INTERNATIONAL MONETARY FUND

IMF Country Report No. 22/189

# REPUBLIC OF UZBEKISTAN

June 2022

## 2022 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE REPUBLIC OF UZBEKISTAN

In the context of the 2022 Article IV consultation with the Republic of Uzbekistan, the following documents have been released and are included in this package:

- A **Press Release**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 15, following discussions that ended on April 13, 2022, with the officials of the Republic of Uzbekistan on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 1, 2022.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the World Bank.
- A **Statement by the Executive Director** for the Republic of Uzbekistan

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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**International Monetary Fund**
**Washington, D.C.**

# IMF Executive Board Concludes 2022 Article IV Consultation with the Republic of Uzbekistan

**FOR IMMEDIATE RELEASE**

**Washington, DC—June 22, 2022**: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with the Republic of Uzbekistan.

Despite shocks from the pandemic and the war in Ukraine, Uzbekistan's economy has shown resilience. The pandemic caused a sharp slowdown in 2020, particularly in trade, tourism, and transportation. Nonetheless, real growth remained positive at 1.9 percent. Year-end inflation fell to 11 percent. In 2021, helped by government stimulus measures, growth rebounded sharply to 7.4 percent. Despite global price pressures, tight monetary policy helped reduce inflation further to 10 percent by end-2021. With a recovery in trade and remittances, the current account deficit widened slightly to 7 percent of GDP. Government economic support in the form of social assistance, investment and policy lending widened the overall fiscal deficit by 2 percentage points to 6.2 percent of GDP.

Despite these shocks, the authorities continued to make progress on structural reforms. Recent reforms included: liberalizing domestic prices and reducing crop placement requirements for cotton and wheat; making public procurement more transparent through a public portal that also collects information on beneficial owners; doubling the size of the social safety net; improving corporate governance by appointing more independent members of supervisory boards; selling a mid-sized state enterprise and many smaller assets; and finalizing laws on public debt and the labor market.

Given Uzbekistan's close economic ties with Russia, the outlook for 2022 will depend upon spillovers from the war in Ukraine and sanctions on Russia. Remittances, trade, and financing from Russia are expected to slow, reducing growth in 2022 to 3–4 percent and increasing the current account deficit to 8½ percent. With higher global food and commodity prices, inflation is expected to remain over 10 percent. Uncertainty is high, however. Possible risks could arise from a further escalation of the war and the sanctions regime, a renewed flare-up of the pandemic, slower growth in other trading partners, higher food and energy prices, or lower gold prices.

The authorities' macro-economic policies in the near term are focused on mitigating the impact of the shock, by supporting the recovery, protecting vulnerable households, containing inflation, and safeguarding financial stability. At the same time, they intend to accelerate the pace of structural reforms to ensure strong, sustainable, and inclusive longer-term growth, while enhancing resilience. Building on the progress already made, their efforts are focused on reducing the role of the state in the economy and creating an environment conducive to private sector job creation, by further opening up markets and enhancing competition.

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

**Executive Board Assessment**

Executive Directors commended Uzbekistan's authorities for their decisive policy response to the COVID-19 pandemic, which contributed to a strong economic recovery in 2021. Directors noted, however, that the spillovers from the war in Ukraine are slowing growth and, together with a possible resurgence of the pandemic, create significant uncertainty to the outlook. Against this backdrop, they welcomed the authorities' continued commitment to sound macroeconomic policies and structural reforms, which are critical to ensuring macroeconomic stability and promoting inclusive growth.

Directors commended the authorities' commitment to fiscal sustainability. They agreed that fiscal consolidation could be slowed this year, relative to the approved budget, to provide additional, targeted support to vulnerable households, particularly given the low risk of debt distress. Directors welcomed the authorities' plans for a gradual fiscal consolidation in the coming years, the introduction of medium-term fiscal and revenue frameworks, and the strengthening of the fiscal rules. They emphasized the need to continue enhancing revenue collection and spending efficiency, while addressing potential fiscal risks from state-owned enterprises (SOEs).

Directors welcomed the central bank's prompt monetary policy tightening in early 2022 and its commitment to lower inflation, which are key to anchor expectations and achieve the medium-term inflation target. They emphasized the need for continued exchange rate flexibility to mitigate spillovers from external shocks. Directors supported the plans to reduce the role of state-owned banks in the financial system, which should also help strengthen the transmission of monetary policy. To safeguard financial stability, they recommended strengthening the central bank's supervisory and macroprudential frameworks, while continuing to closely monitor banks. They encouraged the authorities to continue implementing their AML/CFT strategy, including working on a new AML/CFT law.

Directors commended the authorities' reform progress and called for accelerating structural reforms. They particularly welcomed the measures to reduce the role of the state in the economy, by privatizing state-owned banks and SOEs, opening markets to private businesses, and enhancing competition and governance. In this context, Directors stressed the importance of ongoing governance reforms, including strengthening anticorruption institutions and corporate governance of SOEs. They also welcomed the plans to reform the energy sector, which is key to reduce the economy's energy intensity and carbon emissions.

**Uzbekistan: Selected Economic Indicators, 2019-2023**

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| | | | Est. | Proj. | Proj. |
| **National income** 1/ | | | | | |
| Real GDP growth (percent change) | 5.7 | 1.9 | 7.4 | 3.4 | 5.0 |
| GDP per capita (in U.S. dollars) | 1,801 | 1,766 | 2,002 | 2,072 | 2,275 |
| Population (in millions) | 33.3 | 33.9 | 34.6 | 35.3 | 36.0 |
| **Prices** | | | (Percent change) | | |
| Consumer price inflation (eop) | 15.2 | 11.2 | 10.0 | 12.1 | 11.3 |
| GDP deflator | 17.9 | 11.6 | 13.6 | 11.6 | 13.1 |
| **External sector** | | | (Percent of GDP) | | |
| Current account balance | -5.6 | -5.0 | -7.0 | -8.3 | -7.2 |
| External debt | 42.5 | 57.5 | 57.8 | 61.2 | 59.0 |
| | | | (Level) | | |
| Exchange rate (in sums per U.S. dollar; eop) | 9,516 | 10,477 | 10,820 | … | … |
| Real effective exchange rate (ave, 2015 =100, decline = depreciation) | 65.5 | 65.5 | 65.2 | … | … |
| **Government finance** | | | (Percent of GDP) | | |
| Budget revenues | 27.7 | 26.6 | 27.7 | 30.4 | 28.6 |
| Budget expenditures | 31.4 | 31.0 | 33.4 | 34.4 | 31.6 |
| Budget balance | -3.8 | -4.3 | -5.8 | -4.0 | -3.0 |
| Adjusted revenues 1/ | 27.0 | 25.6 | 26.0 | 29.0 | 26.9 |
| Adjusted expenditures 1/ | 27.3 | 28.9 | 30.6 | 32.8 | 29.8 |
| Adjusted fiscal balance | -0.3 | -3.3 | -4.7 | -3.8 | -2.9 |
| Policy lending | 3.5 | 1.1 | 1.5 | 0.6 | 0.5 |
| Overall fiscal balance | -3.8 | -4.4 | -6.2 | -4.4 | -3.4 |
| Public and publicly guaranteed debt | 28.4 | 37.6 | 35.8 | 38.2 | 37.2 |
| **Money and credit** | | | (Percent change) | | |
| Reserve money | 17.8 | 15.4 | 28.3 | 10.3 | 14.8 |
| Broad money | 13.8 | 17.9 | 30.3 | 15.5 | 23.4 |
| Credit to the economy | 48.1 | 34.4 | 18.4 | 18.3 | 16.4 |

Sources: Country authorities; and IMF staff estimates.

1/ IMF staff adjusts budget revenues and expenditures for financing operations of the Fund for Reconstruction and Development (FRD), equity injections, policy lending, and privatization.

INTERNATIONAL MONETARY FUND

# REPUBLIC OF UZBEKISTAN

## STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION

June 1, 2022

## KEY ISSUES

**Context.** Uzbekistan embarked on an ambitious reform path in 2017, starting to liberalize its economy after years of state control. Incomes are still relatively low compared to other emerging economies and the role of the state is still large. Uzbekistan weathered the pandemic relatively well. Strong fundamentals, ample policy buffers, and high gold prices allowed the authorities to take strong actions to mitigate the impact of the pandemic and growth accelerated to 7.4 percent in 2021.

**Outlook and risks.** The war in Ukraine and the sanctions imposed on Russia create new headwinds. Growth is expected to slow to 3–4 percent and inflation to remain elevated at over 10 percent in 2022. Uncertainty is high. Downside risks stem mainly from a possible further escalation of the war and the sanctions regime, a renewed flare-up of the pandemic, especially as the pace of vaccinations has slowed, and slower growth in other key trading partners.

**Policy recommendations.** In the near-term, macro-economic policies need to stay focused on supporting the recovery, containing inflation, and protecting vulnerable households through an appropriate policy mix. As part of this, the pace of fiscal consolidation can be slowed to provide additional targeted support to households. Despite the increase in public debt in recent years, Uzbekistan remains at a low risk of debt distress. Nonetheless, fiscal consolidation will need to continue in the coming years to ensure sustainability, while improving revenue mobilization and spending efficiency to create room for achieving the sustainable development goals. Meanwhile, monetary policy should remain focused on reducing inflation, while allowing exchange rate flexibility. Further financial sector reforms are needed to safeguard stability, increase financial intermediation, and help finance growth. Continued efforts are needed to ensure that the majority of the population is fully vaccinated against COVID-19.

The pace of structural reforms will need to be accelerated, as the reform agenda is still large. With a rapidly growing labor force, new jobs will need to come especially from small and medium-size private enterprises. Building on the progress already made, stronger efforts are needed to reduce the role of the state in the economy and to create an environment conducive to private sector job creation, by further opening up markets and enhancing competition, while improving governance and the rule of law.

Approved By
**Thanos Arvanitis and Uma Ramakrishnan**

Discussions for the 2022 Article IV consultation were held in Tashkent during March 31–April 13, 2022. The staff team comprised Ron van Rooden (head), Moayad Al Rasasi, Lawrence Dwight, Christine Richmond, Kevin Ross (MCD), and Galina Kostina (local office), with support from Amine Yaaqoubi and Liliya Nigmatullina. Piotr Trabinski and Ilhom Umurzakov (OED) joined some of the discussions.

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**ANNEXES**

# CONTEXT

1. **Uzbekistan has weathered the pandemic relatively well.** Strong fundamentals, ample policy buffers, and high gold prices allowed the authorities to take decisive actions to mitigate the social and economic impacts of the pandemic, while maintaining macro-stability. As a result, the recovery that had started in late-2020 gained momentum in 2021.

2. **Just as it appeared that Uzbekistan had moved past the acute phase of the pandemic, the war in Ukraine and the sanctions imposed on Russia brought new uncertainty and weighs on Uzbekistan's outlook.** Russia is a key trading partner and a large source of remittances and financing. Spillovers from trade disruptions, higher international fuel and food prices, and tighter global financial conditions create additional headwinds.

3. **The authorities are determined to maintain stability and continue with Uzbekistan's transformation to a modern market economy.** Uzbekistan started transforming its economy in 2017 and impressive progress has been made since then (see also Annex I on the implementation of past policy advice). Following president Mirziyoyev's re-election in 2021, a new 5-year development strategy was adopted focusing on deeper economic and social reforms. Incomes have improved, but they are still low compared to other emerging economies. The state still has a large footprint in the economy, while there is also a large informal sector.

4. **Uzbekistan receives substantial support from international financial institutions (IFIs).** This includes financial support—Uzbekistan received emergency financing from the Fund in 2020—as well as extensive technical assistance to build capacity (see Informational Annex). Data quality has improved and is broadly adequate for surveillance purposes, although some shortcomings remain.

# RECENT DEVELOPMENTS AND OUTLOOK

## A. Recent Developments

5. **Economic activity rebounded sharply in 2021, while inflation remained elevated.** With strong fiscal support and a rebound in remittances, growth accelerated from 1.9 percent in 2020 to 7.4 percent in 2021. Despite global food and commodity price pressures, inflation fell slightly to 10 percent by end-2021, owing to a tight monetary policy stance as the Central Bank of Uzbekistan (CBU) kept its policy rate at 14 percent. Real interest rates have been firmly positive throughout the pandemic.

6. **Trade and remittances recovered in 2021.** Non-gold exports, remittances, and imports rebounded with the recovery in domestic and trading partner activity, causing the current account deficit to widen slightly to 7 percent of GDP. The deficit was financed mostly by public sector borrowing, as foreign direct investment (FDI) remained low. With strong inflows, the pace of depreciation of the sum slowed, helping to dampen inflation but also resulting in some effective real appreciation, while international reserves stood comfortably at US$35 billion by end-2021.

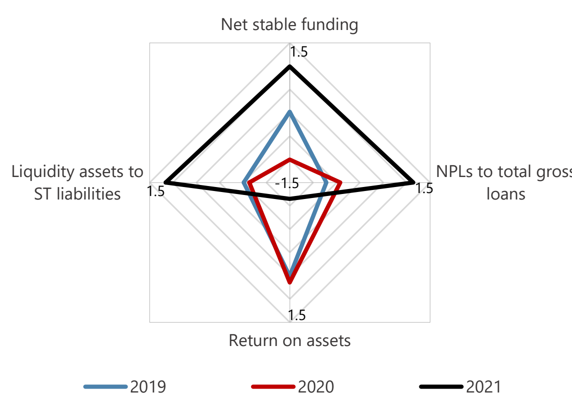
**7. The budget deficit widened further, to 6 percent of GDP in 2021.** The government provided sizable fiscal support during the pandemic, totaling about 5 percent of GDP in 2020–21. Half was spent on healthcare, education, and a large expansion of the social safety net, and the other half on public investment, notably in 2021. Revenue windfalls from higher gold prices and some spending re-prioritization limited the increase in the deficit. Financing needs were covered mostly by additional IFI support and sovereign borrowing, but also some privatization proceeds. Public and publicly guaranteed (PPG) debt rose from 28 percent of GDP at end-2019 to 36 percent of GDP by end-2021.

**Uzbekistan: Estimated Fiscal Stimulus, 2020-2021**
(percent of GDP)

| | 2020 | 2021 | Total |
|---|---|---|---|
| **Tax Relief** | **0.5** | **0.2** | **0.7** |
| **Expenditure** | **0.9** | **3.9** | **4.8** |
| Education | 0.0 | 0.7 | 0.7 |
| Health | 0.8 | 0.5 | 1.2 |
| Social Safety Net | 0.4 | 0.2 | 0.6 |
| Economy & Investment | 1.3 | 2.7 | 4.0 |
| Externally Financed Expenditure | -0.4 | -0.4 | -0.9 |
| Other | -1.0 | 0.2 | -0.8 |
| **Budget Deficit** | **1.4** | **4.1** | **5.5** |
| **Policy Lending** | **0.3** | **-0.7** | **-0.4** |
| Govt + FRD | 0.5 | -0.5 | 0.1 |
| Externally Financed Lending | -0.2 | -0.2 | -0.4 |
| **Overall Fiscal Stimulus (policy)** | **1.7** | **3.4** | **5.1** |
| Higher revenues (non-policy) | -0.8 | -2.3 | -3.0 |
| **Overall Fiscal Stimulus (total)** | **1.0** | **1.1** | **2.1** |

**8. Banks were resilient during the pandemic but experienced a modest increase in non-performing loans** (NPLs). NPLs increased to 5.1 percent of total loans by end-2021, also as payment deferrals introduced in 2020 were phased out. Banks' capital adequacy ratio remained strong at 17.5 percent in 2021, well above the regulatory minimum of 13 percent, and banks have ample liquidity. Credit growth has slowed across all lending categories to more sustainable rates. The full effects of the pandemic, and of high credit growth in prior years, on loan quality may yet emerge, however, also as deferred loans still make up 15 percent of total loans. Moreover, financial intermediation is low, constraining access to finance. The financial sector remains dominated by state-owned banks (12 of 33 banks), accounting for 81 percent of assets. Competition and hence financial services are limited.

**Financial Soundness Indicators**
(Z-score)




Sources: National authorities; and IMF staff calculations and estimates.

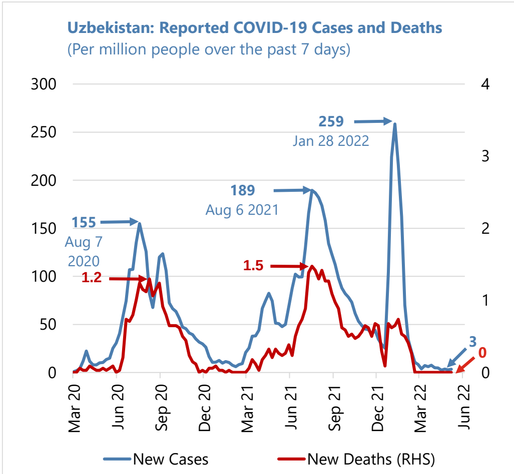
**9. Reform implementation slowed due to the pandemic, but important progress was still made in some key areas:**

- Cotton and wheat prices were liberalized and, together with a reduction in crop placement requirements, this is helping to boost and diversify agricultural production.
- Public procurement was strengthened with the introduction of a mandatory and transparent online public procurement platform, reducing opportunities for corruption. Participating companies are also required to submit information on beneficial ownership. All governance commitments from the 2020 emergency support were implemented.[1]

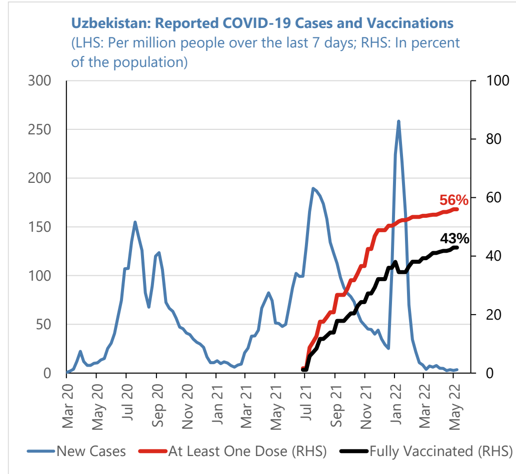
[1] See the Chamber of Audit Report on the Execution of the 2020 Budget (including the Anti-Crisis Fund) and the Ministry of Finance's Information on the Revenues and Expenditures of the Anti-Crisis Fund.

## Figure 1. Uzbekistan: Economic Developments and Outlook

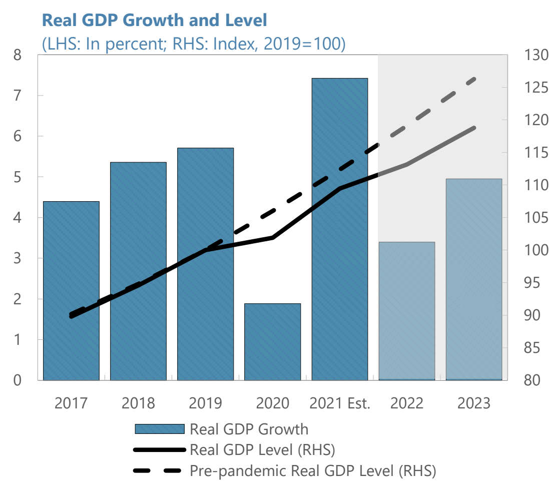
*Reported COVID-19 cases and deaths have fallen sharply…*



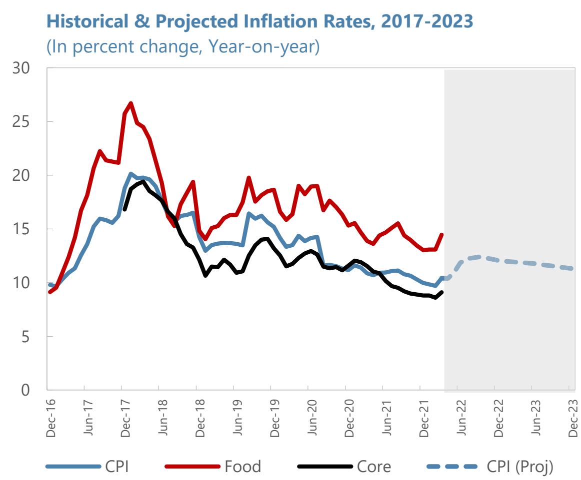

*… but the pace of vaccinations has slowed.*




*After a strong rebound in 2021, growth is expected to slow in 2022 ….*

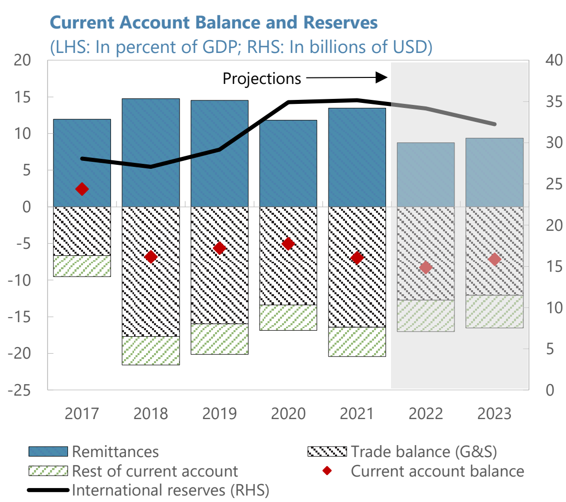



*… while after a steady gradual decline in inflation, inflationary pressures are increasing, reflecting global trends.*

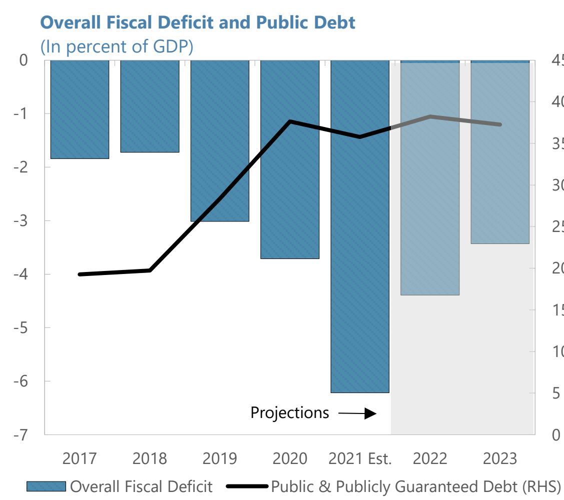



Sources: National authorities; and IMF staff estimates & projections.

*An expected decline in remittances is projected to contribute to a widening of the current account deficit in 2022.*




*The fiscal deficit widened during the pandemic, but is expected to narrow as the authorities proceed with fiscal consolidation.*

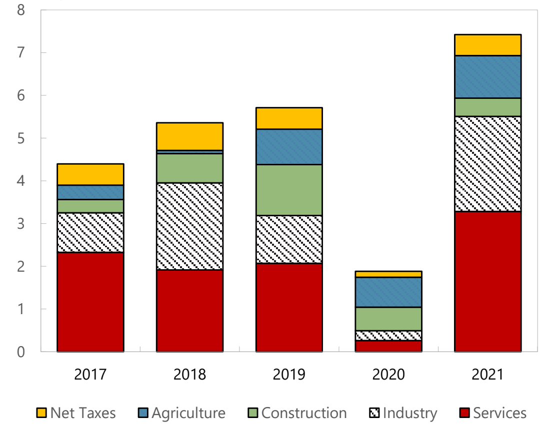



Sources: National authorities; Haver analytics; World Health Organization; and IMF staff calculations and estimates.

## Figure 2. Uzbekistan: Output and Prices

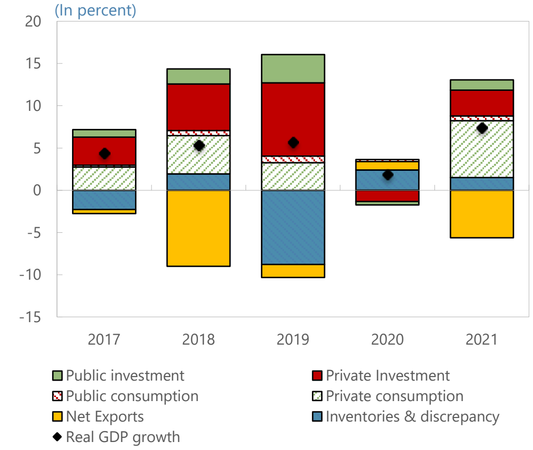
*The economy experienced a rebound in growth in 2021 driven by the industry and service sectors…*

**Contributions to Real GDP Growth from the production side**
(In percent)



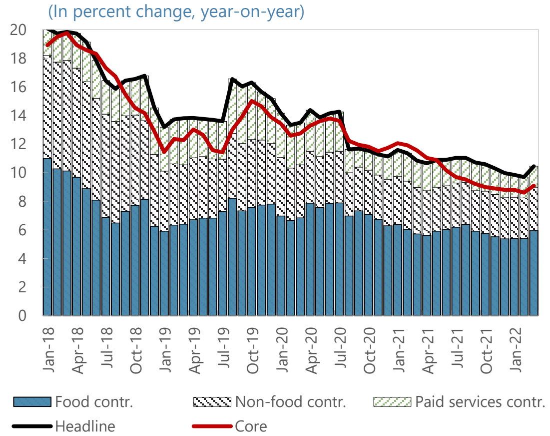

*…which supported private consumption and private investment.*

**Contributions to Real GDP Growth from the expenditure side**
(In percent)



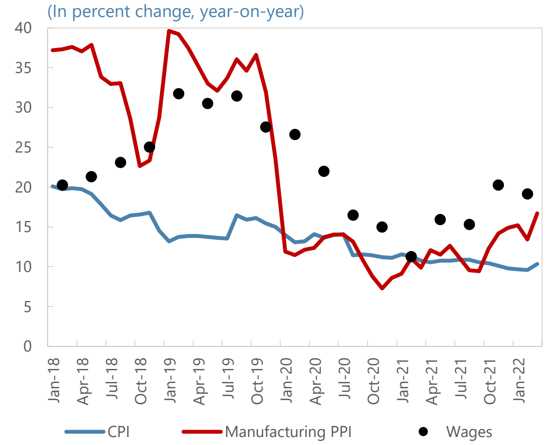

*Inflation has been declining gradually but food inflation remains high…*

**Inflation**
(In percent change, year-on-year)



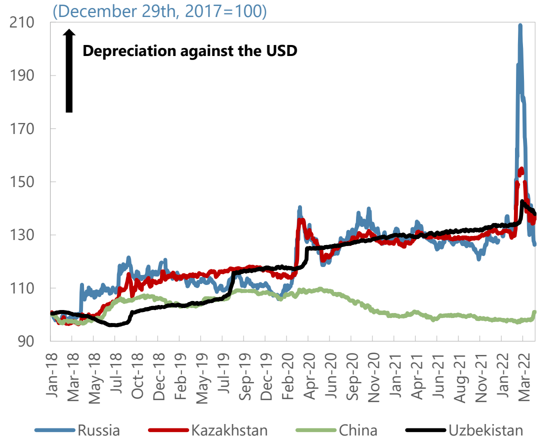

*…while wages and producer prices highlight risks ahead.*

**Prices and Wages**
(In percent change, year-on-year)



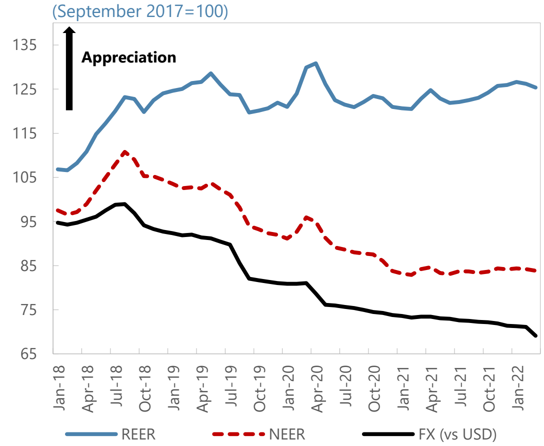

*The exchange rate depreciated at the start of the war but has strengthened after the CBU raised its policy rate …*

**FX: National Currency per U.S. dollar**
(December 29th, 2017=100)




*…while both the NEER and REER remain broadly stable.*

**Exchange Rate**
(September 2017=100)

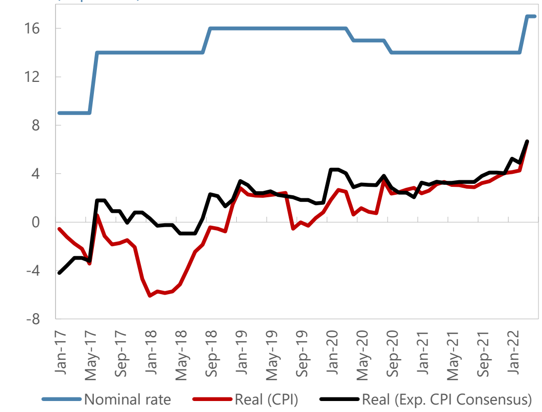



Sources: National authorities; Haver analytics; IMF INS; and IMF staff calculations and estimates.

## Figure 3. Uzbekistan: Monetary and Financial Sector Developments

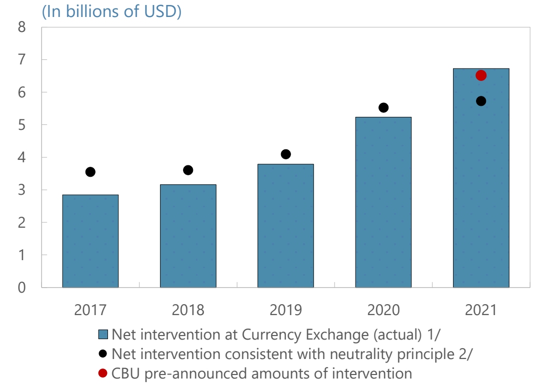
*The CBU has kept its policy rate positive in real terms.*

**Monetary Policy Rate**
(In percent)




*CBU intervention in 2021 somewhat exceeded the amount needed to offset domestic gold purchases.*

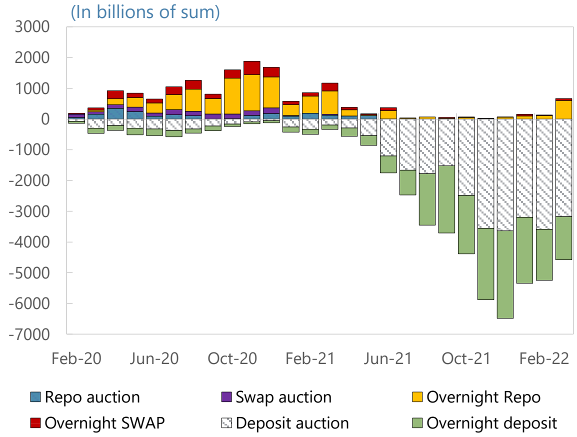
**CBU Intervention**
(In billions of USD)




1/ From 2021, MoF / FRD FX transactions are outside of the Currency Exchange.
2/ Represents the amount of CBU gold purchases that needs to be sterilized.

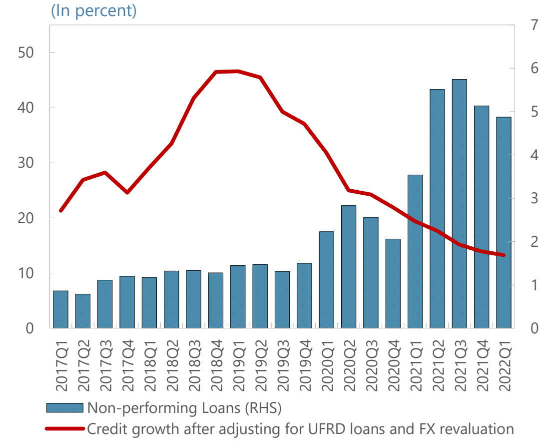
*The CBU actively absorbed excess liquidity in 2021.*

**Daily Average Balance of Monetary Operations**
(In billions of sum)



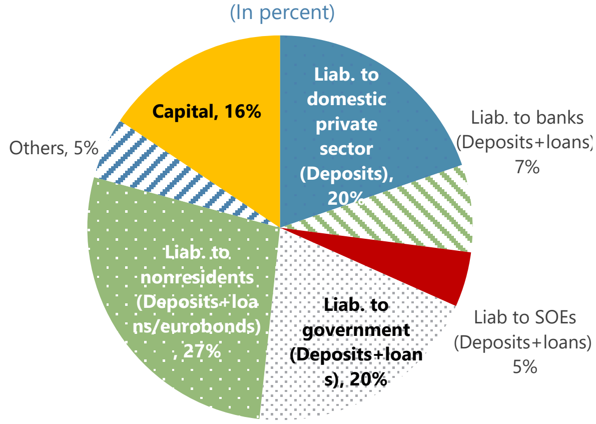

*Credit growth has slowed against a rise in NPLs.*

**Credit Growth and Non-performing Loans**
(In percent)



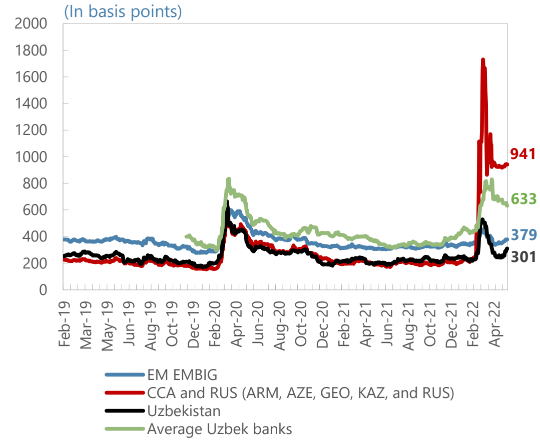

*Commercial bank funding relies primarily on public sector and non-resident sources.*

**Banks Liabilities and Capital, December 2021**
(In percent)




*Uzbekistan's spreads widened at the start of the war in Ukraine but have since tightened.*

**Selected Sovereign Spreads**
(In basis points)




Sources: Bloomberg LP; Consensus Forecast; National authorities; Haver analytics; and IMF staff calculations and estimates.

- The social safety net was expanded substantially, including by updating the minimum consumption basket to which benefits are linked, while targeting was improved with the establishment of a single registry of beneficiaries (Box 2).
- A start was made with privatization, with the sale of three mid-size state-owned enterprises (SOEs), as well as numerous smaller assets.
- Corporate governance at SOEs and state-owned banks was improved with the appointment of professional, independent members to their supervisory boards, while the largest SOEs and banks—notably those with capital market access—improved their financial reporting.
- The state-owned gas and electricity companies were unbundled into separate production, transmission, and distribution companies, to pave the way for further energy sector reforms.
- A new insolvency law was enacted, regulating insolvency of both legal entities and individuals, and enhancing creditor rights.

## B. Outlook and Risks

**10. With the new headwinds stemming from the war in Ukraine, Uzbekistan's growth is expected to slow to 3–4 percent in 2022.** Under the baseline assumptions, in line with the Spring WEO, growth is expected to decelerate from the 6 percent projected earlier. Lower remittances and financing from Russia, and to a lesser extent a reduction in trade, due also to further supply chain disruptions, are projected to reduce consumption and investment (Box 1). Logistical challenges are large, causing delays and adding substantially to costs. Growth is expected to pick up to around 5 percent in 2023, as Uzbekistan's and the global economies adjust. Medium-term growth is projected to be in the 5–6 percent range but depends critically on further reform progress.

**11. Inflation is expected to remain elevated this year, at close to 12 percent, due to surges in international food and fuel prices, as well as planned utility tariff increases.** Provided that the CBU maintains a tight monetary policy stance, inflation expectations should be contained, and inflation should gradually converge over the medium term to the CBU's target of 5 percent.

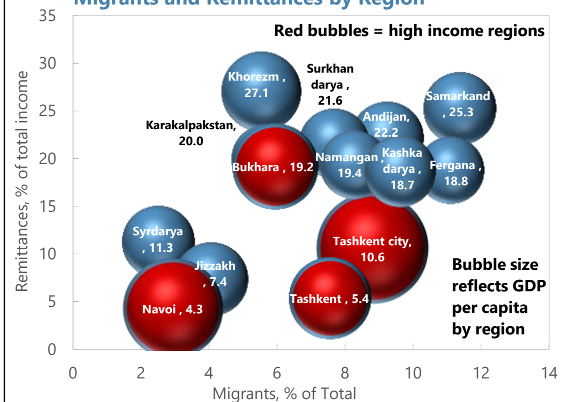
**12. The current account deficit is projected to widen to 8½ percent of GDP this year.** Lower remittances are expected to be partly offset by lower import growth and higher commodity (gold) export receipts. FDI is unlikely to pick up in the near term, leaving the deficit to be financed largely by official borrowing. Depending also on the length and severity of the war, Uzbekistan's external position is assessed to be broadly in line with fundamentals (see Annex II) and projected to gradually improve in the years ahead. Reserves are expected to remain more than adequate.

## Box 1. Spillovers from the War in Ukraine and Sanctions on Russia

The war and sanctions are impacting Uzbekistan's economy through multiple channels:

- **Trade**. Russia accounts for over 20 percent of imports (mainly vegetable oils and sugar, and fuel; wheat is mainly produced locally or imported from Kazakhstan) and 12 percent of exports (mainly basic fruits and vegetables and textiles that, despite Russia's economic contraction, may still be in demand or could be sold elsewhere in the region). Logistical challenges have increased substantially, as much of Uzbekistan's external trade passes through Russia. Alternative trade routes are few and costly.
- **Remittances.** Remittances were close to 10 percent of GDP in 2021, of which almost three-quarters originated from Russia. One in six households depends on remittances as the main income source and remittances on average account for about 20 percent of total household incomes. Returning migrant workers could face considerable difficulties in finding job opportunities at home.
- **Commodity prices.** Higher food (notably wheat) and fuel prices will feed into inflation. Natural gas—the main source of energy—is produced locally and sold at regulated prices. Higher gold prices will boost budget revenues, offsetting revenue losses from reduced activity.

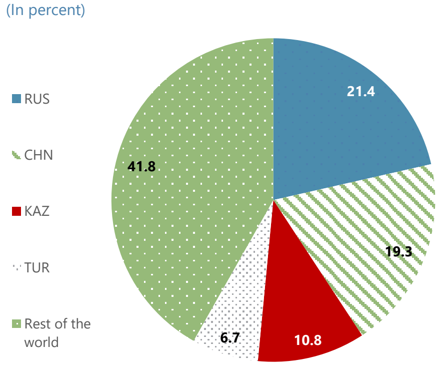
**Migrants and Remittances by Region**



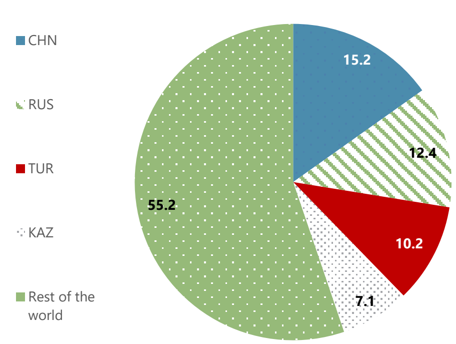

Sources: National authorities; and IMF staff calculations and estimates.
Note: Numbers inside bubbles reflect remittances in percent of total income.

- **Financing.** Sanctioned Russian banks have been, and were expected to be, a major source of financing for large projects in the energy and mining (gold and copper) sectors. Alternative financing sources can be—and in some cases have already been—found, but this may take time.
- **Exchange rate**. The pass-through from a depreciation of the sum against the US dollar is estimated at about 40 percent, but this effect could be mitigated by the sum's recent appreciation against the ruble.
- **Sovereign spreads.** Spreads on Uzbekistan's bonds peaked at over 500 bps in mid-March but have since narrowed to around 400 bps (as of May 24), still somewhat higher than at the start of 2022.
- **Financial sector**. Uzbekistan's banks have well-diversified correspondent relationships and a relatively limited exposure to Russian banks. Economic agents appear to have been able to adjust relatively quickly by conducting financial transactions via non-sanctioned channels and mainly in rubles.
- **Potential upsides.** A possible relocation of production away from Russia as well as a diversification of trade and trade routes may give a boost to Uzbekistan's economy.

**Imports by Origin - 2021**
(In percent)




**Exports by Market - 2021**
(In percent)




Sources: State Committee of the Republic of Uzbekistan on Statistics; and IMF staff calculations and estimates.

**13. Unusually high uncertainty surrounds the outlook and downside risks loom large.** Downside risks stem particularly from a possible further escalation of the war and the sanctions regime (see the Risk Assessment Matrix in Annex III). Uzbekistan could also be adversely affected by slower growth in its other key trading partners, China, Turkey, and Kazakhstan, and further volatility in commodity prices and tighter global financial conditions. A renewed flare-up of the pandemic continues to pose a large risk, as new variants of the virus may emerge. COVID-19 cases have declined sharply since the latest wave of infections in early 2022 and almost half of the population has been vaccinated, but the pace of vaccinations has slowed. There remains a need to ensure that the majority of the population is vaccinated.

***Authorities' Views***

**14. The authorities broadly agreed with staff's assessment of the outlook and risks**. They expected a somewhat smaller decline in remittances but noted the current exceptionally high level of uncertainty. They underscored the need for international cooperation and support, as well as the need to continue with policies to rebuild buffers and increase resilience.

# POLICY DISCUSSIONS: MAINTAINING STABILITY WHILE ENHANCING GROWTH AND RESILIENCE

*Discussions focused on: (i) mitigating spillovers from the war in Ukraine, while ensuring food security and safeguarding macro-economic and financial stability and (ii) rebuilding policy buffers and ensuring medium-term sustainability, while advancing reforms to enhance Uzbekistan's growth potential and resilience.*

## A. Fiscal Policy

**15. After expansionary fiscal policies during the pandemic, the authorities intend to proceed with fiscal consolidation, albeit appropriately now at a somewhat slower pace to support growth and vulnerable households.** The approved budget for 2022 aimed to bring the deficit back to 3 percent of GDP. With the recovery slowing, however, and with debt levels relatively low, the authorities agreed to scale back the planned fiscal consolidation. Higher revenues from gold sales will largely offset a decline in revenues due to reduced growth, but additional targeted support will be needed for vulnerable households who will face falling remittances and rising prices, notably for food and utilities (see also Box 2). Government wages and pensions are raised by 12 percent instead of the originally planned 10 percent, and limited financial support is offered to businesses importing food and/or facing higher transportation costs, while taxes on a few essential food items have been temporarily reduced. Combined with a further reprioritization of spending, the deficit will be contained to about 4 percent of GDP, financed mainly by larger multilateral and bilateral official support and possibly by tapping capital markets as financial conditions improve. The authorities are holding the 2021 general SDR allocation in reserves for use as contingency financing.

**16. The authorities plan to continue to strengthen public finances to ensure fiscal sustainability and to help achieve Uzbekistan's sustainable development goals (SDGs).** The authorities have made impressive and welcome progress in recent years to improve public financial management and fiscal transparency, including by developing a medium-term approach to fiscal planning, by improving fiscal rules, risk analysis, and forecasting. Going forward, these efforts need to be formalized, while further enhancing implementation capacity:

- *Adopting a comprehensive set of fiscal rules.* The authorities plan to complement the soon-to-be-enacted debt law, which will limit PPG debt to 60 percent of GDP and require the government to tighten policies if debt reaches 50 percent of GDP, with additional fiscal rules in the Budget Code to limit annual budget deficits and new guarantees—replacing the current practice of setting absolute limits on new financing commitments in the annual budget laws—and commitments undertaken in public-private partnerships (PPPs). These additional rules will need to be consistent with maintaining PPG debt well below the ceiling. With a firm set of rules and combined with the authorities' commitment to continue with fiscal consolidation in 2023 and to limit budget deficits to 3 percent of GDP in the years ahead as outlined also in their 2022–24 Fiscal Strategy, Uzbekistan remains at low risk of debt distress (see the accompanying Debt Sustainability Analysis) and retains moderate fiscal space to deal with future shocks.

**Capacity Development, FY22**
**Fiscal Sector**

**Expenditure Policy**
- Pension system assessment

**Public Financial Management**
- Budget preparation
- Fiscal risks from public-private partnerships
- Fiscal risks from state enterprises
- Macro-fiscal risk analysis

**Revenue Administration**
- Compliance risk management
- Large taxpayer office
- Local tax offices
- Medium-term revenue strategy

**Tax Policy**
- Corporate income tax microsimulation
- Fiscal analysis of resource industries model
- Fiscal regime for mining and petroleum
- Tax expenditure assessment

- *Adopting a Medium-Term Fiscal Framework and Medium-Term Revenue Strategy.* Achieving the SDGs will require further increasing revenue mobilization and improving the efficiency of public spending. Revenue collection can be enhanced by eliminating exemptions and further improvements in tax and customs administration, notably to improve compliance, also to make room for the planned reduction in the VAT rate from 15 to 12 percent in 2023. There is an urgent need to streamline public administration, and to improve the efficiency of health and education spending, while better attuning education programs to required skill sets. Public investment management can be improved further by creating a unified selection process and establishing a single project pipeline, while improving project monitoring and evaluation.

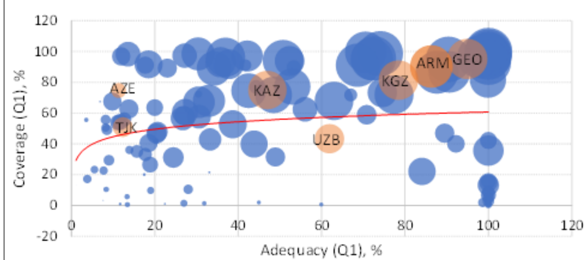
- *Containing fiscal risks and further improving fiscal reporting.* SOEs and state-owned banks are a key source of fiscal risks, as are PPPs, which have been expanding rapidly. A fiscal risk unit was established in the finance ministry and new rules were adopted that limit borrowing by SOEs and state-owned banks, based on their risk classification. A new PPP law was adopted but quantitative limits on PPP commitments need to be developed and the role of the finance ministry in assessing and approving PPPs needs to be strengthened. Fiscal reporting has improved with the inclusion of the Fund for Reconstruction and Development and ministries' and agencies' off-budget accounts into the budget. Fiscal accounts need to be aligned further with international standards by excluding lending-related transactions from revenues and expenditures, while an improved economic classification would help with analysis and planning.

## Box 2. Social Protection

The authorities have made substantial progress during the last few years enhancing Uzbekistan's social protection system and labor market programs, increasing their ability to protect vulnerable households. Nonetheless, there is room to further improve the coverage and adequacy of the system in line with international social security standards, also to help reduce informality:

- The main social assistance program provides financial aid to poor families and families with children. The number of beneficiary households doubled from 0.6 to 1.2 million during the pandemic, with spending increasing from 0.9 percent of GDP in 2019 to 1.5 percent of GDP in 2021 (close to levels seen in comparable countries). A single registry for social protection was introduced with assistance from the World Bank and UNICEF to better identify and target vulnerable households, although additional efforts will be needed to further improve targeting. Applicants are entered into the registry, which electronically receives data on income and property and other data from ministries and other agencies' information systems and provides an automated verification of eligibility. Benefits are paid at a rate between 60 and 200 percent of the minimum consumption basket, depending on the applicants' means and number of children. The minimum consumption basket was raised by 20 percent to 500,000 sum (about US$46) per month in February 2022, to help offset the rising cost of living, thus also contributing to a further increase in the number of beneficiary households, to nearly 1.8 million by April 2022. Benefits averaged about 450,000 sum (about US$42) per month (compared to an average monthly wage in 2021 of 3.2 million sum, or about US$300). Recipients of social benefits will receive additional payments this year to offset the impact of the planned utility tariff increases and higher food prices. With these efforts, Uzbekistan can be expected to have moved significantly to the upper right corner in the accompanying chart.

**Poverty and Social Safety Nets (Pre-Pandemic)**
(Effectiveness of social safet nets, percent)




Sources: World Band ASPIRE database; and IMF staff estimates. Note: A larger size bubble represents greater poverty reduction. The red line is the fitted relationship. Poverty reduction is defined as the difference between poverty headcount after and before transfers divided by poverty headcount before transfers. Data are taken from the most recent available year, ranging from 1999 to 2019 and cover 94 countries. Adequacy (Q1) is the size of transfer amount received by those in the bottom quintile as a share of the pretransfer total income/expenditure of all beneficiaries in the first quintile. Coverage (Q1) for the first quintile is the share of the bottom quintile that receives a social assistance benefit as a fraction of all individuals in the first quintile. CCA countries in orange. UZB data from 2018.

- The pension system comprises a pay-as-you-go, defined benefit scheme providing old age, disability, and survivor pensions, and a small defined contribution pension scheme mostly paying lump-sum benefits at retirement. Eligibility and benefit rules have retained many of the pre-transition features, with a normal retirement age of 60 and 55 for men and women, respectively, and various early retirement options. Following the latest increase, pensions average about 1 million sum (about US$95) per month, with a minimum pension of 565,000 sum (about US$52) per month. The Pension Fund is financed by employer and employee contributions and, following the 2019 tax reform that drastically reduced contributions, increasingly by budget transfers. Of total pension spending of 5.3 percent of GDP in 2021, 3.1 percent of GDP was financed by contributions and 2.1 percent of GDP by budget transfers. Without reforms, budget transfers could increase to over 5 percent of GDP by 2050. Broad parametric reforms (including raising the statutory retirement age, longer years-of-service requirements, and clear indexation rules) and the introduction of a basic pension will be needed to ensure a financially sustainable pension system that adequately protects against old-age poverty.
- The coverage of unemployment benefits is currently very small, with only about 100,000 people receiving benefits at a cost of 0.1 percent of GDP, while the unemployment rate stands at 9½ percent, mainly due to very strict eligibility criteria. There is a need to create an effective unemployment insurance scheme. The authorities' focus has been more on increasing employment opportunities through employer subsidies, public works, training programs, and programs promoting individual entrepreneurship. Alternatively, the most common coping strategies for people unable to find formal employment include informal employment, temporary jobs, or seeking employment abroad.

## B. Monetary and Exchange Rate Policies

**17. The CBU's primary focus remains on reducing inflation.** The CBU acted decisively in mid-March by raising its policy rate from 14 to 17 percent, to anchor inflation expectations and stem exchange rate pressures, and thus also to limit imported inflation. The CBU's policy stance appears appropriate to contain price pressures and gradually bring inflation down to its medium-term objective, but monetary policy may need to be tightened further if food and energy price pressures feed more broadly into core inflation, to avoid inflation from becoming entrenched. Policy transmission remains constrained, however, by a low level of financial intermediation, a high degree of dollarization, and government lending programs at preferential rates. This underscores the need to continue with financial sector reforms to build trust in the national currency and the banking system, as well as to enhance product markets.

**18. The CBU will continue to allow exchange rate flexibility and let the exchange rate act as a shock absorber.** The CBU continues its neutral intervention policy, whereby purchases of domestically produced gold are offset by sales of foreign exchange, but additional intervention may be needed to smooth excess volatility. Uzbekistan has eliminated all multiple currency practices and exchange restrictions on the making of payments and transfers for current international transactions (see the Informational Annex). Further steps are planned to liberalize the capital account, balancing market development with mitigating risks of capital flow volatility, by gradually allowing foreign investors to buy domestic government securities as conditions allow.

**19. The CBU aims to further strengthen its governance and transparency in line with recommendations from the recent safeguards assessment.** The assessment found that the CBU law provides the CBU with a strong mandate, but that its governance could be improved through strengthening its independent oversight, collegial decision-making, personal autonomy safeguards, and internal controls. Other key functions, including foreign reserves management and internal audit, also need to be improved further. The CBU aims to enhance transparency through the adoption of IFRS and publication of audited financial statements.

**Capacity Development, FY22**

**Monetary and Financial Policies**

- Central bank communication
- Central bank safeguard assessment
- Local currency bond markets
- Stress testing of banks
- Monetary transmission

## C. Financial Sector Policies

**20. Continued close monitoring of banks' financial health is warranted.** Banks in Uzbekistan have limited exposure to Russia and sanctioned banks, but the slowdown in activity and lower trade and remittances may cause a further increase in NPLs. Moreover, asset classification needs to be improved in line with international best practices. Loan portfolios continue to show high concentration and foreign currency risks, with the largest exposures mainly to SOEs. The CBU should continue to closely monitor banks' liquidity and capital positions, including through updated stress tests, and stand ready to provide liquidity support to viable banks when needed.

**21. Safeguarding financial stability also requires further strengthening the CBU's supervisory capacity and its ability to detect and respond to systemic risks.** In line with the

Financial Sector Stability Review roadmap, this requires implementing a risk-based supervision framework, conducting detailed asset quality reviews, and strengthening capacity to assess banks' capital requirements based on individual risk profiles. The CBU should also develop a macro-prudential policy framework and strengthen the resolution framework by adopting a new bank resolution law and amendments to the deposit insurance law. Macro-prudential policies can help reduce dollarization and improve banks' funding structure. Preferential loan programs have been reduced but should be cut back further and replaced by interest rate subsidies for critical activities.

**22. A healthy and competitive banking system is needed to increase deposit mobilization to help finance growth.** The dominance of state-owned banks in the financial sector has contributed to the low level of financial intermediation, constraining access to finance. The banking reform strategy aims to reduce the role of state banks to 40 percent of banking assets by 2025, while also developing local capital markets. A start was made in 2021 with the launch of the sale of a large bank—although the transaction is on hold due to the conflict—and the sale of one smaller bank. Six other banks are being prepared for sale. State-owned banks' governance is being improved with the appointment of independent, professional supervisory board members.

**23. Preserving financial integrity is also critical.** A new anti-money laundering and combatting financing of terrorism (AML/CFT) strategy was adopted in 2021, along with a roadmap for implementation. The strategy includes measures to enhance the understanding of relevant authorities of money laundering and terrorism financing risks, strengthen law enforcement powers, and improve access to information. The authorities are working on a new AML/CFT Law with support from the World Bank. Uzbekistan's AML/CFT regime is being assessed by the Eurasian Group on Combatting Money Laundering and Financing of Terrorism, and the Mutual Assessment Report was recently adopted.

***Authorities' Views***

**24. The authorities broadly agreed with staff's assessment and recommendations.** The authorities' immediate focus is on cushioning the spillovers from the war in Ukraine and policies are aimed at ensuring food security, supporting vulnerable households, safeguarding macro-economic and financial stability, and securing channels for trade and finance. The authorities agreed that the pace of fiscal consolidation could be slowed this year, notably to support vulnerable households, but stressed their commitment to further fiscal consolidation in the coming years, to rebuild buffers and ensure fiscal sustainability.

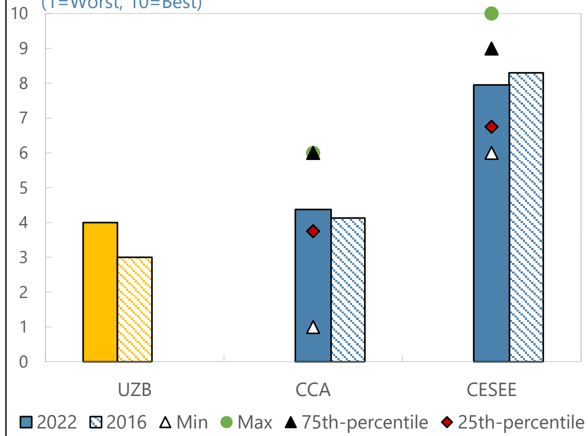
**25. The CBU reaffirmed its commitment to lowering inflation and allowing exchange rate flexibility.** The CBU stands ready to adjust its policy stance as needed to contain inflation and anchor expectations, including through continued clear communication. The CBU agreed with the need to closely monitor banks' health but stressed that banks' capital buffers were substantial. The authorities also agreed that further financial sector reforms were needed to further build trust in the national currency and the financial system, and to increase financial intermediation.

**26. The authorities' expressed their appreciation of the large volume of technical assistance, both in the fiscal and financial areas.** As reforms are progressing rapidly, while administrative capacity is limited, the technical assistance offers timely and practical guidance.

## D. Structural Reforms

**27. Structural reforms will need to be accelerated to achieve the authorities' goal of Uzbekistan becoming an upper-middle income country by 2030 and to halve poverty.** Extensive red tape, weak governance, and an uneven playing field for businesses in which SOEs enjoy various privileges are a drag on investment and productivity and hinder the development of a vibrant private sector that can create enough high-quality jobs for a rapidly growing labor force. Financing of growth will need to shift away from government and SOE borrowing to private investment.

**Perception of Market Competition**
(1=Worst; 10=Best)




Sources: Bertelsmann Transition Index 2022, and IMF staff calculations.

**28. The authorities aim to substantially reduce the role of the state in the economy.** Compared to other countries in the region and Eastern Europe, SOEs have a large presence in Uzbekistan's economy. SOEs account for more than half of total output and dominate key sectors. This brings revenues to the budget—SOEs account for nearly half of total revenues—but also presents large fiscal risks. SOE corporate governance has improved, and new procedures are in place for the approval of large-scale SOE borrowing that will help impose greater financial discipline. Shortcomings remain, however, particularly in the areas of financial oversight and financial and policy interactions. To reduce the state's footprint, the authorities plan to:

- Adopt a new privatization law, to streamline procedures for selling SOEs and state-owned banks through transparent and competitive processes.

**Figure 4. Uzbekistan: Privatization Framework**

**Privatization: Rules of the Game**

- **Presidential decree (6167)** on privatization process and *State Tender Commission* powers
- Mixture of auctions, competitive bidding, IPOs, and direct tendering
- Determine: (i) inventory of state assets (ongoing); (ii) auction / bidding rules, appraisal valuations, pre-emptive rights, and electronic platforms; and (iii) selection of international consulting firms, financial advisors, and investment banks
- Revision of *Privatization Law* and new *Law on Privatization of Non-Agricultural Land* (ongoing)

**Transformation / Privatization of State Assets**

- **Presidential decrees (168, 6096)** on measures to reform SOEs, reduce state involvement, and accelerate privatization
- Assigned responsible ministries, agencies, and persons (e.g., MoF, SAMA) and set deadlines
- Develop cadaster, public land plots, and legal titles (ongoing)
- Create lists of state assets to be transformed (e.g., via corporate governance, independent board members, auditing, and IFRS standards) and later privatized
- Create lists of properties and immoveable assets to be sold through public auctions

**Privatization: Banking Sector**

- **Presidential decree (5992).** Part of larger *Banking Sector Reform Strategy* 2020-25
- Targets on private (60% of total assets) and foreign bank presence (3 new entries)
- Dedicated *MoF Privatization Unit*, IFI advisors, governance reforms
- Complete *Ipoteka* sale. IPO of *QQ* bank and tender *Asaka* and *SQ* banks in 2022
- IPO *Halk*, *Microcredit*, *Aloqa*, *Agro* and *NBU* banks at the stock exchange in 2023

Source: IMF staff.

- Adopt a new state-ownership law, with well-defined ownership principles and arms-length relationships for companies that are to remain in state hands. This should be combined with additional efforts to improve SOE corporate governance and financial reporting. While the number of professional, independent members of supervisory board of SOEs and state-owned banks has increased, more are needed to establish majority independent supervisory boards and enable strengthening these companies' management boards.
- Sell several mid-size SOEs and stakes in a number of state-owned banks and larger SOEs during 2022–23.

**29. At the same time, the authorities aim to create an enabling environment for the private sector.** New jobs will need to come especially from small and medium-size private enterprises. Short- and medium-term priorities include:

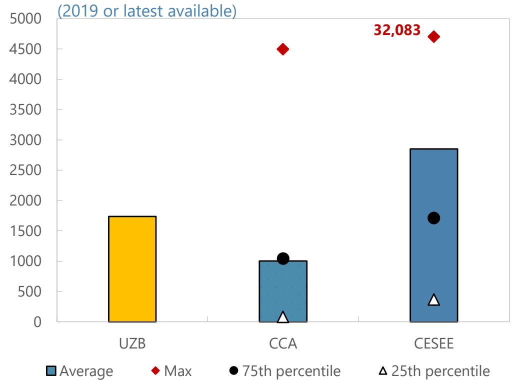
- Opening up markets to private entry and eliminate SOEs advantages. The authorities adopted a set of measures recently to open up a several markets (notably for liquified gas) and eliminate a large number of tax privileges for SOEs, but more will need to be done.
- Transitioning away from frequent decrees towards a sound, market-oriented legal framework and streamlining business regulations to enhance predictability and help encourage investment. Introducing a single window for the submission of information to fulfill regulatory requirements.
- Adopting a new competition law, including provisions to strengthen the mandate and powers of the Anti-Monopoly Commission, to ensure fair competition.
- Strengthening property rights and the rule of law, including by enhancing the independence and integrity of the judiciary, and accelerating the sale of non-agricultural land and establishing a market for agricultural land, while improving the cadaster.
- Continuing with efforts to accelerate WTO accession negotiations and certification processes under the EU's GSP+ to help increase and diversify foreign trade.
- Enacting a new labor code, developed with assistance from the World Bank and the International Labor Organization, strengthening provisions for contracting and job separation, equal remuneration for men and women for work of equal value, and leave requirements, while also establishing a legal definition for the minimum wage.
- Aligning education and training with future workforce needs.

**30. Energy sector reforms are vital for mitigating the impact of climate change and improving resource allocation.** Uzbekistan is feeling the effects of climate change, with more volatile weather, higher temperatures, worsening air quality, and dwindling water resources. Years of below-cost utility prices have resulted in large and untargeted implicit subsidies and financial losses for utility companies, constraining their ability to invest. End-users had few incentives to adopt energy—or water—saving measures. To improve energy efficiency and resource allocation, the authorities intend to gradually bring energy tariffs to cost recovery levels and ultimately to

## Figure 5. Uzbekistan: State-Owned Enterprises

*Uzbekistan has a large SOE footprint in the non-financial sector….*

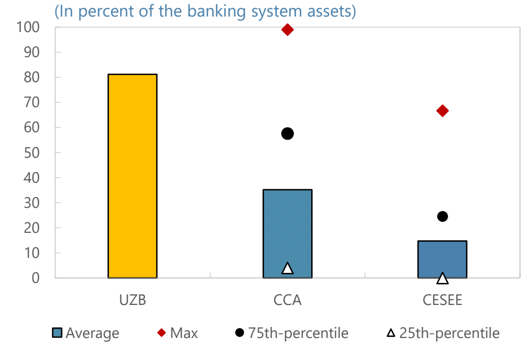
**Number of Non-Financial SOEs**
(2019 or latest available)




Note: Uzbekistan reporting non-financial companies with at least 90 percent direct or indirect state ownership (central government).

*… as well as in the financial sector.*

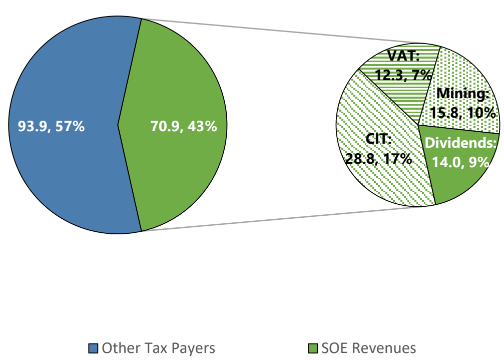
**Government Owned Banks, 2021 or latest available**
(In percent of the banking system assets)




Note: For the CCA, state-owned banks have a majority state ownership or owned by politically connected individuals. For CESEE, state-owned banks have more than 25 percent state ownership and market share of at least 0.1 percent.

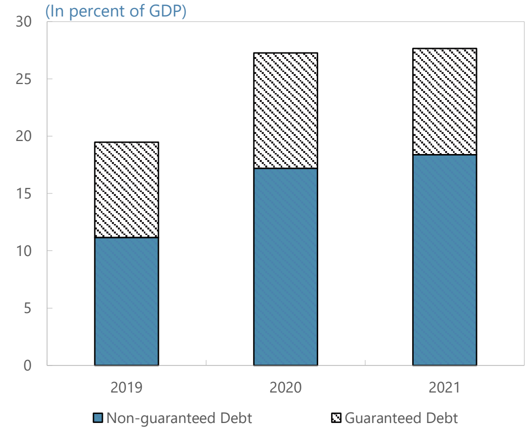
*SOEs make important contributions to the budget….*

**SOE Contribution to Budget Revenues**
(In billions of Sum, in percent of total)



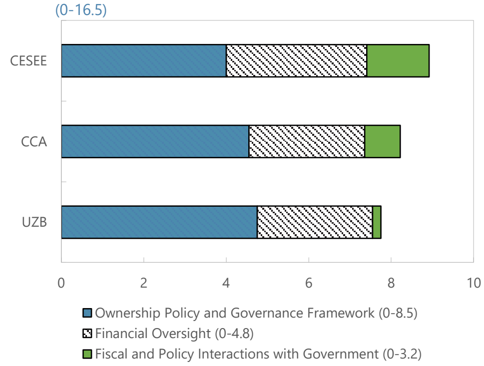

*…. but also present large fiscal risks.*

**SOE Debt**
(In percent of GDP)




*There are large corporate governance gaps to close…*

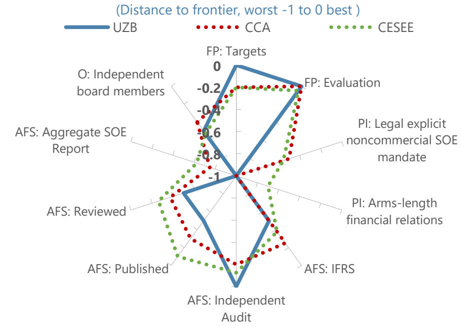
**SOE De Jure Governance Index**
(0-16.5)




Note: Score is out of 16.5. Higher values denote closer adherence to the OECD guidelines and greater fiscal transparency.

*…particularly in the areas of financial oversight and policy interactions.*

**SOE De Jure Financial Oversight and Policy Interactions**
(Distance to frontier, worst -1 to 0 best )




Note: FP= Financial Performance. PI= Policy Interactions. AFS=Annual Financial Statements. O= Oversight.

Sources: Fitch Solutions; National authorities; Ramirez Rigo and others (2021); Richmond and others (2019); and IMF staff calculations and estimates.

Note: CCA: Caucasus and Central Asia; CESEE: Central, Eastern, and South-Eastern Europe.

## Box 3. Governance Reforms

The authorities have made important progress to improve governance and additional measures are planned:

*Strengthening the effectiveness of anticorruption institutions.* In November 2021, amendments to the Law on Combatting Corruption were adopted, expanding the mandate and powers of the Anti-Corruption Agency. The Law on Asset Declaration, developed with support from the OECD and World Bank, is expected to be approved by end-June 2022. The law will require senior officials to submit an income and asset declaration by early-2023. In a second phase, planned for 2024, disclosure requirements will be extended to cover all officials. A Law on Liability of Reporting Persons is also under preparation, which will criminalize misreporting on asset declarations.

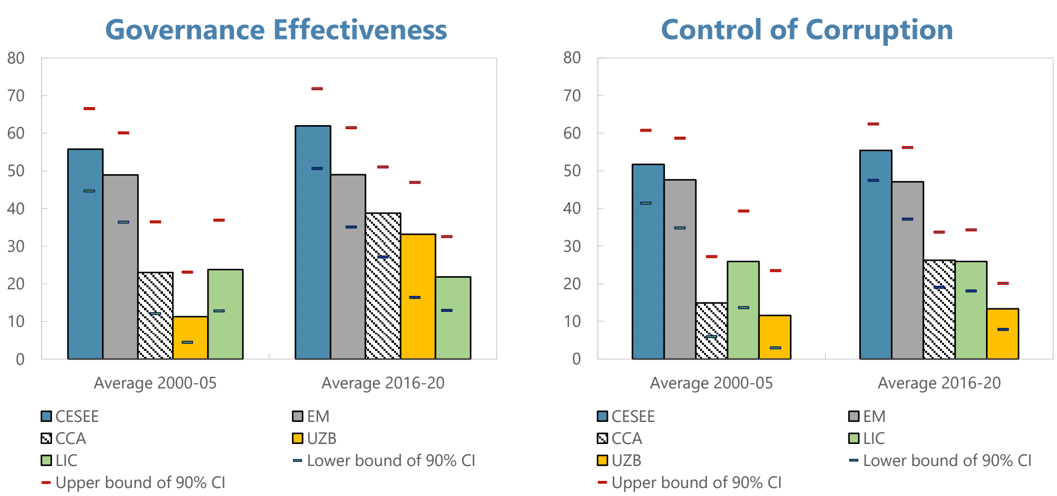
*Enhancing transparency of public procurement.* A public procurement law was adopted in 2018, providing a framework for procurement and requiring creation of an electronic procurement portal. In 2020, the use of the portal became mandatory for all procurement under the Anti-Crisis Fund, requiring bidders to also provide information on beneficial owners. Use of the portal became mandatory for all public procurement in 2021. Also in 2021, SOEs were required to publish detailed procurement information on their websites.

*Improving corporate governance of SOEs.* The authorities are appointing independent supervisory board members with a view to establish majority independent supervisory boards and recruiting professional management, using reputable recruiting firms to identify candidates. Recent amendments to the Law on Joint Stock Companies abolished the state's so-called golden share and extended supervisory board members' terms from one year to three years, renewable for one additional 3-year term.

*Reducing opportunities for corruption.* The authorities are rapidly expanding electronic services to make public services more efficient and less susceptible to corruption, notably in tax and customs administration, and social benefit and public wage administration.

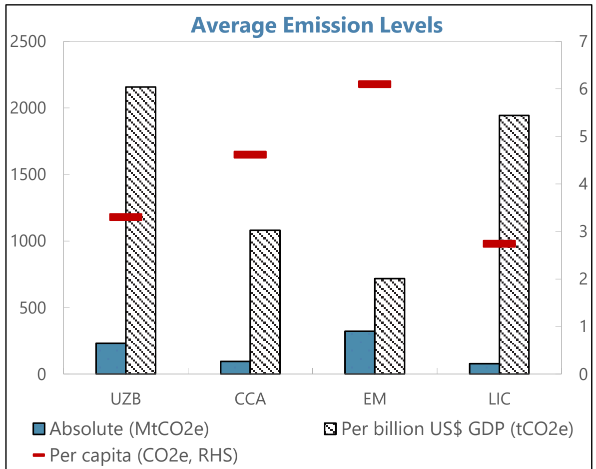
**Uzbekistan and Peers: Governance Indicators, 2000-20**

(Percentile range from 0 (weak) to 100 (strong))




Sources: Worldwide Governance Indicators; and IMF staff calculations. Estimates range from -2.5 (weak) to 2.5 (strong). Estimates are derived from perceptions-based data. Caution is needed when comparing these indicators across countries and over time.

market levels, while establishing an independent energy regulator. After tariff increases had been postponed during the pandemic, an important first increase in gas and electricity tariffs is planned for this summer. Importantly and appropriately, the impact on households will largely be moderated by the introduction of a two-tier tariff structure for household use, both for gas and electricity, with only modest tariff increases planned for the first tier, while sizable additional social support will be provided to vulnerable households. The authorities are also shifting to renewable energy sources, while improving the efficiency of gas-powered energy generation, with a view also to meet Uzbekistan's commitments to reduce $CO_2$ emissions.



Sources: Duenwald and others (2022), CAIT, IMF WEO, IMF staff calculations.

**31. The authorities are working to further improve statistics and data dissemination, aiming to join the Special Data Dissemination Standard (SDDS) by end 2022.** Supported by further technical assistance, efforts focus on addressing shortcomings in government finance, external sector, and national accounts statistics. A general census planned for 2023 and further improvements in household surveys will help to better capture the informal sector.

**Capacity Development, FY22**

**Macroeconomic Forecasting & Statistics**

- Consumer price statistics
- Producer price statistics
- External sector statistics
- Industrial production index
- Macroeconomic forecasting
- Quarterly national account statistics
- Public debt statistics

***Authorities' Views***

**32. The authorities shared staff's views on the reform needs and priorities to enhance Uzbekistan's growth potential and resilience.** They stressed their commitment, despite the new headwinds, to continue with, and accelerate, structural reforms to create an environment for strong private-led and job-rich growth and improve incomes. They also reiterated the irreversibility of reforms. The authorities agreed that creating a vibrant private sector, while ensuring continued macro-stability through sound fiscal and monetary policies, is key to reaching the goal set out in Uzbekistan's development strategy for per capita incomes to reach over US$4,000 by 2030 and to halve poverty.

# STAFF APPRAISAL

**33. Strong policies and sizable international assistance supported the economic recovery in 2021.** The authorities are to be commended for the skillful economic management during the pandemic, but also for the pursuit of sound macro-economic policies prior to the pandemic, as Uzbekistan's strong fundamentals and policy buffers allowed the authorities to respond quickly and effectively to mitigate the pandemic's social and economic impacts.

**34. Just as it appeared that the acute phase of the pandemic has passed, Uzbekistan is facing yet another large external shock.** The war in Ukraine and the sanctions on Russia are expected to slow the recovery and add to inflation, affecting people's incomes and prospects. The authorities have again been quick in their policy responses, balancing the need to contain inflation with supporting activity through an appropriate policy mix, by raising interest rates and scaling back the initially planned fiscal consolidation, but with fiscal support more selective and focused especially on supporting vulnerable households.

**35. The high level of uncertainty and large downside risks require continued policy agility and proactive efforts.** The risks stem mainly from a possible further escalation of the war and the sanctions regime, slower growth in key trading partners, and a possible renewed flare-up of the pandemic. The latter highlights the need to continue to press ahead with vaccinating the population.

**36. The authorities' commitment to continued sound macro-economic policies is encouraging.** The authorities' firm commitment to rebuild buffers and ensure fiscal sustainability through a gradual fiscal consolidation, and to anchor this in a medium-term framework including by adopting a set of clear fiscal rules, is welcome. With this, the risk of public debt distress is assessed to remain low. The authorities should continue their efforts to enhance revenue collection, including by eliminating exemptions, and improve spending efficiency, especially to create room for much-needed investment in healthcare and education and to achieve the SDGs. The CBU's timely and proactive efforts to rein in inflationary pressures signal a strong commitment to inflation targeting and will help anchor inflation expectations. Continued exchange rate flexibility will remain needed to absorb any further shocks. Close monitoring of banks' financial health and advancing financial sectors reforms will be key to safeguarding stability and enhancing financial intermediation.

**37. Similarly, the authorities are to be commended for their determination to press ahead with structural reforms.** While considerable progress has been made in recent years, much remains to be done to reduce the still large role of the state in the economy and to create an open and level playing field for businesses. Some of these reforms, such as privatization of larger SOEs and state-owned banks may be more challenging in the current uncertain environment. But with a fast-growing labor force, new jobs will need to come especially from small and medium-size private enterprises. Markets need to be opened up further to private entry and regulated efficiently, firmly entrenching the rule of law and improving governance, to ensure fair competition and create a vibrant private sector. As reforms in many instances entail social costs, the authorities' increased focus on enhancing social protection is appropriate and critical to maintain support for the reform efforts.

## Table 1. Uzbekistan: Selected Economic Indicators, 2019–2027

| | 2019 | 2020 | 2021 Est. | 2022 Proj. | 2023 Proj. | 2024 Proj. | 2025 Proj. | 2026 Proj. | 2027 Proj. |
|---|---|---|---|---|---|---|---|---|---|
| **National income** | | | | | | | | | |
| Nominal GDP (in trillions of Sum) | 529 | 602 | 735 | 848 | 1,006 | 1,167 | 1,309 | 1,457 | 1,624 |
| Population (in millions) | 33.3 | 33.9 | 34.6 | 35.3 | 36.0 | 36.7 | 37.4 | 38.2 | 38.9 |
| GDP per capita (in U.S. dollars) | 1,801 | 1,766 | 2,002 | 2,072 | 2,275 | 2,554 | 2,813 | 3,078 | 3,361 |
| **Real sector** | | | (Annual percent change) | | | | | | |
| GDP at current prices | 24.6 | 13.8 | 22.0 | 15.4 | 18.7 | 16.1 | 12.1 | 11.4 | 11.4 |
| GDP at constant prices | 5.7 | 1.9 | 7.4 | 3.4 | 5.0 | 5.0 | 5.5 | 5.5 | 5.5 |
| GDP deflator | 17.9 | 11.6 | 13.6 | 11.6 | 13.1 | 10.6 | 6.3 | 5.6 | 5.6 |
| Consumer price index (eop) | 15.2 | 11.2 | 10.0 | 12.1 | 11.3 | 6.2 | 5.1 | 5.0 | 5.0 |
| Consumer price index (average) | 14.5 | 12.9 | 10.8 | 11.8 | 11.3 | 8.7 | 5.5 | 5.1 | 5.1 |
| **Money and credit** | | | (Annual percent change) | | | | | | |
| Reserve money | 17.8 | 15.4 | 28.3 | 10.3 | 14.8 | 13.9 | 11.2 | 10.7 | 10.9 |
| Broad money | 13.8 | 17.9 | 30.3 | 15.5 | 23.4 | 22.1 | 19.0 | 18.6 | 19.0 |
| Credit to the economy growth (adjusted for FRD transfers) 1/ | 48.1 | 34.4 | 18.4 | 18.3 | 16.4 | 13.7 | 11.9 | 11.8 | 11.7 |
| Velocity (in levels) | 5.8 | 5.6 | 5.2 | 5.2 | 5.0 | 4.8 | 4.5 | 4.2 | 4.0 |
| | | | (Percent of GDP) | | | | | | |
| Broad money | 17.2 | 17.9 | 19.1 | 19.1 | 19.9 | 20.9 | 22.2 | 23.6 | 25.2 |
| Credit to the economy | 39.4 | 46.6 | 45.2 | 46.3 | 45.4 | 44.5 | 44.4 | 44.6 | 44.7 |
| **External sector** | | | (Percent of GDP) | | | | | | |
| Current account | -5.6 | -5.0 | -7.0 | -8.3 | -7.2 | -6.5 | -5.4 | -5.2 | -5.0 |
| External debt | 42.5 | 57.5 | 57.8 | 61.2 | 59.0 | 54.7 | 52.4 | 50.7 | 48.4 |
| | | | (Annual percent change) | | | | | | |
| Exports of goods and services | 20.2 | -14.5 | 12.9 | 19.4 | 14.8 | 13.0 | 14.7 | 11.3 | 11.3 |
| Imports of goods and services | 13.3 | -15.0 | 23.1 | 4.0 | 12.1 | 11.3 | 11.6 | 11.4 | 11.4 |
| Exchange rate (in Sums per U.S. dollar; eop) | 9,516 | 10,477 | 10,820 | … | … | … | … | … | … |
| Exchange rate (in Sums per U.S. dollar; ave) | 8,837 | 10,055 | 10,615 | … | … | … | … | … | … |
| Real effective exchange rate CPI based (2015=100, - = dep) | 65.5 | 65.5 | 65.2 | 59.5 | 58.2 | 59.2 | 60.0 | 60.8 | 61.6 |
| Gross international reserves (in billions of U.S. dollars) | 29.2 | 34.9 | 35.1 | 34.2 | 32.2 | 30.8 | 30.2 | 30.6 | 30.6 |
| Gross international reserves (months of imports) | 15.5 | 15.1 | 14.6 | 12.7 | 10.7 | 9.2 | 8.1 | 7.4 | 6.6 |
| **Government finance** | | | (Percent of GDP) | | | | | | |
| Consolidated budget revenues 2/ | 27.7 | 26.6 | 27.7 | 30.4 | 28.6 | 28.6 | 29.2 | 29.8 | 30.3 |
| Consolidated budget expenditures 2/ | 31.4 | 31.0 | 33.4 | 34.4 | 31.6 | 31.6 | 32.2 | 32.7 | 33.3 |
| Consolidated budget balance | -3.8 | -4.3 | -5.8 | -4.0 | -3.0 | -3.0 | -3.0 | -3.0 | -3.0 |
| Adjusted revenues 3/ | 27.0 | 25.6 | 26.0 | 29.0 | 26.9 | 27.0 | 27.5 | 28.1 | 28.7 |
| Adjusted expenditures 3/ | 27.3 | 28.9 | 30.6 | 32.8 | 29.8 | 29.8 | 30.3 | 30.9 | 31.6 |
| Adjusted fiscal balance | -0.3 | -3.3 | -4.7 | -3.8 | -2.9 | -2.8 | -2.7 | -2.8 | -2.9 |
| Policy lending | 3.5 | 1.1 | 1.5 | 0.6 | 0.5 | 0.6 | 0.7 | 0.6 | 0.5 |
| Overall fiscal balance | -3.8 | -4.4 | -6.2 | -4.4 | -3.4 | -3.4 | -3.4 | -3.4 | -3.4 |
| Total public & publicly guaranteed debt | 28.4 | 37.6 | 35.8 | 38.2 | 37.2 | 35.0 | 34.3 | 33.4 | 32.2 |
| **Labor market** | | | | | | | | | |
| Formal sector employment growth (percent) | 1.8 | 4.2 | 8.1 | 0.8 | 0.7 | 0.7 | 0.7 | 0.8 | 0.8 |
| Working-age population growth (percent) | 0.8 | 0.9 | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| Unemployment rate (percent) | 9.0 | 10.5 | 9.5 | 10.0 | 9.5 | 9.0 | 8.5 | 8.0 | 7.5 |
| Labor migrants (millions) | 2.5 | 1.7 | 1.8 | 1.7 | 1.7 | 1.8 | 1.9 | 1.9 | 2.0 |

Sources: Country authorities; and IMF staff estimates.

1/ FRD: Fund for Reconstruction and Development.

2/ Beginning in 2022, off-budget accounts of ministries and agencies were included in the budget.

3/ Adjusted fiscal data are budget data adjusted for financing operations, such as equity injections, policy lending, and privatization of state enterprises.

## Table 2. Uzbekistan: National Accounts, 2019–2027

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Est. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| | | | | | (Share of GDP) | | | | |
| **GDP** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |
| Final consumption expenditures | 75.5 | 74.8 | 75.8 | 73.7 | 73.2 | 72.6 | 71.7 | 71.6 | 71.6 |
| Private | 59.3 | 58.6 | 59.1 | 54.7 | 54.9 | 54.2 | 53.2 | 52.8 | 52.5 |
| Public | 16.2 | 16.2 | 16.7 | 19.0 | 18.4 | 18.4 | 18.6 | 18.8 | 19.1 |
| Gross investment | 40.5 | 38.7 | 40.6 | 39.0 | 38.8 | 38.7 | 38.7 | 38.8 | 38.9 |
| Gross fixed capital formation | 39.4 | 36.8 | 35.2 | 33.8 | 33.6 | 33.5 | 33.5 | 33.6 | 33.7 |
| Investories and stat. discrepancy | 1.1 | 1.9 | 5.4 | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 |
| Net exports | -16.0 | -13.5 | -16.4 | -12.7 | -12.0 | -11.3 | -10.5 | -10.5 | -10.5 |
| Exports of goods and services | 28.4 | 24.3 | 23.7 | 26.8 | 27.5 | 27.2 | 27.7 | 27.7 | 27.6 |
| Imports of goods and services | 44.4 | 37.7 | 40.1 | 39.5 | 39.6 | 38.5 | 38.2 | 38.1 | 38.1 |
| Gross national savings | 34.9 | 33.7 | 33.6 | 30.7 | 31.7 | 32.2 | 33.3 | 33.7 | 33.9 |
| Savings-investment balance | -5.6 | -5.0 | -7.0 | -8.3 | -7.2 | -6.5 | -5.4 | -5.2 | -5.0 |
| | | | | | (Annual percent change) | | | | |
| **GDP at constant prices** | **5.7** | **1.9** | **7.4** | **3.4** | **5.0** | **5.0** | **5.5** | **5.5** | **5.5** |
| Domestic demand | 10.9 | -0.6 | 10.1 | -0.9 | 5.8 | 5.5 | 5.3 | 6.2 | 6.4 |
| Final consumption expenditures | 5.4 | 0.3 | 9.7 | -0.1 | 5.3 | 4.8 | 4.3 | 5.5 | 5.8 |
| Private | 5.3 | 0.1 | 11.6 | -4.0 | 6.4 | 4.9 | 4.2 | 5.4 | 5.6 |
| Public | 5.7 | 1.4 | 3.4 | 16.1 | 1.7 | 4.4 | 4.9 | 5.8 | 6.4 |
| Gross investment | 21.9 | -2.1 | 10.6 | -2.6 | 7.0 | 7.0 | 7.5 | 7.5 | 7.5 |
| Exports of goods and services | 16.2 | -20.0 | 12.7 | 3.0 | 17.5 | 14.2 | 14.4 | 10.8 | 10.1 |
| Imports of goods and services | 13.3 | -15.0 | 23.1 | -8.6 | 15.9 | 12.6 | 11.3 | 10.8 | 10.7 |
| | | | | | (Contribution to real growth) | | | | |
| **GDP at constant prices** (contributions) | 5.7 | 1.9 | 7.4 | 3.4 | 5.0 | 5.0 | 5.5 | 5.5 | 5.5 |
| Domestic demand | 7.3 | 0.9 | 13.1 | -0.7 | 6.5 | 6.0 | 5.9 | 6.6 | 6.8 |
| Final consumption expenditures | 4.0 | 0.2 | 7.3 | 0.3 | 3.8 | 3.5 | 3.2 | 4.0 | 4.2 |
| Gross fixed capital formation | 12.0 | -1.7 | 1.9 | -0.9 | 2.3 | 2.3 | 2.5 | 2.5 | 2.5 |
| Inventories and stat. discrepancy | -8.8 | 2.4 | 3.9 | -0.1 | 0.4 | 0.2 | 0.2 | 0.2 | 0.1 |
| Net exports | -1.5 | 1.0 | -5.6 | 4.1 | -1.6 | -1.1 | -0.4 | -1.1 | -1.3 |
| **Deflators** | | | | | | | | | |
| GDP | 17.9 | 11.6 | 13.6 | 11.6 | 13.1 | 10.6 | 6.3 | 5.6 | 5.6 |
| Domestic demand | 15.2 | 8.9 | 12.2 | 12.7 | 11.5 | 9.3 | 5.7 | 4.9 | 4.8 |
| Final consumption expenditures | 18.7 | 12.3 | 12.7 | 12.2 | 12.0 | 9.8 | 6.2 | 5.4 | 5.3 |
| Private | 13.3 | 12.9 | 10.3 | 11.3 | 11.8 | 9.4 | 5.6 | 4.9 | 4.8 |
| Public | 42.0 | 12.0 | 21.7 | 12.8 | 13.2 | 11.2 | 7.8 | 6.6 | 6.4 |
| Gross investment | 15.1 | 10.9 | 11.4 | 13.9 | 10.4 | 8.1 | 4.5 | 3.9 | 3.8 |
| Gross fixed capital formation | 12.8 | 11.1 | 10.8 | 13.9 | 10.4 | 8.1 | 4.5 | 3.9 | 3.8 |
| Exports of goods and services | 13.1 | 21.6 | 5.8 | 26.7 | 3.5 | 0.3 | 0.0 | 0.3 | 1.1 |
| Imports of goods and services | 9.7 | 13.7 | 5.4 | 24.3 | 2.5 | 0.2 | 0.1 | 0.3 | 0.7 |
| **Prices** | | | | | | | | | |
| CPI (average, in percent) | 14.5 | 12.9 | 10.8 | 11.8 | 11.3 | 8.7 | 5.5 | 5.1 | 5.1 |
| CPI (end-of-period, in percent) | 15.2 | 11.2 | 10.0 | 12.1 | 11.3 | 6.2 | 5.1 | 5.0 | 5.0 |
| Minimum wage (in thousands of Sum) | 577 | 650 | 767 | 876 | 1,003 | 1,134 | 1,248 | 1,352 | 1,461 |
| Average formal sector wage (in thousands of Sum) | 1,522 | 1,714 | 2,022 | 2,311 | 2,647 | 2,990 | 3,293 | 3,566 | 3,854 |
| Growth (percent) | 22.7 | 12.6 | 18.0 | 14.3 | 14.5 | 13.0 | 10.1 | 8.3 | 8.1 |
| Average government wage (in thousands of Sum) | 1,799 | 2,026 | 2,390 | 2,732 | 3,129 | 3,535 | 3,892 | 4,215 | 4,555 |
| Growth (percent) | 35.9 | 12.6 | 18.0 | 14.3 | 14.5 | 13.0 | 10.1 | 8.3 | 8.1 |
| **Employment** | | | | | | | | | |
| Formal sector employment growth (percent) | 1.8 | 4.2 | 8.1 | 0.8 | 0.7 | 0.7 | 0.7 | 0.8 | 0.8 |
| Working-age population growth (percent) | 0.8 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| Unemployment rate (percent) | 9.0 | 10.5 | 9.5 | 10.0 | 9.5 | 9.0 | 8.5 | 8.0 | 7.5 |
| Labor migrants (millions) | 2.5 | 1.7 | 1.8 | 1.7 | 1.7 | 1.8 | 1.9 | 1.9 | 2.0 |

Sources: Country authorities; and IMF staff estimates.

## Table 3a. Uzbekistan: Balance of Payments, 2019–2027
(Millions of U.S. dollars, unless otherwise indicated)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Est. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| **I. Current account balance** | **-3,366** | **-3,007** | **-4,810** | **-6,050** | **-5,854** | **-6,069** | **-5,666** | **-6,072** | **-6,533** |
| Balance of goods and services | -9,557 | -8,028 | -11,370 | -9,291 | -9,883 | -10,612 | -11,064 | -12,328 | -13,779 |
| Merchandise trade balance | -7,291 | -6,216 | -8,904 | -6,304 | -6,981 | -8,432 | -9,750 | -11,273 | -12,749 |
| **Exports of goods** | **13,899** | **12,832** | **14,142** | **17,400** | **19,379** | **20,977** | **23,164** | **25,479** | **28,302** |
| Cotton fiber | 282 | 147 | 137 | 89 | 37 | 17 | 9 | 5 | 2 |
| Energy | 2,529 | 659 | 890 | 1,114 | 1,054 | 1,073 | 1,154 | 1,271 | 1,419 |
| Gold | 4,918 | 5,804 | 4,110 | 6,568 | 6,395 | 5,788 | 5,627 | 5,466 | 5,466 |
| Food Products | 1,530 | 1,444 | 1,472 | 1,592 | 2,102 | 2,672 | 3,199 | 3,519 | 3,871 |
| Other exports of goods | 4,640 | 4,778 | 7,534 | 8,038 | 9,790 | 11,427 | 13,175 | 15,218 | 17,544 |
| **Imports of goods** | **21,190** | **19,048** | **23,046** | **23,704** | **26,359** | **29,409** | **32,914** | **36,751** | **41,051** |
| Food Products | 1,697 | 1,944 | 2,634 | 3,025 | 2,986 | 3,137 | 3,373 | 3,610 | 3,865 |
| Energy products | 847 | 984 | 1,387 | 2,635 | 2,096 | 1,931 | 1,949 | 2,008 | 2,110 |
| Machinery and equipment | 9,570 | 8,015 | 8,509 | 7,863 | 9,592 | 11,318 | 12,938 | 14,757 | 16,805 |
| Other imports of goods | 9,077 | 8,105 | 10,517 | 10,181 | 11,684 | 13,022 | 14,654 | 16,376 | 18,271 |
| **Balance of services** | **-2,266** | **-1,812** | **-2,466** | **-2,987** | **-2,903** | **-2,181** | **-1,314** | **-1,055** | **-1,030** |
| Credit | 3,095 | 1,700 | 2,257 | 2,184 | 3,105 | 4,433 | 5,969 | 6,961 | 7,797 |
| Debit | 5,361 | 3,511 | 4,723 | 5,172 | 6,008 | 6,614 | 7,283 | 8,016 | 8,827 |
| **Primary income (net)** | **737** | **-192** | **201** | **-958** | **-1,072** | **-1,020** | **-848** | **-563** | **-261** |
| of which: Interest (net) | -771 | -850 | -1,128 | -1,734 | -2,009 | -2,114 | -2,196 | -2,150 | -2,147 |
| of which labor compensation (net) | 2,610 | 1,337 | 2,190 | 1,453 | 1,776 | 1,960 | 2,217 | 2,440 | 2,704 |
| Primary income: Credit | 2,957 | 1,583 | 2,378 | 2,022 | 2,398 | 2,651 | 2,977 | 3,271 | 3,613 |
| Primary income: Debit | 2,220 | 1,775 | 2,177 | 2,980 | 3,470 | 3,672 | 3,824 | 3,833 | 3,874 |
| **Secondary income (net)** | **5,455** | **5,212** | **6,359** | **4,199** | **5,102** | **5,564** | **6,245** | **6,818** | **7,508** |
| Secondary income: Credit | 6,040 | 5,648 | 6,989 | 4,783 | 5,757 | 6,313 | 7,088 | 7,758 | 8,555 |
| Secondary income: Debit | 586 | 436 | 630 | 585 | 655 | 750 | 842 | 940 | 1,047 |
| **II. Capital transfers** | **254** | **25** | **32** | **219** | **246** | **281** | **316** | **353** | **393** |
| **III. Financial account balance 1/** | **-6,472** | **-5,890** | **-5,827** | **-4,286** | **-4,856** | **-5,010** | **-5,368** | **-6,632** | **-6,151** |
| **Direct investment** | **-2,313** | **-1,717** | **-2,042** | **-947** | **-1,634** | **-2,809** | **-3,367** | **-4,110** | **-4,579** |
| **Portfolio investment** | **-1,346** | **-1,389** | **-1,995** | **0** | **-1,737** | **-524** | **-1,300** | **-1,827** | **-1,049** |
| **Other investment** | **-2,817** | **-2,790** | **-1,803** | **-3,339** | **-1,485** | **-1,677** | **-701** | **-695** | **-523** |
| Loans, net (- = net inflow) | -7,778 | -7,758 | -4,951 | -4,000 | -2,589 | -2,939 | -2,593 | -2,523 | -2,776 |
| Public and publ. guaranteed debt | -4,757 | -3,972 | -2,021 | -2,372 | -2,206 | -2,137 | -2,068 | -2,014 | -1,945 |
| Commercial nonguaranteed | -3,021 | -3,786 | -2,930 | -1,627 | -383 | -802 | -525 | -509 | -831 |
| Others | 4,961 | 4,967 | 3,147 | 661 | 1,104 | 1,262 | 1,892 | 1,828 | 2,253 |
| **IV. Errors and omissions** | **-1,953** | **-1,137** | **-1,516** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Overall balance ( I + II - III + IV )** | **1,407** | **1,771** | **-466** | **-1,545** | **-752** | **-778** | **17** | **913** | **11** |
| **V. Financing** | **-1,407** | **-1,771** | **466** | **1,545** | **752** | **778** | **-17** | **-913** | **-11** |
| Use of reserves (- = increase/accumulation) | -1,407 | -2,146 | 466 | 1,545 | 752 | 778 | -17 | -913 | -11 |
| Use of IMF credit (net) | 0 | 375 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| VI. Gold purchases not exported & valuation changes | 671 | 3,973 | 702 | 562 | -1,174 | -702 | -552 | -552 | 0 |
| **Change in reserves ( - V + VI ; + = increase)** | **2,078** | **5,745** | **235** | **-983** | **-1,926** | **-1,480** | **-535** | **361** | **11** |
| ***Memorandum items:*** | | | | | | | | | |
| **Current account balance (in percent of GDP)** | **-5.6** | **-5.0** | **-7.0** | **-8.3** | **-7.2** | **-6.5** | **-5.4** | **-5.2** | **-5.0** |
| Underlying current account (in percent of GDP) 2/ | -7.0 | -5.4 | -4.5 | -9.0 | -7.8 | -6.6 | -5.3 | -5.1 | -4.9 |
| **Gross international reserves** (billions of U.S. dollars) | **29.2** | **34.9** | **35.1** | **34.2** | **32.2** | **30.8** | **30.2** | **30.6** | **30.6** |
| Gross international reserves (months of imports) | 15.5 | 15.1 | 14.6 | 12.7 | 10.7 | 9.2 | 8.1 | 7.4 | 6.6 |
| **Gross international reserves excl. FRD** (billions of U.S. dollars) | **18.2** | **24.4** | **26.5** | **25.6** | **23.6** | **22.2** | **21.6** | **22.0** | **22.0** |
| Gross international reserves excl. FRD (months of imports) | 9.7 | 10.5 | 11.0 | 9.5 | 7.9 | 6.6 | 5.8 | 5.3 | 4.8 |
| Real exchange rate CPI based (2015=100) | 65.5 | 65.5 | 65.2 | 59.5 | 58.2 | 59.2 | 60.0 | 60.8 | 61.6 |
| Remittances (billions of U.S dollars) | 8.7 | 7.1 | 9.3 | 6.4 | 7.7 | 8.4 | 9.5 | 10.3 | 11.4 |
| Total debt service payment (billions of U.S. dollars) | 2.7 | 3.4 | 5.8 | 6.7 | 7.0 | 7.7 | 8.4 | 8.2 | 8.1 |
| Gross external financing needs (billions of U.S. dollars) | 5.4 | 5.7 | 9.8 | 11.2 | 11.2 | 12.6 | 12.0 | 12.6 | 13.0 |

Sources: Country authorities; and IMF staff estimates.

1/ Positive values means outflows.

2/ Underlying current account assumes the annual gold production is exported.

## Table 3b. Uzbekistan: Balance of Payments, 2019–2027
(Percent of GDP, unless otherwise indicated)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Est. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| **I. Current account balance** | **-5.6** | **-5.0** | **-7.0** | **-8.3** | **-7.2** | **-6.5** | **-5.4** | **-5.2** | **-5.0** |
| Balance of goods and services | -16.0 | -13.4 | -16.4 | -12.7 | -12.1 | -11.3 | -10.5 | -10.5 | -10.5 |
| Merchandise trade balance | -12.2 | -10.4 | -12.9 | -8.6 | -8.5 | -9.0 | -9.3 | -9.6 | -9.7 |
| **Exports of goods** | **23.2** | **21.4** | **20.4** | **23.8** | **23.7** | **22.4** | **22.0** | **21.7** | **21.6** |
| Cotton fiber | 0.5 | 0.2 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Energy | 4.2 | 1.1 | 1.3 | 1.5 | 1.3 | 1.1 | 1.1 | 1.1 | 1.1 |
| Gold | 8.2 | 9.7 | 5.9 | 9.0 | 7.8 | 6.2 | 5.3 | 4.7 | 4.2 |
| Food Products | 2.6 | 2.4 | 2.1 | 2.2 | 2.6 | 2.9 | 3.0 | 3.0 | 3.0 |
| Other exports of goods | 7.7 | 8.0 | 10.9 | 11.0 | 12.0 | 12.2 | 12.5 | 13.0 | 13.4 |
| **Imports of goods** | **35.4** | **31.8** | **33.3** | **32.4** | **32.2** | **31.4** | **31.3** | **31.3** | **31.4** |
| Food Products | 2.8 | 3.2 | 3.8 | 4.1 | 3.6 | 3.3 | 3.2 | 3.1 | 3.0 |
| Energy products | 1.4 | 1.6 | 2.0 | 3.6 | 2.6 | 2.1 | 1.9 | 1.7 | 1.6 |
| Machinery and equipment | 16.0 | 13.4 | 12.3 | 10.8 | 11.7 | 12.1 | 12.3 | 12.6 | 12.8 |
| Other imports of goods | 15.2 | 13.5 | 15.2 | 13.9 | 14.3 | 13.9 | 13.9 | 13.9 | 14.0 |
| **Balance of services** | **-3.8** | **-3.0** | **-3.6** | **-4.1** | **-3.5** | **-2.3** | **-1.2** | **-0.9** | **-0.8** |
| Credit | 5.2 | 2.8 | 3.3 | 3.0 | 3.8 | 4.7 | 5.7 | 5.9 | 6.0 |
| Debit | 8.9 | 5.9 | 6.8 | 7.1 | 7.3 | 7.1 | 6.9 | 6.8 | 6.7 |
| **Primary income (net)** | **1.2** | **-0.3** | **0.3** | **-1.3** | **-1.3** | **-1.1** | **-0.8** | **-0.5** | **-0.2** |
| of which: Interest (net) | -1.3 | -1.4 | -1.6 | -2.4 | -2.5 | -2.3 | -2.1 | -1.8 | -1.6 |
| of which labor compensation (net) | 4.4 | 2.2 | 3.2 | 2.0 | 2.2 | 2.1 | 2.1 | 2.1 | 2.1 |
| Primary income: Credit | 4.9 | 2.6 | 3.4 | 2.8 | 2.9 | 2.8 | 2.8 | 2.8 | 2.8 |
| Primary income: Debit | 3.7 | 3.0 | 3.1 | 4.1 | 4.2 | 3.9 | 3.6 | 3.3 | 3.0 |
| **Secondary income (net)** | **9.1** | **8.7** | **9.2** | **5.7** | **6.2** | **5.9** | **5.9** | **5.8** | **5.7** |
| Secondary income: Credit | 10.1 | 9.4 | 10.1 | 6.5 | 7.0 | 6.7 | 6.7 | 6.6 | 6.5 |
| Secondary income: Debit | 1.0 | 0.7 | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| **II. Capital transfers** | **0.4** | **0.0** | **0.0** | **0.3** | **0.3** | **0.3** | **0.3** | **0.3** | **0.3** |
| **III. Financial account balance 1/** | **-10.8** | **-9.8** | **-8.4** | **-5.9** | **-5.9** | **-5.3** | **-5.1** | **-5.6** | **-4.7** |
| **Direct investment** | **-3.9** | **-2.9** | **-3.0** | **-1.3** | **-2.0** | **-3.0** | **-3.2** | **-3.5** | **-3.5** |
| **Portfolio investment** | **-2.2** | **-2.3** | **-2.9** | **0.0** | **-2.1** | **-0.6** | **-1.2** | **-1.6** | **-0.8** |
| **Other investment** | **-4.7** | **-4.7** | **-2.6** | **-4.6** | **-1.8** | **-1.8** | **-0.7** | **-0.6** | **-0.4** |
| Loans, net (- = net inflow) | -13.0 | -13.0 | -7.2 | -5.5 | -3.2 | -3.1 | -2.5 | -2.1 | -2.1 |
| Public and publ. guaranteed debt | -7.9 | -6.6 | -2.9 | -3.2 | -2.7 | -2.3 | -2.0 | -1.7 | -1.5 |
| Commercial nonguaranteed | -5.0 | -6.3 | -4.2 | -2.2 | -0.5 | -0.9 | -0.5 | -0.4 | -0.6 |
| Others | 8.3 | 8.3 | 4.5 | 0.9 | 1.3 | 1.3 | 1.8 | 1.6 | 1.7 |
| **IV. Errors and omissions** | **-3.3** | **-1.9** | **-2.2** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| **Overall balance ( I + II - III + IV )** | **2.3** | **3.0** | **-0.7** | **-2.1** | **-0.9** | **-0.8** | **0.0** | **0.8** | **0.0** |
| **V. Financing** | **-2.3** | **-3.0** | **0.7** | **2.1** | **0.9** | **0.8** | **0.0** | **-0.8** | **0.0** |
| Use of reserves | -2.3 | -3.6 | 0.7 | 2.1 | 0.9 | 0.8 | 0.0 | -0.8 | 0.0 |
| Use of IMF credit (net) | 0.0 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **VI. Gold purchases not exported & valuation changes** | **1.1** | **6.6** | **1.0** | 0.8 | -1.4 | -0.7 | -0.5 | -0.5 | 0.0 |
| **Change in reserves ( V + VI ; + = increase)** | **3.5** | **9.6** | **0.3** | **-1.3** | **-2.4** | **-1.6** | **-0.5** | **0.3** | **0.0** |
| ***Memorandum items:*** | | | | | | | | | |
| **Current account balance** (percent of GDP) | **-5.6** | **-5.0** | **-7.0** | **-8.3** | **-7.2** | **-6.5** | **-5.4** | **-5.2** | **-5.0** |
| Underlying current account (percent of GDP) 2/ | -7.0 | -5.4 | -4.5 | -9.0 | -7.8 | -6.6 | -5.3 | -5.1 | -4.9 |
| **Gross international reserves** (billions of U.S. dollars) | **29.2** | **34.9** | **35.1** | **34.2** | **32.2** | **30.8** | **30.2** | **30.6** | **30.6** |
| **Gross international reserves excl. FRD** (billions of U.S. dollars) | **18.2** | **24.4** | **26.5** | **25.6** | **23.6** | **22.2** | **21.6** | **22.0** | **22.0** |
| Real exchange rate CPI based (2015=100) | 65.5 | 65.5 | 65.2 | 59.5 | 58.2 | 59.2 | 60.0 | 60.8 | 61.6 |
| Remittances (percent of GDP) | 14.5 | 11.8 | 13.5 | 8.7 | 9.4 | 9.0 | 9.0 | 8.8 | 8.7 |
| Gross external debt (percent of GDP) | 42.5 | 57.5 | 57.8 | 61.2 | 59.0 | 54.7 | 52.4 | 50.7 | 48.4 |
| PPG external debt (percent of GDP) | 28.2 | 37.0 | 35.0 | 37.4 | 36.1 | 33.7 | 32.9 | 31.9 | 30.7 |
| Total debt service payment (percent of GDP) | 4.5 | 5.7 | 8.4 | 9.1 | 8.6 | 8.3 | 7.9 | 7.0 | 6.2 |
| Gross external financing needs (percent of GDP) | 9.0 | 9.5 | 14.1 | 15.3 | 13.7 | 13.4 | 11.4 | 10.7 | 9.9 |
| Nominal exchange rate (avg.) | 8,837 | 10,055 | 10,615 | … | … | … | … | … | … |
| Nominal exchange rate (eop) | 9,516 | 10,477 | 10,820 | … | … | … | … | … | … |

Sources: Country authorities; and IMF staff estimates.

1/ Positive values means outflows.

2/ Underlying current account assumes the annual gold production is exported.

## Table 4a. Uzbekistan: Fiscal Accounts, 2019–2027
(Billions of Sum)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Est. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| **Consolidated budget revenues** | **146,620** | **160,394** | **203,178** | **258,067** | **287,183** | **334,008** | **381,908** | **433,881** | **492,787** |
| Tax revenues | 97,893 | 112,892 | 138,258 | 167,180 | 181,289 | 211,744 | 243,038 | 279,747 | 320,975 |
| Taxes on incomes and profits | 31,785 | 45,207 | 58,930 | 70,377 | 78,581 | 94,652 | 110,810 | 127,953 | 149,286 |
| Taxes on property | 4,673 | 4,361 | 6,540 | 7,134 | 8,467 | 10,317 | 12,147 | 14,203 | 16,617 |
| Taxes on goods and services | 59,132 | 59,771 | 68,023 | 84,830 | 88,541 | 100,005 | 112,144 | 128,304 | 144,176 |
| Value added tax | 33,810 | 31,177 | 38,439 | 50,616 | 53,499 | 64,647 | 75,198 | 87,782 | 102,676 |
| Excises | 10,315 | 11,697 | 13,088 | 13,252 | 14,881 | 16,484 | 18,190 | 20,174 | 22,440 |
| Mining tax | 14,693 | 16,417 | 15,812 | 20,049 | 19,085 | 17,573 | 17,242 | 18,581 | 16,994 |
| Taxes on international trade | 2,303 | 3,554 | 4,765 | 4,838 | 5,701 | 6,769 | 7,937 | 9,287 | 10,896 |
| Other revenues 1/ | 24,262 | 24,601 | 36,555 | 58,840 | 69,393 | 79,369 | 89,781 | 98,843 | 109,665 |
| Funds | 24,465 | 22,901 | 28,365 | 32,047 | 36,500 | 42,895 | 49,089 | 55,290 | 62,148 |
| Social security contributions | 24,465 | 20,737 | 26,473 | 30,029 | 34,105 | 40,115 | 45,972 | 51,819 | 58,280 |
| Other | 0 | 2,164 | 1,892 | 2,018 | 2,395 | 2,780 | 3,117 | 3,471 | 3,868 |
| **Consolidated budget expenditures** | **166,488** | **186,483** | **245,477** | **291,897** | **317,665** | **369,291** | **421,040** | **477,009** | **541,540** |
| Social | 50,727 | 55,550 | 69,369 | 74,347 | 90,541 | 104,581 | 120,908 | 139,226 | 160,332 |
| Social safety net | 31,410 | 40,547 | 48,139 | 61,133 | 65,715 | 75,906 | 87,756 | 101,051 | 116,370 |
| Economy | 13,358 | 16,674 | 21,802 | 24,503 | 18,906 | 21,837 | 25,247 | 29,071 | 33,478 |
| Public administration | 6,058 | 8,691 | 10,366 | 10,570 | 11,578 | 13,373 | 15,461 | 17,803 | 20,502 |
| Public investment | 35,254 | 26,568 | 47,794 | 37,335 | 38,070 | 43,440 | 50,901 | 57,568 | 65,206 |
| Interest expenditure | 858 | 1,816 | 2,238 | 3,311 | 3,827 | 4,465 | 4,965 | 5,669 | 5,926 |
| Other expenditure 1/ | 22,255 | 27,782 | 38,302 | 70,001 | 75,572 | 84,984 | 95,287 | 106,289 | 119,245 |
| Externally Financed Expenditure | 6,567 | 8,854 | 7,466 | 10,697 | 13,456 | 20,705 | 20,516 | 20,332 | 20,481 |
| **Consolidated budget balance** | **-19,869** | **-26,089** | **-42,299** | **-33,829** | **-30,482** | **-35,283** | **-39,131** | **-43,128** | **-48,753** |
| *Adjustments to revenues* | -3,903 | -6,232 | -12,506 | -12,419 | -16,629 | -19,196 | -21,462 | -23,761 | -26,236 |
| Adjusted revenues 2/ | 142,717 | 154,162 | 190,672 | 245,648 | 270,554 | 314,811 | 360,447 | 410,119 | 466,552 |
| *Adjustments to Expenditures* | -22,045 | -12,614 | -20,467 | -13,718 | -17,877 | -21,837 | -24,785 | -26,398 | -28,333 |
| Adjusted expenditures 2/ | 144,444 | 173,869 | 225,009 | 278,179 | 299,787 | 347,454 | 396,255 | 450,611 | 513,207 |
| **Adjusted fiscal balance** | **-1,727** | **-19,707** | **-34,338** | **-32,531** | **-29,234** | **-32,643** | **-35,808** | **-40,491** | **-46,655** |
| Policy-based lending operations | 18,623 | 6,792 | 11,320 | 4,688 | 5,272 | 7,310 | 8,558 | 8,467 | 8,594 |
| **Overall fiscal balance** | **-20,349** | **-26,499** | **-45,658** | **-37,219** | **-34,505** | **-39,952** | **-44,367** | **-48,958** | **-55,249** |
| Statistical Discrepancy | 2,077 | -10,588 | -11,210 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Financing** | **22,426** | **15,911** | **34,448** | **37,219** | **34,505** | **39,952** | **44,367** | **48,958** | **55,249** |
| Domestic | -10,159 | -25,549 | 10,060 | 10,591 | -5,349 | 7,521 | 4,519 | 13,433 | 20,594 |
| Domestic banking system | -11,025 | -28,253 | 4,660 | 7,092 | -17,272 | -1,145 | -3,981 | 4,933 | 12,094 |
| Deposits at the central bank | 7,932 | -13,624 | 23,001 | 7,092 | -17,272 | -1,145 | -3,981 | 4,933 | 12,094 |
| Deposit money banks | -18,957 | -14,629 | -18,341 | 0 | 0 | 0 | 0 | 0 | 0 |
| Treasury bills & bonds | 653 | 2,704 | 2,040 | 1,499 | 3,923 | 3,667 | 3,500 | 3,500 | 3,500 |
| Privatization proceeds | 213 | 0 | 3,359 | 2,000 | 8,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| External | 32,585 | 41,460 | 24,388 | 26,629 | 39,854 | 32,431 | 39,848 | 35,525 | 34,655 |
| Multilateral | 15,882 | 25,547 | 10,009 | 16,387 | 18,864 | 18,216 | 17,305 | 16,437 | 15,927 |
| *of which: IMF* | … | 3,770 | … | … | … | … | … | … | … |
| Bilateral | 7,867 | 8,398 | 5,140 | 10,241 | 10,701 | 10,486 | 10,114 | 9,757 | 9,435 |
| Commercial | 8,837 | 7,516 | 9,239 | 0 | 10,289 | 3,730 | 12,429 | 9,331 | 9,293 |
| Memorandum items | | | | | | | | | |
| GDP | 529,391 | 602,193 | 734,588 | 847,532 | 1,005,814 | 1,167,249 | 1,308,863 | 1,457,494 | 1,624,052 |

Sources: Country authorities; and IMF staff estimates.

1/ Beginning in 2022, off-budget accounts of ministries and agencies were included in the budget.

2/ Adjusted fiscal data are budget data adjusted for financing operations, such as equity injections, policy lending, and privatization of state enterprises.

## Table 4b. Uzbekistan: Fiscal Accounts, 2019–2027

(Percent of GDP)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Est. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| **Consolidated budget revenues** | **27.7** | **26.6** | **27.7** | **30.4** | **28.6** | **28.6** | **29.2** | **29.8** | **30.3** |
| Tax revenues | 18.5 | 18.7 | 18.8 | 19.7 | 18.0 | 18.1 | 18.6 | 19.2 | 19.8 |
| Taxes on incomes and profits | 6.0 | 7.5 | 8.0 | 8.3 | 7.8 | 8.1 | 8.5 | 8.8 | 9.2 |
| Taxes on property | 0.9 | 0.7 | 0.9 | 0.8 | 0.8 | 0.9 | 0.9 | 1.0 | 1.0 |
| Taxes on goods and services | 11.2 | 9.9 | 9.3 | 10.0 | 8.8 | 8.6 | 8.6 | 8.8 | 8.9 |
| Value added tax | 6.4 | 5.2 | 5.2 | 6.0 | 5.3 | 5.5 | 5.7 | 6.0 | 6.3 |
| Excises | 1.9 | 1.9 | 1.8 | 1.6 | 1.5 | 1.4 | 1.4 | 1.4 | 1.4 |
| Mining tax | 2.8 | 2.7 | 2.2 | 2.4 | 1.9 | 1.5 | 1.3 | 1.3 | 1.0 |
| Taxes on international trade | 0.4 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.7 |
| Other revenues 1/ | 4.6 | 4.1 | 5.0 | 6.9 | 6.9 | 6.8 | 6.9 | 6.8 | 6.8 |
| Funds | 4.6 | 3.8 | 3.9 | 3.8 | 3.6 | 3.7 | 3.8 | 3.8 | 3.8 |
| Social security contributions | 4.6 | 3.4 | 3.6 | 3.5 | 3.4 | 3.4 | 3.5 | 3.6 | 3.6 |
| Other | 0.0 | 0.4 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| **Consolidated budget expenditures** | **31.4** | **31.0** | **33.4** | **34.4** | **31.6** | **31.6** | **32.2** | **32.7** | **33.3** |
| Social | 9.6 | 9.2 | 9.4 | 8.8 | 9.0 | 9.0 | 9.2 | 9.6 | 9.9 |
| Social safety net | 5.9 | 6.7 | 6.6 | 7.2 | 6.5 | 6.5 | 6.7 | 6.9 | 7.2 |
| Public administration | 1.1 | 1.4 | 1.4 | 1.2 | 1.2 | 1.1 | 1.2 | 1.2 | 1.3 |
| Economy | 2.5 | 2.8 | 3.0 | 2.9 | 1.9 | 1.9 | 1.9 | 2.0 | 2.1 |
| Public investment | 6.7 | 4.4 | 6.5 | 4.4 | 3.8 | 3.7 | 3.9 | 3.9 | 4.0 |
| Interest expenditure | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Other expenditures 1/ | 4.2 | 4.6 | 5.2 | 8.3 | 7.5 | 7.3 | 7.3 | 7.3 | 7.3 |
| Externally financed expenditure | 1.2 | 1.5 | 1.0 | 1.3 | 1.3 | 1.8 | 1.6 | 1.4 | 1.3 |
| **Consolidated budget balance** | **-3.8** | **-4.3** | **-5.8** | **-4.0** | **-3.0** | **-3.0** | **-3.0** | **-3.0** | **-3.0** |
| *Adjustments to revenues* | -0.7 | -1.0 | -1.7 | -1.5 | -1.7 | -1.6 | -1.6 | -1.6 | -1.6 |
| Adjusted revenues 2/ | 27.0 | 25.6 | 26.0 | 29.0 | 26.9 | 27.0 | 27.5 | 28.1 | 28.7 |
| *Adjustments to Expenditures* | -4.2 | -2.1 | -2.8 | -1.6 | -1.8 | -1.9 | -1.9 | -1.8 | -1.7 |
| Adjusted expenditures 2/ | 27.3 | 28.9 | 30.6 | 32.8 | 29.8 | 29.8 | 30.3 | 30.9 | 31.6 |
| **Adjusted fiscal balance** | **-0.3** | **-3.3** | **-4.7** | **-3.8** | **-2.9** | **-2.8** | **-2.7** | **-2.8** | **-2.9** |
| Policy-based lending operations | 3.5 | 1.1 | 1.5 | 0.6 | 0.5 | 0.6 | 0.7 | 0.6 | 0.5 |
| **Overall fiscal balance** | **-3.8** | **-4.4** | **-6.2** | **-4.4** | **-3.4** | **-3.4** | **-3.4** | **-3.4** | **-3.4** |
| Statistical Discrepancy | 0.4 | -1.8 | -1.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Financing** | **4.2** | **2.6** | **4.7** | **4.4** | **3.4** | **3.4** | **3.4** | **3.4** | **3.4** |
| **Domestic** | **-1.9** | **-4.2** | **1.4** | **1.2** | **-0.5** | **0.6** | **0.3** | **0.9** | **1.3** |
| Domestic banking system | -2.1 | -4.7 | 0.6 | 0.8 | -1.7 | -0.1 | -0.3 | 0.3 | 0.7 |
| Deposits at the central bank | 1.5 | -2.3 | 3.1 | 0.8 | -1.7 | -0.1 | -0.3 | 0.3 | 0.7 |
| Deposit money banks | -3.6 | -2.4 | -2.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Treasury bills & bonds | 0.1 | 0.4 | 0.3 | 0.2 | 0.4 | 0.3 | 0.3 | 0.2 | 0.2 |
| Privatization proceeds | 0.0 | 0.0 | 0.5 | 0.2 | 0.8 | 0.4 | 0.4 | 0.3 | 0.3 |
| **External** | **6.2** | **6.9** | **3.3** | **3.1** | **4.0** | **2.8** | **3.0** | **2.4** | **2.1** |
| Multilateral | 3.0 | 4.2 | 1.4 | 1.9 | 1.9 | 1.6 | 1.3 | 1.1 | 1.0 |
| *of which: IMF* | … | 0.6 | … | … | … | … | … | … | … |
| Bilateral | 1.5 | 1.4 | 0.7 | 1.2 | 1.1 | 0.9 | 0.8 | 0.7 | 0.6 |
| Commercial | 1.7 | 1.2 | 1.3 | 0.0 | 1.0 | 0.3 | 0.9 | 0.6 | 0.6 |

Sources: Country authorities; and IMF staff estimates.

1/ Beginning in 2022, off-budget accounts of ministries and agencies were included in the budget.

2/ Adjusted fiscal data are budget data adjusted for financing operations, such as equity transactions, policy lending, and privatization of state enterprises.

## Table 5. Uzbekistan: Central Bank Survey, 2019–2027
(Billions of Sum, unless otherwise indicated)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Est. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| Gross international reserves (billions of U.S. dollars) | 29.2 | 34.9 | 35.1 | 34.2 | 32.2 | 30.8 | 30.2 | 30.6 | 30.6 |
| Official exchange rate (Sum/U.S. dollar, eop) | 9,516 | 10,477 | 10,820 | … | … | … | … | … | … |
| **Net foreign assets** | **273,987** | **361,722** | **368,829** | **400,478** | **387,782** | **369,155** | **362,314** | **366,619** | **366,566** |
| Foreign Assets | 277,493 | 365,688 | 380,829 | 413,895 | 401,578 | 382,943 | 376,096 | 380,393 | 380,334 |
| Foreign liabilities | 3,506 | 3,966 | 12,000 | 13,417 | 13,795 | 13,788 | 13,781 | 13,775 | 13,768 |
| **Net domestic assets** | **-233,380** | **-314,845** | **-308,696** | **-334,165** | **-311,684** | **-282,449** | **-265,927** | **-259,920** | **-248,256** |
| Net domestic credit | -123,058 | -149,125 | -146,754 | -153,487 | -176,810 | -180,824 | -187,313 | -185,015 | -175,883 |
| Government, net | -126,203 | -151,822 | -133,298 | -138,416 | -158,868 | -159,953 | -163,874 | -158,879 | -146,725 |
| Local government, net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public nonfinancial corporations, net | 163 | 295 | 303 | 303 | 303 | 303 | 303 | 303 | 303 |
| Private sector, net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other financial corporations, net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Banks | 2,982 | 2,402 | -13,759 | -15,374 | -18,245 | -21,174 | -23,742 | -26,438 | -29,460 |
| Other items, net | -110,321 | -165,721 | -161,942 | -180,678 | -134,873 | -101,625 | -78,613 | -74,905 | -72,374 |
| Deposits excl. from broad money | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other securities than shares excl. from broad money | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fin. derivates | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Shares and other equity | -111,601 | -169,470 | -163,125 | -213,450 | -210,522 | -201,576 | -194,516 | -187,463 | -187,278 |
| Other items (net) | 1,280 | 3,749 | 1,183 | 32,773 | 75,649 | 99,951 | 115,903 | 112,558 | 114,904 |
| **Monetary base** | **40,607** | **46,877** | **60,133** | **66,314** | **76,099** | **86,706** | **96,388** | **106,698** | **118,310** |
| Currency in circulation | 26,310 | 27,799 | 32,792 | 36,017 | 41,699 | 47,570 | 52,609 | 57,661 | 63,001 |
| Liabilities to other depository corporations | 14,005 | 18,800 | 27,122 | 30,078 | 34,181 | 38,917 | 43,560 | 48,818 | 55,089 |
| Other liabilities (incl in monetary base) | 292 | 278 | 219 | 219 | 219 | 219 | 219 | 219 | 219 |
| **Growth rates** | | | | | | | | | |
| Reserve money | 17.8 | 15.4 | 28.3 | 10.3 | 14.8 | 13.9 | 11.2 | 10.7 | 10.9 |
| Net foreign assets | 23.0 | 32.0 | 2.0 | 8.6 | -3.2 | -4.8 | -1.9 | 1.2 | 0.0 |
| Net domestic assets | 24.0 | 34.9 | -2.0 | 8.3 | -6.7 | -9.4 | -5.8 | -2.3 | -4.5 |
| Net credit to government | 6.1 | 20.3 | -12.2 | 3.8 | 14.8 | 0.7 | 2.5 | -3.0 | -7.6 |
| Nominal GDP | 24.6 | 13.8 | 22.0 | 15.4 | 18.7 | 16.1 | 12.1 | 11.4 | 11.4 |
| Money multiplier (in levels) | 2.2 | 2.3 | 2.3 | 2.4 | 2.6 | 2.8 | 3.0 | 3.2 | 3.5 |

Sources: Uzbekistan authorities and IMF staff estimates and projections.

## Table 6. Uzbekistan: Monetary Survey, 2019–2027

(Billions of Sum, unless otherwise indicated)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Est. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| Net foreign assets (billions of U.S. dollars) | 31.3 | 37.7 | 38.1 | 36.4 | 34.2 | 32.7 | 32.2 | 32.4 | 32.4 |
| Official exchange rate (Sum/U.S. dollar, eop) | 9,516 | 10,477 | 10,820 | ... | ... | ... | ... | ... | ... |
| **Net foreign assets** | **232,009** | **285,284** | **275,806** | **282,389** | **248,643** | **215,811** | **197,545** | **191,362** | **180,344** |
| Foreign assets | 297,565 | 394,574 | 412,988 | 441,431 | 426,152 | 407,505 | 400,645 | 403,686 | 402,372 |
| Foreign liabilities | 65,557 | 109,290 | 137,183 | 159,042 | 177,509 | 191,693 | 203,100 | 212,324 | 222,028 |
| **Net domestic assets 1/** | **-140,743** | **-177,680** | **-135,622** | **-120,497** | **-48,886** | **28,119** | **92,657** | **152,778** | **229,235** |
| Net domestic credit | 36,647 | 67,562 | 119,055 | 167,174 | 212,963 | 277,099 | 336,503 | 411,679 | 506,631 |
| Government, net | -172,011 | -212,804 | -212,879 | -225,490 | -243,986 | -242,297 | -244,587 | -237,957 | -219,171 |
| Local government | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Nonfinancial public corporations | 53,466 | 62,996 | 66,194 | 78,277 | 91,038 | 103,428 | 115,682 | 129,304 | 144,439 |
| Private sector | 153,767 | 214,936 | 263,027 | 311,257 | 362,196 | 411,656 | 460,573 | 514,948 | 575,364 |
| Other financial corporations | 1,424 | 2,434 | 2,714 | 3,131 | 3,715 | 4,312 | 4,835 | 5,384 | 5,999 |
| Other items, net | -180,789 | -203,869 | -217,507 | -224,686 | -246,268 | -262,591 | -284,744 | -284,744 | -284,744 |
| Deposits excl. from broad money | -221 | -138 | -127 | -146 | -174 | -201 | -226 | -252 | -280 |
| Other securities than shares excl. from broad money | -35 | -121 | -104 | -120 | -143 | -165 | -186 | -207 | -230 |
| Loans | -12,257 | -15,472 | -16,713 | -19,283 | -22,884 | -26,557 | -29,779 | -33,160 | -36,950 |
| Fin. derivates | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Insurance technical reserves | -3,901 | -4,408 | -5,071 | -5,850 | -6,943 | -8,057 | -9,035 | -10,061 | -11,211 |
| Shares and other equity | -162,632 | -227,824 | -234,042 | -295,272 | -307,624 | -314,263 | -320,874 | -328,170 | -344,065 |
| Others | 1,656 | 2,720 | 1,380 | 33,000 | 75,918 | 100,264 | 116,253 | 112,948 | 115,340 |
| **Broad Money** | **91,266** | **107,604** | **140,184** | **161,892** | **199,758** | **243,930** | **290,202** | **344,140** | **409,579** |
| Currency outside depository corporations | 24,246 | 24,920 | 28,657 | 31,476 | 36,441 | 41,572 | 45,975 | 50,390 | 55,057 |
| Transferable deposits | 19,717 | 27,200 | 35,683 | 41,209 | 50,847 | 62,091 | 73,870 | 87,599 | 104,256 |
| Quasi-money | 47,303 | 55,484 | 75,844 | 87,588 | 108,075 | 131,974 | 157,008 | 186,191 | 221,595 |
| *Memorandum items:* | | | | | | | | | |
| FRD (in billions of U.S. dollars) | 11.8 | 11.6 | 9.6 | 9.5 | 9.4 | 9.3 | 9.2 | 9.1 | 8.9 |
| FRD in reserves at CBU | 10.9 | 10.5 | 8.6 | 8.6 | 8.6 | 8.6 | 8.6 | 8.6 | 8.6 |
| FRD Loans to banks | 0.9 | 1.1 | 1.0 | 0.9 | 0.8 | 0.7 | 0.6 | 0.5 | 0.3 |
| Deposits in Broad Money (Billions of sum) 3/ | 67,020 | 82,684 | 111,527 | 128,797 | 158,922 | 194,065 | 230,878 | 273,790 | 325,851 |
| **Growth Rates** | | | | | | | | | |
| Broad money | 13.8 | 17.9 | 30.3 | 15.5 | 23.4 | 22.1 | 19.0 | 18.6 | 19.0 |
| Net foreign assets | 12.5 | 23.0 | -3.3 | 2.4 | -12.0 | -13.2 | -8.5 | -3.1 | -5.8 |
| Net domestic assets | 11.7 | 26.2 | -23.7 | -11.2 | -59.4 | -157.5 | 229.5 | 64.9 | 50.0 |
| Domestic bank credit to government | -7.9 | 23.7 | 0.0 | 5.9 | 8.2 | -0.7 | 0.9 | -2.7 | -7.9 |
| Domestic credit to rest of economy | 23.8 | 34.4 | 18.4 | 18.3 | 16.4 | 13.7 | 11.9 | 11.8 | 11.7 |
| Domestic credit to rest of economy (adjusting for FRD-loan transfers) 1/ | 48.1 | 34.4 | 18.4 | 18.3 | 16.4 | 13.7 | 11.9 | 11.8 | 11.7 |
| Domestic credit to the private sector | 58.9 | 39.8 | 22.4 | 18.3 | 16.4 | 13.7 | 11.9 | 11.8 | 11.7 |
| **Memorandum Items** | | | | | | | | | |
| Velocity (in levels) 2/ | 5.8 | 5.6 | 5.2 | 5.2 | 5.0 | 4.8 | 4.5 | 4.2 | 4.0 |
| Ratio of currency outside banks to deposits (in percent) | 0.4 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Ratio of currency outside banks to broad money (in percent) | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 |
| Credit to the economy (percent of GDP) | 39.4 | 46.6 | 45.2 | 46.3 | 45.4 | 44.5 | 44.4 | 44.6 | 44.7 |
| Credit to the private sector (percent of GDP) | 29.0 | 35.7 | 35.8 | 36.7 | 36.0 | 35.3 | 35.2 | 35.3 | 35.4 |

Sources: Uzbekistan authorities and IMF staff estimates and projections.

1/ In Nov. 2019 banks transfered loans funded by FRD to SOEs to the FRD (about Sum 41 trillion). The operation included the transfer of both loans to the SOEs and the corresponding liabilities of the banks to the FRD (financing line provided by the FRD).

2/ Velocity is calculated using nominal GDP over end of period money supply.

3/ Includes securities.

**Table 7. Uzbekistan: Financial Soundness Indicators for the Banking Sector, 2015–2021**

(End of period in percent, unless otherwise indicated)

| | 2015 | 2016 | 2017 | 2018 | 2019 1/ | 2020 | 2021 |
|---|---|---|---|---|---|---|---|
| **Capital adequacy** | | | | | | | |
| Regulatory capital to risk-weighted assets | 14.7 | 14.7 | 18.8 | 15.6 | 23.5 | 18.4 | 17.5 |
| Regulatory tier 1 capital to risk-weighted assets | 12.5 | 12.5 | 16.5 | 14.3 | 20.4 | 15.2 | 14.6 |
| Tier 1 capital to total assets | 11.3 | 10.7 | 12.4 | 12.4 | 16.7 | 13.1 | 13.2 |
| **Asset quality** | | | | | | | |
| Non-performing loans to total gross loans | 1.5 | 0.7 | 1.2 | 1.3 | 1.5 | 2.1 | 5.1 |
| Non-performing loans net of provisions to capital | 4.5 | 2.3 | 3.0 | 4.7 | 2.6 | 3.6 | 13.1 |
| Provisions/NPLs | … | … | … | … | 56.7 | 63.7 | 45.9 |
| Large exposure/tier 1 capital | … | … | … | … | 165.2 | 223.9 | 221.1 |
| **Profitability** | | | | | | | |
| Interest margin to gross income | 39.9 | 39.5 | 32.5 | 48.4 | 50.7 | 54.3 | 49.0 |
| Non-interest expenses to gross income | 65.9 | 64.8 | 59.3 | 54.4 | 49.5 | 45.1 | 47.1 |
| Return on assets | 2.0 | 2.0 | 1.9 | 2.0 | 2.1 | 2.2 | 1.3 |
| Return on equity | 17.5 | 17.9 | 17.1 | 16.2 | 13.0 | 10.2 | 6.1 |
| **Liquidity** | | | | | | | |
| Liquid assets to total assets (Liquid asset ratio) | 23.7 | 25.4 | 23.6 | 13.6 | 13.9 | 15.4 | 18.6 |
| Liquid assets to short-term liabilities | 43.6 | 48.4 | 55.7 | 41.2 | 40.3 | 39.9 | 46.9 |
| **FX Vulnerabilities** | | | | | | | |
| Net FX open position in foreign exchange to capital | 17.3 | 12.6 | 14.0 | 2.3 | 11.3 | 4.0 | 6.0 |
| Ratio FX loans to total loans | 42.8 | 44.1 | 63.2 | 56.6 | 47.1 | 49.2 | 49.2 |
| Ratio FX liabilities to total liabilities | 40.1 | 44.8 | 67.6 | 62.1 | 58.1 | 59.7 | 57.5 |

Sources: Country authorities; and IMF staff estimates.

1/ In December 2019, loans to SOEs valued at Sum 41 trillion were transferred from state banks to the Fund for Reconstruction and Development, improving capital ratios.

## Table 8. Uzbekistan: Selected Sustainable Development Goals, 2000–Latest

| | 2000 | 2005 | 2010 | 2015 | Latest |
|---|---|---|---|---|---|
| **Zero Hunger** | | | | | |
| Prevalence of undernourishment (percent of population) | 16 | 15 | 10 | 3 | 3 |
| **Good Health and Well-Being** | | | | | |
| Maternal mortality ratio (modeled estimate, per 100,000 live births) | 41 | 38 | 31 | 30 | 29 |
| Mortality rate, under-5 (per 1,000 live births) | 62 | 47 | 33 | 23 | 17 |
| Incidence of tuberculosis (per 100,000 people) | 99 | 120 | 97 | 79 | 67 |
| Immunization, measles (percent of children ages 12-23 months) | 99 | 99 | 98 | 99 | 98 |
| **Quality Education** | | | | | |
| Primary completion rate, total (percent of relevant age group) | 96 | 97 | 92 | 98 | 106 |
| Lower secondary completion rate, total (percent of relevant age group) | … | 93 | 94 | 90 | 95 |
| Literacy rate, adult total (percent of people ages 15 and above) | 99 | … | … | 100 | 100 |
| **Gender Equality** | | | | | |
| School enrollment, primary (gross), gender parity index (GPI) | 1.00 | 1.00 | 0.98 | 0.99 | 0.99 |
| School enrollment, secondary (gross), gender parity index (GPI) | 0.97 | 0.97 | 1.00 | 0.99 | 0.99 |
| School enrollment, tertiary (gross), gender parity index (GPI) | 0.84 | 0.69 | 0.68 | 0.63 | 0.83 |
| Proportion of seats held by women in national parliaments (percent) | 7.2 | 18 | 22 | 16 | 16 |
| **Clean Water and Sanitation** | | | | | |
| People using at least basic drinking water services (percent of population) | 85 | 92 | 96 | 98 | 98 |
| People using at least basic sanitation services (percent of population) | 93 | 96 | 99 | 100 | 100 |
| **Affordable and Clean Energy** | | | | | |
| Access to electricity (percent of population) | 100 | 100 | 100 | 100 | 100 |
| Renewable electricity output (percent of total electricity output) | 13 | 13 | 18 | 21 | … |
| **Decent Work and Economic Growth** | | | | | |
| Employment in agriculture (percent of total employment) (modeled ILO estimate) | 39 | 34 | 27 | 28 | 26 |
| Wage and salaried workers, total (percent of total employment) (modeled ILO estimate) | 53 | 52 | 57 | 62 | 66 |
| **Industry, Innovation, and Infrastructure** | | | | | |
| $CO_2$ emissions (metric tons per capita) | 4.9 | 4.4 | 4.3 | 3.2 | 3.4 |
| Researchers in R&D (per million people) | 662 | 633 | 545 | 497 | 476 |
| **Sustainable Cities and Communities** | | | | | |
| PM2.5 air pollution, mean annual exposure (micrograms per cubic meter) | 32 | 32 | 32 | 30 | 28 |
| **Responsible Consumption and Production** | | | | | |
| Total natural resources rents (percent of GDP) | 18 | 23 | 17 | 8 | 9 |
| **Life on Land** | | | | | |
| Forest area (percent of land area) | 7.0 | 7.4 | 7.9 | 8.1 | 8.3 |
| **Technology** | | | | | |
| Individuals using the Internet (percent of population) | 0 | 3 | 16 | 43 | 55 |

Source: The World Bank

# Annex I. Implementation of the 2021 Article IV Recommendations

| IMF Recommendations | Developments |
|---|---|
| **Overall Economic Policies** | |
| **Macro-stability and the policy mix**. The authorities should maintain sound macro-economic policies with fiscal policy focused on providing support, monetary policy on reducing inflation, and the exchange rate acting as a shock absorber. The authorities should continue structural reforms to provide good jobs and raise incomes. | The authorities broadly followed IMF recommendations, with fiscal policy providing support to households and firms impacted by the Covid crisis, for a fiscal stimulus of about 2½ percent of GDP. Inflation declined modestly from 11.2 to 10.0 percent from year-end 2020 to 2021, while the exchange rate depreciated 3.4 percent. Sales of state assets proceeded at a modest pace. The economy rebounded in 2021, with real GDP rising 7.4 percent. |
| **Fiscal Policies** | |
| **Near-term**. The 2021 budget, targeting an overall fiscal deficit of 5.5 percent of GDP, maintains an appropriately accommodative stance. | In 2021, the overall fiscal deficit reached 6.2 percent of GDP, rising from 3.6 percent of GDP in 2020. The deficit was 0.7 greater than planned in the budget, primarily due to lower VAT revenues and higher investment expenditures. |
| **Medium-term**. The withdrawal of fiscal stimulus should be gradual as the pandemic subsides. The government should create room for further expansion of the social safety net and additional investment in healthcare and education. | The government's medium-term targets for the annual deficit and for new external debt commitments are still expected to keep public debt sustainable. In the last 2-3 years, the government has more than doubled the number of households receiving social assistance. More work is needed to raise revenues and improve the efficiency of expenditures to meet the SDGs. |
| **Response to shocks**. If downside risks materialize, the authorities could use fiscal buffers to provide additional, targeted support to households and businesses. There remains a need to further expand the social safety net. | In 2021, to address the pandemic the authorities continued to provide support to households and businesses, including additional spending on healthcare and social assistance.<br>In 2022, to offset economic weakness in Russia, the government is appropriately slowing the originally planned pace of fiscal consolidation. The social safety net will be expanded further. |
| **Fiscal risks**. The government should enhance the assessment of fiscal risks (including from SOEs and PPPs), better manage external borrowing, strengthen project selection, and better integrate investment planning into the medium-term budget. | The debt law, which contains the 60 percent limit on PPG debt, was approved by both chambers of parliament, and is undergoing final review. The government is classifying SOE debt as high, medium, or low risk, with stricter notification and approval requirements for high-risk SOEs seeking to borrow. The government is considering how to account for PPPs which are not included in public debt. As investment decisions are fragmented across ministries, progress on public investment management has been slow. |
| **Monetary and Exchange Rate Policies** | |
| **Monetary policy**. The monetary policy stance remains appropriately focused on lowering inflation. The CBU should stand ready to respond to downside risks. | The CBU continued to focus on reducing inflation, which declined by 1.2 percentage points in 2021 to 10.0 percent at the end of the year (close to the CBU's target of just under 10 percent).<br>In March 2022, the CBU hiked its policy rate from 14.0 to 17.0 percent to deal with spillovers from the war in Ukraine. |

| | |
|---|---|
| **Central bank operations**. The central bank should continue to improve governance and transparency, including adopting IFRS9 and publishing financial statements. | The safeguard assessment of the CBU was completed in 2022. The CBU plans to implement the assessment's recommendations, including by adopting IFRS9, strengthening its internal audits, publishing its financial statements, and is receiving technical assistance from the IMF. |
| **Exchange rate policy**. The authorities should continue to allow exchange rate flexibility to act as a shock absorber, following its neutral intervention policy. | Over the last year, the UZS/USD exchange rate has been relatively stable. In 2021, it depreciated 3.4 percent with a standard deviation of 1.2 percent. A 6 percent depreciation occurred in the wake of Russia's invasion of Ukraine, but the sum strengthened after the CBU raised its policy rate. The central bank followed its neutrality principle of selling foreign exchange to offset the purchase of domestic gold production. |
| **Financial Policies** | |
| **Bank supervision**. The CBU should closely monitor banks and conduct stress tests and third-party asset quality reviews. | The CBU continues to closely monitor banks' health, including by conducting stress tests. The CBU took appropriate supervisory actions for banks showing large increases in NPLs. More detailed asset quality reviews are needed. |
| **State banks**. The authorities should reduce the dominance of state banks by appointing independent board members, attracting strategic investors, and privatization. | One small bank was privatized in 2021. Privatization of a large bank reached an advanced stage but was delayed after the start of the war in Ukraine. The government is planning to privatize other banks. Progress was made in appointing professional, independent supervisory board members, but more can be done to create majority independent boards. |
| **Growth and Structural Policies** | |
| **Business environment**. Uzbekistan needs to create an environment conducive to strong private sector growth. This includes further opening markets, increasing competition, and allowing markets forces to fully determine prices. | There has been a gradual reduction in preferential lending over the last year. An April 2022 Presidential decree opened 13 activities to private sector participation, while eliminating various SOE tax and customs privileges or extending these to all firms. Cotton and wheat prices are being liberalized and crop placement requirements reduced. |
| **State sector reforms**. There is a need to reduce the still large role of the state in the economy. | The government privatized three medium-size firms and sold a large number of small-scale assets in 2021. As reforms were slower than expected, a March 2022 Presidential decree sets deadlines for the sale of state shares in telecom, flour mills, and banks, as well as land plots in 2022 and 2023. |
| **Energy tariffs**. The government should gradually raise energy tariffs to market levels, while further expanding the social safety net. | Energy prices remain below cost recovery levels. The government plans to raise tariffs closer to cost recovery levels, while mitigating the impact on households by introducing a tiered tariff structure for household use, limiting the tariff increase for the first tier. |
| **Governance and corruption**. Uzbekistan should ensure strict adherence to the rule of law and government transparency, facilitated also by increased digitalization. | Government procurement is now carried out in a public portal and requires disclosure of beneficial owners. The tax system has significantly increased digitalization to improve efficiency and reduce opportunities for corruption. The government is in the process of implementing asset declarations for officials. |

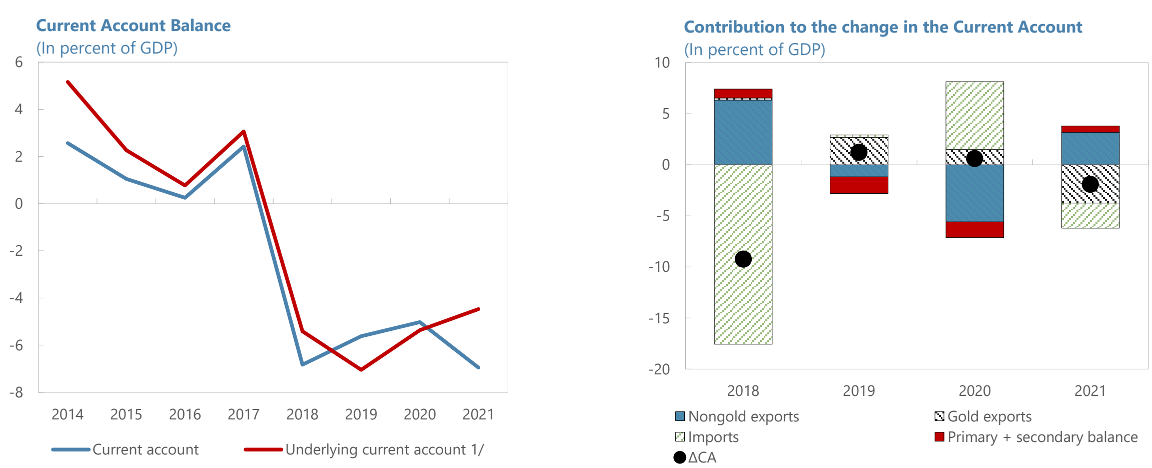
# Annex II. External Sector Assessment

*The external sector assessment indicates that Uzbekistan's external position was broadly in line with economic fundamentals and desirable policies in 2021. The country's external stability risks have increased due to potential spillovers from the war in Ukraine, but these are mitigated by the authorities allowing greater exchange rate flexibility and the large international reserves and long maturity of external debt.*

## A. Current Account

**1. Background.** As a result of key structural reforms—including foreign exchange market liberalization and the removal of trade restrictions—and increased investment, Uzbekistan started to register current account (CA) deficits in 2018. High CA deficits have been a typical feature of transitions from planned to market economies. Therefore, prior to the pandemic, Uzbekistan was expected to have sizable CA deficits for several years. The pandemic adversely affected non-gold exports, as trading partners' growth collapsed, and remittances also fell as borders were closed and activity declined in source-countries. These effects were offset by higher gold export receipts and lower imports, as domestic demand fell. In 2021, these dynamics reversed. Non-gold exports and remittances rebounded as trading partners and remittance-source countries recovered. In contrast, gold export receipts declined as prices fell and not all produced gold was exported, while imports expanded with domestic activity. As a result, the CA deficit reached 7 percent of GDP in 2021. The underlying CA deficit—which assumes all gold is exported in the year it is produced—has been improving since 2019 and measured 4½ percent in 2021.

**Uzbekistan: Current Account Balance**




Sources: National authorities, and IMF staff calculations and estimates.

1/ Assumes all gold produced during a year is exported during that year.

**2. The EBA-lite CA approach suggests that Uzbekistan's economic fundamentals are consistent with a sizeable current account deficit.** Staff's estimate of the 2021 CA norm (i.e., the CA balance consistent with Uzbekistan's economic fundamentals as well as desirable policies) is between -3¾ to -5¾ percent of GDP. The CA norm is largely explained by Uzbekistan's productivity gap relative to the rest of the world and the country's favorable demographics. To close the productivity gap, more capital per worker will be needed, requiring investment to exceed domestic savings. At the same time, a relatively young population, and the expectation of higher future incomes, reduces the need for higher savings to prepare for an aging population. The CA norm assumes policies are set at their desirable levels, which include: (i) a fiscal deficit of 3 percent of GDP; (ii) credit growth in line with nominal GDP growth; and (iii) unchanged levels of international reserves.

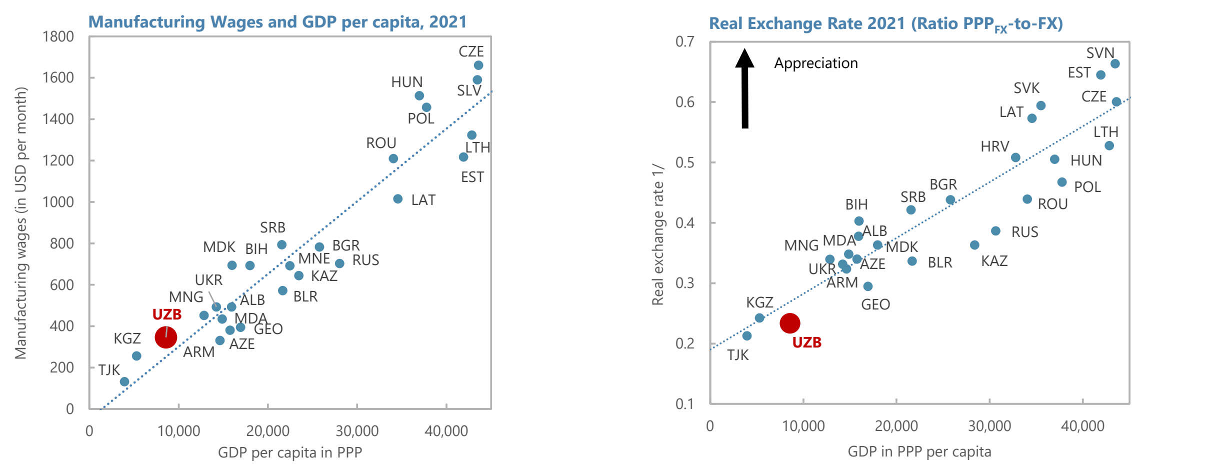
**Uzbekistan: Model Estimates for 2021**
(in percent of GDP, unless otherwise indicated)

| | CA model | REER model |
|---|---|---|
| **CA-Actual** | **-7.0** | |
| Cyclical contributions (from model) (-) | -0.1 | |
| COVID-19 adjustor (+) 1/ | 0.1 | |
| Additional temporary/statistical factors (+) 2/ | 2.5 | |
| Natural disasters and conflicts (-) | -0.1 | |
| **Adjusted CA** | **-4.2** | |
| **CA Norm** (from model) 3/ | **-4.8** | |
| **CA Gap** | **0.5** | **3.1** |
| o/w Relative policy gap | 1.1 | |
| Elasticity | -0.19 | |
| **REER Gap** (in percent) | **-2.9** | **-16.2** |

1/ Additional cyclical adjustment to account for the temporary impact of the pandemic on tourism (0.1 percent of GDP).
2/ Additional adjustement to accounf for deviations of gold exported from the production (+2.5 percent of GDP).
3/ Cyclically adjusted, including multilateral consistency adjustments.

3. **The CA gap implies a small real effective exchange rate (REER) gap**. The difference between the adjusted CA and the CA norm suggests a CA gap of ½ percent of GDP, which should be cautiously interpreted given the high level of uncertainty as a result of the pandemic. Using standard trade elasticities, the REER gap would be only 3 percent, implying the REER is not far from its equilibrium. Other cost competitiveness indicators, such as Uzbekistan's wages in U.S. dollars relative to regional peers (see text chart) or Uzbekistan's real exchange rate measured as the ratio of the PPP-exchange rate to the nominal exchange rate (versus U.S. dollar), are consistent with an assessment of no significant deviations.

**Uzbekistan: Wages and Real Effective Exchange Rate**




Sources: National authorities, and IMF staff calculations and estimates.
1/ E.g., Real exchange = 0.2 means the PPP-FX is ⅕ of the nominal FX (vs USD).

4. **Short-term CA Outlook**. The CA deficit is projected to widen to about 8½ percent of GDP in 2022 due to the spillovers from the war in Ukraine and sanctions imposed on Russia. The restrictions on payments abroad in Russia, the Ruble depreciation, the slowdown in trading partners' growth—especially Russia—is expected to cause a significant drop in remittances. Similarly, non-gold exports and tourism inflows will be negatively affected, while higher exports of gold (due to

higher prices) and a slowdown of imports are anticipated to reduce the pressures on the CA deficit. Staff's projection is conditional on the policies assumed in the baseline, especially more moderate credit growth. Near-term risks include a further worsening of the conflict, slower growth in other key trading partners, a renewed intensification of the pandemic, and delays in reform progress.

5. **Medium-Term CA Outlook**. The CA is projected to gradually converge to a deficit of about 5 percent of GDP, within the range of the estimated current account norm (-3¾ to -5¾ percent of GDP). Uzbekistan's CA norm is in line with the expectations for a transition economy with similar characteristics:

a. Trading-partner import demand is projected to recover in the medium term. Activity in Russia is projected to remain depressed in 2022-23, while China's growth momentum is expected to continue, albeit at a slower pace than in earlier years. Tourism is still below pre-pandemic levels, however, and it is assumed to recover gradually over the next 4 years.

b. The price of gold is assumed to reach US$1,900 per ounce in 2022 and to gradually decline over the next 4 years, while prices of cotton and copper (which rose to record highs in 2021) gradually decline as well.

c. Imports of goods are projected to stabilize at around 31 percent of GDP as investment remains high.

d. After a decline in 2022, remittances are expected to recover to about 9 percent as GDP as the sanctions regime is assumed to be gradually eased.

6. **Assessment.** Uzbekistan's CA position in 2021 is assessed to be broadly consistent with fundamentals and desired policies. The small current account gap and lack of evidence of a cost-competitiveness problem suggest no misalignment. The CA deficit in 2021 can be mainly attributed to the first round of transition and a still relatively high level of capital imports. In the near term, the spillovers from the war in Ukraine will play a key role. The authorities' intention to accelerate WTO accession should help to diversify the economy and support the recovery. In the medium term, the pace of domestic demand growth should be contained through a gradual fiscal consolidation, a balanced credit policy, and a rational SOE-investment policy, in order to avoid the emergence of excessive CA deficits.

## B. Financial Account

7. **Background**. Financial flows have been increasing to cover the higher current account deficits. Since 2018, the government and SOEs—including state-owned banks—have expanded external borrowing, most of which is long term. The main inflows represent loans and international bond issuances, and FDI. On average during 2019–21, net FDI inflows equaled about 3¼ percent of GDP, net loans about 11¼ percent of GDP and portfolio flows (bonds) about 2½ percent of GDP. While official borrowing at concessional rates dominates external borrowing, borrowing at market terms has been increasing. The government and five state-owned companies (including three banks) have placed Eurobonds in last three years that were heavily oversubscribed. In addition, state-owned banks increased borrowing from international commercial banks, official development banks, and

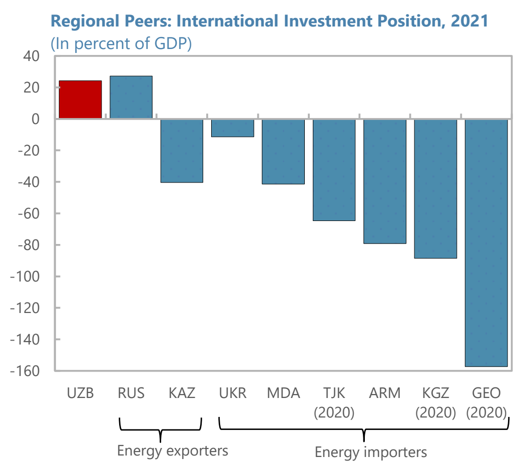
IFIs, which increased banking sector external debt from less than 2 of GDP in 2018 to about 10.5 percent of GDP in 2021.

**8. Assessment**. In the near term, FDI inflows are expected to remain modest and official external borrowing will likely expand, but at lower speed. The government plans to continue tapping the sovereign bond market, provided spreads narrow again, and multilateral institutions remain supportive by providing additional loans to the government for budget financing and investment projects. However, external borrowing has been increasing fast—notably in the banking sector—and more robust debt management is needed to keep risks low.

## C. International Investment Position (IIP)

**9. Background.** Uzbekistan's IIP is stronger than most of its regional peers (see text chart). The robust IIP position is the result of past international reserve accumulation and the desire of the private sector to accumulate large foreign exchange cash holdings. In the last few years, the IIP has weakened somewhat, as external borrowing has expanded to finance large investment projects and larger budget deficits due to the pandemic.

### Uzbekistan: International Investment Position




**Uzbekistan: International Investment Position**
(In Billions of USD)

| | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Assets** | **54.9** | **65.9** | **70.4** |
| Direct investment | 0.2 | 0.2 | 0.2 |
| Other invest.: Deposits and FX cash | 23.4 | 28.1 | 32.1 |
| Other invest.: Others | 2.1 | 2.7 | 2.9 |
| Reserve assets | 29.2 | 34.9 | 35.1 |
| **Liabilities** | **35.1** | **45.6** | **53.6** |
| Direct investment | 9.6 | 10.3 | 11.3 |
| Other investment and portfolio | 25.5 | 35.3 | 42.3 |
| of which: Gov. | 11.7 | 16.1 | 17.9 |
| of which other sectors (incl. SOEs) | 13.3 | 18.7 | 23.2 |
| **IIP** | **19.8** | **20.3** | **16.8** |

Sources: National authorities, and IMF staff calculations and estimates.

**10. The external balance sheet is partially insulated from global financial market volatility**. Foreign assets mainly represent FX reserves and private FX cash holdings. On the other hand, liabilities are largely multilateral and bilateral loans at concessional rates and long maturities. Thus, both assets and liabilities are somewhat insulated from global financial volatility and rollover risks.

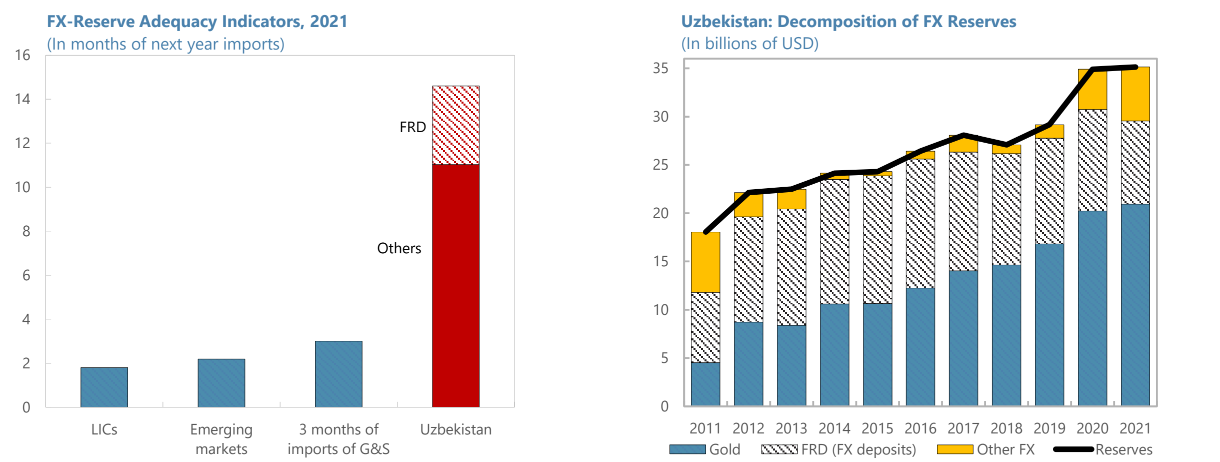
**11. Assessment.** The external balance sheet provides substantial buffers to shelter Uzbekistan from external shocks. Assets and liabilities are largely insulated from global financial market volatility, and liabilities have low rollover risk in the near term, while assets are mainly held in safe assets. However, the fast expansion of external borrowing on market terms by the government, SOEs and state banks is raising medium-term risks.

## D. Reserve Adequacy

**12. Background**. Uzbekistan's international reserves are large by all metrics. At US$35 billion at end-2021, they were equivalent to about 50 percent of GDP or 14½ months of next year's imports of goods and services. Reserves were considerably above the IMF's reserve adequacy metric for emerging markets or developing countries.[1] As a commodity exporter, Uzbekistan is at risk of shocks arising from declines in its main exports. These risks are partially mitigated by the price of gold which tends to provide a hedge against declines in other commodity prices. This effect is magnified, as about half of the international reserves are in gold. As gold prices increase during global recessions, reserve revaluation provides additional capacity to face shocks.

**13. Reserves are high, providing sizable external buffers.** About one fourth of the reserves represent deposits of the Fund for Reconstruction for Development (FRD). However, even if FRD deposits are excluded, Uzbekistan's reserves remain significantly above standard reserve metrics. To efficiently manage these sizable resources, the CBU joined the World Bank's Reserve Advisory and Management Partnership (RAMP) in 2020. This helps to enhance the reserve management and governance framework and build capacity for optimizing the level of reserve holdings over time.

**Uzbekistan: Reserve Adequacy and Decomposition of Foreign Exchange Reserves**

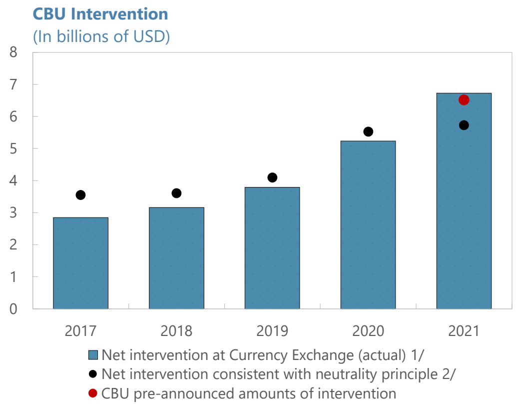



Sources: National authorities, and IMF staff calculations and estimates.

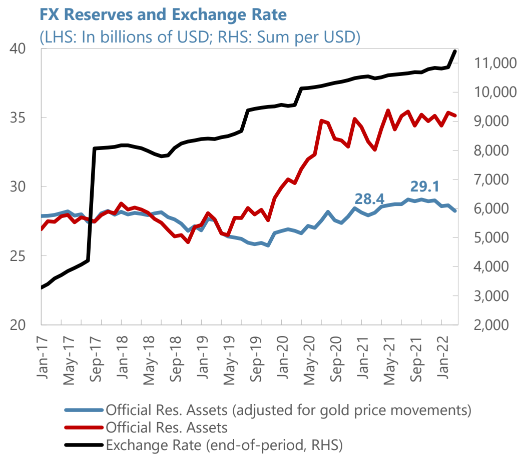
**14. In the last five years, CBU intervention has been broadly in line with the so-called neutrality principle, thus leaving exchange rate trends largely determined by market demand and supply.** The CBU primarily sells foreign exchange to sterilize the funds it injects when purchasing gold from the domestic producers (the neutrality principle). In 2021, most intervention was attributed to the neutrality principle. However, some additional FX sales were used to remove excess liquidity from the banking system, complementing other CBU monetary instruments. The amounts were small (about 10–12 percent of total intervention) and were pre-announced. International reserves, after correcting for the revaluation of gold, have been almost flat over the last years.

[1] Actual reserves are about 1,100 percent of the IMF's reserve adequacy metric (above the 100-150 percent recommended for a floating exchange rate regime) or about 800 percent excluding FX deposits of the FRD.

**Uzbekistan: Interventions of the Central Bank of Uzbekistan and Foreign Exchange Reserves**




1/ From 2021, MoF / FRD FX transactions are outside of the Currency Exchange.
2/ Represents the amount of CBU gold purchases that needs to be sterilized.



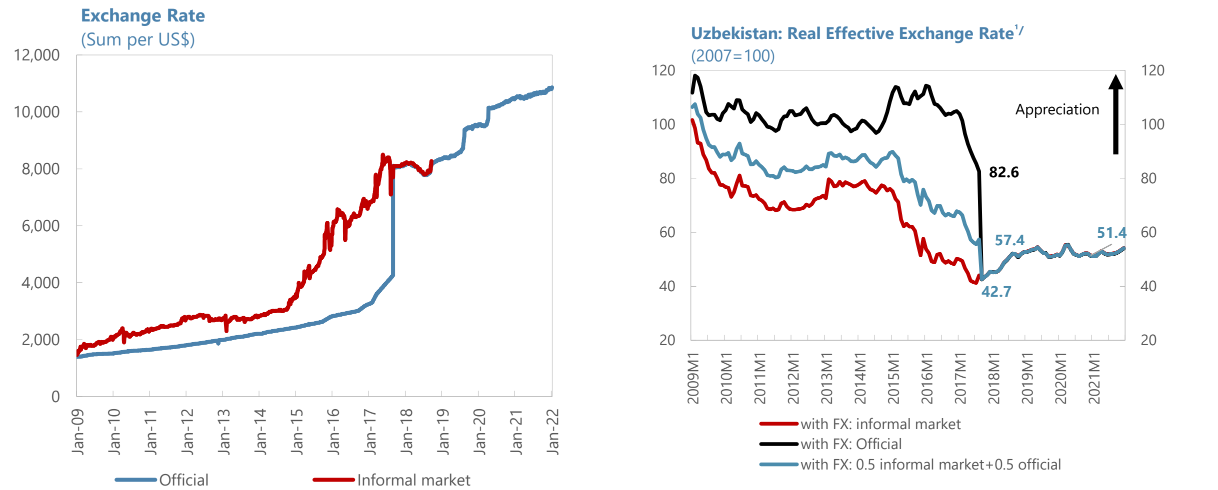

Sources: National authorities, and IMF staff calculations and estimates.

**15. Assessment**. Large international reserves help to ensure that Uzbekistan has access to needed imports and insure against shocks. They are also needed for operational purposes, including smoothing volatility in the foreign exchange market, while allowing the exchange rate to adjust in line with market forces. Staff assesses that Uzbekistan's reserves are adequate for precautionary and operational purposes.

## E. Real Exchange Rate

**16. Background.** In 2017, the authorities unified the official and parallel exchange rates and liberalized access to foreign exchange. Since then, the nominal exchange rate has shown limited daily volatility and a few step depreciations in response to shocks that also affected regional trading partners' currencies. During 2021, the nominal exchange rate depreciated by around 3 percent. Meanwhile, the real effective exchange rate has been relatively stable since late 2018 and during 2021 it appreciated by about 5 percent due to the higher relative prices in Uzbekistan vis-à-vis key trading partners. The *de jure* exchange arrangement is floating, while Uzbekistan's *de facto* exchange rate regime is classified by the IMF as crawl-like, given that the nominal exchange rate path seems highly predictable and that the nominal exchange rate shows limited day-to-day volatility.

**Uzbekistan: Real Effective Exchange Rate**




Sources: National authorities, and IMF staff calculations and estimates.
1/ REER based on CPI (per IMF's INS methodology).

**17. The EBA-lite exchange rate approach (EBA-IREER) is not informative for Uzbekistan due to the large structural break since 2017.** The EBA-IREER depends on the historical trend of the real exchange rate, but the sharp structural breaks complicate the assessment. The EBA-IREER approach suggests that the real exchange rate is weaker than implied by fundamentals and desired policies. Such result seems unrealistic for Uzbekistan's economy, which is running a CA deficit of around 5–7 percent of GDP.[2]

**18. Outlook**. Staff assesses that the real exchange rate will remain broadly stable in the near term but will appreciate in the medium term as relative price adjustments continue in Uzbekistan and productivity increases. In the medium term, the REER is expected to gradually appreciate by about 1½ percent per year, which is conservative considering experiences in other transition economies and assuming productivity gains of 2–3 percent per year.

**19. Assessment.** Subject to the already mentioned data uncertainties and the very high levels of uncertainty due to the war in Ukraine, staff assesses that the 2021 overall external position was broadly in line with the levels implied by fundamentals and desired policies.

[2] This estimation assumes the REER was in equilibrium on average during 2014–2020.

# Annex III. Risk Assessment Matrix[1]

| Risk | Description of Potential Shock | Likelihood / Timeframe | Possible Impact *(if realized)* / Transmission Channels | Policy Advice |
|---|---|---|---|---|
| | | **External Risks and Spillovers** | | |
| **Russia's Invasion of Ukraine / Other Geopolitical Tensions and De-globalization** | Russia's invasion of Ukraine or other geopolitical tensions, cause economic and political disruptions. These may include: higher commodity prices, disorderly migration, production reshoring, a decline in global trade, tighter financial conditions, and lower investor confidence. | **High**<br>**Short to Medium-Term** | **High**<br>Intensified geopolitical tensions could have a disruptive impact on trade and remittances.<br>Spillovers from the conflict have already lowered the baseline. Further worsening could significantly worsen growth, employment, the external balance, and the fiscal deficit. | In the event of an external shock, the authorities should allow the exchange rate to adjust. Monetary policy may need to be tightened further to reduce inflation.<br>The government has room for fiscal stimulus. As during the COVID crisis, the government could provide support to affected firms and households, targeting the most vulnerable. |
| **Rising and volatile food and energy prices** | Commodity prices are volatile and trend up amid supply constraints, the war in Ukraine, export restrictions, and currency depreciations. Gold exports and natural gas | **High**<br>**Short to Medium-Term** | **Medium**<br>Adverse movements could worsen the trade balance and fiscal revenues and contribute to uncertainty that dampens investment. The cost of living could rise further as food and energy prices continue to rise. | In the event of a commodity price shock, the authorities should allow the exchange rate to adjust. The government has room for fiscal stimulus, if necessary, |

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and the overall level of concern at the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short-term" and "medium-term" are meant to indicate that the risk could materialize within one year and three years, respectively.

| Risk | Description of Potential Shock | Likelihood / Timeframe | Possible Impact *(if realized)* / Transmission Channels | Policy Advice |
|---|---|---|---|---|
| | exports were 6 and 1¼ percent of GDP, respectively, in 2021. Oil imports were 2 percent of GDP. | | | supported also by higher gold prices.<br>Continue trade liberalization and structural reforms to promote export diversification and improve competitiveness. |
| **Resurgence in COVID-19** | Outbreaks of lethal and contagious COVID-19 variants lead to subpar or volatile growth and increased divergence across countries. | **High**<br>**Short-Term** | **Medium**<br>A rise in COVID cases could reduce growth and employment, while a slowdown in trading partners' growth could lower exports and remittances.<br>Uzbekistan has continued to grow robustly during the crisis, however, suggesting the impact could be limited. | If necessary, Uzbekistan has room to provide targeted fiscal support to affected sectors. |
| | | **Domestic Risks** | | |
| **Credit boom and/or pandemic weakens bank balance sheets** | With rapid growth of credit and policy lending, returns on lending and bank profits decline while non-performing loans (NPLs) rise. Bank balance sheets weaken. The authorities need to provide more capital to banks. | **Low**<br>**Short Term**<br><br>**Medium**<br>**Medium Term** | **High**<br>Growth of credit to the economy has slowed significantly, but NPLs have increased. Further slowing of credit growth could make it harder for firms to obtain sufficient financing. Providing capital to banks would worsen government finances. | Continue to improve banks' corporate governance, bank supervision, crisis preparedness, and the emergency liquidity framework. Continue to reduce the share of policy loans so that banks finance projects with the highest returns. |

| Risk | Description of Potential Shock | Likelihood / Timeframe | Possible Impact *(if realized)* / Transmission Channels | Policy Advice |
|---|---|---|---|---|
| **Reform Fatigue** | Lack of implementation capacity, disappointment, or impatience with reforms results in popular frustration. | **Low**<br>**Short Term**<br><br>**Medium**<br>**Medium Term** | **High**<br>Significant progress has already been made in "first generation" reforms, such as FX and trade liberalization, tax reforms, budget reform, and introduction of inflation targeting. Remaining reforms are more complex and will require time, careful preparation, and sequencing.<br>Slower reforms could lower investment, productivity, and growth, raising popular frustration. | Reiterate the government's commitment and communicate that reforms need to address current shortcomings (e.g., resource misallocation. insufficient investment in health, education, and infrastructure.)<br>Focus on the highest priorities: liberalizing prices, reforming state enterprises, improving the banking system, upgrading social protection, and improving the business environment. |
| **Ad Hoc State Intervention in the Economy** | State intervention increases, preventing market forces from allocating resources most efficiently. Reliance on decrees on specific issues, results in less coherent and certain policy making and special treatment of certain groups or industries. | **Medium**<br>**Short to Medium Term** | **High**<br>An increase in uncertainty regarding economic policies and lack of a level playing field deters investment. While having a small impact in the short-term, this could significantly reduce GDP over time. | Focus on comprehensive approaches that do not single out particular groups or industries. Have ministries develop and implement specific rules after appropriate consultation. |

| Risk | Description of Potential Shock | Likelihood / Timeframe | Possible Impact *(if realized)* / Transmission Channels | Policy Advice |
|---|---|---|---|---|
| **A Rise in Public Debt** | Public debt has risen rapidly recently and stood at 36 percent of GDP at end-2021. Higher than expected external borrowing raises debt significantly. | **Low to Medium** **Medium-Term** | **Medium** Higher debt service could squeeze out investment and/or social spending. Alternatively, concerns about debt sustainability could increase financing costs. | Implementing planned fiscal rules—reducing the fiscal deficit to 3 percent of GDP, capping commitments of new debt, and limiting public debt to 60 percent of GDP—would significantly reduce the likelihood of this risk. |
| **The Government Must Assume the Debt of Large State Enterprises** | State enterprises remain unprofitable as they are unable to improve operations or must provide public services below cost. The government needs to take over debt service. | **Medium** **Medium-Term** | **Medium** Assumption of state enterprise debt would increase the fiscal deficit and raise the debt to GDP ratio. This could squeeze out other needed spending or raise borrowing costs. | Continue restructuring and privatizing state enterprises, reduce policy lending, and enforce hard budget constraints on SEOs. Have the government take over public services provided by SOEs. |

INTERNATIONAL MONETARY FUND

# REPUBLIC OF UZBEKISTAN

## STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

May 31, 2022


Prepared By

The Middle East and Central Asia Department
(In consultation with other departments)


## CONTENTS

# FUND RELATIONS

(As of April 30, 2022)

The latest data may be found by choosing Uzbekistan and the date on the IMF Members' Financial Data by Country website.

**Membership Status**

| | |
|---|---|
| Date of membership: | September 21, 1992 |
| Status: | Article VIII |

**General Resources Account**

| | SDR Million | Percent Quota |
|---|---|---|
| Quota | 551.20 | 100.00 |
| IMF Holdings of Currency | 734.75 | 133.30 |
| Reserve Tranche Position | 0.01 | 0.00 |

**SDR Department**

| | SDR Million | Percent Quota |
|---|---|---|
| Net Cumulative Allocation | 791.09 | 100.00 |
| Holdings | 794.43 | 100.42 |

**Outstanding Purchases and Loans:**

| | SDR Million | Percent Quota |
|---|---|---|
| RCF Loans | 92.05 | 16.70 |
| Emergency Assistance (RFI) | 183.55 | 33.30 |

**Latest Financial Commitments**

**Arrangements:**

| Type | Date of Arrangement | Expiration Date | Amount Approved (SDR Million) | Amount Drawn (SDR Million) |
|---|---|---|---|---|
| Stand-By Arrangement | Dec 18, 1995 | Mar 17, 1997 | 124.70 | 65.45 |

**Outright Loans:**

| Type | Date of Commitment | Date Drawn/Expired1/ | Amount Approved (SDR Million) | Amount Drawn (SDR Million) |
|---|---|---|---|---|
| Rapid Financing Instrument | May 18, 2020 | May 20, 2020 | 183.55 | 183.55 |
| Rapid Credit Facility | May 18, 2020 | May 20, 2020 | 92.05 | 92.05 |

1/Undrawn outright disbursements (RFI and RCF) expire automatically 60 days following the date of comment, i.e., the Board approval date.

**Projected Obligations and Projected Payments to the Fund 2/**

(SDR Million; based on existing use of resources and present holdings of SDRs):

| | Forthcoming | | | | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026 |
| Principal | | 45.89 | 91.78 | 55.09 | 18.41 |
| Charges/Interest | 1.95 | 2.68 | 1.62 | 0.32 | 0.01 |
| Total | 1.95 | 48.57 | 93.40 | 55.41 | 18.42 |

2/ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

**Implementation of HIPC Initiative:** Not Applicable

**Implementation of Multilateral Debt Relief Initiative (MDRI):** Not Applicable

**Implementation of the Catastrophe Containment and Relief (CCR):** Not Applicable

**Exchange Rate Arrangements**

Uzbekistan accepted the obligations of Article VIII Sections 2(a), 3, and 4 of the Fund's Articles of Agreement with effect on October 15, 2003 and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions. With the exchange rate unification in September 2017, as well as the adoption and implementation of regulations liberalizing the foreign exchange (FX) regime in Uzbekistan, two exchange restrictions and one an MCP maintained inconsistently with Article VIII were eliminated. Since then, Uzbekistan has maintained an exchange system free from restrictions on the making of payments and transfers for current international transactions. FX is generally freely available for payments and transfers for current international transactions without undue delay.

According to the authorities, the de jure exchange rate arrangement is floating. The exchange rate is determined daily based on the supply and demand for foreign currency established on Uzbekistan's currency exchange. The Central Bank of Uzbekistan (CBU) is a direct buyer of monetary gold produced in Uzbekistan, acting as a supplier in the foreign exchange market in amounts equivalent to the volume of gold purchased from producers. The CBU also intervenes in the foreign exchange market to smooth out undue short-term volatility. Foreign exchange sales by the CBU in the FX market are not directed at affecting the fundamental trend of the exchange rate and are driven exclusively by the aim of sterilizing additional liquidity from CBU purchases of monetary gold. Under the IMF's classification system, the de facto exchange rate arrangement is classified as crawl-like.

**Article IV Consultation**

The Republic of Uzbekistan is on the standard 12-month Article IV consultation cycle. The previous Article IV consultation was concluded on April 22, 2021.

**Safeguards Assessment**

A first-time safeguards assessment of the CBU was completed in March 2022 in connection with the disbursement under the Rapid Credit Facility and the purchase under the Rapid Financing Instrument approved by the IMF Executive Board on May 18, 2020. The assessment found significant vulnerabilities in the safeguards framework at the CBU, which was established as an independent institution in 2019, and is in the process of transitioning and modernizing its operations. The CBU Law sets a good basis for central bank independence, but the governance structures lack the independent oversight needed to balance the autonomy. Accountability and financial reporting need to be strengthened through the adoption and implementation of International Financial Reporting Standards and the publication of audited financial statements. Further, the CBU needs to adopt a policy on external auditor selection and rotation, strengthen the internal audit function, modernize internal governance arrangements for reserves management, develop the framework to operationalize its lender of last resort function, and build capacity to establish enterprise risk management. The IMF is providing technical assistance to facilitate many of these reforms.

**Resident Representative**

The IMF has had a resident representative in Uzbekistan since December 2020. Previously, a resident representative office was open in Tashkent from September 1993 to April 2011.

**Capacity Development**

(Missions to Uzbekistan from April 22, 2021 to April 30, 2022)

| Capacity Development Topic | Mission Period |
|---|---|
| **Communications Department** | |
| 1. Workshop on Central Bank Monetary Policy Communications | January 2022 |
| **Finance Department** | |
| 2. Safeguards Assessment | December 2021 |
| **Fiscal Affairs Department** | |
| 3. Supporting Annual Budget Preparation | April 2021 |
| 4. Strengthening Compliance Risk Management (CRM) in Revenue Administration | June 2021 |
| 5. Developing and Maintaining a Medium-Term Revenue Strategy (MTRS) | June 2021 |
| 6. Fiscal Analysis of Resource Industries (FARI) Model | June 2021 |
| 7. Corporate Income Tax Microsimulation Model | June – September 2021 |
| 8. Managing the Fiscal Costs and Risks from Public-Private Partnerships and State-Owned Enterprises | July-August 2021 |
| 9. Strengthening the Large Taxpayer Office | August – September 2021 |
| 10. Structure of the Local Tax Offices | October – November 2021 |
| 11. Building Capacity to Design, Monitor, and Administer a New Fiscal Regime for Mining and Petroleum | October – December 2021 |
| 12. Strengthening Capacity for Macro-Fiscal and Fiscal Risk Analysis | November 2021 – February 2022 |
| 13. Pension System Assessment | December 2021 |
| 14. Progressing Tax Administration Reform | December 2021 – January 2022 |
| 15. Fiscal Risk Assessment of State-Owned Enterprises | January 2022 |
| 16. Tax Expenditure Assessment | February – March 2022 |
| 17. Assessing and Monitoring Fiscal Costs and Risks of Public-Private Partnerships | March 2022 |
| 18. Development of a Medium-Term Revenue Strategy | April 2022 |
| 19. Budget Preparation and Macro-Fiscal Analysis | April 2022 |

| Capacity Development Topic | Mission Period |
|---|---|
| **Institute for Capacity Development / Joint Vienna Institute** | |
| 20. Financial Programming and Policies 2.0 | May 2021 |
| 21. Enhancing Macroeconomic Modelling Capabilities | December 2021 |
| 22. Enhancing Macroeconomic Modelling Capabilities | April 2022 |
| **Monetary and Capital Markets Department** | |
| 23. Strengthening Monetary Transmission | December 2021 |
| 24. Macro Stress Testing of the Banking Sector | February – March 2022 |
| 25. Developing Local Currency Bond Markets (joint with the World Bank) | April 2022 |
| **Statistics Department** | |
| 26. National Accounts Statistics | May 2021 |
| 27. Producer Price Index | July 2021 |
| 28. National Accounts Statistics | September 2021 |
| 29. Consumer Price Index | October 2021 |
| 30. Public Sector Debt Statistics | October – November 2021 |
| 31. External Sector Statistics | November 2021 |
| 32. Residential Property Price Indices | November – December 2021 |
| 33. National Accounts Statistics and the Industrial Production Index | December 2021 |

# RELATIONS WITH OTHER INTERNATIONAL INSTITUTIONS

(As of April 30, 2022)

**Asian Development Bank:**

- Country page: https://www.adb.org/countries/uzbekistan/main
- ADB project operations: https://www.adb.org/projects/country/uzb

**European Bank for Reconstruction and Development:**

- Country page: https://www.ebrd.com/uzbekistan.html
- EBRD's lending portfolio: https://www.ebrd.com/work-with-us/project-finance/project-summary-documents.html?c38=on&keywordSearch=

**World Bank Group:**

- Country page: https://www.worldbank.org/en/country/uzbekistan
- Overview of Word Bank project list: https://projects.worldbank.org/en/projects-operations/projects-list?lang=en&countrycode_exact=UZ&os=0

# STATISTICAL ISSUES

(As of April 30, 2022)

| I. Assessment of Data Adequacy for Surveillance |
|---|
| **General**: Data are broadly adequate for surveillance purposes, with some shortcomings mainly in national accounts, government finance, and external sector statistics. Additional work is needed to capture the sizeable informal sector. |
| **National Accounts**: The State Committee on Statistics (SCS) has made important progress in improving national account statistics with the goal of implementing the 2008 System of National Accounts (SNA) standards. To do so, the SCS has been improving compilation of financial intermediation services, imputed rent, and output of public administration, and reconciling data on exports and imports from the balance of payments and national accounts. In addition, the SCS has prepared preliminary discrete estimates of quarterly GDP and monthly production.<br><br>The nominal level of GDP remains underestimated due to a large non-observed economy (NOE). The SSC is developing surveys of specific sectors (construction, trade, hotels and restaurants, education, health care and other personal services) to improve estimates of the NOE in line with recommendations of technical assistance (TA) from the IMF's Statistics Department. The SSC is planning a major revision of national accounts in 2024 which will incorporate the results of these surveys as well as the results of the population survey planned for 2023. |
| **Labor statistics** have sizable limitations. Labor statistics (job vacancies, labor, cost and hours worked) definitions need to follow more closely international standards. Quality of employment data in household and enterprises surveys needs to improve. Currently, statistics are produced by the ministry of labor, instead of the statistics office. |
| **Price Statistics**: The SCS produces a monthly consumer price index (CPI) with expenditure weights updated annually. Recent improvements have been made in expanding the sample for the household budget survey and automating missing price imputation. Planned future enhancements include adding coverage of owner-occupied housing in the CPI.<br><br>The SCS compiles and disseminates a monthly producer price index (PPI) for mining and extraction, manufacturing, and utilities, with 2019 reference period production weights. Coverage will be expanded to include PPI for agriculture (planned for by 2022) and for construction. The SSC is expanding coverage to small establishment and improving methods for estimating missing prices.<br><br>The SCS produces export and import price indices. TA assistance is planned to improve the timeliness and compilation methods of these data. A quarterly residential property price index has been disseminated since 2020, and TA on improving compilation methods for these series is ongoing. |

**Government Finance Statistics** (GFS): Detailed data on revenue and expenditure of the consolidated government budget are compiled by the ministry of finance on a monthly basis, following the national presentation, and are available after about four weeks. However, the statistical discrepancy between the financing of the budget based on the above-the-line and below-the-line data remains significant and should be addressed through further improvements to coverage and classification. The fiscal statistics would also be improved through reconciliation of monetary and fiscal financing data on a regular basis.

The authorities present expenditures in the budget according to their own classification system but since the 2020 Budget a presentation based on international standards has been included, alongside the national format, with further improvements planned to align the budget classification to the *Government Finance Statistics Manual 2014* (GFSM 2014*)*. Information on total proceeds from privatization operations and treasury bills is provided on a quarterly basis, and data on issues and repayments of treasury bills are available monthly on request. The Ministry of Finance's Debt Management Office has implemented the UN's Debt Management Financial Analysis System (DMFAS) to improve reporting on debt statistics. However, public sector debt statistics (PSDS) are not yet fully compiled according to international standards, and the authorities have yet to report to the joint World Bank-IMF Quarterly PSDS database.

The authorities have strong commitment to improve fiscal statistics. The authorities started reporting GFSM2001-compliant fiscal data in 2013 and have published annual fiscal data in the IMF's *GFS Database* for the period 2011 onwards. The data cover budgetary general government and have recently been extended to include off-budget accounts of budgetary and extrabudgetary organizations. Further work is required to capture all general government units and operations, including externally financed expenditure and on-lending. The authorities are working to implement the recommendations of the Multi-Topic Statistics Diagnostics Mission of 2021 as well as the Fiscal Transparency Evaluation of 2018 and IMF recommendations on GFS and PSDS from TA activities, including those related to the development of a general government sector financial balance sheet.

**Monetary and Financial Statistics** (MFS): Following the 2019 monetary and financial statistics mission, the Central Bank of Uzbekistan (CBU) started reporting data in standardized report forms, which fed into a country page for Uzbekistan in the *International Financial Statistics (IFS)* in December 2019. Further efforts are needed to improve MFS consistency with other data sets and to develop longer timer series. Data for other financial corporations is submitted to the IMF's Statistics Department and currently under review. The CBU also reports data on some key series of the Financial Access Survey (FAS), including two indicators of the U.N. Sustainable Development Goals.

**Financial Soundness Indicators**: The CBU reports the 16 core financial soundness indicators (FSIs) and 10 additional FSIs for deposit-takers as well as one for real estate market FSI for posting on the IMF's FSI website with a lag of one month. The CBU has improved the FSI reporting frequency from quarterly to monthly and started reporting sectoral financial statements since January 2020. However longer time series are needed.

**External Sector Statistics**: After starting the publication of balance of payments (BOP) and international investment position in 2018, data quality has improved significantly. In 2022, the CBU produced historical data for 2005-2009 and revised data for 2010-2021. Before 2018, BOP and international reserves data were compiled but not published and only limited data on external trade were published. Currently comprehensive reports are published by the CBU and SSC in English, Russian, and Uzbek. The CBU also started disseminating quarterly external debt statistics (QEDS) on the QEDS website. In addition, the CBU started to release a flash estimation of the current account within 15 days after the end of the quarter. However, the reserves data template, which includes information beyond official reserves, is not fully compiled, and only the first table is being published. State agencies are cooperating to obtain the missing data. . There is a need to continue building up the CBU's capacity to compile external sector statistics. To reduce errors and omission, IMF TA has recommended the CBU enhance estimates of flows related to households' foreign exchange cash holdings and refine estimates of exports and imports of goods.

## II. Data Standards and Quality

Uzbekistan participates in the IMF's Enhanced General Data Dissemination System (e-GDDS) since in May 2018 and regularly updates the National Summary Data Page (NSDP) on the SCS website. The authorities are in the process of improving data dissemination with the goal of subscribing to the IMF's Special Data Dissemination Standards (SDDS) by end-2022. To that end, the authorities are working to align data on national accounts, the reserve template, government operations and debt, and external debt with the SDDS requirements.

In early 2021, the authorities undertook a comprehensive statistical diagnostic with assistance from the IMF. The diagnostic found that much progress had been made in many areas including balance of payments, government finance, monetary and financial, national accounts, and prices statistics.

No data ROSC is available.

| Uzbekistan: Table of Common Indicators Required for Surveillance (As of April 30, 2022) | | | | | |
|---|---|---|---|---|---|
| | Date of Latest Observation | Date Received 1/ | Frequency of Data 2/ | Frequency of Reporting | Frequency of Publication |
| Exchange Rates | March 2022 | April 2022 | M | M | M |
| International Reserve Assets and Reserve Liabilities of the Monetary Authorities 3/ | March 2022 | April 2022 | M | M | M |
| Reserve/Base Money | March 2022 | April 2022 | M | M | M |
| Broad Money | March 2022 | April 2022 | M | M | M |
| Central Bank Balance Sheet | March 2022 | April 2022 | M | M | M |
| Consolidated Balance Sheet of the Banking System 4/ | March 2022 | April 2022 | M | M | M |
| Interest Rates 5/ | March 2022 | April 2022 | M | M | |
| Consumer Price Index | March 2022 | April 2022 | M | M | M |
| Revenue, Expenditure, Balance, and Composition of Financing—General Government 6/ | 2021 Q3 | December 2021 | Q, A | Q, A | Q, A |
| Revenue, Expenditure, Balance, and Composition of Financing—Central Government | 2021 Q3 | December 2021 | A | A | A |
| Stocks of Central Government and Central Government Guaranteed Debt 7/ | 2021 Q4 | March 2022 | Q | Q | Q |
| External Current Account Balance | 2022 Q1 | April 2022 | Q | Q | Q |
| Exports and Imports of Goods and Services | 2022 Q1 | April 2022 | Q | Q | Q |
| GDP | 2022 Q1 | April 2022 | Q | Q | Q |
| Gross External Debt | 2021 Q4 | March 2022 | Q | Q | Q |
| International Investment Position | 2021 Q4 | March 2022 | Q | Q | Q |

1/ The date for the latest observation and the date received reflect when data was transmitted to the area department.
2/ Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Irregular (I); Not Available (NA).
3/ Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.
4/ Foreign & domestic bank and domestic nonbank financing.
5/ Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
6/ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
7/ Currency and maturity composition are not reported regularly.

INTERNATIONAL MONETARY FUND

# REPUBLIC OF UZBEKISTAN

May 31, 2022

## STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS


Approved By

**Thanos Arvanitis and Uma Ramakrishnan (IMF) and Lalita Moorty and Marcello Estevão (IDA)**

Prepared by the International Monetary Fund and the International Development Association.


| | |
|---|---|
| **Risk of External Debt Distress** | Low |
| **Overall Risk of Debt Distress** | Low |
| **Granularity in the Risk Rating** | Not Applicable |
| **Application in Judgement** | No |

*Staff assesses Uzbekistan's risk of external debt distress as low[1] and debt carrying capacity as strong.[2] Under the baseline scenario, public and publicly guaranteed (PPG) external debt and total external debt peak in 2022 at 37 and 62 percent of GDP, respectively, before declining over the medium term. These paths are modestly lower than in the previous DSA of April 2021, due to higher-than-expected GDP and lower-than-expected borrowing in 2021. Under stress scenarios, all indicators would remain well below relevant thresholds. The probability that these risks will be realized is higher than in the previous DSA, given the war in Ukraine.*

*Staff assesses that Uzbekistan's overall risk of debt distress also remains low. Under the baseline scenario, total PPG debt peaks at 38 percent of GDP in 2022 before falling. Like PPG external debt, this debt path is somewhat lower than projected in the previous DSA.*

*Strong buffers, a favorable composition of debt, and government policies should mitigate risks. Foreign exchange reserves are high (15 months of imports at end-2021), and rollover risk is low (as PPG external borrowing is mostly official borrowing at long maturities). The government is also implementing fiscal rules, including annual limits on the fiscal deficit (3 percent of GDP) and on new PPG external debt commitments (US$4.5 billion). In 2022, Uzbekistan is expected to enact a debt law limiting total PPG debt-to-GDP to 60 percent.*

*The authorities are encouraged to continue carefully managing public and external borrowing, improve public investment management and coordination, and develop additional fiscal rules to limit contingent liabilities arising from non-guaranteed debt of state-owned enterprises (SOEs) and the debt of public-private partnerships (PPPs).*

[1] This DSA was prepared jointly by IMF and World Bank staff and is based on the Joint Bank-Fund Low-Income Country Debt Sustainability Analysis (LIC-DSA) methodology.

[2] Uzbekistan's Composite Indicator score is 3.19 based on data from the April 2022 World Economic Outlook and 2020 Country Policy and Institutional Assessment (see Text Table 4).

# BACKGROUND

## A. Public Debt Coverage

1. **Public debt coverage is broad** (text table 1). Public debt included in this analysis comprises public and publicly guaranteed debt (PPG) of the central, local, and state governments, extra-budgetary funds (including the pension fund), and state enterprises. At end-2021, total PPG debt amounted to 35.8 percent of GDP, of which public debt was 26.0 percent of GDP and publicly guaranteed debt was 9.6 percent of GDP. PPG debt does not include non-guaranteed debt of state enterprises and debt of PPPs. Non-guaranteed debt of state enterprises was estimated at 17.5 percent of GDP at the end of 2021, of which non-guaranteed debt of state banks was estimated at 9.5 percent of GDP, of non-financial public corporations (NFPCs) was estimated at 6.7 percent of GDP, and of joint ventures (JVs) was estimated at 1.3 percent of GDP. PPG debt also does not include public-private partnership (PPP) debt, which was estimated at 14.5 percent of GDP at end-2021. The government does not have outstanding debt to the central bank. External debt is based on residency.

**Text Table 1. Debt Coverage**

| | Subsectors of the public sector | Sub-sectors covered |
|---|---|---|
| 1 | Central government | X |
| 2 | State and local government | X |
| 3 | Other elements in the general government | X |
| 4 | o/w: Social security fund | X |
| 5 | o/w: Extra budgetary funds (EBFs) | X |
| 6 | Guarantees (to other entities in the public and private sector, including to SOEs) | X |
| 7 | Central bank (borrowed on behalf of the government) | X |
| 8 | Non-guaranteed SOE debt | |

2. **Contingency stress tests are based on standard parameters with the exception of non-guaranteed SOE debt** (text table 2). Standard shocks are used for PPPs (35 percent of the outstanding stock) and the financial market default (5 percent of GDP). As non-guaranteed SOE debt is substantial (17.5 percent of GDP), the shock is assumed to be 35 percent of the outstanding stock, or 6.1 percent of GDP, rather than the standard shock of 2 percent of GDP.

**Text Table 2. Magnitude of Contingent Liability Shocks**

| | | | | | |
|---|---|---|---|---|---|
| 1 | **The country's coverage of public debt** | The general government, central bank, government-guaranteed debt | | | |
| | | **Default** | | **Used for the analysis** | **Reasons for deviations from the default settings** |
| 2 | Other elements of the general government not captured in 1. | 0 | percent of GDP | 0.0 | |
| 3 | SoE's debt (guaranteed and not guaranteed by the government) 1/ | 2 | percent of GDP | 6.1 | Non-guaranteed SoE debt stock (17.5% of GDP) * shock (35%) |
| 4 | PPP | 35 | percent of PPP stock | 5.1 | PPP debt stock (14.5% of GDP) * shock (35%) |
| 5 | Financial market (the default value of 5 percent of GDP is the minimum value) | 5 | percent of GDP | 5.0 | |
| | **Total (2+3+4+5) (in percent of GDP)** | | | 11.1 | |

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.).

## B. Background on Debt and Short-Term Developments

**3. Uzbekistan's public and external debt has risen rapidly over the last few years but leveled off in 2021** (see Table 2). At the end of 2021, total PPG debt was 35.8 percent of GDP (US$ 24.2 billion). Of this amount, PPG external debt was 35.0 percent of GDP (US$ 23.8 billion), down by one percentage point of GDP from a year earlier, while government domestic debt remained below 1 percent of GDP (only 2 percent of total PPG debt). Total external debt (the sum of PPG debt, non-guaranteed SOE debt, PPPs, and private external debt) was 57.8 percent of GDP (US$ 39.5 billion) at end-2021, up one-half percentage point from a year earlier.

- **In the three years preceding the COVID crisis**, PPG external debt rose from 8 percent of GDP at end-2016 to 28 percent of GDP at end-2019. There were three main causes. First, depreciation of the exchange rate, in particular the 48 percent depreciation of the exchange rate in 2017 as Uzbekistan unified its exchange rates and liberalized its foreign exchange regime. This added about 6 percent of GDP to the PPG external debt-to-GDP ratio. Second, the government primary deficit, which had been close to balance in previous years, rose from 0.4 percent of GDP in 2016 to 2.7 percent in 2019, adding about 6 percent of GDP to the PPG external debt-to-GDP ratio. Third, other debt creating flows significantly increased in 2018 and 2019, adding about 10 percent of GDP to the PPG external debt ratio. These flows reflected the authorities' efforts to liberalize the external and financial sectors and to reform the SOE sector by encouraging healthy SOEs to borrow so that bond holders could monitor SOEs and subject them to market discipline.
- **During the COVID crisis**, developments in 2020 and 2021 diverged.
    - **In 2020**, the PPG external debt-to-GDP ratio rose rapidly (by about 9 percent of GDP to 37 percent of GDP) due to a modestly higher primary deficit (of 3.3 percent of GDP) and significant additional SOE borrowing (6 percent of GDP).
    - **In 2021**, however, the higher primary deficit (6 percent of GDP) was completely offset by strong real growth, real exchange rate appreciation, and a net decline in SOE borrowing. As a result, the PPG external debt-to-GDP ratio declined to 35 percent of GDP at year-end.

**4. Uzbekistan primarily borrows from official creditors at long maturities in foreign currencies** (see Text Figure 1). The bulk of PPG debt is public and about a quarter was used for budget support and three-quarters for project financing.

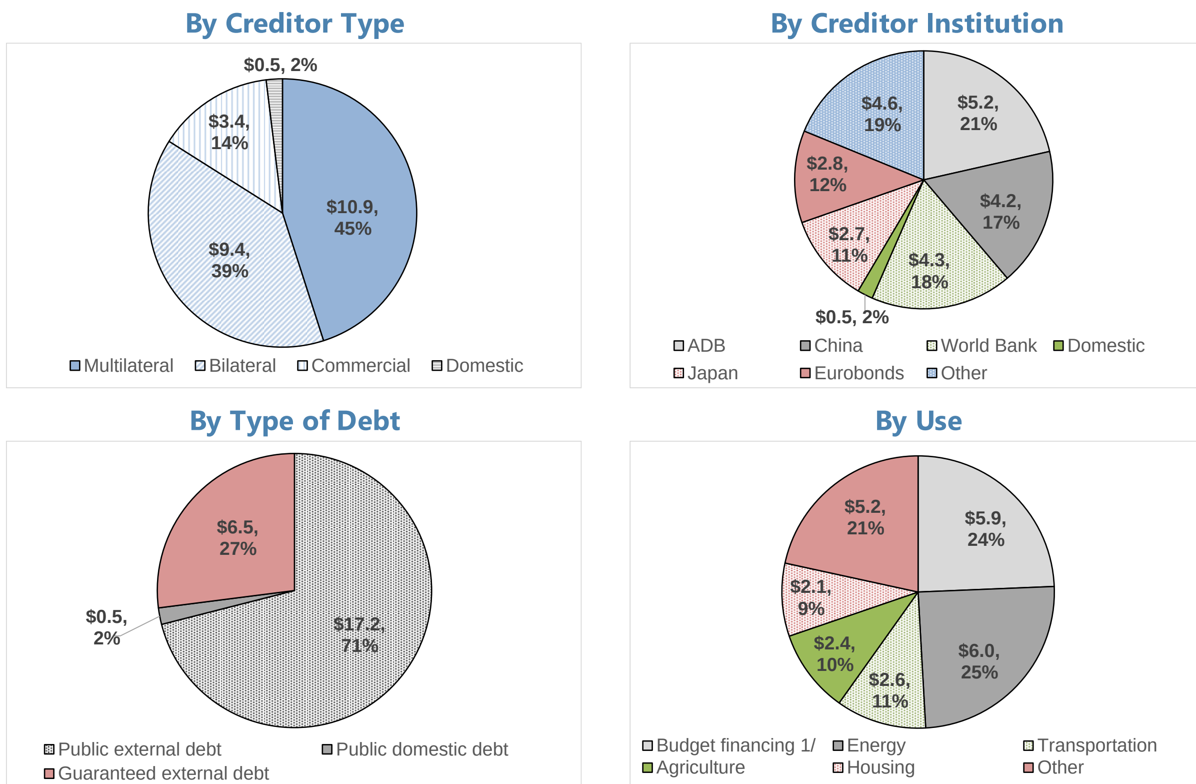
- **Type of Creditor**: As of end-2021, multilateral and bilateral creditors have provided 45 and 39 percent of Uzbekistan's total PPG debt financing, respectively. Among multilateral institutions, the Asian Development Bank and World Bank are the largest creditors. Among bilateral donors, China and Japan are the largest. Commercial borrowing provided 14 percent, of which 12 percent was sovereign bonds and 2 percent commercial borrowing.
- **Public and Guaranteed**: Of total PPG debt, 71 percent is public external debt, 27 percent is publicly guaranteed external debt, while only 2 percent is public domestic debt. Of public domestic debt, about 60 percent has a maturity of less than a year, while about 40 percent has a maturity of 1–5 years. Interest rates are generally close to the central bank policy rate.[3]

[3] At end-2021, the central bank policy rate was 14 percent while consumer price inflation was 10 percent.

- **Use of Debt**: About 24 percent of PPG debt was used for budget financing. The remaining portion was used for project financing, which went primarily to the energy (25 percent), transportation (11 percent), agriculture (10 percent), and housing sectors (9 percent).

**Text Figure 1. Composition of Public Debt, End-2021**

Total = US$ 24.2 Billion (36% of GDP)
External = US$ 23.8 billion (35% of GDP)
Domestic = US$ 0.5 billion (1% of GDP)




1/ includes external donor support and domestic bills & bonds.

Source: Debt Management Office of the Ministry of Finance and IMF staff calculations.

# UNDERLYING ASSUMPTIONS AND COUNTRY CLASSIFICATION

## A. Assumptions for the Macroeconomic Forecast

5. **Compared to the April 2021 DSA, macroeconomic conditions have improved, but the war in Ukraine has clouded the outlook.** In particular:

- **Spillovers from the war**: The main economic links between Russia and Uzbekistan are through remittances and investment financing and to a lesser extent trade, import prices, and the exchange rate. Remittances were close to 10 percent of GDP in 2021, of which almost three-quarters originated from Russia. Similarly, sanctioned Russian banks have been a major source of financing for large projects in Uzbekistan's energy and mining sectors. Alternative financing sources can be found, but this may take time. Regarding trade, Russia accounts for over 20 percent of imports (mainly vegetable oil, sugar, and fuel) and 12 percent of exports (mainly fruits, vegetables, and textiles). Changes in exports and imports are expected to be broadly offsetting. The exchange rate depreciated 5 percent in March 2022 but appreciated afterwards. Global price increases and disruptions in food and fuel markets could also raise prices in 2022.

- **Growth**: In 2020, despite the pandemic, Uzbekistan's real growth remained positive and was revised upwards to 1.9 percent. Agriculture was relatively unaffected (growing about 3 percent). Manufacturing (up 8 percent) and construction (up 9½ percent) remained strong due to government stimulus spending, offsetting sharp declines in the mining (down 22 percent), hotels and food services (down 21 percent), and transportation sectors (down 6 percent).

  In 2021, real growth surged to 7.4 percent. Agriculture (up 4 percent) and manufacturing (up 8 percent) remained strong. Sectors hit by the pandemic rebounded strongly, including mining (up 10 percent), accommodation and food (up 18 percent), and transportation (up 16 percent).

  In the first quarter of 2022, growth measured 5.8 percent. Reported Covid cases had fallen to less than 5 per million per week and about 42 percent of the population had been fully vaccinated. For all of 2022, staff expects growth will slow to about 3–4 percent of GDP due to spillovers from the war in Ukraine.

  Over the medium-term, staff projects Uzbekistan real growth rate will average 5½ percent, about the same as projected in the previous DSA. The medium-term projection reflects a return to trend following temporary shocks (the pandemic, rebound, and spillovers from the war in Ukraine) and projected trend growth rates in agriculture (3–4 percent), manufacturing and retail trade (6–7½ percent), and services (5–6 percent).

- **Inflation**: In 2021, consumer price inflation fell from 11 to 10 percent, in line with the central bank's target. High real interest rates and a stable exchange rate contributed to the decline.

  In 2022, inflation is expected to remain high as food and commodity prices increase due to higher global inflation and spillovers from the war in Ukraine. A possible increase in utility tariffs during the year could further add to inflation.

  Over the medium-term, inflation is projected to gradually decline to 5 percent in line with the authorities' inflation target.

- **Fiscal outlook**: In 2021, Uzbekistan's primary deficit increased to 5.9 percent of GDP as the government continued to provide stimulus (amounting to 5 percent of GDP during 2020-2021) to offset the COVID shock. The largest part came from one-off increases in public investment. The government also increased spending on healthcare, social support, and assistance to enterprises (including via policy loans). Additional spending was partially offset by higher revenues, as gold prices and gold exports (8–9 percent of GDP) are countercyclical.

  In 2022, the government had planned to reduce the primary deficit to about 2.5 percent of GDP. However, with announced support for the economy, including an additional one percent of GDP for social assistance, the primary deficit is expected to be higher at about 3.2 percent of GDP.

  Over the medium-term, there will be some unwinding of support provided in response to the COVID pandemic and spillovers from the war in Ukraine. The primary deficit is projected to fall to 2.3 percent of GDP by 2027. Overall revenues are expected to fall in 2023 as the government implements a reduction in the value added tax, then rise gradually as a share of GDP as the government improves revenue administration and eliminates tax privileges. This will make resources available to boost spending on health, education, and infrastructure to meet the SDGs.

- **External outlook**: In 2021, the non-interest current account deficit rose from to 5.6 percent of GDP from 3.7 percent of GDP in 2020. But this was primarily due to the timing of gold exports.

  In 2022, remittances are expected to fall significantly as fewer Uzbeks are employed in Russia. As a result, the non-interest current account deficit is projected to rise to 6.8 percent of GDP, although the outlook is subject to unusually high uncertainties.

  Over the medium-term, staff expect the non-interest current account deficit to fall to around 3.5 percent of GDP, slightly higher than projected in the previous DSA.

- **Financing Strategy**: Multilateral and bilateral budget financing was lower than projected in 2021, but this was mostly offset by higher bilateral project financing. Both budget and project financing are expected to increase in 2022 as some externally financed projects are shifted from 2021 to 2022 and the government seeks to use official financing to make up for lower sovereign bond issuances.

  <u>External financing is</u> expected to continue to provide most financing over the medium-term. However, the government has indicated that annual budgets will limit PPG external borrowing to US$ 4.5 billion per year (about 5 percent of GDP in 2022) and net issuance of domestic securities to UZS 6.0 trillion. As in the past, about half of future external debt disbursements are expected to be multilateral, about one third bilateral, and the remainder Eurobonds and commercial borrowing. In the near term, about one third of official disbursements are expected to be in the form of budget support, with project financing making up the remainder. The share of budget support is expected to decline over the medium term.

  The DSA assumes no issuance of sovereign bonds in 2022, as risk premia have risen due to the war in Ukraine and the increase in global interest rates. Sovereign bond issuances are expected to restart in 2023 and are projected at about one percent of GDP over the medium-term.

  In 2021, the Fund for Reconstruction and Development (FRD)—whose policy lending is included in the budget—financed its share of the budget (about 2.8 percent of GDP) by drawing down its foreign exchange assets at the central bank. But over the medium-term, FRD financing is projected to be close to zero.

  <u>Domestic financing</u> will come from several sources, including the domestic bond market and privatization receipts (each expected to average about half a percent of GDP over the medium-term). Over the medium-term, the maturity of domestic securities is expected to rise while interest rates fall in line with inflation. The government has also begun to allow foreign investors to purchase domestic securities.

  Following the successful sale of a Coca-Cola bottler in 2021, privatization of some state enterprises is expected to gradually increase over the medium-term with proceeds averaging about half a percent of GDP.

**Text Table 3. Comparison of Key Macroeconomic Assumptions**
(percent of GDP unless otherwise indicated)

| DSA Vintage: | Actual | May 2020 RCF/RFI | | May 2021 Art IV | | Current | |
|---|---|---|---|---|---|---|---|
| **Key macroeconomic variables** (annual averages) | 2016-21 | 2021-26 | 2027-41 | 2021-26 | 2027-41 | 2022-27 | 2028-42 |
| | | | | (percent change) | | | |
| Real GDP growth | 5.1 | 5.2 | 5.1 | 5.4 | 5.1 | 5.0 | 5.1 |
| GDP deflator (UZS) | 2.6 | 8.4 | 5.5 | 7.6 | 3.1 | 8.8 | 5.6 |
| Nominal GDP (UZS) | 7.8 | 14.0 | 10.8 | 13.4 | 8.3 | 14.2 | 11.0 |
| Exports of goods & services (USD) | 6.5 | 10.6 | 7.6 | 14.9 | 7.7 | 14.1 | 7.7 |
| **Fiscal balance** | | | | (percent of GDP) | | | |
| Revenues & grants | 25.8 | 25.3 | 25.7 | 25.3 | 25.7 | 27.9 | 28.7 |
| Primary expenditure | 28.4 | 28.2 | 27.5 | 28.2 | 27.5 | 31.1 | 31.0 |
| Primary deficit | 2.6 | 2.8 | 1.8 | 2.8 | 1.8 | 3.2 | 2.3 |
| Interest expenditure | 0.2 | 0.2 | 0.3 | 0.2 | 0.3 | 0.4 | 0.4 |
| Overall fiscal deficit | 2.8 | 3.1 | 2.1 | 3.1 | 2.1 | 3.6 | 2.7 |
| **External balance** | | | | (percent of GDP) | | | |
| Non-interest current account deficit | 2.6 | 4.1 | 3.4 | 4.8 | 7.6 | 4.6 | 3.3 |
| Current account deficit | 3.6 | 5.0 | 4.2 | 6.4 | 4.3 | 6.2 | 5.0 |

Source: Authorities' data and IMF and World Bank staff estimates

## B. Realism Tools

**6. The realism tools show that Uzbekistan's debt has increased more rapidly than for other low-income countries.**

- **Forecast errors**. Over the last 5 years, the cumulative increases in Uzbekistan's PPG and external debt were 30 percent of GDP, in the top quartile for low-income countries (see Figure 3). For **PPG debt**, the largest, unexpected changes came from primary fiscal deficits and other debt creating flows (additional SOE borrowing, as explained in paragraph 3). For **external debt**, the largest, unexpected change came from the residual (additional SOE borrowing). The second largest factor was exchange rate depreciation, including the 48 percent depreciation in 2017.

  Both PPG and total external debt increases are projected to drop to close to zero over the next 5 years. For PPG debt this reflects higher primary deficits that are offset by real GDP growth, real exchange rate appreciation, and a reduction in government guarantees of SOEs. For external debt, current account deficits and higher interest rates are offset by real GDP growth and real exchange rate appreciation.

- **Fiscal adjustment**. The realism tools (Figure 4) suggest that the projected fiscal adjustment over the next three years is high (in the top quartile) relative to historical adjustments for low-income countries. Staff believes this projection is reasonable given the government's strong commitment to reducing the fiscal deficit, improvements in budgeting, and conservative revenue assumptions.

- **Investment and growth**. In 2021, both investment and growth rebounded in the wake of the COVID crisis. Real investment increased 10.6 percent, while real GDP rose 7.4 percent.

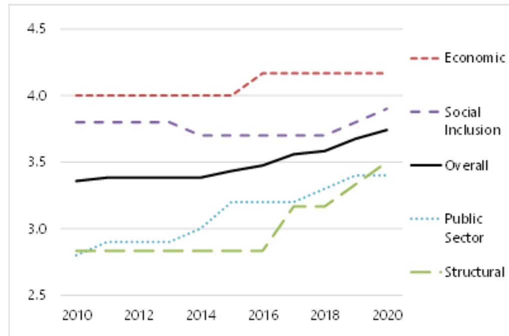
  In 2022–23, government fiscal consolidation and spillovers from the war in Ukraine are expected to significantly slow investment. Many large projects (particularly in the energy sector) receive substantial financing from Russia. Real GDP growth is projected to slow to around 3–4 percent, although there are large uncertainties.

Over the medium-term, staff projects investment will return to trend and real growth to average about 5½ percent.

## C. Country Classification and Determination of Scenario Stress Tests

**7. Uzbekistan's debt-carrying capacity is assessed as strong**. The IMF-World Bank Composite Indicator (CI) score for Uzbekistan has continued to rise, reaching 3.19 in 2020[4] up from 3.16 a year earlier. The strong CI score reflects high international reserves and a good Country Policy and Institutional Assessment (CPIA) rating. Uzbekistan's reserves are equivalent to 15 months of imports. Its overall CPIA score has risen 9 percent over the last 5 years, driven by improvements in the social, public sector, and structural components (see Text Figure 2).

**Text Figure 2. Country Policy and Institutional Assessment, 2010-2020**
**(Score out of 6)**




Source: World Bank.

**Text Table 4. Calculation of the Composite Index of Debt Carrying Capacity**

| Components | Coefficients (A) | 10-year average values (B) | CI Score components (A*B) = (C) | Contribution of components |
|---|---|---|---|---|
| CPIA | 0.39 | 3.7 | 1.41 | 44% |
| Real growth rate (in percent) | 2.72 | 4.9 | 0.13 | 4% |
| Import coverage of reserves (in percent) | 4.05 | 58.0 | 2.35 | 74% |
| Import coverage of reserves^2 (in percent) | -3.99 | 33.6 | -1.34 | -42% |
| Remittances (in percent) | 2.02 | 11.0 | 0.22 | 7% |
| World economic growth (in percent) | 13.52 | 3.1 | 0.41 | 13% |
| CI Score | | | 3.19 | 100% |
| CI rating | | | Strong | |

CI scores are used to classify a country's debt carrying capacity. Countries with CI scores below the 25th percentile (2.69) are classified as weak. Countries with CI scores above the 75th percentile (3.05) are classified as strong. Countries with CI scores in between are classified as medium.

[4] Based on the April 2022 World Economic Outlook and 2020 Country Policy and Institutional Assessment, indicating a strong debt carrying capacity.

# EXTERNAL DSA

**8. Staff assesses Uzbekistan's risk of external debt distress as low**. PPG external debt is projected to rise from 35 percent of GDP at end-2021 to 41 percent of GDP at end-2022. Including private external debt (primarily non-guaranteed debt of state enterprises), total external debt is projected to rise from 57 percent of GDP at end-2021 to 62 percent of GDP at end-2022, before declining over the medium-term (see Table 1). The increase in 2022 is primarily driven by expected depreciation relative to the US dollar as a result of the spillovers from the war in Ukraine, which lowers GDP measured in US dollars. The IMF's External Sector Assessment finds Uzbekistan's real exchange rate in line with fundamentals and assesses it will remain broadly stable in the near-term and appreciate 1-2 percent per year over the medium-term as relative price adjustments continue and productivity increases. Under the baseline scenario, sustainability indicators stay well below risk thresholds.

**9. PPG external debt is most vulnerable to a shock to exports** (see Figure 1 and Table 3). Under a one-standard-deviation shock to exports, the debt service-to-exports ratio would approach, but remain below, the indicative threshold of 21 percent of GDP in 2024, due to the scheduled repayment of a 2019 US$ 500 million Eurobond. The debt service-to-exports ratio is projected to fall thereafter. The most significant other stress scenario is a combination of shocks. Under the market financing scenario, debt indicators would rise slightly above the baseline but remain well below indicative thresholds (see Tables 3 and 4). The projected decline in remittances is expected to cause Uzbekistan's gross financing needs to breach the benchmark of 14 percent of GDP in 2022 before falling back below the threshold in 2023. Despite an increase in the spread on Uzbekistan's 2021 Eurobond, from 265 basis points at the end of 2021 to 380 basis points on May 13, 2022, the spread remains below the DSA benchmark of 570 bps (see Figure 5).

**10. Private external debt is expected to be subject to similar risks**. Most of this debt arises from non-guaranteed external borrowing of SOEs. A shock to exports would likely also worsen indicators for SOEs (e.g., debt service-to-exports). However, SOEs that borrow without guarantees are generally in better shape than other SOEs and have access to foreign exchange (for example, banks and mining companies). In addition, the government has begun categorizing SOEs according to risk, with SOEs in higher risk categories requiring permission to borrow. The government is also planning to limit government guarantees to state enterprises and to develop a framework to limit risks from contingent liabilities from SOEs and PPPs.

# OVERALL RISK OF PUBLIC DEBT DISTRESS

**11. Staff assesses Uzbekistan's overall risk of public debt distress as low**. Total PPG debt is projected to rise from 36 percent of GDP at end-2021 to 38 percent of GDP in 2022, before gradually declining to 32 percent of GDP by 2027. PPG debt is projected to remain stable round 35 percent of GDP thereafter (see Table 2). While the PPG external debt ratio would fall modestly, PPG domestic debt would increase as the government plans to further develop the domestic market for government securities. Multilateral and official bilateral creditors may accelerate financing in the near-term as commercial financing is reduced by spillovers from the war in Ukraine. They will also likely continue to provide the majority of financing over the medium term.

**12. Stress tests suggest Uzbekistan's PPG debt ratios are robust to a wide range of shocks** (see Figure 2 and Table 4). Even under the most extreme scenario (a shock to exports), the PV of debt-to-GDP ratio peaks at 33 percent of GDP, well below the benchmark of 70 percent of GDP. As external debt comprises 98 percent of total PPG debt, greater use of domestic debt could reduce the risk from exchange rate and external financing disruptions. The realization of contingent liabilities (described in text table 2) is the most extreme shock for the public debt service-to-revenue ratio but remains relatively modest, peaking at 20 percent.

**13. The government is implementing fiscal rules to mitigate risks.** Annual budget laws contain limits on the expenditures which are expected to keep fiscal deficits at or below 3 percent of GDP over the medium term. They also limit PPG external borrowing to US$4.5 billion per year and net issuance of domestic securities to UZS6.0 trillion per year. In addition, a public debt law has been passed by both houses of parliament and is expected to be enacted in 2022. It limits overall PPG debt to 60 percent of GDP and requires the government to make proposals to reduce debt if PPG debt reaches 50 percent of GDP. The government is also considering fiscal rules to limit contingent liabilities arising from non-guaranteed debt of SOEs, state-owned banks, and PPPs. It will be important for the government to carefully monitor debt of these entities to reduce these risks.

# RISK RATING AND VULNERABILITIES

**14. Uzbekistan is at low risk of external and public debt distress.** Uzbekistan's economy is transforming and requires significant investment to finance structural changes and modernize the economy. It also wants to achieve its development goals, which include raising growth, creating high quality jobs, upgrading infrastructure, and improving social support systems. Over the last 5 years, as investment and foreign financing have increased, Uzbekistan has seen a significant increase in public debt levels. Nonetheless, Uzbekistan's current level of PPG external debt (35 percent of GDP) is moderate. PPG debt ratios are projected to peak in 2022 and decline thereafter. High international reserves and low rollover risk, due to the long-term maturity of debt, mitigate the risk of debt distress.

**15. Risks could arise from unexpected external shocks or excessive borrowing by state enterprises, and Uzbekistan is implementing fiscal rules**. The DSA suggests the most significant risk could arise from a shock to exports. But even under this scenario debt indicators remain below DSA thresholds. The government has already included limits on the fiscal deficit and on PPG borrowing in the annual budget law. The new debt law limiting PPG debt to 60 percent of GDP is expected to be enacted in 2022. Plans for additional rules to cover non-guaranteed debt of SOEs and PPPs are also welcome. To maintain its strong external position, the government should continue to carefully manage public and external borrowing, improve public investment management and coordination, reduce guarantees of SOE debt, and continue to strengthen the implementation of fiscal rules.

### *Authorities' Views*

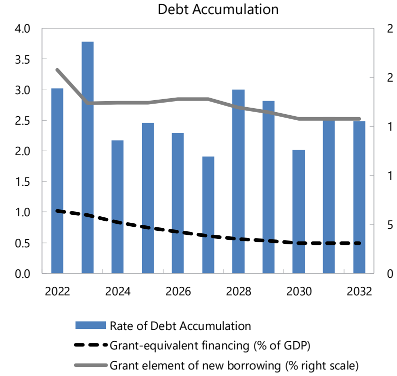
**16. The authorities broadly agreed with staffs' assessment.** They emphasized their commitment to ensuring debt sustainability. They noted the 60 percent limit on public debt in the debt law would anchor their medium-term debt. Operational targets—including a limit on the fiscal deficit of 3 percent of GDP and a US$4.5 billion limit on commitments of new PPG external debt—are calibrated to lower debt levels and provide sufficient space to adjust to economic shocks. They noted they plan to phase out debt guarantees to state enterprises over the medium-term as these enterprises are reformed or privatized. At the same time, they have put in place a system that categorizes the operations of state enterprises as low, medium, or high risk, so that appropriate risk mitigation measures can be taken. They noted concerns about risks arising from PPPs and emphasized they are working to implement a framework to appropriately address these risks, with assistance from development partners, including the World Bank, ADB and the IMF.

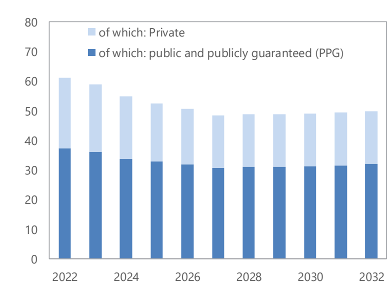
## Table 1. Uzbekistan: External Debt Sustainability Framework, Baseline Scenario, 2021–2042

(In percent of GDP, unless otherwise indicated)

| | Actual | Projections | | | | | | | | Average 8/ | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2032 | 2042 | Historical | Projections |
| **External debt (nominal) 1/** | 57.8 | 61.2 | 59.0 | 54.7 | 52.4 | 50.7 | 48.4 | 49.8 | 48.3 | 29.7 | 52.0 |
| ***of which: public and publicly guaranteed (PPG)*** | 35.0 | 37.4 | 36.1 | 33.7 | 32.9 | 31.9 | 30.7 | 32.0 | 30.6 | 17.3 | 32.7 |
| Change in external debt | 0.3 | 3.4 | -2.2 | -4.2 | -2.4 | -1.7 | -2.2 | 0.5 | -0.3 | | |
| **Identified net debt-creating flows** | -3.7 | 5.1 | 2.5 | 0.9 | -0.5 | -0.9 | -1.0 | -0.8 | -0.8 | -0.9 | 0.2 |
| **Non-interest current account deficit** | 5.6 | 6.8 | 5.5 | 4.4 | 3.4 | 3.7 | 3.6 | 3.4 | 3.3 | 0.8 | 4.0 |
| Deficit in balance of goods and services | 16.4 | 12.7 | 12.1 | 11.3 | 10.5 | 10.5 | 10.5 | 10.5 | 10.5 | 9.3 | 10.9 |
| Exports | 23.7 | 26.8 | 27.5 | 27.1 | 27.7 | 27.6 | 27.6 | 27.6 | 27.6 | | |
| Imports | 40.1 | 39.5 | 39.5 | 38.4 | 38.2 | 38.1 | 38.1 | 38.1 | 38.1 | | |
| Net current transfers (negative = inflow) | -9.2 | -5.7 | -6.2 | -5.9 | -5.9 | -5.8 | -5.7 | -5.7 | -5.7 | -6.6 | -5.8 |
| *of which: official* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Other current account flows (negative = net inflow) | -1.7 | -0.2 | -0.4 | -1.0 | -1.2 | -1.0 | -1.2 | -1.4 | -1.5 | -2.0 | -1.1 |
| **Net FDI (negative = inflow)** | -3.0 | -1.3 | -2.0 | -3.0 | -3.2 | -3.5 | -3.5 | -3.5 | -3.5 | -2.0 | -3.1 |
| **Endogenous debt dynamics 2/** | -6.4 | -0.4 | -1.0 | -0.5 | -0.6 | -1.1 | -1.1 | -0.7 | -0.6 | | |
| Contribution from nominal interest rate | 1.4 | 1.5 | 1.7 | 2.0 | 2.0 | 1.4 | 1.4 | 1.6 | 1.7 | | |
| Contribution from real GDP growth | -3.7 | -1.9 | -2.7 | -2.6 | -2.7 | -2.6 | -2.5 | -2.3 | -2.3 | | |
| Contribution from price and exchange rate changes | -4.0 | ... | ... | ... | ... | ... | ... | ... | ... | | |
| **Residual 3/** | 4.0 | -1.7 | -4.7 | -5.1 | -1.9 | -0.8 | -1.2 | 1.3 | 0.5 | 5.4 | -0.9 |
| *of which: exceptional financing* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| **Sustainability indicators** | | | | | | | | | | | |
| **PV of PPG external debt-to-GDP ratio** | 14.5 | 16.6 | 18.2 | 17.8 | 18.0 | 18.2 | 18.0 | 21.6 | 23.5 | | |
| **PV of PPG external debt-to-exports ratio** | 61.1 | 61.9 | 66.2 | 65.5 | 65.1 | 65.9 | 65.4 | 78.5 | 85.2 | | |
| **PPG debt service-to-exports ratio** | 8.4 | 6.3 | 6.9 | 10.6 | 7.7 | 6.9 | 7.0 | 4.8 | 8.3 | | |
| **PPG debt service-to-revenue ratio** | 7.6 | 5.8 | 7.1 | 10.6 | 7.8 | 6.8 | 6.7 | 4.6 | 8.0 | | |
| Gross external financing need (Million of U.S. dollars) | 8,668 | 11,391 | 10,858 | 11,152 | 10,133 | 10,039 | 10,069 | 13,953 | 31,114 | | |
| **Key macroeconomic assumptions** | | | | | | | | | | | |
| Real GDP growth (in percent) | 7.4 | 3.4 | 5.0 | 5.0 | 5.5 | 5.5 | 5.5 | 5.1 | 5.0 | 5.9 | 5.1 |
| GDP deflator in US dollar terms (change in percent) | 7.6 | 2.1 | 6.7 | 9.1 | 6.6 | 5.8 | 5.6 | 2.5 | 1.9 | -3.4 | 4.9 |
| Effective interest rate (percent) 4/ | 2.8 | 2.7 | 3.0 | 4.0 | 4.2 | 3.1 | 3.1 | 3.5 | 3.7 | 2.7 | 3.5 |
| Growth of exports of G&S (US dollar terms, in percent) | 12.9 | 19.4 | 14.8 | 13.0 | 14.7 | 11.3 | 11.3 | 7.7 | 7.0 | 2.2 | 11.9 |
| Growth of imports of G&S (US dollar terms, in percent) | 23.1 | 4.0 | 12.1 | 11.3 | 11.6 | 11.4 | 11.4 | 7.7 | 7.0 | 7.1 | 9.8 |
| Grant element of new public sector borrowing (in percent) | ... | 20.8 | 17.4 | 17.4 | 17.4 | 17.8 | 17.8 | 15.8 | 15.8 | ... | 17.2 |
| Government revenues (excluding grants, in percent of GDP) | 26.0 | 29.0 | 26.9 | 27.0 | 27.5 | 28.1 | 28.7 | 28.7 | 28.7 | 26.3 | 28.3 |
| Aid flows (in Million of US dollars) 5/ | 0.0 | 610.0 | 600.0 | 607.0 | 607.0 | 705.0 | 705.0 | 394.3 | 793.3 | | |
| Grant-equivalent financing (in percent of GDP) 6/ | ... | 1.0 | 1.0 | 0.8 | 0.7 | 0.7 | 0.6 | 0.5 | 0.5 | ... | 0.7 |
| Grant-equivalent financing (in percent of external financing) 6/ | ... | 20.8 | 17.4 | 17.4 | 17.4 | 17.8 | 17.8 | 15.8 | 15.8 | ... | 17.2 |
| Nominal GDP (Million of US dollars) | 69,202 | 73,073 | 81,850 | 93,708 | 105,309 | 117,508 | 130,893 | 203,010 | 400,363 | | |
| Nominal dollar GDP growth | 15.5 | 5.6 | 12.0 | 14.5 | 12.4 | 11.6 | 11.4 | 7.7 | 7.0 | 2.4 | 10.3 |
| **Memorandum items:** | | | | | | | | | | | |
| PV of external debt 7/ | 37.3 | 40.4 | 41.0 | 38.8 | 37.5 | 37.0 | 35.8 | 39.4 | 41.2 | | |
| In percent of exports | 157.3 | 150.7 | 149.2 | 143.1 | 135.5 | 134.0 | 129.8 | 142.9 | 149.6 | | |
| Total external debt service-to-exports ratio | 41.8 | 37.6 | 35.6 | 38.6 | 34.2 | 30.1 | 27.7 | 25.3 | 28.9 | | |
| PV of PPG external debt (in Million of US dollars) | 10,025 | 12,116 | 14,881 | 16,656 | 18,958 | 21,365 | 23,611 | 43,941 | 94,047 | | |
| (PVt-PVt-1)/GDPt-1 (in percent) | | 3.0 | 3.8 | 2.2 | 2.5 | 2.3 | 1.9 | 2.5 | 1.6 | | |
| Non-interest current account deficit that stabilizes debt ratio | 5.3 | 3.4 | 7.7 | 8.6 | 5.7 | 5.4 | 5.8 | 2.9 | 3.6 | | |

| | |
|---|---|
| **Definition of external/domestic debt** | **Residency-base** |
| **Is there a material difference between the two criteria?** | **No** |




Sources: Country authorities; and staff estimates and projections. 0

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Εα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ε=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

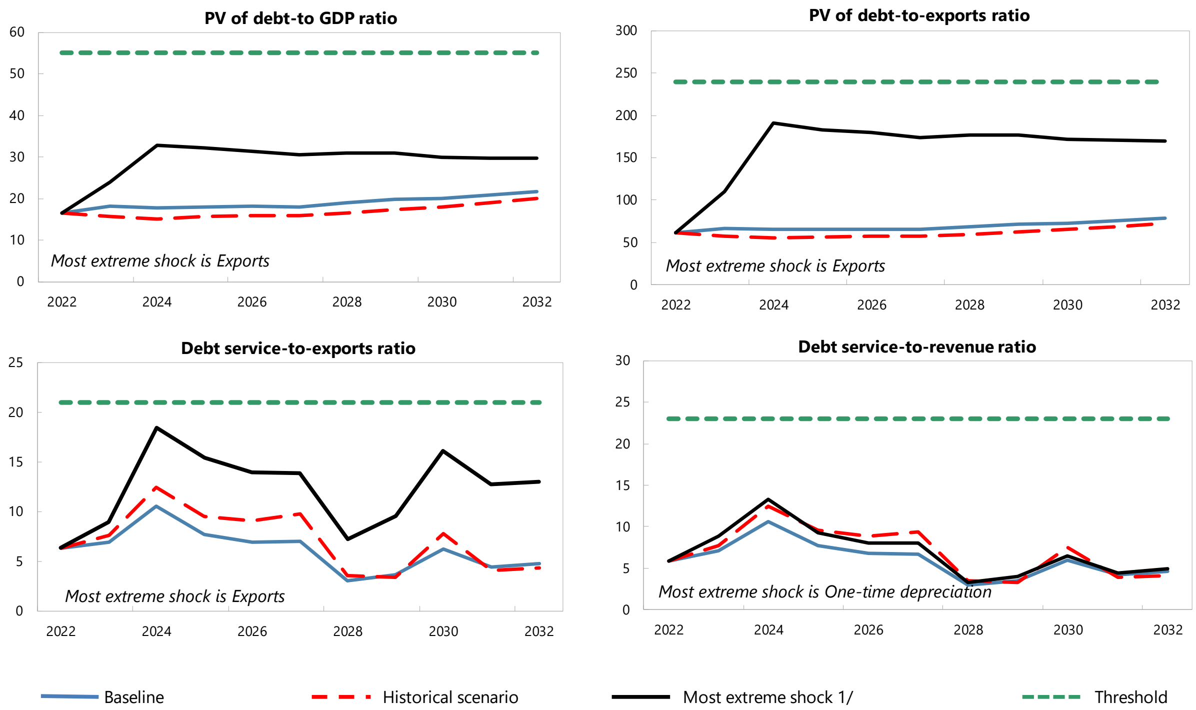
5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

## Figure 1. Uzbekistan: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2022–2032




| Customization of Default Settings | | |
|---|---|---|
| | Size | Interactions |
| **Tailored Tests** | | |
| Combined CLs | Yes | |
| Natural Disasters | n.a. | n.a. |
| Commodity Prices 2/ | n.a. | n.a. |
| Market Financing | No | No |

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

| Borrowing Assumptions for Stress Tests* | | |
|---|---|---|
| | Default | User defined |
| **Shares of marginal debt** | | |
| External PPG MLT debt | 100% | |
| **Terms of marginal debt** | | |
| Avg. nominal interest rate on new borrowing in USD | 3.2% | 3.2% |
| USD Discount rate | 5.0% | 5.0% |
| Avg. maturity (incl. grace period) | 18 | 18 |
| Avg. grace period | 5 | 5 |

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

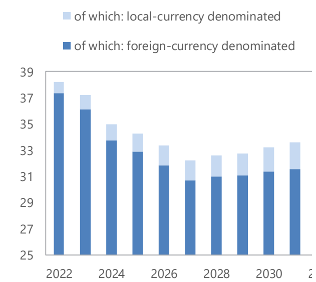
## Table 2. Uzbekistan: Public Sector Debt Sustainability Framework, Baseline Scenario, 2021–2042

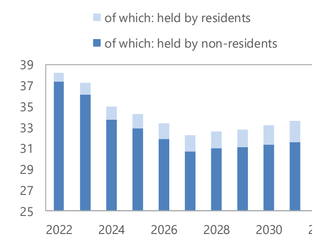
(In percent of GDP, unless otherwise indicated)

| | Actual | Projections | | | | | | | | Average 6/ | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2032 | 2042 | Historical | Projections |
| **Public and publicly guaranteed debt 1/** | **35.8** | **38.2** | **37.2** | **35.0** | **34.3** | **33.4** | **32.2** | **34.1** | **36.6** | **17.5** | **34.2** |
| **of which: PPG external debt** | **35.0** | **37.4** | **36.1** | **33.7** | **32.9** | **31.9** | **30.7** | **32.0** | **30.6** | **17.3** | **32.7** |
| | | | | | | | | | | | |
| Change in public sector debt | -1.9 | 2.4 | -1.0 | -2.3 | -0.7 | -0.9 | -1.1 | 0.5 | 0.2 | | |
| **Identified debt-creating flows** | **-2.2** | **1.4** | **-2.4** | **-2.8** | **-1.1** | **-1.5** | **-1.5** | **-0.2** | **0.3** | **2.4** | **-1.0** |
| **Primary deficit** | **5.9** | **3.2** | **4.8** | **3.1** | **3.3** | **2.6** | **2.3** | **2.3** | **2.3** | **1.0** | **2.8** |
| Revenue and grants | 26.0 | 29.0 | 26.9 | 27.0 | 27.5 | 28.1 | 28.7 | 28.7 | 28.7 | **26.3** | **28.3** |
| *of which: grants* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Primary (noninterest) expenditure | 31.9 | 32.1 | 31.7 | 30.1 | 30.9 | 30.8 | 31.0 | 31.0 | 31.0 | **27.2** | **31.1** |
| **Automatic debt dynamics** | **-5.1** | **-1.0** | **-4.9** | **-4.4** | **-3.0** | **-3.0** | **-2.7** | **-1.4** | **-1.4** | | |
| Contribution from interest rate/growth differential | -3.3 | -3.2 | -2.7 | -1.8 | -1.6 | -1.9 | -1.7 | -1.4 | -1.4 | | |
| *of which: contribution from average real interest rate* | -0.7 | -2.0 | -0.9 | -0.1 | 0.2 | -0.1 | 0.0 | 0.2 | 0.3 | | |
| *of which: contribution from real GDP growth* | -2.6 | -1.2 | -1.8 | -1.8 | -1.8 | -1.8 | -1.7 | -1.6 | -1.7 | | |
| Contribution from real exchange rate depreciation | -1.8 | ... | ... | ... | ... | ... | ... | ... | ... | | |
| **Other identified debt-creating flows** | **-3.1** | **-0.8** | **-2.3** | **-1.5** | **-1.4** | **-1.2** | **-1.1** | **-1.1** | **-0.6** | **1.7** | **-1.3** |
| Privatization receipts (negative) | -0.5 | -0.2 | -0.8 | -0.4 | -0.4 | -0.3 | -0.3 | -0.3 | -0.3 | | |
| Recognition of contingent liabilities (e.g., bank recapitalization) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Debt relief (HIPC and other) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Other debt creating or reducing flow (SOEs' Guarantees) | -2.6 | -0.6 | -1.5 | -1.1 | -1.0 | -0.9 | -0.8 | -0.8 | -0.3 | | |
| **Residual** | **0.4** | **1.1** | **1.5** | **0.5** | **0.3** | **0.6** | **0.4** | **0.8** | **-0.1** | **0.6** | **0.8** |
| | | | | | | | | | | | |
| **Sustainability indicators** | | | | | | | | | | | |
| **PV of public debt-to-GDP ratio 2/** | **15.5** | **18.2** | **19.5** | **19.0** | **19.4** | **19.7** | **19.6** | **24.1** | **29.9** | | |
| **PV of public debt-to-revenue and grants ratio** | **59.8** | **62.7** | **72.6** | **70.6** | **70.3** | **69.9** | **68.2** | **83.9** | **104.0** | | |
| **Debt service-to-revenue and grants ratio 3/** | **9.4** | **8.0** | **9.0** | **13.3** | **10.8** | **10.1** | **10.2** | **10.0** | **25.5** | | |
| Gross financing need 4/ | 5.2 | 4.7 | 4.9 | 5.2 | 4.9 | 4.3 | 4.1 | 4.1 | 9.0 | | |
| | | | | | | | | | | | |
| **Key macroeconomic and fiscal assumptions** | | | | | | | | | | | |
| Real GDP growth (in percent) | 7.4 | 3.4 | 5.0 | 5.0 | 5.5 | 5.5 | 5.5 | 5.1 | 5.0 | **5.9** | **5.1** |
| Average nominal interest rate on external debt (in percent) | 2.1 | 0.2 | 0.4 | 2.1 | 2.6 | 1.5 | 1.9 | 2.5 | 2.9 | **2.1** | **2.1** |
| Average real interest rate on domestic debt (in percent) | -0.6 | 2.0 | 1.5 | 1.4 | 2.8 | 2.4 | 1.7 | 1.5 | 1.4 | **-0.6** | **1.8** |
| Real exchange rate depreciation (in percent, + indicates depreciation) | -5.3 | ... | ... | ... | ... | ... | ... | ... | ... | **10.0** | **...** |
| Inflation rate (GDP deflator, in percent) | 13.6 | 11.6 | 13.1 | 10.6 | 6.3 | 5.6 | 5.6 | 5.6 | 5.6 | **15.0** | **7.3** |
| Growth of real primary spending (deflated by GDP deflator, in percent) | 15.3 | 4.3 | 3.4 | -0.2 | 8.1 | 5.2 | 6.4 | 5.1 | 5.0 | **8.5** | **4.9** |
| Primary deficit that stabilizes the debt-to-GDP ratio 5/ | 7.8 | 0.7 | 5.7 | 5.4 | 4.0 | 3.5 | 3.4 | 1.8 | 2.1 | **-1.3** | **2.9** |
| PV of contingent liabilities (not included in public sector debt) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |

| | |
|---|---|
| **Definition of external/domestic debt** | **Residency based** |
| **Is there a material difference between the two criteria?** | **No** |

Public and publicly guaranteed debt 1/




Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The general government, and government-guaranteed debt. Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

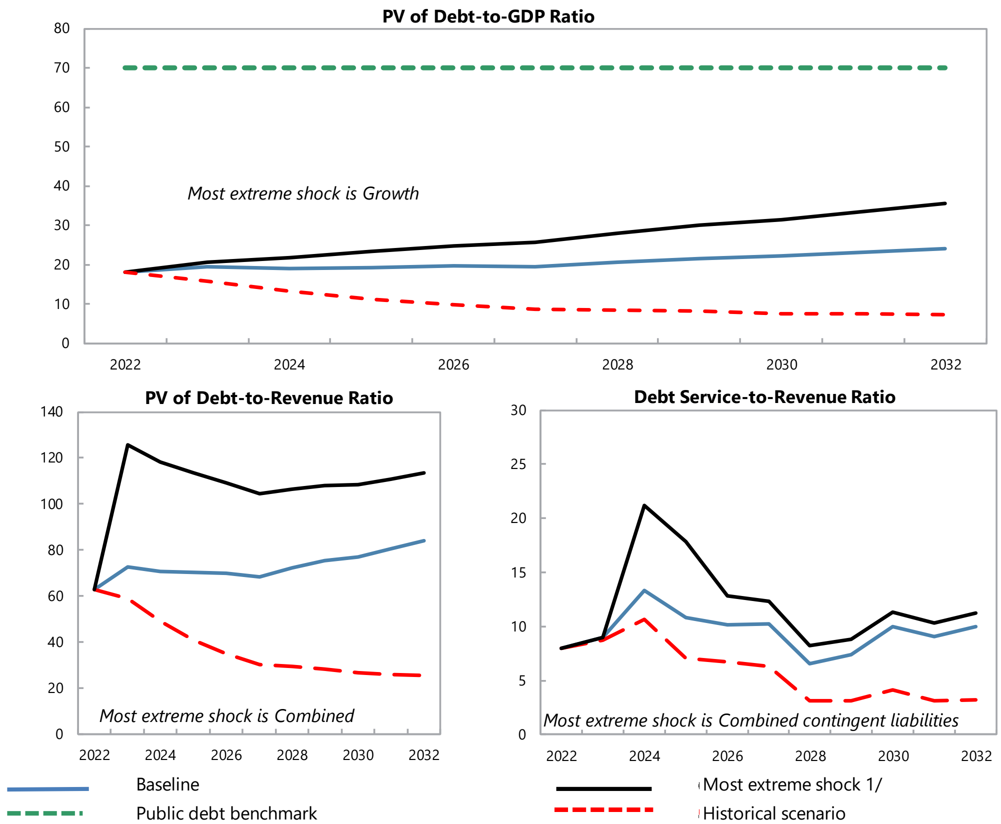
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

## Figure 2. Uzbekistan: Indicators of Public Debt Under Alternative Scenarios, 2022–2032




| Borrowing Assumptions for Stress Tests* | Default | User defined |
|---|---|---|
| **Shares of marginal debt** | | |
| External PPG medium and long-term | 80% | 80% |
| Domestic medium and long-term | 10% | 10% |
| Domestic short-term | 16% | 10% |
| **Terms of marginal debt** | | |
| External MLT debt | | |
| Avg. nominal interest rate on new borrowing in USD | 3.2% | 3.2% |
| Avg. maturity (incl. grace period) | 18 | 18 |
| Avg. grace period | 5 | 5 |
| Domestic MLT debt | | |
| Avg. real interest rate on new borrowing | 1.3% | 1.3% |
| Avg. maturity (incl. grace period) | 2 | 2 |
| Avg. grace period | 1 | 1 |
| Domestic short-term debt | | |
| Avg. real interest rate | -1.0% | 5.0% |

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

## Table 3. Uzbekistan: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2022–32

| | Projections 1/ | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
| | **PV of debt-to GDP ratio** | | | | | | | | | | |
| **Baseline** | 17 | 18 | 18 | 18 | 18 | 18 | 19 | 20 | 20 | 21 | 22 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | 17 | 16 | 15 | 16 | 16 | 16 | 16 | 17 | 18 | 19 | 20 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 17 | 19 | 19 | 19 | 19 | 19 | 20 | 21 | 21 | 22 | 23 |
| B2. Primary balance | 17 | 20 | 23 | 24 | 24 | 23 | 24 | 24 | 24 | 25 | 26 |
| B3. Exports | 17 | 24 | 33 | 32 | 31 | 30 | 31 | 31 | 30 | 30 | 30 |
| B4. Other flows 3/ | 17 | 21 | 23 | 23 | 23 | 22 | 23 | 24 | 23 | 24 | 24 |
| B5. Depreciation | 17 | 23 | 19 | 19 | 20 | 20 | 21 | 22 | 23 | 24 | 25 |
| B6. Combination of B1-B5 | 17 | 25 | 25 | 25 | 25 | 24 | 25 | 25 | 25 | 26 | 26 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 17 | 29 | 29 | 29 | 29 | 28 | 29 | 29 | 29 | 29 | 30 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | 17 | 20 | 20 | 20 | 21 | 20 | 21 | 22 | 22 | 23 | 24 |
| **Threshold** | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 |
| | **PV of debt-to-exports ratio** | | | | | | | | | | |
| **Baseline** | 62 | 66 | 66 | 65 | 66 | 65 | 69 | 72 | 73 | 76 | 78 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | 62 | 57 | 55 | 57 | 57 | 58 | 60 | 63 | 65 | 69 | 72 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 62 | 66 | 66 | 65 | 66 | 65 | 69 | 72 | 73 | 76 | 78 |
| B2. Primary balance | 62 | 73 | 86 | 85 | 85 | 84 | 86 | 88 | 88 | 90 | 93 |
| B3. Exports | 62 | 110 | 191 | 183 | 179 | 174 | 176 | 177 | 171 | 170 | 170 |
| B4. Other flows 3/ | 62 | 76 | 85 | 83 | 83 | 81 | 84 | 86 | 85 | 86 | 88 |
| B5. Depreciation | 62 | 66 | 55 | 55 | 57 | 57 | 61 | 64 | 66 | 70 | 73 |
| B6. Combination of B1-B5 | 62 | 104 | 88 | 122 | 121 | 119 | 123 | 125 | 123 | 125 | 127 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 62 | 107 | 107 | 106 | 105 | 103 | 104 | 106 | 105 | 107 | 109 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | 62 | 67 | 66 | 66 | 67 | 67 | 70 | 73 | 73 | 75 | 78 |
| **Threshold** | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 |
| | **Debt service-to-exports ratio** | | | | | | | | | | |
| **Baseline** | 6 | 7 | 11 | 8 | 7 | 7 | 3 | 4 | 6 | 4 | 5 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | 6 | 8 | 12 | 10 | 9 | 10 | 4 | 3 | 8 | 4 | 4 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 6 | 7 | 11 | 8 | 7 | 7 | 3 | 4 | 6 | 4 | 5 |
| B2. Primary balance | 6 | 7 | 11 | 9 | 8 | 8 | 4 | 5 | 8 | 6 | 6 |
| B3. Exports | 6 | 9 | 18 | 15 | 14 | 14 | 7 | 10 | 16 | 13 | 13 |
| B4. Other flows 3/ | 6 | 7 | 11 | 8 | 8 | 8 | 4 | 5 | 8 | 6 | 6 |
| B5. Depreciation | 6 | 7 | 11 | 7 | 7 | 7 | 3 | 3 | 5 | 4 | 4 |
| B6. Combination of B1-B5 | 6 | 8 | 16 | 12 | 11 | 11 | 5 | 7 | 11 | 8 | 9 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 6 | 7 | 12 | 9 | 8 | 8 | 4 | 5 | 7 | 5 | 6 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | 6 | 7 | 11 | 8 | 7 | 7 | 6 | 6 | 8 | 4 | 5 |
| **Threshold** | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 |
| | **Debt service-to-revenue ratio** | | | | | | | | | | |
| **Baseline** | 6 | 7 | 11 | 8 | 7 | 7 | 3 | 3 | 6 | 4 | 5 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | 6 | 8 | 12 | 10 | 9 | 9 | 3 | 3 | 8 | 4 | 4 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 6 | 7 | 11 | 8 | 7 | 7 | 3 | 4 | 6 | 4 | 5 |
| B2. Primary balance | 6 | 7 | 11 | 9 | 8 | 8 | 4 | 5 | 7 | 6 | 6 |
| B3. Exports | 6 | 7 | 12 | 10 | 9 | 8 | 4 | 6 | 10 | 8 | 8 |
| B4. Other flows 3/ | 6 | 7 | 11 | 8 | 7 | 7 | 3 | 4 | 7 | 5 | 6 |
| B5. Depreciation | 6 | 9 | 13 | 9 | 8 | 8 | 3 | 4 | 7 | 4 | 5 |
| B6. Combination of B1-B5 | 6 | 7 | 12 | 9 | 8 | 8 | 4 | 5 | 8 | 6 | 6 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 6 | 7 | 12 | 9 | 8 | 8 | 4 | 5 | 7 | 5 | 6 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | 6 | 7 | 11 | 8 | 7 | 7 | 6 | 6 | 8 | 4 | 5 |
| **Threshold** | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 |

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

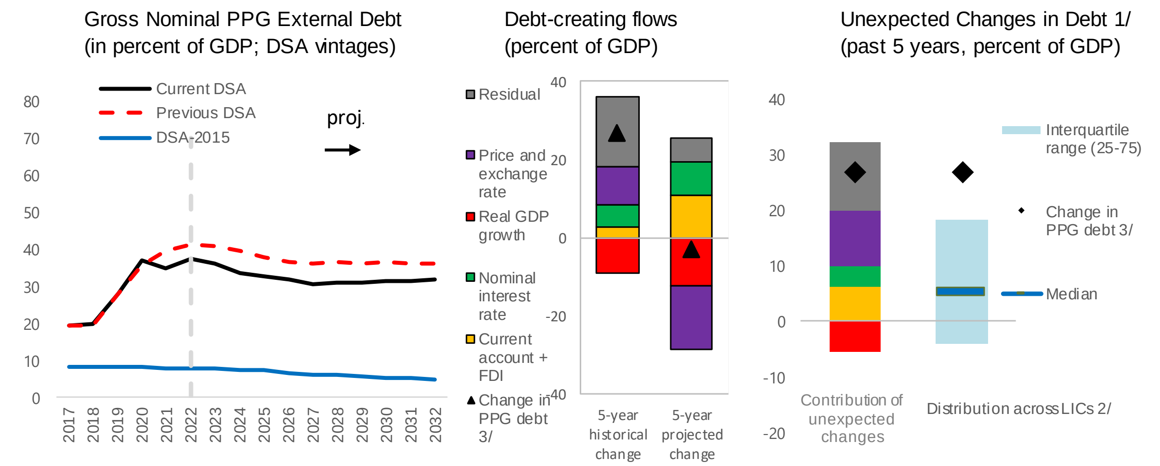
## Table 4. Uzbekistan: Sensitivity Analysis for Key Indicators of Public Debt, 2022–32
(In percent)

| | Projections 1/ | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
| | | | | | PV of Debt-to-GDP Ratio | | | | | | |
| **Baseline** | 18 | 20 | 19 | 19 | 20 | 20 | 21 | 22 | 22 | 23 | 24 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | 18 | 16 | 13 | 11 | 10 | 9 | 8 | 8 | 8 | 7 | 7 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 18 | 21 | 22 | 23 | 25 | 26 | 28 | 30 | 32 | 34 | 36 |
| B2. Primary balance | 18 | 22 | 26 | 25 | 25 | 25 | 26 | 26 | 27 | 27 | 28 |
| B3. Exports | 18 | 25 | 33 | 32 | 32 | 31 | 31 | 31 | 31 | 31 | 31 |
| B4. Other flows 3/ | 18 | 22 | 24 | 24 | 24 | 24 | 25 | 25 | 26 | 26 | 27 |
| B5. Depreciation | 18 | 22 | 19 | 17 | 16 | 14 | 14 | 13 | 12 | 12 | 11 |
| B6. Combination of B1-B5 | 18 | 20 | 21 | 21 | 21 | 20 | 21 | 22 | 22 | 22 | 23 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 18 | 34 | 32 | 31 | 31 | 30 | 31 | 31 | 31 | 32 | 33 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | 18 | 20 | 19 | 20 | 20 | 20 | 21 | 22 | 22 | 23 | 24 |
| **Public debt benchmark** | 70 | 70 | 70 | 70 | 70 | 70 | 70 | 70 | 70 | 70 | 70 |
| | | | | | PV of Debt-to-Revenue Ratio | | | | | | |
| **Baseline** | 63 | 73 | 71 | 70 | 70 | 68 | 72 | 75 | 77 | 81 | 84 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | 63 | 59 | 49 | 41 | 35 | 30 | 29 | 28 | 27 | 26 | 25 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 63 | 77 | 81 | 85 | 88 | 90 | 98 | 104 | 110 | 117 | 124 |
| B2. Primary balance | 63 | 82 | 95 | 92 | 90 | 86 | 89 | 92 | 92 | 95 | 98 |
| B3. Exports | 63 | 92 | 121 | 117 | 112 | 107 | 109 | 110 | 108 | 108 | 108 |
| B4. Other flows 3/ | 63 | 83 | 90 | 88 | 86 | 83 | 87 | 89 | 89 | 91 | 93 |
| B5. Depreciation | 63 | 81 | 70 | 63 | 56 | 49 | 47 | 45 | 42 | 41 | 40 |
| B6. Combination of B1-B5 | 63 | 75 | 79 | 77 | 74 | 71 | 73 | 75 | 75 | 77 | 79 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 63 | 126 | 118 | 113 | 109 | 104 | 107 | 108 | 109 | 111 | 113 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | 63 | 73 | 71 | 72 | 71 | 70 | 73 | 76 | 77 | 80 | 84 |
| | | | | | Debt Service-to-Revenue Ratio | | | | | | |
| **Baseline** | 8 | 9 | 13 | 11 | 10 | 10 | 7 | 7 | 10 | 9 | 10 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | 8 | 9 | 11 | 7 | 7 | 6 | 3 | 3 | 4 | 3 | 3 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 8 | 9 | 14 | 12 | 12 | 12 | 9 | 10 | 13 | 12 | 14 |
| B2. Primary balance | 8 | 9 | 15 | 14 | 12 | 12 | 8 | 9 | 12 | 11 | 12 |
| B3. Exports | 8 | 9 | 14 | 13 | 12 | 12 | 8 | 9 | 13 | 12 | 13 |
| B4. Other flows 3/ | 8 | 9 | 14 | 11 | 11 | 11 | 7 | 8 | 11 | 10 | 11 |
| B5. Depreciation | 8 | 10 | 16 | 12 | 11 | 11 | 6 | 7 | 10 | 8 | 8 |
| B6. Combination of B1-B5 | 8 | 9 | 14 | 12 | 11 | 11 | 7 | 8 | 10 | 9 | 10 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 8 | 9 | 21 | 18 | 13 | 12 | 8 | 9 | 11 | 10 | 11 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | 8 | 9 | 13 | 11 | 11 | 11 | 9 | 10 | 12 | 9 | 10 |

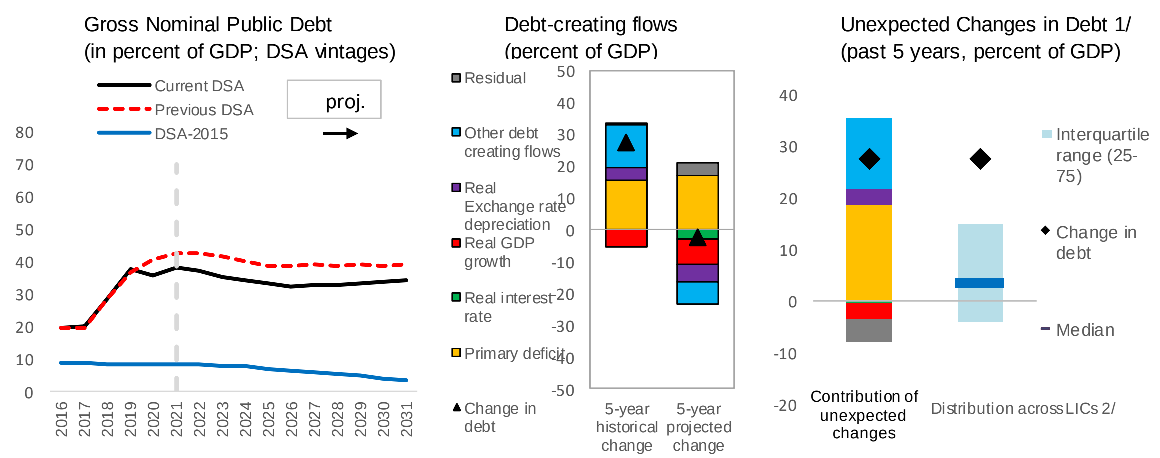
Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

## Figure 3. Uzbekistan: Drivers of Debt Dynamics—Baseline Scenario

### External debt




### Public debt




1/ Difference between anticipated and actual contributions on debt ratios.

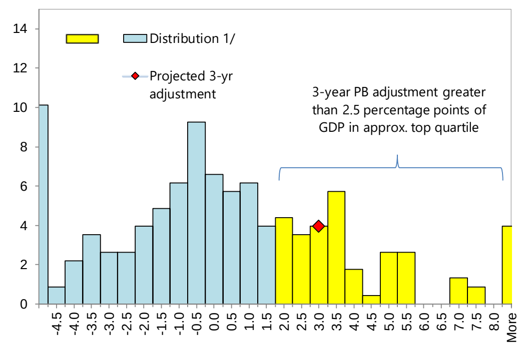
2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Source: IMF staff estimates.

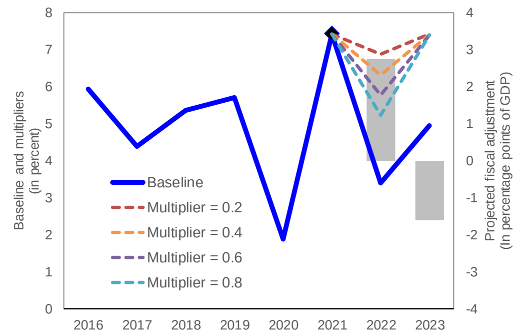
## Figure 4. Uzbekistan: Realism Tools

**3-Year Adjustment in Primary Balance**
(Percentage points of GDP)



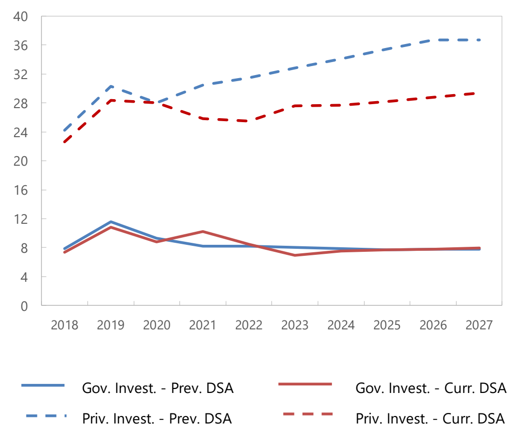

1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

**Fiscal Adjustment and Possible Growth Paths 1/**

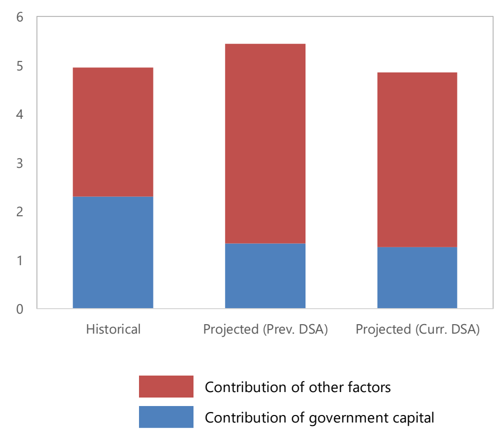



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

**Public and Private Investment Rates**
(percent of GDP)




**Contribution to Real GDP growth**
(percent, 5-year average)

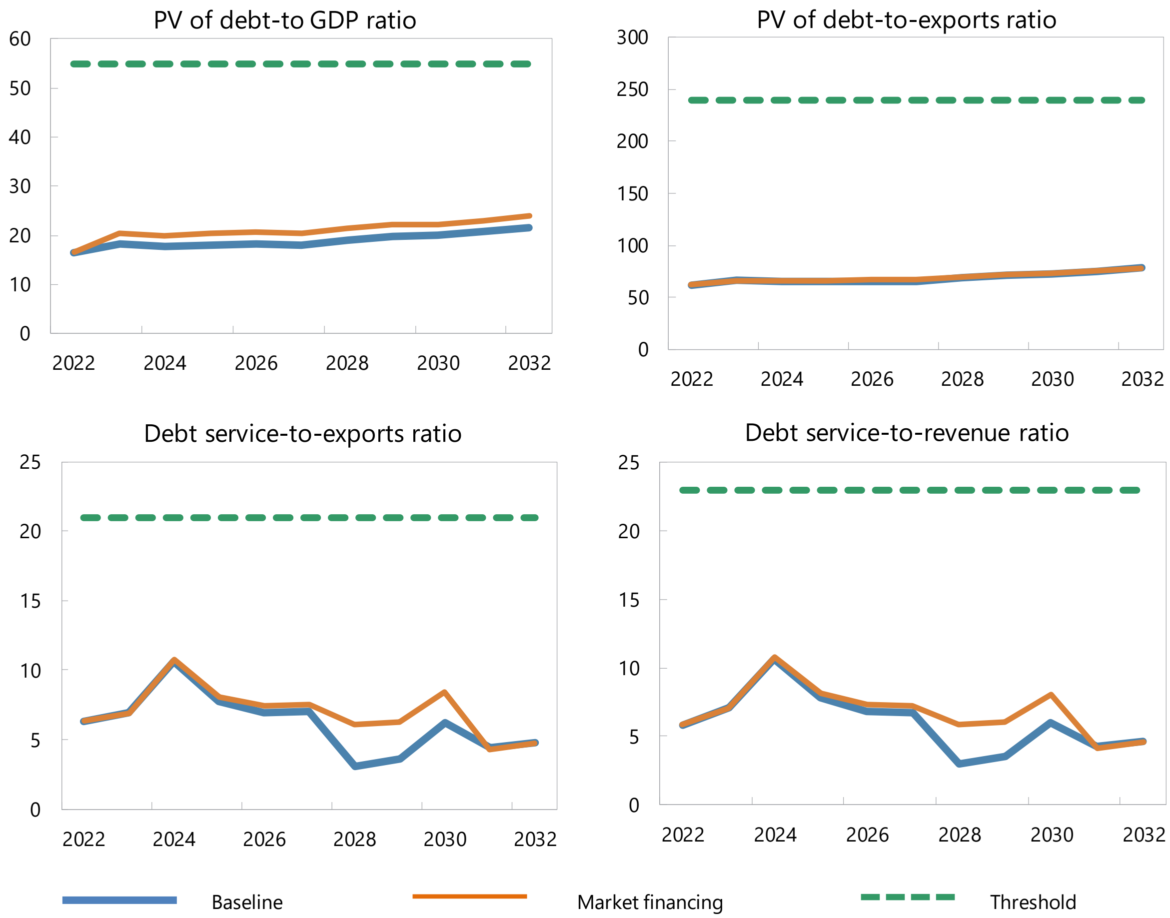


### Figure 5. Uzbekistan: Market-Financing Risk Indicators

| | GFN 1/ | EMBI 2/ | |
|---|---|---|---|
| Benchmarks | 14 | 570 | |
| Values | 14.1 | 360 | As of May 27, 2022 |
| Breach of benchmark | Yes | No | |
| Potential heightened liquidity needs | Moderate | | |

1/ Maximum gross financing needs (GFN) over 3-year baseline projection horizon.

2/ Uzbeksitan is not included in EMBI. Spread from Uzbekistan's 2021 sovereign bond issuance.




Sources: Country authorities; and staff estimates and projections.

**Statement by Mr. Trabinski and Mr. Umrzakov on Republic of Uzbekistan**
**June 15, 2022**

On behalf of our Uzbek authorities, we thank the staff team led by Mr. Ron van Rooden for the thorough assessment of economic developments and policies. The authorities broadly agree with staff's assessment and recommendations. Continuous exogenous shocks over the past two years have required appropriate and timely policy measures, and the authorities greatly value the staff's engagement and advice. We also thank the staff for acknowledging the authorities' efforts and strong commitment to implementing an ambitious market-oriented reform program.

## Outlook and Risks

Uzbekistan has been significantly affected by the pandemic. The authorities responded with a decisive set of policy measures. As a result, growth bounced back from 1.9 percent in 2020 to 7.4 percent in 2021. For 2022, growth was initially projected to land around 6 percent. However, new geopolitical tensions and the sanctions imposed on Russia created new headwinds and pushed the forecast for 2022 down to around 4 percent.

Inflation fell to 10 percent by the end of 2021, owing to the relatively tight monetary policy of the central bank, despite pressures from supply chain disruptions, as well as from global food and energy price increases during the pandemic. Considering the evolution of international food and energy prices, as well as recent wheat price liberalization and planned utility tariff increases in Uzbekistan, inflation is expected to remain elevated this year at around 12-14 percent. In light of the above, the central bank—under transition to an inflation targeting regime—postponed its goal of reaching the inflation target of 5 percent from end-2023 to end-2024.

While the initial negative effects of the war and sanctions on Uzbekistan have been modest, there is still heightened uncertainty around the outlook for the second half of the year and beyond. The authorities are closely monitoring the situation and stand ready to take actions as needed. Risks are tilted to the downside and stem mainly from the evolution of the war in Ukraine, relations with main trading partners, and possible new variants of the COVID-19 virus.

For the medium term, Uzbekistan has set itself ambitious goals, as outlined in the National Development Strategy, including to become an upper middle-income country by 2030. The authorities understand that this target can only be achieved by carrying out deep socio-economic reforms, to which they are fully committed.

**Fiscal Policy**

The authorities are committed to maintaining a prudent fiscal stance by continuing to enhance revenue collection and to improve spending efficiency. During the pandemic, the authorities implemented an expansionary fiscal policy to protect lives and support businesses. This policy was continued and resulted in overall fiscal deficits of 4.4 percent and 6.4 percent in 2020 and 2021, respectively. For 2022, fiscal consolidation will continue while providing some scope for spending to support growth and to protect vulnerable households from the spillovers of the conflict and surging prices. The deficit is projected to be around 4 percent in 2022 and expected to be financed through funding from international financial institutions and, possibly, capital markets.

The authorities agree with staff and intend to further reinforce public financial management by strengthening institutional capacity to analyze and forecast fiscal risks as well as by adopting a medium-term fiscal framework and medium-term revenue strategy to credibly comply with the fiscal rules. We welcome the staff's assessment that Uzbekistan's overall risk of debt distress is low and public debt is on a downward trajectory. The authorities are committed to ensuring debt sustainability and, to this effect, adopted a new Law on Public Debt.

**Monetary Policy**

Monetary policy will continue to focus on containing inflation and better anchoring inflation expectations. The central bank was quick to act during the first days of the external shock in mid-March by raising its policy rate from 14 to 17 percent, which stabilized the foreign exchange market.

Considering recent developments, including the stabilization of the domestic foreign exchange market in April and May and the growth of domestic term deposits in national currency, the central bank cut the policy rate by one percentage point to 16 percent on June 9. The rate cut is aimed at reducing the extra burden on the economy, which was added due to the increase in external risks earlier this year, while simultaneously maintaining "tight" monetary conditions to curb inflationary risks.

Foreign exchange inflows in the form of remittances and foreign direct investments are expected to support supply in the domestic foreign exchange market and thereby help stabilize the exchange rate of the Uzbek soum. Exchange rate stability, in turn, will serve to contain the impact of imported inflation on domestic prices.

**External Sector Assessment**

The authorities broadly agree with the staff's assessment of the external sector. They welcome the staff's recognition of the consistency of the sizeable current account deficits with Uzbekistan's economic fundamentals. Uzbekistan's external position remains resilient, with gross international reserves equivalent to 15 months of imports in 2021.

The authorities took note of the staff's forecast of the current account deficit widening to 8.3 percent GDP in 2022. The authorities agree that there is still significant uncertainty about how the external situation will develop during 2022.

**Financial Sector Policies**

The health of the banking sector will be continuously and closely monitored by the central bank. The authorities will also further strengthen the central bank's risk-based regulatory and supervisory capacity, including to detect and respond to systematic risks. The authorities welcome the staff's recommendation of adopting macro-prudential policies to reduce dollarization and improve banks' funding structure.

Under the privatization program, the authorities are committed to decreasing the share of state banks in the financial sector from currently 81 percent to 40 percent by 2025. While the process of privatization is ongoing, the authorities are improving state-owned banks' governance by appointing independent and professional members to their banks' supervisory boards.

**Structural Policies**

The authorities welcome staff's recommendation to accelerate structural reforms, and they appreciate the advice on the prioritization of reforms. They plan to intensify their efforts to progress with the structural reform agenda with a view to ensuring macroeconomic stability, inclusive economic growth, and a significant reduction in the poverty rate by 2026.

Efforts are underway to create an open and level playing field for businesses. A new competition law is expected to ensure fair competition and to strengthen the Anti-Monopoly Committee's mandate. In addition, the authorities are implementing new measures to eliminate tax and tariff privileges for state-owned enterprises (SOEs) and to open markets for the private sector that were previously restricted to government agencies. These measures will help to achieve the authorities' aim of significantly increasing the share of the private sector in GDP from currently 60 to 80 percent by 2026. While taking into consideration staff's views on the current challenging environment for privatization, the authorities remain on the course to complete their privatization program, as outlined in the Strategy for Management and Reforms in Enterprises with State Participation 2021-2025.

Adapting and building resilience to climate change is also high on the authorities' agenda, given the country's high vulnerability to the impact of climate change. Specifically, the government is targeting to implement "green growth" principles to reduce the economy's energy intensity and carbon emissions by 20 percent until 2026. This multi-dimensional approach aims to increase the share of energy generation from renewables.