to USD 42-47/t in 2024-early 2026

Source: data based on Anhor.uz (2026)

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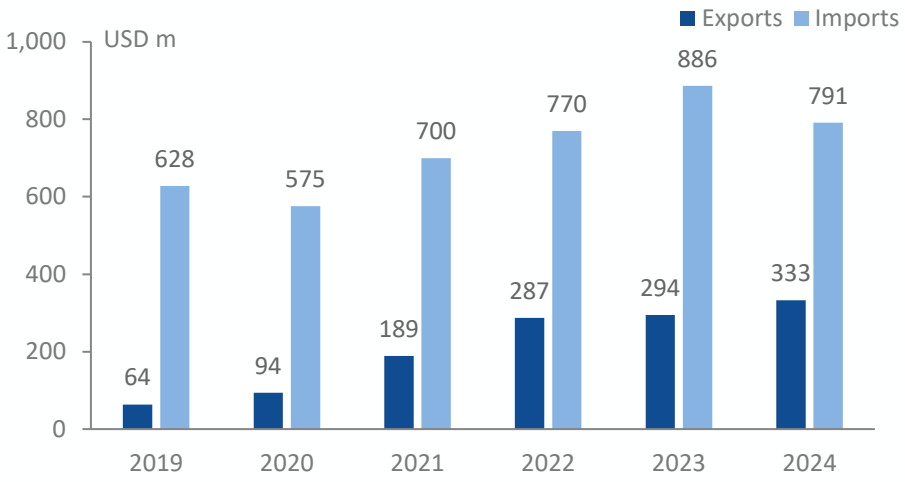
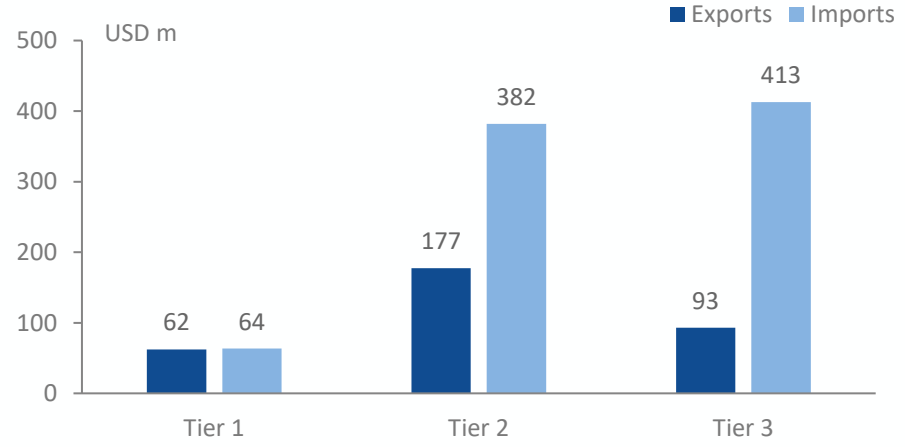
5. Foreign trade

Construction-material imports and exports



Source: own illustration based on United Nations Statistics Division (UNSD, 2026)

Export-import by the tier, 2024



Source: own illustration based on UNSD (2026)

- » Trade has grown substantially since 2019
  - Exports rose more than five-fold, from USD 64 m to USD 333 m
  - Imports rose too but slower, trade deficit while still substantial at USD 458 m in 2024, is narrower than in 2019
- » Tier 1 imports have fallen every year since 2019, from USD 177 m to USD 64 m.
- » Tiers 2 and 3: imports there roughly doubled through 2023 before easing slightly and still account for the large majority of imports
- » Tier 2 exports grew steadily before levelling off
- » Tier 3 exports has grown fastest of all, roughly eleven-fold since 2019
- ➢ **Tiers moving through the same transition at different speeds:**
  - **Substitution essentially complete in Tier 1, underway in Tiers 2 and 3**
  - **Export growth increasingly concentrated in the newest, highest-value products**

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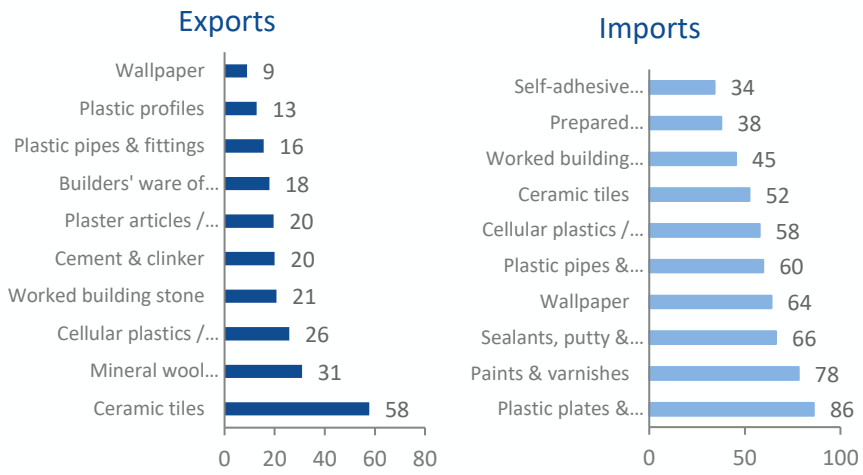
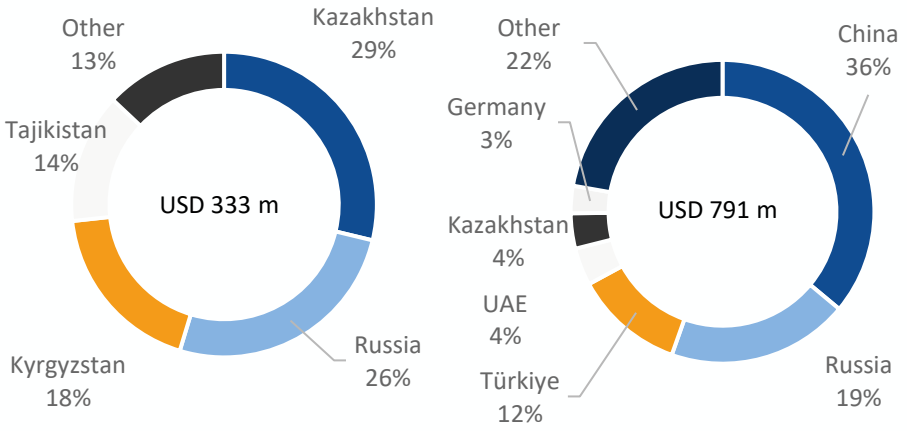
5. Foreign trade

Top traded products: exports and imports, USD m, 2024



Source: own illustration based on UNSD (2026)

Top export and import destinations, 2024



Source: own illustration based on UNSD (2026)

- At product level, the pattern is more mixed
- Ceramic tiles, worked building stone, cellular plastics, wallpaper on export and import side, indicating two-way trade in differentiated products
- Finished or formulated goods such as plastic sheeting, paints and varnishes, imported with no matching export presence.
- **These are the product lines where upgrading, not just capacity, is the binding constraint**
- Asymmetry regarding trade partners
  - Exports rely on four neighbouring markets accounting for nearly 90%
  - Imports are led by a single dominant supplier, China
- **Concentration risk for exports**
  - Mid-2026, Kazakhstan introduced a six-month ban on imports of most of Tier 1 & Tier 2
  - Ban likely linked to overcapacity in both UZB and KAZ

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6. Policy framework

- Uzbekistan's policy framework for construction materials has evolved in three overlapping stages
  - The first, from 2019, targeted capacity and raw materials, restructured sector governance and eased access to mineral deposits, backed by 67 projects worth USD 1.3 bnb
  - The second extended this into regional value chains and export support, built so called material clusters across eight districts, while separately modernising quality infrastructure:

    new standardisation, technical-regulation and accreditation laws (2022-2023) created the certification system Tier 2 exporters still rely on
  - The most recent stage, consolidates continued investment support with instruments that reward quality and value added, including energy-efficiency requirements, domestic-content procurement rules, R&D funding and export promotion
- Furher measure is directly relevant to demand: a Law "On Urban-Planning Renovation" sets a framework for renovating deteriorated urban areas
  - The renovation programme envisages replacing roughly 17,000 old 2-3-storey buildings (around 255,000 apartments) with modern 7-9-storey buildings with upgraded utilities
  - Presidential Decree PP-29 (2026) confirms this trajectory with binding targets: the share of apartments delivered through renovation is to rise from 15% currently to 60% by 2040 (in absolute terms, from 20,000 to 170,000 renovation-based apartments per year)
  - From August 2026, prohibits developers from self-building apartment blocks without a licensed contractor, thereby closing off a common route around building-safety and quality standards
- **Policy toolkit is shifting from capacity-building instruments (credit lines, duty exemptions, land allocation) toward instruments that reward quality and efficiency (certification support, interest compensation tied to energy savings, standards adoption)**

Source: Data based on President of Uzbekistan (2019a, 2019b, 2022a, 2022b, 2023a, 2025, 2026a, 2026b), Center for Economic Research and Reforns (CERR, 2025), Spot.uz (2025a, 2025b), Government of Uzbekistan (2025)

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7. Barriers, opportunities & recommendations: Tier 1

Tier 1 (cement, bricks, concrete, lime)

» Problem: unreliable energy supply

- The biggest challenge for a production in Uzbekistan is seen in energy supply, especially in winter months
- At the same time gas prices are described as very low in international comparison: low energy and especially gas prices are not seen as advantage but as disadvantage as they are accompanied by an unreliable supply.
- This is a disadvantage compared for example to KAZ and KGZ where gas prices are higher but supply much more reliable

» Opportunity: reliable supply directly converts idle winter months into output and exports since producers already pay LPG prices, they demonstrably can bear these costs. Reliability is also an FDI argument: it is the first question any investor in energy-intensive production asks.

» Recommendation: Introduce a voluntary, supplementary volume that industrial consumers can contract in advance through UzGasTrade at full import-parity price. Three design features

- Additionality: the product is funded entirely by the buyer and adds imported volumes, taking nothing from households which is the political precondition for any winter-supply measure.
- Advance contracting: volumes nominated before the heating season give UzGasTrade a firm demand book to contract against with suppliers, rather than sourcing spot in January
- Pass-through pricing under a published formula: predictable for the buyer, subsidy-free for the state

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7. Barriers, opportunities & recommendations: Tier 1

Tier 1 (cement, bricks, concrete, lime)

» Problem: unmodernised plants meeting overcapacity

- A large share of Tier 1 plants operate with limited or basic efficiency measures: fuel metering, kiln and dryer upgrades, recovery of the waste heat cement production generates in quantity.
- This raises fuel cost precisely in the plants least able to afford it and interacts with the overcapacity: high-cost plants are the ones being pushed out as prices fall
- China's experience suggests deferring consolidation raises its eventual cost.

» Opportunity: the surplus that is a liability in standard cement is an asset in adjacent products. Specialty cements such as oil-well for the regional drilling market, sulphate-resistant for saline soils and irrigation infrastructure are higher-margin and producible on converted existing kilns

» In plants that keep running, waste heat is itself a product: recovered as electricity it cuts grid dependence

» Recommendation*:* eligibility for subsidies via audited energy baselines and independently verified savings, with a published 3–5-year tariff trajectory so producers can see the payback improving, and list waste-heat power generation explicitly as eligible equipment

» For idle capacity: maintain the moratorium on new standard-cement plants

» Continue exchange-trading and below-cost-sales enforcement with a published methodology applied equally to all investors regardless of origin, which

» Voluntary register of idle plants with technical parameters, where listing is the owner's choice and carries a concrete benefit, inclusion in the government's matchmaking with the specialty-cement investors it is already seeking.

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7. Barriers, opportunities & recommendations: Tier 2

Tier 2 (float glass, ceramic tiles, gypsum board, dry mixes, sanitary ware, PVC pipes)

Problem: certification without credibility

- Domestic certification does not function as proof of quality. Buyers, including domestic buyers in quality-sensitive segments, prefer often internationally certified imports
- Two mechanisms sustain this:
  - No unified public database of certified domestic products, so certification cannot easily be verified even where it exists
  - Second, recognition of Uzbekistan's quality infrastructure abroad is incomplete which is an important constraint for expansion of export markets..
- In practice, exporters to non-CIS markets still need foreign product certification
- Opportunity: gap of information and institutional recognition. The certificate e-platform is already instructed (June 2026, pending a binding act), the WTO standards track (125 standards adopted, 166 targeted) provides the anchor.
- Poland’s convergence on EU standards shows the path: standards, then certification, then exports.
- Recommendation: Three steps, in order of cost.
  - First, specify the certificate e-platform as a public, searchable registry of certified producers and products, this solves the verification problem at near-zero cost.
  - Second, address export certification product by product, quick wins: where European rules allow self-declaration, production to harmonised standard plus testing in country's ILAC-recognised laboratories is sufficient
  - Third, run the announced support for international certification of enterprises as a rule-based reimbursement scheme with published eligibility criteria and remove discretion from every stage

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7. Barriers, opportunities & recommendations: Tier 3

Tier 3 (mineral-wool and polymer insulation, insulating glass units, paints, admixtures, sealants and adhesives, composites, engineered systems)

Problem: missing know-how

- Tier 3's constraint is too little capacity for technological reasons. The import bill maps the gap, i.e. paints and varnishes, sealants and putties, cellular plastics, plastic sheeting in 2024, all domestic demand that exists before any export ambition.
- Where localisation has happened, it works: mineral wool moved from near-zero to USD 31 m of exports within five years after a foreign-technology investment

Opportunity: demand is proven and paying, currently to foreign suppliers, and one successful transfer demonstrates the mechanism.

- The 2026 deep-processing programme (40 projects, USD 515 m) and PP-365's sectoral R&D allocation (UZS 30 bn, 2026–2028) are funding channels.
- Four product groups (plastic sheeting, paints and varnishes, sealants and adhesives, cellular plastics) are revenue available to domestic producers before any export;

Recommendation:

- Weight the R&D allocation toward adaptation and licensing of proven foreign technology rather than original research and use the deep-processing programme's project selection to prioritise products with documented import demand from the trade data for selection

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7. Barriers, opportunities & recommendations: Tier 3

Tier 3 (mineral-wool and polymer insulation, insulating glass units, paints, admixtures, sealants and adhesives, composites, engineered systems)

- Problem: skills
- Higher-tier products depend on process control, laboratory quality assurance and formulation expertise that basic-materials production does not require, and technical training has not kept pace
- The gap operates twice: it limits the quality of current output, and it slows how fast technology-transfer investments become productive, the channel through which the tier grows.
- Weak domestic demand for higher-quality products compounds it: without stable demand, neither producers nor training institutions have reason to invest in these skills.
- Opportunity*:* the demand for skills is about to be created by regulation, which makes training investment unusually low risk.
  - The 25% efficient-materials requirement (from July 2026) and the renovation wave generate predictable, multi-year demand for products
  - For enterprises, in-house training capacity becomes a competitive asset (faster absorption of transferred technology);
  - For the state, the sector's designated think-tank institutions plus the PP-365 training line mean the funding and institutional slots already exist
- Recommendation*:* implement the efficient-materials requirement as designed, checked in project documentation, not merely declared,
- On skills supply, pilot dual training, classroom instruction paired with plant-based apprenticeship in one cluster district, co-financed from PP-365's training line, evaluate, then replicate

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7. Barriers, opportunities & recommendations

Cross-cutting business environement constraints

Problem	Recommendation
Regulatory unpredictability. Rules are applied differently by region or agency, requirements from different ministries can conflict, and the regulatory base changes faster than firms can plan against; Working-level officials do not want to carry risk for deciding, so even technical questions often travel upward, in prominent cases to presidential level.	Empower officials to decide: give working-level positions published decision competences, protected when exercised in good faith within the rules. Where regional application diverges, the issuing ministry should resolve it once, with a published clarification that applies to everyone.
Procurement specifications lag the standards agenda. Public tenders in some cases still reference outdated technical standards, excluding newer, more energy-efficient materials even where they meet performance requirements — self-defeating, because public procurement is a principal demand channel for exactly the higher-tier products the policy agenda targets.	A standing instruction that tender documentation reference the current adopted standards, updated in step with the WTO track, with responsibility assigned to the procurement review body. This can close the gap without new legislation.
Land is leasehold only. No private ownership exists; unlimited-term leases substitute in practice. This is less a binding constraint than an unfamiliar structure for foreign investors used to freehold, which can slow entry decisions and complicate collateral discussions with banks.	Address the unfamiliarity, not the tenure system: explain the leasehold framework proactively in investor-facing materials, what rights an unlimited-term lease confers, how it is registered, how banks treat it, so that foreign investors encounter it as a documented, predictable arrangement rather than a surprise discovered mid-negotiation.
FX hedging restriction. Foreign-exchange rules permit repatriation and contract payments but not holding converted FX on local accounts as a hedge, raising currency-risk management costs for export-oriented producers.	This paper deliberately stops short of recommending a sectoral carve-out: exemptions by sector create arbitrage channels and are resisted by central banks for good reason. The constraint is flagged as a documented cost to the sector's exporters, best raised within the economy-wide FX liberalisation dialogue rather than resolved at sector level.
The cumulative burden of compliance. Individually, no administrative requirement is prohibitive; collectively they demand permanent staff attention. Even functioning processes, e.g. tax administration, with working communication and court access, work only with continuous effort, not by default. The structural consequence: large companies staff their way through (sometimes aided by the attention that follows high-level bilateral visits), while smaller firms are filtered out.	This is not a matter of new rules but of how existing ones are applied. The measures under regulatory unpredictability above are the substance of the fix: enforce the regulations that exist, consistently and as written, rather than layering new requirements on top; and shift the default posture of public authorities toward companies from control to partnership, the approach promoted by European tax administrations and other agencies, where established compliant firms are treated as partners and scrutiny is concentrated where risk warrants it. This would benefit well beyond the building-materials sector.

Source: own research

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8. The German and European dimension

- Germany is among European investor in exactly the segments the government now prioritises.
- For example, gypsum-board and dry-mix production or a rock mineral wool production using low-emission electric melting which is a Tier-3 investment squarely on the June 2026 agenda.
- The trade data show the German supply role in higher-value products (about USD 25 m of basket imports), and interviews confirm German competitiveness precisely in the fields the agenda opens: construction chemicals, recycling, and energy efficiency.
- Specialised high value products and machinery supply strategy looks more realistic for German firms than head-on competition:
  - competing directly with large, financially advantaged producers in cement or ceramics is unlikely to be competitive,
  - Niches where technology, systems and service matter more than price - insulation, construction chemicals, recycling, energy efficiency - appear more open.

- **The success conditions reported temper expectations and sharpen the offer: local representation and service provision (installation, maintenance, training) rather than equipment sales alone;**
- **Realistic sizing, since the administrative burden appears to screen out smaller firms; and energy-supply reliability factored into the business case for sensitive production processes**

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Financed by the Federal Ministry for Economic Affairs and Energy, the German Economic Team (GET) advises the governments of Ukraine, Belarus*, Moldova, Kosovo, Armenia, Georgia* and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.

**In Belarus and Georgia advisory activities are currently suspended.*

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