INTERNATIONAL MONETARY FUND

IMF Country Report No. 21/85

REPUBLIC OF UZBEKISTAN

2021 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

April 2021

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2021 Article IV consultation with 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 lapse-of-time basis following discussions that ended on February 16, 2021 with the authorities 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 April 6, 2021.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association.

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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IMF Executive Board Concludes 2021 Article IV Consultation with the Republic of Uzbekistan

FOR IMMEDIATE RELEASE

Washington, DC—April 22, 2021: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with the Republic of Uzbekistan and considered and endorsed the staff appraisal without a meeting on a lapse-of-time basis[2].

While the pandemic hit Uzbekistan's economy especially hard in the first half of 2020 and inflicted considerable hardship, the recession was moderated by strong and timely containment and support measures. These included a forceful public health response and the deployment of a set of fiscal, monetary, and financial measures, made possible by substantial buffers owing to prudent macro-economic policies in preceding years, and thanks also to sizable international support. As a result, the economy rebounded sharply in the second half of the year and Uzbekistan was able to post positive overall growth in 2020, at a rate of 1.6 percent. Similarly, while the current account deficit at 5½ percent of GDP was almost equal in size as in 2019, trade flows were considerably depressed. Inflation continued to gradually decline in 2020, but higher increases in food prices kept overall inflation in the low double digits, ending the year at just over 11 percent.

Growth is expected to pick up in 2021. With the rollout of vaccines globally, a recovery of trading partner growth, and building on the domestic recovery, the economy is projected to grow by about 5 percent in 2021. The current account deficit is projected to widen slightly, to about 6½ percent of GDP, as imports are expected to recover faster than exports. Inflation is projected to decline marginally, to just below 10 percent by end-2021 due to food price pressures and government wage increases.

The level of uncertainty is very large, however. The recovery could be delayed by a resurgence of infections, a slower-than-expected rollout of vaccines, or new containment measures, as well as slower growth in Uzbekistan's main trading partners and fluctuations in commodity prices, notably the price of gold.

The humanitarian and economic impact of the pandemic slowed Uzbekistan's transformation to a modern market economy. As the pandemic abates, Uzbekistan will need to secure strong, sustainable, and inclusive growth to narrow the income gap relative to other emerging economies and achieve the Sustainable Development Goals. The authorities will need to continue with wide-ranging structural reforms to help achieve this, including by reducing the

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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.

[2] The Executive Board takes decisions under its lapse-of-time procedure when it is agreed by the Board that a proposal can be considered without convening formal discussions.

role of the state in the economy and creating an environment conducive to strong private sector growth, while expanding the social safety net to protect vulnerable households.

Executive Board Assessment

In concluding the Article IV consultation with the Republic of Uzbekistan, Executive Directors endorsed the staff's appraisal as follows:

Mitigated by the authorities' timely and strong policy response, the COVID-19 pandemic has, so far, had a relatively short-lived adverse impact on Uzbekistan's population and economy. Although the pandemic hit the economy hard in the first half of 2020 and inflicted considerable hardship, strong and timely containment and support measures moderated the recession. These included a forceful public health response and the deployment of a comprehensive set of fiscal, monetary, and financial measures, made possible by substantial buffers owing to prudent macro-economic policies in preceding years and to sizable international support. As a result, activity rebounded in the second half of 2020 and Uzbekistan was among the few countries posting positive growth in 2020.

Uncertainty remains high, however, and continued near-term support is needed. The recovery will depend especially on the vaccine rollout, while new variants of the virus and surges in infections are key risks. Much will depend also on developments in Uzbekistan's main trading partners. The authorities rightly continue to focus on protecting lives and livelihoods and securing enough vaccines for the population. The 2021 budget maintains an appropriate accommodative stance and ensures that the healthcare system and vaccine rollout are sufficiently resourced. If downside risks materialize, the authorities could use fiscal buffers to provide additional, targeted support to households and businesses.

Beyond the near-term, maintaining strong economic fundamentals will require tackling vulnerabilities that have increased due to the pandemic, and restarting income convergence, which temporarily stalled. Public debt, while still at a relatively low level, has almost doubled in a few years' time. Banks' loan portfolios may be affected with a lag. And importantly, incomes remain relatively low compared to other emerging economies, while the social safety net still leaves out many vulnerable households.

The authorities' commitment to continued sound macro-economic policies is welcome, but the withdrawal of fiscal stimulus should be gradual as the pandemic subsides. The authorities are committed to ensure fiscal sustainability, by adopting a set of fiscal rules and reducing the budget deficit in the coming years to place public debt on a downward path. With this, the risk of public debt distress is assessed to remain low. At the same time, the government should create room—by further improving revenue administration and spending efficiency—to allow for a further expansion of the social safety net and additional investment in healthcare and education. Monetary policy remains appropriately focused on lowering inflation, and the CBU should continue to allow exchange rate flexibility. Further improvements are needed in the CBU's supervisory capabilities to better monitor banks and effectively respond to possible banking sector difficulties. Adherence to sound policy frameworks and close coordination among policymakers are essential to maintain macro-financial stability.

As the crisis abates, it will be particularly important to pick up the pace of structural reforms to achieve strong, sustainable, and inclusive economic growth. After years of relative isolation and strict state control, Uzbekistan has come a long way in modernizing its economy. The reform agenda is still large, however, and the economy does not create enough jobs for its growing population. There is a need to reduce the still large role of the state in the economy and to create an environment conducive to strong private sector growth. Of particular importance is the creation of strong and independent institutions necessary for a well-functioning and fair market economy and enhance policy stability and predictability. As many of the reforms in these areas are just starting, Uzbekistan can benefit from other countries' experiences and avoid the pitfalls of poor governance, by ensuring strict adherence to the rule of law and government transparency, facilitated also by increased digitalization.

Uzbekistan: Selected Economic Indicators, 2018-22

	2018	2019	2020	2021	2022
			Est.	Proj.	Proj.
National income 1/					
Real GDP growth (percent change)	5.4	5.8	1.6	5.0	5.3
GDP per capita (in U.S. dollars)	1,543	1,736	1,702	1,780	1,922
Population (in millions)	32.7	33.3	33.9	34.4	35.0
Prices			(Percent change)		
Consumer price inflation (eop)	14.3	15.2	11.1	9.8	10.6
GDP deflator	27.5	18.6	11.9	9.8	11.5
External sector			(Percent of GDP)		
Current account balance	-7.1	-5.8	-5.4	-6.4	-5.9
External debt	34.3	43.9	58.4	62.3	63.8
			(Level)		
Exchange rate (in sums per U.S. dollar; eop)	8,340	9,516	10,477	…	…
Real effective exchange rate (ave, 2015 =100, decline = depreciation)	60.6	64.5	64.6	…	…
Government finance			(Percent of GDP)		
Budget revenues	28.7	28.7	27.6	27.6	27.7
Budget expenditures	30.8	32.6	32.0	33.1	31.6
Budget balance	-2.1	-3.9	-4.4	-5.5	-4.0
Consolidated revenues 1/	27.8	28.1	26.6	26.6	27.0
Consolidated expenditures 1/	26.0	28.3	29.9	30.1	29.8
Consolidated fiscal balance	1.7	-0.3	-3.3	-3.5	-2.8
Policy-based lending	3.9	3.7	1.2	2.0	1.2
Overall fiscal balance	-2.1	-3.9	-4.4	-5.5	-4.0
Public debt	20.3	29.3	37.8	42.1	44.2
Money and credit			(Percent change)		
Reserve money	-1.9	17.8	15.4	10.0	12.1
Broad money	13.2	13.8	17.9	15.7	17.2
Credit to the economy	51.3	23.8	34.4	19.7	17.6

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, and policy lending.

INTERNATIONAL MONETARY FUND

REPUBLIC OF UZBEKISTAN

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION

April 6, 2021

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. Uzbekistan entered the COVID-19 crisis with relatively strong macro-economic fundamentals.

Impact of the pandemic and policy response. The pandemic hit the economy hard in the first half of 2020, inflicting considerable hardship, but the recession was moderated by strong and timely containment and support measures. These included a strong public health response and a comprehensive set of fiscal, monetary, and financial measures, made possible also by sizable international support. This allowed for an easing of restrictions and a rebound in activity in the second half of the year, resulting in a growth rate of 1.6 percent for the year. Nonetheless, the pandemic temporarily halted progress in income convergence and vulnerabilities have increased.

Outlook and risks. Growth is expected to pick up to 5 percent in 2021, but uncertainty remains high. The recovery will depend especially on vaccine rollout, and could be delayed by a resurgence of infections, slower growth in Uzbekistan's trading partners, and fluctuations in commodity prices.

Policy recommendations. In the near-term, macro-economic policies need to stay focused on protecting lives and livelihoods and supporting the recovery. This will need to come mainly from fiscal policy, and fiscal buffers can be used if downside risks materialize. Looking further ahead, policies should focus on maintaining macro-economic stability. Despite the increase in public debt in recent years, Uzbekistan is at a low risk of debt distress. Fiscal policy will need to be gradually tightened in the coming years, after the pandemic subsides, to ensure sustainability. Monetary policy should remain focused on reducing inflation, while allowing exchange rate flexibility.

The pace of structural reforms will need to be accelerated. Reforms have been on the right track and progress understandably slowed due to the pandemic. The agenda is still large, however, and further progress is crucial for achieving strong, sustainable, and inclusive growth. Near-term efforts should focus on strengthening institutions, administrative capacity, governance, the social safety net, and financial intermediation, but most of all on creating an environment conducive to private sector job creation. Medium-term reforms should focus on reducing the role of the state in the economy, improving public service delivery, and further enhancing the social safety net, including pension reform, as well as land and energy sector reforms.

Approved By
Thanos Arvanitis and Uma Ramakrishnan

Discussions with the authorities were held remotely during January 25–February 16, 2021. The staff team comprised Ron van Rooden (head), Moayad Al Rasasi, Ezequiel Cabezon, Lawrence Dwight, Kevin Ross (MCD), and Galina Kostina (local office), with support from Amine Yaaqoubi, Liliya Nigmatullina, and Tatiana Pecherkina.

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CONTEXT

1. **Uzbekistan entered the COVID-19 crisis with relatively strong macro-economic fundamentals.** The economy was growing at a rate of 5–6 percent in the preceding years, reflecting sound macro-economic policies and the implementation of an ambitious reform program that was launched in 2017. The buffers built in recent years, together with large international support, allowed the authorities to respond quickly and effectively to the pandemic.

2. **The humanitarian and economic impact of the pandemic slowed Uzbekistan's transformation to a modern market economy.** After remaining relatively closed until 2016, Uzbekistan changed course dramatically and embarked on a path to open up its economy (see Box 1 with key achievements). With the outbreak of the pandemic, the focus rightly shifted to protecting lives and livelihoods, while safeguarding macro-stability. Although the worst of the pandemic seems to have passed, risks remain large and protecting lives and livelihoods remains the immediate priority, together with setting the stage for a strong recovery.

3. **As the crisis abates, Uzbekistan will need to secure strong, sustainable, and inclusive growth to narrow the income gap relative to its peers.** Per capita incomes averaged nearly US$1,750 in 2019 (about US$11,250 in PPP terms), below the levels seen in many of its peers. Similarly, the growth rate of the working age population outpaced job creation. Many Uzbeks have sought jobs abroad, with the number of migrants rising to 2½ million in 2019, sending the equivalent of 12½ percent of GDP back home in remittances.

4. **Stronger and more sustainable growth will require accelerating structural reforms to attract more private investment.** Despite recent progress, Uzbekistan still lags many of its peers in various structural and governance indicators. Notably, the role of the state in the economy is large. Progress in restructuring and divesting state-owned enterprises (SOEs) and state-owned banks has so far been limited. SOEs account for nearly half of (recorded) output and more than three quarters of tax revenues. Similarly, state-owned banks hold 85 percent of banking system assets. Additionally, there is a need to build strong and independent institutions needed for an efficient market economy.

5. **Presidential elections are scheduled for October 2021.** President Mirziyoyev is running for a second term after being first elected as President in 2016.

6. **Data provision is broadly adequate for surveillance purposes, but shortcomings exist.** These are mainly in national accounts, government finance, and external sector statistics. Capturing the informal sector remains a challenge. Uzbekistan participates in the IMF's Enhanced General Data Dissemination System (e-GDDS) since 2018 and the authorities are working to further improve statistics and data dissemination, with IMF technical assistance, with a view to joining the Special Data Dissemination Standard (SDDS) by end 2022.

Capacity Development, FY20-21

Statistics

- Statistical diagnostic
- National income accounts
- National income accounting for natural resources
- Balance of payments statistics
- Export and import price indices
- Consumer and producer price indices

Box 1. Key Economic Reforms

Reforms that have been implemented since 2017 focused on economic liberalization and improving macro-economic management. Reforms have been in line with IMF advice and supported by IMF technical assistance. Key achievements include:

- *Trade and foreign exchange liberalization:* In 2017, the authorities unified the official and parallel market exchange rates, liberalized access to foreign exchange, and reduced trade tariffs. With this, imports grew rapidly, and the current account moved from a surplus into a deficit.
- *Price liberalization:* Prices of most goods and services have been liberalized, including key food items (flour, bread) and fuel. Utility tariffs have been raised but remain regulated and below cost recovery.
- *Tax Reforms:* The government adopted a considerable reduction in direct taxes on private enterprises and labor in 2019 and widened the tax base, by lowering thresholds and eliminating exemptions and privileges, thus safeguarding revenues. The State Tax Committee established a Large Taxpayers Office that covers the bulk of tax revenues and developed tools for risk profiling.
- *Public financial management reforms:* the finance ministry has incorporated most extrabudgetary funds, externally financed expenditures, and the Fund for Reconstruction and Development (FRD) into the budget. Budget processes and the coverage, quality, and transparency of fiscal reporting have improved, with parliament approving the budget for the first time in 2019. Borrowing limits were included in the annual budget laws and a debt management office was created.
- *Monetary and financial sector reforms:* A new central bank law adopted in 2019 enhanced the Central Bank of Uzbekistan's (CBU) independence, with price and financial stability as its mandate. The CBU is implementing an inflation targeting regime with the goal of reducing inflation to 5 percent by 2023. Interest rates on policy loans were raised from below market levels to the CBU's policy rate. A new banking law was also adopted in 2019, and a banking sector reform strategy in 2020, to substantially reduce the state's role in the banking system. Governance at state-owned banks is improving with the appointment of professional and independent supervisory board members.
- *Agricultural reforms:* The government reduced the amount of arable land assigned to grow wheat and cotton, allowing more space for higher-earning crops. It also raised farm-gate prices for wheat and cotton to market levels and abolished the system of state orders.

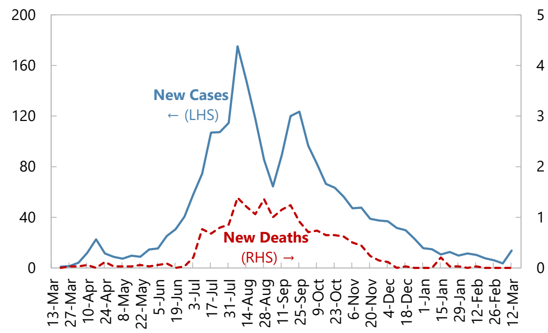
THE IMPACT OF THE PANDEMIC

7. **Uzbekistan, like most other countries, was hit hard by the pandemic in the first part of 2020, adversely affecting its people and economy.** The authorities quickly put in place extensive restrictions on mobility and social distancing requirements to contain the spread of the virus. The number of COVID cases nonetheless increased steadily, reaching a peak of 6,000 new cases per week in early August. Economic activity and trade fell sharply in the second quarter and throughout much of the summer. Some sectors, notably the hospitality sector but also gas exports, came to a near stand-still. As a result of travel restrictions and the decline in activity in other countries, the number of migrants working abroad dropped significantly.

Figure 1. Uzbekistan: COVID and Economic Activity

COVID-19 infections peaked in mid-2020 …

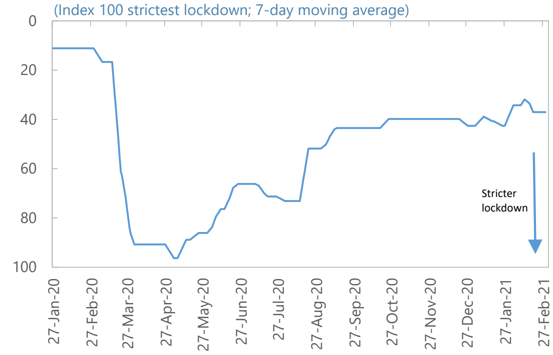
Uzbekistan: New COVID Cases and Deaths
(Cases/deaths per million people, last 7 days)



Sources: IMF staff estimates, based on WHO.

… and initial strict lockdown measures were eased since.

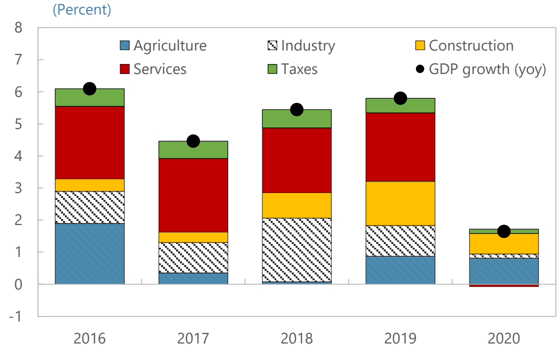
Stringency Index
(Index 100 strictest lockdown; 7-day moving average)



Sources: University of Oxford; and IMF staff estimates.

The pandemic severely affected services…

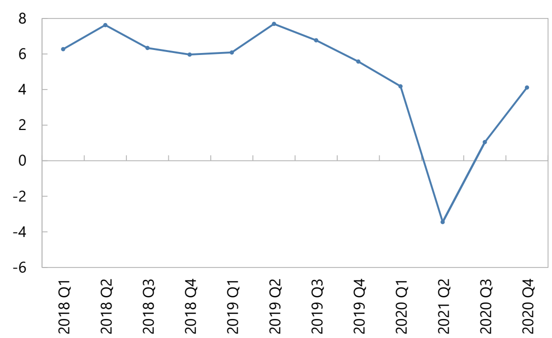
Real GDP Growth - Contributions
(Percent)



Sources: Country authorities; and IMF estimations.

… and activity fell sharply in the second quarter but has been recovering since then…

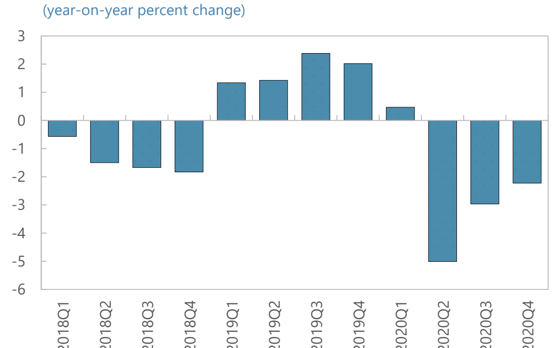
Real GDP Growth
(Percent)



Sources: Country authorities and IMF staff estimates.

… but employment is lagging …

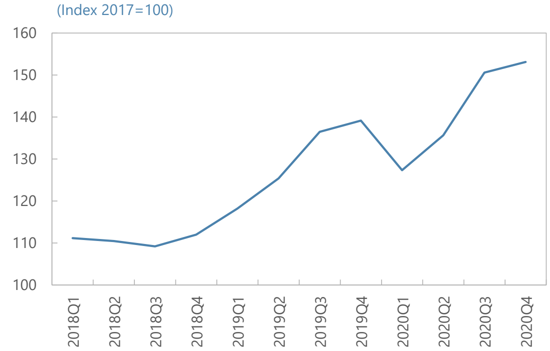
Employment
(year-on-year percent change)



Sources: Country authorities; and IMF staff estimates.

… despite sectors like construction continuing to grow.

Construction Works SA
(Index 2017=100)

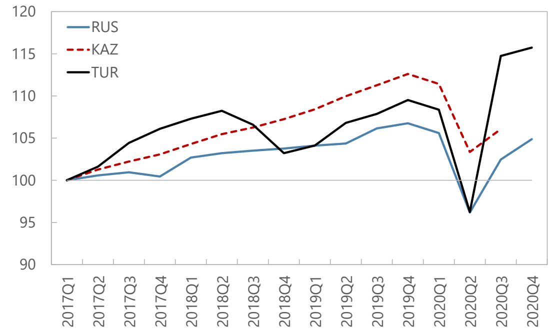


Sources: Country authorities and IMF staff estimates.

Figure 2. Uzbekistan: External Sector Developments

The decline in activity in key trading partners …

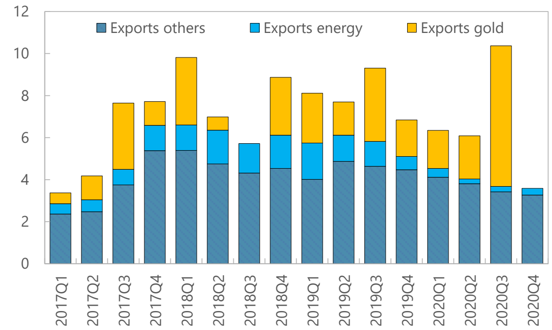
Selected Trading Partners: GDP in U.S. dollars
(Index 2017Q1=100)



Sources: Country authorities; and IMF staff estimates.

… negatively impacted non-gold exports …

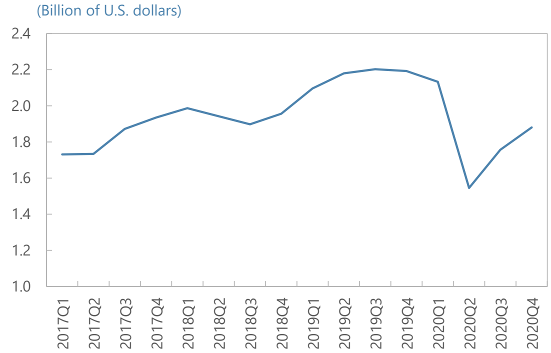
Exports Goods and Services
(Percent of GDP)



Sources: Country authorities; and IMF staff estimates

… as well as remittances …

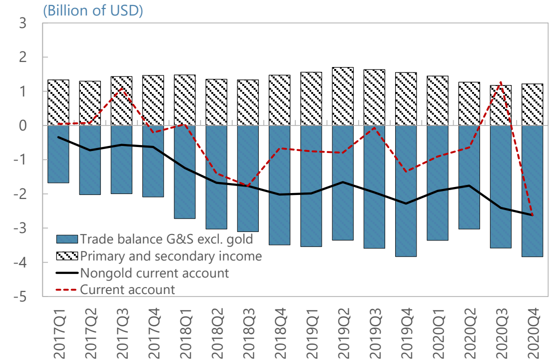
Remittances Seasonally Adjusted
(Billion of U.S. dollars)



Sources: Country authorities; and IMF staff estimates.

… worsening the non-gold current account.

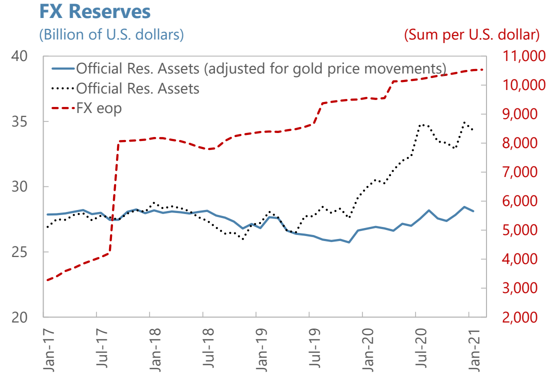
Current Account Balance SA
(Billion of USD)



Sources: Country authorities; and IMF staff estimates.

FX reserves have remained stable (adjusted for gold price movements) …

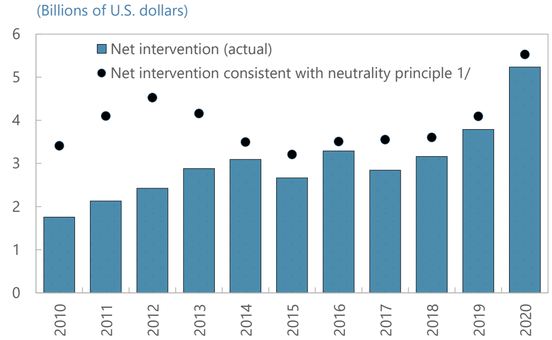
FX Reserves
(Billion of U.S. dollars)



Sources: Country authorities; and IMF staff estimates.

… with intervention in line with offsetting the impact of domestic gold purchases.

CBU Intervention
(Billions of U.S. dollars)



1/ Represents the amount of CBU gold purchases that needs to be sterilized.
Sources: Country authorities and IMF staff estimates.

8. **To mitigate the impact of the pandemic, the authorities quickly put in place a large and targeted support package**. The 2020 budget was amended to provide large additional spending, totaling almost 4 percent of GDP, on healthcare, social assistance, and investment, as well as support for businesses, including through tax relief and financial support. Notably, the number of households receiving social assistance under the main support program was nearly doubled, reaching 1.1 million households by year-end. Much of this additional spending was channeled through the Anti-Crisis Fund, which allowed for greater flexibility in allocating funds to the most pressing needs. The transparency of crisis-related spending was enhanced, with the publication of contract information, including on beneficial ownership, and summary reports. Together with the anticipated loss in revenues, the amended budget envisaged an increase in the overall fiscal deficit (including policy lending) from nearly 4 percent of GDP in 2019 to almost 7½ percent of GDP in 2020. The Central Bank of Uzbekistan (CBU) lowered its policy rate by 200 basis-points to 14 percent, provided additional liquidity to banks, and eased reserve requirements, thus supporting overall liquidity and credit. Banks were encouraged to allow households and affected firms to defer loan payments, providing sizable financial relief.

Uzbekistan: Estimated Stimulus, 2020-2021

(percent of GDP)

	2020 [1]		2021
	Planned	Actual	Budget
Tax Relief	**0.5%**	**0.5%**	**0.2%**
Expenditure	**1.3%**	**1.4%**	**1.0%**
Education	0.2%	0.0%	
Health	0.8%	0.8%	0.3%
Social Safety Net	0.2%	0.3%	0.2%
Economy & Investment	1.7%	1.3%	0.5%
Other	-1.1%	0.1%	
Externally Financed Expenditures	-0.6%	-0.6%	
Reallocation	0.1%	-0.4%	
Budget Deficit	**1.8%**	**1.9%**	**1.3%**
Policy Lending	**2.4%**	**0.2%**	**0.2%**
Govt + FRD	2.7%	0.5%	0.2%
Externally Financed Lending	-0.3%	-0.3%	
Overall Fiscal Deficit (policy)	**4.2%**	**2.1%**	**1.5%**
Revenue (non-policy)	0.3%	-0.8%	
Overall Fiscal Deficit (total)	**4.5%**	**1.4%**	**1.5%**

[1] Change compared to the original 2020 budget.

Status of Governance, RCF, and RFI Commitments

As of end-March 2021

Procurement Contract Information

- Information on procurement contracts (funded by the Anti-Crisis Fund) has been published by the MoF, (www.mf.uz).
- Procurement contract information includes data on the beneficial owners of the contracting companies.

Audits

- An audit of crisis-related spending will be conducted by the Chamber of Accounts in April 2021 as part of the regular review of budgetary spending.
- The audit report is set to be published in May.

Budgeting

- The MoF publishes regular summary updates on crisis-related spending on its telegram channel, https://t.me/minfinuzb.

Other Measures

- The Anti-Crisis Fund was closed at end-2020. Publication of procurement data has ceased.
- The authorities are working with the EBRD to set up a transparent online platform for all public procurement.

9. **The strong policy reaction contributed to a sharp rebound in activity in the second half of the year.** New infections fell sharply after the summer, allowing the government to gradually lift restrictions on mobility and gatherings.[1] Businesses reopened and production resumed. The construction and agricultural sectors, meanwhile, had shown resilience throughout the year, the latter also reflecting the positive effects of recent reforms.

10. **As a result, Uzbekistan has been among the few countries posting positive overall growth in 2020, at a rate of 1.6 percent.** Still, this was about 4 percentage points less than the

[1] The number of reported deaths due to COVID has been relatively low (over 600), but the total number of deaths in 2020 was some 20,000 higher than in preceding years.

growth rate projected prior to the pandemic. Similarly, while the current account deficit at 5½ percent of GDP was almost equal in size as in 2019, trade flows were depressed. Non-gold exports—notably energy exports and tourism receipts—were much lower in 2020, although this was offset by high gold prices and lower imports due to the slowdown in domestic activity. Remittances fell less than had been feared. Inflation continued to gradually fall, but higher increases in food prices kept overall inflation in the low double digits, ending the year at just over 11 percent.

11. The overall fiscal deficit remained well below the budget projection, reaching 4½ percent of GDP in 2020. This was partly due to the faster-than-expected turnaround in activity in the second half of the year, but mostly due to the impact of higher gold prices on revenues and delays in investment spending. Multilateral and bilateral creditors provided about US$1.7 billion in budget support, including US$375 million in emergency financing from the IMF. Other financing came from government deposits, FRD resources, and successful international bond placements of US$750 million in November. Together with sizable project financing, public and publicly guaranteed (PPG) debt reached 38 percent of GDP by end-2020, almost double the level of three years earlier.

12. Social indicators worsened during the pandemic and have, so far, only partially recovered, delaying Uzbekistan's convergence. Unemployment rose sharply through mid-2020 and seasonal migration, mainly to Russia, which peaks in the summer, was largely halted as borders were closed. Remittances fell, although less than expected as migrants already abroad continued to send money home. At the height of the pandemic, 60 percent of households reported no one working. Unemployment started to fall in the second half of the year but remained above pre-crisis levels at the start of 2021. Wages on average continued to grow in real terms in 2020, albeit only marginally, and much less than in preceding years.

POLICY DISCUSSIONS: POLICIES TO ENSURE A STRONG RECOVERY AND SUSTAINABILITY

A. Outlook and Risks

13. Growth is expected to pick up in 2021, but uncertainty remains high and the recovery will depend especially on vaccine rollout. With the rollout of vaccines globally, recovery of trading partner growth, and building on the domestic recovery that started in the second half of 2020, the economy is projected to grow by about 5 percent in 2021. Inflation is projected to decline marginally, to just below 10 percent by end-2021 due to food price pressures and government wage increases. The current account deficit is projected to widen slightly, to about 6½ percent of GDP as imports are expected to recover faster than exports.

14. The authorities have started vaccinating the population and expect to complete this by mid-2022. The first shipment of vaccines arrived in mid-March, under the World Health Organization's COVAX program. Uzbekistan is to receive 2 million doses through the COVAX program in 2021.The authorities are seeking vaccines from other sources as well, including by producing vaccines locally under licensing agreements and partnerships, to secure enough vaccines for the country's entire population. While infections remain low, there has been a pick-up in new cases more recently.

15. Risks are elevated. The recovery could be delayed by a resurgence of infections, a slower-than-expected rollout of vaccines, or new containment measures, as well as slower growth in Uzbekistan's main trading partners and fluctuations in commodity prices, notably the price of gold (see the attached Risk Assessment Matrix). With elections planned for later this year, reform progress may slow or give way to populist measures aimed at quick results.

B. Fiscal Policy

16. The recovery will also depend on continued economic policies to protect lives, support growth, and mitigate economic scarring. Support for the nascent recovery will need to come mainly from fiscal policy. Uzbekistan has space to use fiscal policy to respond to shocks. The role for monetary policy is more limited, as it will need to focus more on reducing inflation further and building credibility, while allowing exchange rate flexibility.

17. The 2021 budget appropriately maintains an accommodative fiscal stance. The approved budget envisages an overall fiscal deficit of 5½ percent of GDP and ensures that healthcare systems and vaccine rollout are adequately resourced, while social assistance is further expanded, and some investment is carried over from 2020. The budget includes wage increases, which had been postponed in 2020, to catch up with inflation and which will also support demand. Financing will be covered mainly by further international support, mainly from the World Bank and the Asian Development Bank, and FRD resources, as well as another bond issuance. The budget includes a conservative estimate of privatization proceeds. As the authorities plan to make a start with privatization this year, additional proceeds could be used for additional capital spending. If downside risks materialize, there is room to further expand fiscal support, by increasing targeted transfers to vulnerable households and to viable firms and by accelerating public investment.

Uzbekistan: Fiscal Developments, 2019-2021
(percent of GDP)

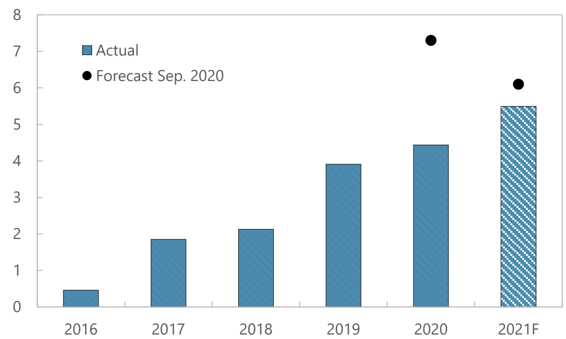
	2019	2020 Est.	2021 Proj.
Revenues	**28.1**	**26.6**	**26.6**
Expenditures	**28.3**	**29.9**	**30.1**
o/w: Health	1.9	2.3	2.9
Social safety net	6.2	7.0	7.1
Budget balance	**-0.3**	**-3.3**	**-3.5**
Policy lending	**3.7**	**1.2**	**2.0**
Overall fiscal balance	**-3.9**	**-4.4**	**-5.5**
Statistical Discrepancy	0.7	0.7	0.0
Financing	**4.6**	**5.1**	**5.5**
Domestic	**-1.5**	**-1.3**	**1.1**
Securities	0.1	0.5	0.3
Banks	-1.6	-1.8	0.8
External	**6.0**	**6.4**	**4.3**
Multilateral	3.1	4.1	2.5
Budget support	1.6	3.0	1.5
o/w: IMF	...	0.6	...
Project lending	1.5	1.1	1.0
Bilateral	1.2	1.0	0.4
Eurobonds	1.7	1.3	1.4

18. The authorities are committed to a gradual fiscal consolidation once the pandemic abates to ensure medium-term sustainability. The authorities aim to reduce the overall fiscal deficit to 2 percent of GDP in the coming years to place PPG debt on a downward path. This can be achieved with a moderate increase in revenues, expenditure restraint, improvements in spending efficiency, and a reduction of policy lending. The authorities continue to improve public financial management and revenue administration, including by preparing a Medium-Term Fiscal Strategy and a Medium-Term Revenue Strategy, with extensive IMF technical assistance.

Figure 3. Uzbekistan: Fiscal Developments

The overall fiscal deficit has increased …

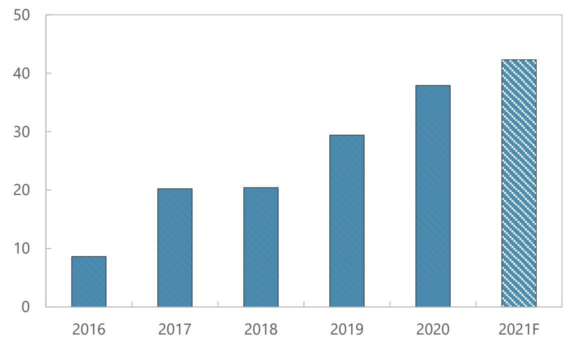
Overall Fiscal Deficit
(Percent of GDP)



Sources: Country authorities and IMF staff estimates.

… and with it, public debt.

Public Debt
(Percent of GDP)



Sources: Country authorities and IMF staff estimates.

19. To anchor their fiscal policies, the authorities plan to adopt a set of fiscal rules. The authorities plan to adopt a debt law this year that would cap PPG debt at 60 percent of GDP. This would be followed by amendments to the budget code to introduce limits on the budget deficit and the issuance of guarantees. They aim to stabilize debt well below this ceiling to be able to deal with possible future crises. Given the current fragmented decision-making process for capital projects, the authorities should better manage external borrowing, strengthen selection procedures for capital projects and establish a single pipeline of appraised projects, and better integrate investment planning in the annual and medium-term budget processes. The authorities should also enhance the assessment of fiscal risks, including from SOEs and public-private partnerships.

Capacity Development, FY20-21

Public Financial Management

- Medium-term fiscal framework
- Medium-term debt management strategy
- Budget preparation
- Functional review of the Ministry of Finance
- Public investment management assessment
- Fiscal rules
- Fiscal risks

Revenue Policy and Tax Administration

- Medium-term revenue strategy
- Tax policy: International tax policy
- Tax policy: Fiscal regime reform and modelling
- Tax and customs administration
- Assessment of the VAT and excise tax systems
- Natural resource taxation
- Property taxation

Fiscal and Debt Data

- Public debt statistics
- Government financial statistics

20. Uzbekistan remains at a low risk of debt distress (see the accompanying Debt Sustainability Analysis). With a gradual fiscal consolidation, PPG debt is projected to peak at 44 percent of GDP in 2022, before gradually declining to around 40 percent of GDP. The DSA suggests that under a stress scenario with lower exports, the debt-service-to-revenue threshold could be temporarily breached in 2024 (due to the repayment of the US$ 500 million 2019 Eurobond). Existing international reserve buffers and low rollover risk—due to the long maturity of debt—mitigate potential risks.

21. There remains a need to further expand the social safety net. Spending on social protection, including pensions, social assistance, and unemployment remains relatively modest, at 7 percent of GDP. While the World Bank, UNDP, and ILO assess social benefit levels to be adequate, coverage of vulnerable households remains poor, despite the doubling of households covered by the main assistance program. Pension coverage is better, with about 80 percent of the elderly receiving pensions, at a level of 55 percent of the average salary. Labor market programs are minimal. Only 2½ percent of the unemployed are registered and receive assistance, and spending on unemployment, public works, and training is only 0.1 percent of GDP. The authorities are working with the World Bank and the UNDP to further improve the social safety net, including by creating a single registry for beneficiaries, and have requested IMF assistance to improve the pension system, to ensure its financial viability and protect against old-age poverty.

22. More broadly, the authorities will need to find additional resources to achieve the Sustainable Development Goals (SDGs). Uzbekistan scores relatively well on the SDGs (see Table 8). Primary and secondary school enrollment and literacy are high, as are access to sanitation and electricity. However, the informal sector is large, estimated at about 40 percent of employment and a third or more of GDP. In 2018, Uzbekistan adopted 125 SDG-related targets focused on improving governance, policy coherence, job opportunities, resilience to climate change, and access to education, health, and social services. Prior to the pandemic, staff estimated that an additional 8 percent of GDP per year would be needed to reach these goals by 2030.[2] Spending on healthcare and infrastructure has increased by a combined 2 percentage points in 2020. Further progress will require additional resources, either from higher revenues, improvements in spending efficiency, or financing.

C. Monetary and Exchange Rate Policies

23. The CBU's monetary policy stance remains appropriate. Monetary policy will continue to focus on further reducing inflation, to build credibility and better anchor inflation expectations. With the current relatively tight monetary stance, inflation is projected to continue to gradually decline, to just under 10 percent by end-2021. The CBU should remain vigilant about possible increases in inflation due to food price increases or the planned government wage increases, but it should also stand ready to respond to downside risks. Achieving the CBU's 2023 goal of reducing inflation to 5 percent will also depend on the pace of utility tariff adjustments. The CBU should continue to allow exchange rate flexibility, allowing the exchange rate to act as a key shock absorber. The CBU continues its neutral intervention policy, whereby purchases of domestically produced gold are offset by sales of foreign exchange. Uzbekistan's external position is assessed to be broadly in line with economic fundamentals (See Annex II).

[2] See IMF Country Report No. 19/129.

24. The CBU has made considerable improvements in its monetary policy framework and its operations to support its transition to an inflation targeting regime. Supported also by IMF technical assistance, the CBU improved its communications and transparency, its forecasting capabilities, and modernized its monetary and foreign exchange operations, by introducing open market operations and foreign exchange auctions. As a result, the CBU managed to maintain interbank rates within the corridor set by the interest rates on its standing facilities.

Capacity Development, FY20-21

Monetary and Exchange Rate Policies
- Monetary and foreign exchange operations
- Financial sector stability review
- Monetary and financial statistics

Capital Markets
- Capital flow measures
- Capital market regulation

25. Monetary policy transmission remains constrained, however. A low level of financial intermediation, notably a low share of private deposits in banks' funding, and financial market development, a high degree of dollarization, the dominance of state-owned banks, and directed lending limit the effectiveness of monetary policy (see Annex III). Continued sound monetary policies but especially further financial sector reforms, while continuing to safeguard central bank independence, are needed to strengthen confidence in the national currency and the banking system. While interest rates on almost all government lending programs have been raised to the CBU's policy rate, lending rates should be left to be set freely by banks, with subsidies provided for those critical activities that the authorities wish to support.

26. The CBU has in recent years established itself as a strong and independent institution. Efforts to improve its governance and transparency should continue, building on the considerable progress made so far. This includes adopting IFRS9 and publishing financial statements, as required under the IMF's safeguards assessment policy, and further enhancements in the procedures for appointing the CBU's management and supervisory boards, in line with international best practices. A safeguards assessment is planned for no later than in 2022.

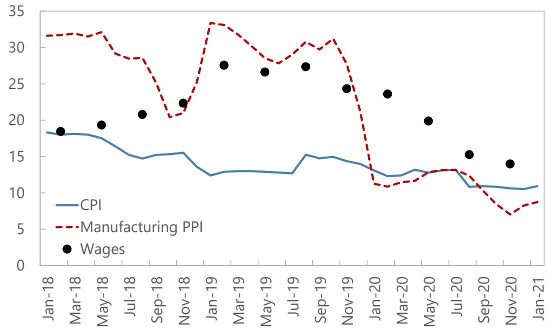
D. Financial Sector Policies

27. While banks appeared resilient during the pandemic, the full impact on their financial health may not have been observed yet and the CBU should closely monitor banks. Banks entered the crisis with relatively strong capital buffers and the CBU instructed banks to refrain from paying dividends. As loan deferrals are phased out, stress tests and detailed third-party asset quality reviews should be conducted, at least for the largest banks, to determine possible capital needs. Risks also stem from the high credit growth in recent years, which banks financed mainly via wholesale funding, largely in foreign currency. Loan portfolios show high concentration and foreign currency risks, with the largest exposures mainly to SOEs and with some banks heavily exposed to specific sectors. While reported NPLs are low, accounting standards are weak. The quality of loans may prove to be less than reported and solvency problems, including at a systemic level, may surface.

Figure 4. Uzbekistan: Prices and Monetary Policy

Price and wage increases have slowed …

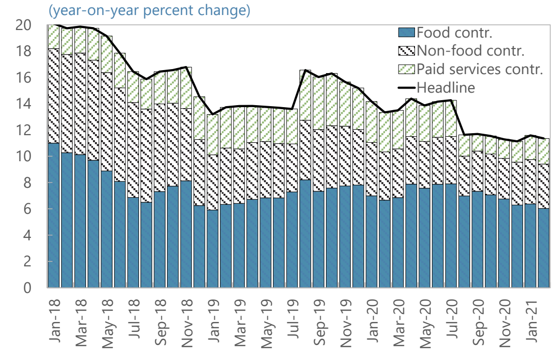
Prices and Wages
(Year-on-year percent change)



Sources: Country authorities; and IMF staff estimates.

… but food price increases keep inflation high.

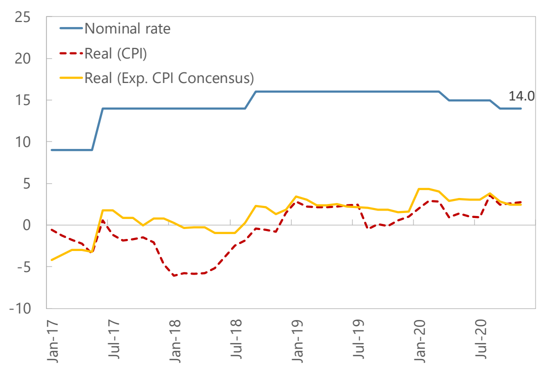
Inflation
(year-on-year percent change)



Sources: Country authorities; and IMF staff estimates.

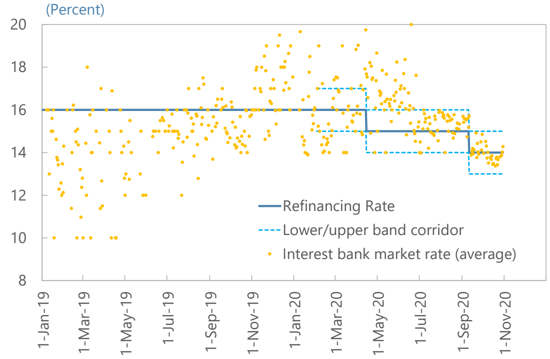
The real interest rate is firmly positive …

Monetary Policy Rate
(Percent)



…and monetary operations improved.

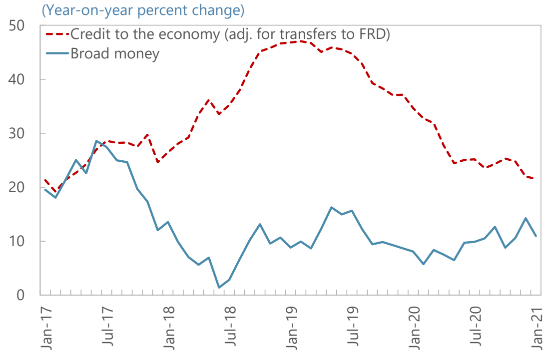
Money Market Interest Rate
(Percent)



Sources: CBU; and IMF staff estimates.

Credit growth slowed but remains high.

Broad Money and Credit Growth at Constant FX
(Year-on-year percent change)



Sources: Country authorities; and IMF staff estimates.

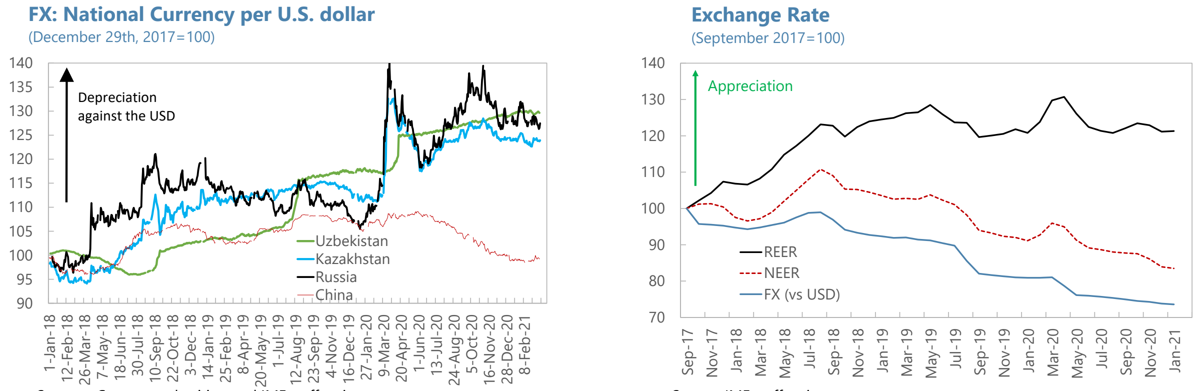
Sovereign spreads stabilized.

Sovereign Spread
(Basis points)

Sources: Bloomberg; and IMF staff estimates.

Figure 5. Uzbekistan: Exchange Rate Developments

The exchange rate largely follows developments in the region … | *… and the REER has been broadly stable since 2018.*



Sources: Country authorities; and IMF staff estimates. | Source: IMF staff estimates.

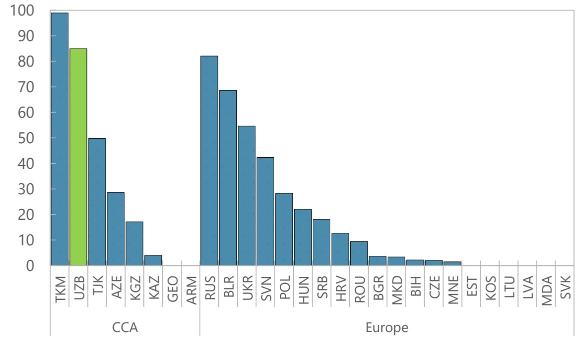
28. **Further efforts are needed to strengthen the CBU's supervisory capabilities and its ability to detect and respond to financial sector risks.** This includes addressing information gaps, including by performing the asset quality reviews and improving accounting standards to IFRS9, as well as deepening the CBU's capability to assess banks' capital requirements considering banks' individual risk profiles. Progress is being made in moving to risk-based supervision and addressing gaps identified in the recent self-assessment against Basel Core Principles on Effective Banking Supervision. These efforts should be complemented by the adoption of a new bank resolution law and amendments to the deposit insurance law, developed with the assistance of the World Bank, and strengthening the emergency liquidity assistance framework. The CBU should also consider macro-prudential tools to curb lending, such as higher risk weights for foreign currency denominated loans, notably to unhedged borrowers, and adjusting prudential liquidity requirements to discourage an over-reliance on wholesale funding. A recent Financial Sector Stability Review (FSSR) also laid out a technical assistance roadmap to support the authorities' efforts to strengthen the ability to detect risks and vulnerabilities in the financial system and strengthen capacity in financial sector oversight.

29. **Meanwhile, broader financial sector reforms are needed to reduce the role of state-owned banks and enhance financial intermediation.** The dominance of state-owned banks has contributed to the low level of financial intermediation, constraining access to finance. The authorities have launched an ambitious banking sector reform strategy to reduce the state's role and increase the share of assets held by private banks to 60 percent by end-2025. This is to be achieved by attracting strategic investors to some state-owned banks and divesting others. The first banks are planned to be sold this year. Meanwhile, the state-owned banks' governance is being improved with the appointment of independent, professional supervisory board members.

Figure 6. Uzbekistan: Banking Sector Indicators

State-owned banks account for most of banks' assets …

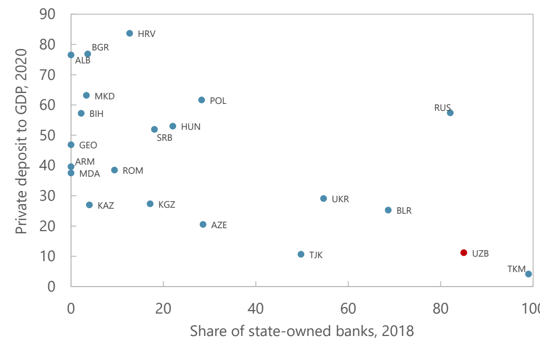
Government Owned Banks, 2018
(In percent of the banking system assets)



Sources: IMF staff estimates.

… contributing to a low level of private deposits …

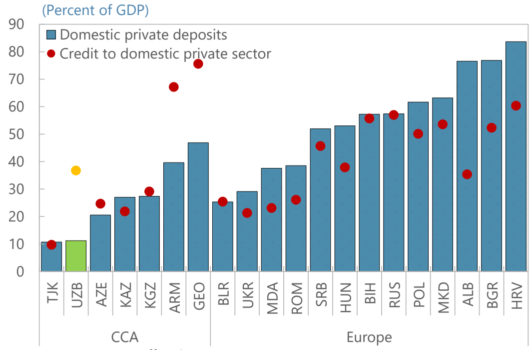
Private Deposits and State Ownership of Banks



Sources: IMF Staff estimates.

… and a low level of financial intermediation.

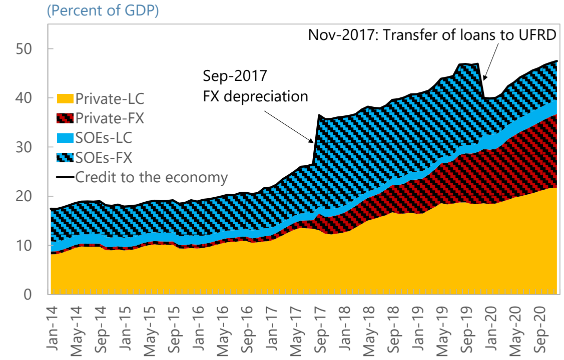
Banks Financial Intermediation
(Percent of GDP)



Sources: IMF staff estimates.

But credit growth remains high, especially in FX …

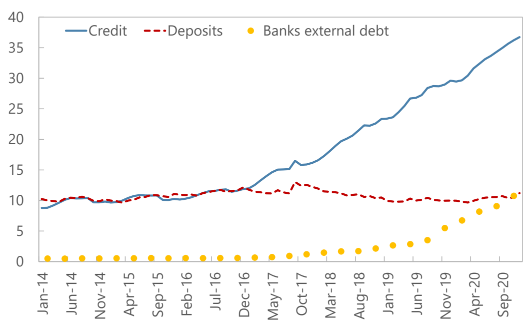
Credit to the Economy by Currency
(Percent of GDP)



Sources: Country authorities, and IMF staff estimates.

…with much of the credit expansion funded by foreign financing.

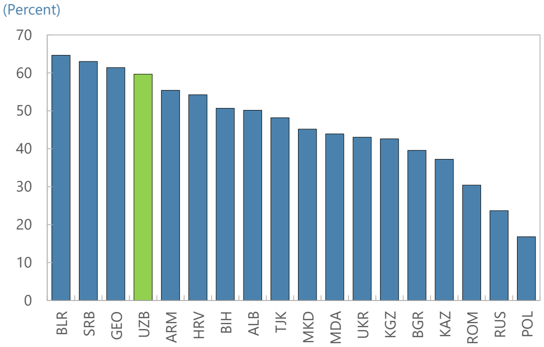
Domestic Private Sector: Credit and Deposits
(Percent of GDP)



Sources: Country authorities; and IMF staff estimates.

A high degree of dollarization hampers effective policy transmission.

Dollarization: Share of FX liabilities on Total Liabilities, 2020
(Percent)



Sources: IMF, FSI; and IMF staff estimates.

E. The Authorities' Views

30. The authorities agreed with staff's assessment and policy recommendations. Notably, they largely agreed with staff's outlook and risk assessment, although they were somewhat more optimistic about the pace of the recovery. They agreed that the level of uncertainty was large and risks were many, with the spread of new variants of the virus and possible delays in the pace of vaccine rollout among the largest risks, but they also saw some upside risks, especially in light of the recovery in some of Uzbekistan's main trading partners. They noted that much depended on the global policy response, as Uzbekistan's economy depends to a great deal on developments abroad.

31. The authorities agreed that the near-term priority continued to be to protect lives and livelihoods, while supporting the recovery, and that fiscal policy needed to remain accommodative. They expected a greater rebound in tax revenues, especially VAT, but noted that this could be offset by a possible decline in gold prices. They underscored their commitment to ensuring medium-term fiscal sustainability and reiterated their commitment to place public debt on a downward path again, by adopting a set of fiscal rules and reducing the budget deficit in the coming years. They agreed on the need to increase the coordination and efficiency of public investment projects, including to achieve the SDGs, and noted that they will further expand the social safety net.

32. The CBU considered its monetary stance appropriate to bring down inflation to its goal for end-2021. The CBU highlighted the increases in food prices, and noted it was ready to adjust its policy rate as needed, by a tightening of its policy stance if inflationary pressures emerged, or a further easing if downside risks to growth materialized. The CBU reiterated its commitment to exchange rate flexibility. The CBU acknowledged that monetary policy transmission remained constrained but noted that it had strengthened in the last two years thanks to progress in financial sector reforms. The CBU also acknowledged that vulnerabilities in the banking sector had increased and noted that it is working to address information gaps and further strengthen bank supervision.

33. More broadly, the authorities agreed that continued macro-economic stability is crucial to securing sustained growth. They appreciated the IMF's advice and technical assistance to help them in their efforts. With Uzbekistan's limited administrative capacity and being a relative late starter in transforming its economy, the authorities greatly value the support from the international community and the opportunities to learn from international experiences and best practices.

POLICIES TO SUPPORT STRONG AND INCLUSIVE MEDIUM-TERM GROWTH AND RAISE INCOMES

A. Improving Incentives, Institutions, and Access to Inputs

34. The authorities not only face the challenge of supporting the recovery, but also continuing Uzbekistan's transformation to a modern market economy. Uzbekistan has made significant progress in implementing economic reforms. The first phase, as noted above, focused on economic liberalization and improving macro-economic management. The reform agenda remains large, however, and the impact of the pandemic on administrative capacity and investor demand slowed the pace of reforms, although preparatory work continued in many areas. There is a need to accelerate reform implementation, to reduce the state's role in the economy and create a more dynamic private sector. Many of these reforms will require careful preparation and sequencing, and the authorities are working actively with IFIs and other advisors, also to augment the limited administrative capacity.

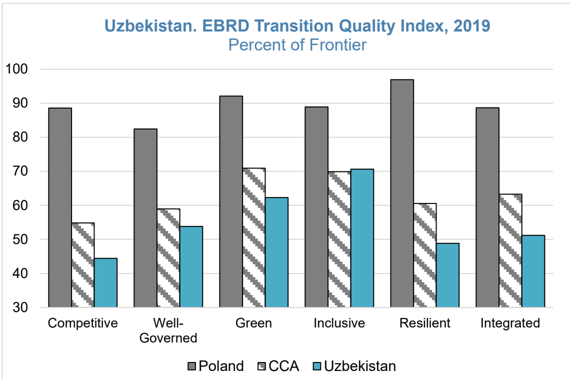
35. Improving incentives, institutions, and access to inputs are critical to developing a vibrant private sector. Businesses have identified access to resources, notably to finance, land, energy, and skilled labor, as constraints, as well as administrative bottlenecks and policy uncertainty. To create a business-friendly environment, it is crucial to create strong, professional, and independent institutions—to define the rules of the game, secure property rights, and ensure good governance and fight corruption—and strengthen incentive structures—the perceived benefits or costs of economic agents' actions. To set priorities, the biggest reform gaps, and biggest potential impact on growth, appear to be in the financial, trade, and governance areas (see Annex IV).

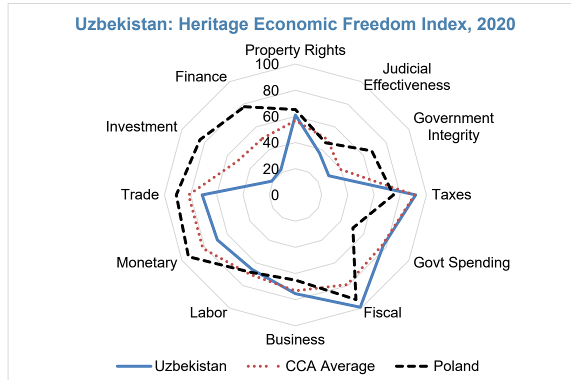
36. The authorities should prioritize further opening markets, increasing competition, and allowing prices to be fully determined by market forces to ensure an efficient allocation of resources. These are areas where progress can be made relatively quickly. This includes removing barriers to market entry and especially eliminating tariff, tax, and other privileges that notably SOEs enjoy. The Antimonopoly Committee should further step up efforts to break up monopolies and remove distortions. An independent energy sector regulator should be established to set and adjust energy tariffs until these can become fully market determined.

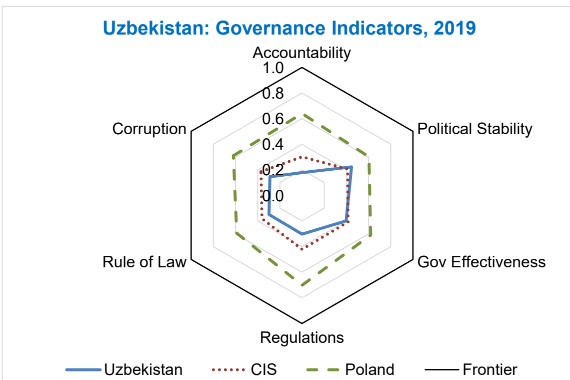
37. Reform of the SOE sector can also enhance competition. After years of little progress, it is important to make a start. A recent presidential decree sets an ambitious agenda for the reform and divestiture of nearly 3,000 SOEs, including the largest companies. The authorities have started to divest minority stakes and smaller assets via an online platform and set up a new asset management company to privatize a first set of mid-sized companies this year. It will be imperative that this will be done via open and transparent processes. A new privatization law is being drafted with EBRD assistance, which will improve the legal framework. A state-ownership law, also being drafted, should better define the ownership principles for companies that will remain in state hands. Meanwhile, governance and financial reporting of especially the larger SOEs should be improved. Placing them more at arms' length from the government and limiting government guarantees is needed to impose greater financial discipline.

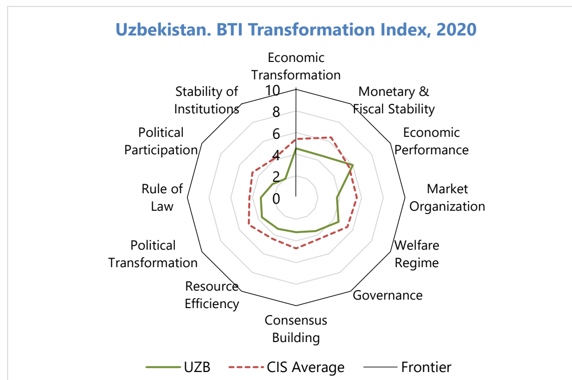
Figure 7. Uzbekistan: Structural Indicators

Despite recent reform progress, Uzbekistan still lags many of its peers in creating conditions for a vibrant private sector.



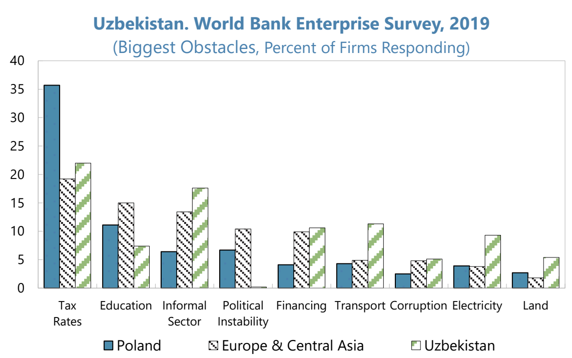




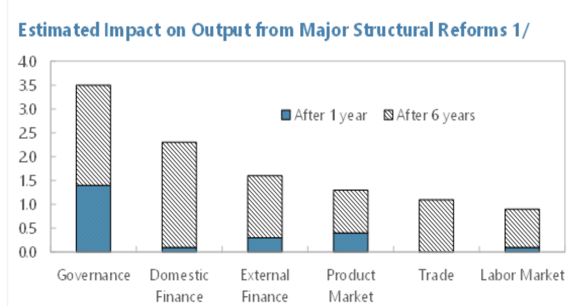


Businesses report a lack of access to inputs among the obstacles.

Improvements in governance and financial deepening could generate big results.



Source: World Bank



1/ IMF estimates. Bars reflect percent increase in output in response to large structural reforms (2 standard deviations).

38. **Another priority for attracting investment is creating a stable, level playing field for businesses.** There remains a need to further streamline business regulations and enhance their stability, as frequent and ad-hoc changes deter investors. Recent progress includes revisions to investment legislation, to include anti-monopoly and anti-corruption clauses and investment incentives. The authorities also created a "one-stop" shop, business ombudsman, protections for foreign investors, and a multi-tier process to mediate and resolve investment disputes and are

planning to streamline licensing procedures. PPP legislation has been improved, clarifying concessions, the role of local authorities, the process for amending and terminating PPPs, and financial obligations. The authorities are revising state aid rules and are developing an anti-monopoly compliance system to help reduce the state's role in the economy.

39. Important elements of this are strict adherence to the rule of law, effective property rights protection and contract enforcement, and addressing corruption. Uzbekistan has undertaken several key judicial reforms, including the establishment of the Supreme Judicial Council, regular publication of court decisions on the website of the Supreme Court, and increased use of electronic procedures to increase transparency and facilitate access to justice. Further efforts will be needed to strengthen the independence of the Supreme Judicial Council, and the procedures for selecting judges and organizing the courts. A new insolvency law is under preparation. A new anti-corruption agency has been created and is tasked with developing strategies to prevent corruption and reduce the informal sector, as well as to detect and investigate possible cases of corruption, in close cooperation with the prosecutor's office. The planned asset and income declaration scheme for public officials will help detect corruption but should be kept manageable, by focusing on senior officials, and made effective through increased transparency.

40. Improving the public procurement system will also help fight corruption. Open, competitive, and transparent procurement markets are needed to improve the efficiency of government spending. The authorities are about to adopt a new public procurement law and implement a new online platform for all public procurement this year, developed with assistance from the EBRD. This will increase transparency, including of beneficial ownership of contracting companies, and reduce opportunities for corruption. To maximize the effectiveness of this platform, it will be important to ensure that beneficial ownership information in business registers is accurate and up to date. Additionally, the ongoing digitalization of government services, including tax and customs, will increase efficiency and further reduce opportunities for corruption, and also help reduce the informal sector.

41. Efforts to liberalize trade are gathering steam. The authorities have restarted the WTO accession process, obtained observer status at the Eurasian Economic Union, and joined the Kyoto Customs Convention, the Istanbul Convention on temporary imports, and the SECO-World Customs Union Global Trade Facilitation (TF) program. In late 2020, Uzbekistan was granted trade preferences under the EU's GSP+ system, allowing exports to the EU at duty free or reduced rates. Along with the TF program, this will help align trade standards and regulations with international best practices.

42. The energy sector needs to be placed on a financially viable footing. The state-owned gas and power companies have been unbundled into separate production, transmission, and distribution companies, to help enhance their efficiency and allow for their eventual (partial) privatization. The authorities have lifted customs duties on liquified natural gas, abolished import permit requirements, and announced plans to allow producers and importers to sell gas and electricity to wholesale consumers on the open market later this year. This will be an important step toward more efficient energy pricing and eliminating the large but poorly targeted implicit subsidies as tariffs are below cost recovery and, even more so, export-parity levels.[3] Household energy tariffs should also be raised to market levels, albeit gradually and this should go hand in hand with further expanding the social safety net to protect vulnerable households. Market pricing will also stimulate private sector participation in energy production and distribution.

43. Strengthening land tenure rights and making them tradable are needed to help increase investment and hence productivity in agriculture. While agricultural clusters and cooperatives have been established, with plans to introduce new technologies via knowledge centers, farmers' inability to use land as collateral limits access to financing. The authorities are planning to start selling non-agricultural land plots, via auctions, and have reorganized the public cadaster, with the agricultural cadaster transferred to the Ministry of Agriculture.

44. While labor markets continue to be plagued by a lack of job opportunities and informality, labor mobility has improved. Uzbekistan is estimated to have on average some 400,000 job opportunities available each year, while labor market entrants total about 600,000. In response to the pandemic, more resources have been allocated to job training, SME development, and job matching. The authorities have relaxed controls on internal migration and increased assistance for workers seeking work abroad. More broadly, they have developed an employment strategy and almost fully eliminated forced labor during cotton harvests, in cooperation with the ILO.

B. The Authorities' Views

45. The authorities reiterated their commitment to continue with structural reforms to ensure strong and sustainable growth and improve people's living standards. They noted that reform implementation had slowed due the pandemic, but that preparations had continued in many areas. The authorities welcomed the discussion on reform priorities and acknowledged that many of the second-generation reforms, such as privatization and tariff reforms, will require careful preparation and communication, especially given their social impact. They will continue to work closely with Uzbekistan's international partners on these reforms.

46. The authorities agreed that as the crisis abates, the pace of reforms should accelerate. This had also been highlighted in the President's year-end address to parliament, in which he stressed that reforms would need to focus on reducing the role of the state in the economy and creating a vibrant and resilient private sector. The authorities noted that beyond the more pressing need to expand the social safety net, reform priorities had not shifted much due to the pandemic. They pointed to the many new laws and other initiatives that are under preparation, and that they aim to sell several SOEs and state-owned banks this year. They further acknowledged the importance of strong institutions and transparency, and the need to reduce opportunities for corruption.

[3] Below cost recovery pricing of natural gas implies a subsidy to end users of about 2¼ percent of GDP and of about 5 percent of GDP when compared to export-parity levels.

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47. Mitigated by the authorities' timely and strong policy response, the COVID-19 pandemic has, so far, had a relatively short-lived adverse impact on Uzbekistan's population and economy. Although the pandemic hit the economy hard in the first half of 2020 and inflicted considerable hardship, strong and timely containment and support measures moderated the recession. These included a forceful public health response and the deployment of a comprehensive set of fiscal, monetary, and financial measures, made possible by substantial buffers owing to prudent macro-economic policies in preceding years and to sizable international support. As a result, activity rebounded in the second half of 2020 and Uzbekistan was among the few countries posting positive growth in 2020.

48. Uncertainty remains high, however, and continued near-term support is needed. The recovery will depend especially on the vaccine rollout, while new variants of the virus and surges in infections are key risks. Much will depend also on developments in Uzbekistan's main trading partners. The authorities rightly continue to focus on protecting lives and livelihoods and securing enough vaccines for the population. The 2021 budget maintains an appropriate accommodative stance and ensures that the healthcare system and vaccine rollout are sufficiently resourced. If downside risks materialize, the authorities could use fiscal buffers to provide additional, targeted support to households and businesses.

49. Beyond the near-term, maintaining strong economic fundamentals will require tackling vulnerabilities that have increased due to the pandemic, and restarting income convergence, which temporarily stalled. Public debt, while still at a relatively low level, has almost doubled in a few years' time. Banks' loan portfolios may be affected with a lag. And importantly, incomes remain relatively low compared to other emerging economies, while the social safety net still leaves out many vulnerable households.

50. The authorities' commitment to continued sound macro-economic policies is welcome, but the withdrawal of fiscal stimulus should be gradual as the pandemic subsides. The authorities are committed to ensure fiscal sustainability, by adopting a set of fiscal rules and reducing the budget deficit in the coming years to place public debt on a downward path. With this, the risk of public debt distress is assessed to remain low. At the same time, the government should create room—by further improving revenue administration and spending efficiency—to allow for a further expansion of the social safety net and additional investment in healthcare and education. Monetary policy remains appropriately focused on lowering inflation, and the CBU should continue to allow exchange rate flexibility. Further improvements are needed in the CBU's supervisory capabilities to better monitor banks and effectively respond to possible banking sector difficulties. Adherence to sound policy frameworks and close coordination among policymakers are essential to maintain macro-financial stability.

51. As the crisis abates, it will be particularly important to pick up the pace of structural reforms to achieve strong, sustainable, and inclusive economic growth. After years of relative isolation and strict state control, Uzbekistan has come a long way in modernizing its economy. The reform agenda is still large, however, and the economy does not create enough jobs for its growing population. There is a need to reduce the still large role of the state in the economy and to create an environment conducive to strong private sector growth. Of particular importance is the creation of strong and independent institutions necessary for a well-functioning and fair market economy and enhance policy stability and predictability. As many of the reforms in these areas are just starting, Uzbekistan can benefit from other countries' experiences and avoid the pitfalls of poor governance, by ensuring strict adherence to the rule of law and government transparency, facilitated also by increased digitalization.

Table 1. Uzbekistan: Selected Economic Indicators, 2018–2026

	2018	2019	2020	2020	2021	2022	2023	2024	2025	2026
			RFI-RCF	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
National income										
Nominal GDP (in trillions of Sum)	407	510	602	580	669	785	894	999	1,109	1,232
Population (in millions)	32.7	33.3	33.9	33.9	34.4	35.0	35.6	36.1	36.7	37.3
GDP per capita (in U.S. dollars)	1,543	1,736	1,795	1,702	1,780	1,922	2,097	2,299	2,511	2,745
Real sector			(Annual percent change)							
GDP at current prices	34.4	25.4	17.5	13.7	15.3	17.4	13.9	11.7	11.1	11.1
GDP at constant prices	5.4	5.8	1.5	1.6	5.0	5.3	5.5	5.5	5.5	5.5
GDP deflator	27.5	18.6	15.8	11.9	9.8	11.5	7.9	5.9	5.3	5.3
Consumer price index (eop)	14.3	15.2	11.2	11.1	9.8	10.6	5.5	5.0	5.0	5.0
Consumer price index (average)	17.5	14.5	12.9	12.9	10.0	11.2	7.3	5.3	5.0	5.0
Money and credit			(Annual percent change)							
Reserve money	-1.9	17.8	6.0	15.4	10.0	12.1	10.7	10.8	10.4	10.3
Broad money	13.2	13.8	16.7	17.9	15.7	17.2	17.1	17.3	16.9	16.8
Credit to the economy growth (adjusted for FRD transfers) 1/	51.3	48.1	21.6	34.4	19.7	17.6	13.2	12.3	11.4	11.3
Velocity (in levels)	5.1	5.6	5.6	5.4	5.4	5.4	5.2	5.0	4.7	4.5
			(Percent of GDP)							
Broad money	19.7	17.9	17.7	18.5	18.6	18.6	19.1	20.1	21.1	22.2
Credit to the economy	41.5	40.9	42.2	48.3	50.2	50.2	49.9	50.2	50.4	50.5
External sector			(Percent of GDP)							
Current account	-7.1	-5.8	-9.6	-5.4	-6.4	-5.9	-5.4	-5.2	-5.1	-4.8
External debt	34.3	43.9	46.3	58.4	62.3	63.8	62.3	60.3	57.8	55.2
			(Annual percent change)							
Exports of goods and services	13.9	20.2	-10.4	-15.4	19.8	17.6	15.4	13.0	11.4	12.1
Imports of goods and services	42.3	13.3	-8.6	-15.2	18.0	13.4	11.6	10.9	10.1	10.4
Exchange rate (in Sums per U.S. dollar; eop)	8,340	9,516	10,254	10,477	…	…	…	…	…	…
Exchange rate (in Sums per U.S. dollar; ave)	8,072	8,837	9,885	10,055	…	…	…	…	…	…
Real effective exchange rate CPI based (2015=100, - = dep)	60.6	64.5	65.6	64.6	63.3	63.6	64.2	65.2	66.2	67.4
Gross international reserves (in billions of U.S. dollars)	27.1	29.2	27.7	34.9	34.5	35.2	35.6	35.8	36.0	36.3
Gross international reserves (months of imports)	12.2	15.5	11.5	15.8	13.7	12.6	11.5	10.5	9.5	8.7
Government finance			(Percent of GDP)							
Consolidated budget revenues	28.7	28.7	25.2	27.6	27.6	27.7	28.0	28.4	28.8	29.2
Consolidated budget expenditures	30.8	32.6	28.6	32.0	33.1	31.6	31.2	31.1	30.8	31.2
Consolidated budget balance	-2.1	-3.9	-3.5	-4.4	-5.5	-4.0	-3.2	-2.7	-2.0	-2.0
Adjusted revenues 2/	27.8	28.1	24.9	26.6	26.6	27.0	27.3	27.7	28.1	28.6
Adjusted expenditures 2/	26.0	28.3	28.9	29.9	30.1	29.8	29.6	29.5	29.4	29.9
Adjusted fiscal balance	1.7	-0.3	-4.1	-3.3	-3.5	-2.8	-2.2	-1.8	-1.2	-1.3
Policy lending	3.9	3.7	-1.5	1.2	2.0	1.2	1.0	0.9	0.8	0.7
Overall fiscal balance	-2.1	-3.9	-5.6	-4.4	-5.5	-4.0	-3.2	-2.7	-2.0	-2.0
Total public & publicly guaranteed debt	20.3	29.3	34.5	37.8	42.1	44.2	43.8	42.8	41.4	40.0
Labor market										
Formal sector employment growth (percent)	0.7	1.8	-4.0	1.7	1.0	0.7	0.8	0.8	0.7	0.8
Working-age population growth (percent)	0.9	0.2	0.9	0.9	1.0	0.9	0.9	0.9	0.9	0.9
Unemployment rate (percent)	9.3	9.0	16.5	10.5	9.5	9.0	8.5	8.0	7.5	7.0
Labor migrants (millions)	2.4	2.5	2.0	1.8	2.0	2.3	2.4	2.4	2.5	2.5

Sources: Country authorities; and IMF staff estimates.

1/ FRD: Fund for Reconstruction and Development.

2/ Adjusted fiscal data are budget data adjusted for financing operations of the Fund for Reconstruction and Development (FRD), equity injections, and policy lending.

Table 2. Uzbekistan: National Accounts, 2018–2026

	2018	2019	2020	2020	2021	2022	2023	2024	2025	2026
			RFI-RCF	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**	**100.0**
Final consumption expenditures	70.0	71.1	68.2	73.0	72.5	71.3	70.0	68.8	67.8	66.7
Private	55.9	54.2	49.2	54.5	52.8	51.8	50.6	49.5	48.6	47.2
Public	14.1	16.9	18.9	18.6	19.6	19.6	19.3	19.3	19.2	19.5
Gross investment	40.5	40.7	38.8	37.0	38.2	38.6	38.9	39.5	40.0	40.5
Gross fixed capital formation	32.9	40.9	38.6	36.5	37.6	38.0	38.4	38.9	39.5	39.9
Investories and stat. discrepancy	7.6	-0.2	0.1	0.5	0.6	0.6	0.6	0.6	0.6	0.6
Net exports	-10.5	-11.7	-6.9	-10.0	-10.7	-9.9	-8.9	-8.3	-7.8	-7.2
Exports of goods and services	28.0	30.3	30.9	25.6	28.9	31.0	32.2	32.7	32.9	33.1
Imports of goods and services	38.6	42.0	37.9	35.6	39.5	40.9	41.2	41.0	40.7	40.4
Gross national savings	33.4	34.9	29.2	31.6	31.8	32.7	33.5	34.3	35.0	35.7
Savings-investment balance	-7.1	-5.8	-9.6	-5.4	-6.4	-5.9	-5.4	-5.2	-5.1	-4.8
					(Annual percent change)					
GDP at constant prices	**5.4**	**5.8**	**1.5**	**1.6**	**5.0**	**5.3**	**5.5**	**5.5**	**5.5**	**5.5**
Domestic demand	12.4	8.7	3.5	1.2	4.4	5.2	5.2	5.2	5.4	5.4
Final consumption expenditures	5.7	5.6	2.9	3.5	3.5	4.0	3.9	4.0	4.1	4.0
Private	5.9	5.6	0.3	0.7	2.1	3.9	4.0	3.9	4.0	3.2
Public	4.8	5.7	12.7	10.6	9.3	4.8	3.2	4.3	4.1	6.9
Gross investment	29.2	14.1	4.5	-8.2	7.0	8.3	8.5	8.5	8.5	8.5
Exports of goods and services	9.3	20.7	-12.4	-17.9	11.9	18.0	14.6	11.7	9.9	10.3
Imports of goods and services	38.5	25.0	-2.2	-13.6	7.1	14.6	11.1	9.6	8.6	8.9
					(Contribution to real growth)					
GDP at constant prices (contributions)	5.4	5.8	1.5	1.6	5.0	5.3	5.5	5.5	5.5	5.5
Domestic demand	12.6	9.6	5.0	1.4	4.5	5.9	5.5	5.6	5.8	5.7
Final consumption expenditures	4.2	3.9	2.3	2.5	2.8	3.0	2.7	2.8	2.8	2.9
Gross fixed capital formation	7.6	12.5	1.8	-3.4	2.5	3.1	3.2	3.2	3.3	3.4
Inventories and stat. discrepancy	0.8	-6.8	1.0	2.2	-0.9	-0.2	-0.4	-0.4	-0.3	-0.5
Net exports	-7.2	-3.8	-3.5	0.3	0.5	-0.6	0.0	-0.2	-0.3	-0.2
Deflators										
GDP	27.5	18.6	15.8	11.9	9.8	11.5	7.9	5.9	5.3	5.3
Domestic demand	32.4	18.3	13.2	10.2	11.1	10.8	7.3	5.5	5.0	4.9
Final consumption expenditures	21.9	20.6	14.4	12.9	10.6	11.1	7.5	5.7	5.1	5.2
Private	18.2	14.8	12.9	12.9	9.6	10.8	7.0	5.2	4.8	4.5
Public	36.4	42.6	16.4	12.9	11.5	11.7	9.1	6.8	6.0	5.8
Gross investment	45.4	10.3	11.2	12.2	11.3	9.4	6.0	4.4	3.9	3.5
Gross fixed capital formation	33.3	12.8	11.2	12.2	11.3	9.4	6.0	4.4	3.9	3.5
Exports of goods and services	58.2	12.2	14.4	17.2	16.2	6.6	3.4	1.6	1.5	1.6
Imports of goods and services	56.8	9.2	4.5	11.6	19.5	5.8	3.2	1.6	1.4	1.3
Prices										
CPI (average, in percent)	17.5	14.5	12.9	12.9	10.0	11.2	7.3	5.3	5.0	5.0
CPI (end-of-period, in percent)	14.3	15.2	11.2	11.1	9.8	10.6	5.5	5.0	5.0	5.0
Minimum wage (in thousands of Sum)	426	577	692	692	786	885	984	1,066	1,142	1,223
Average formal sector wage (in thousands of Sum)	1,240	1,522	1,826	1,826	2,072	2,334	2,596	2,811	3,013	3,225
Growth (percent)	25.8	22.7	20.0	20.0	13.5	12.6	11.2	8.3	7.2	7.0
Average government wage (in thousands of Sum)	1,324	1,799	2,159	2,159	2,449	2,758	3,068	3,323	3,562	3,812
Growth (percent)	23.3	35.9	20.0	20.0	13.5	12.6	11.2	8.3	7.2	7.0
Employment										
Formal sector employment growth (percent)	0.7	1.8	-4.0	1.7	1.0	0.7	0.8	0.8	0.7	0.8
Working-age population growth (percent)	0.9	0.2	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Unemployment rate (percent)	9.3	9.0	16.5	10.5	9.5	9.0	8.5	8.0	7.5	7.0
Labor migrants (millions)	2.4	2.5	2.0	2.0	2.2	2.4	2.4	2.4	2.5	2.5

Sources: Country authorities; and IMF staff estimates.

Table 3a. Uzbekistan: Balance of Payments, 2018–2026
(millions of U.S. dollars)

	2018	2019	2020 RFI-RCF	2020 Est.	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.
I. Current account balance	**-3,573**	**-3,359**	**-5,859**	**-3,142**	**-3,921**	**-3,969**	**-4,055**	**-4,293**	**-4,676**	**-4,951**
Balance of goods and services	-9,308	-9,557	-9,051	-8,136	-9,333	-9,850	-10,232	-10,852	-11,581	-12,276
Merchandise trade balance	-6,867	-7,291	-7,196	-6,345	-7,472	-8,148	-8,736	-9,784	-10,661	-11,522
Exports of goods	**11,386**	**13,899**	**12,582**	**12,709**	**14,877**	**16,783**	**18,560**	**20,598**	**22,865**	**25,574**
Cotton fiber	222	282	181	147	100	49	23	12	7	3
Energy	2,667	2,528	1,702	659	1,132	1,522	1,513	1,564	1,644	1,738
Gold	2,910	4,918	5,801	5,804	5,498	5,498	5,498	5,498	5,441	5,354
Food Products	1,098	1,518	1,287	1,444	2,056	2,519	3,132	3,761	4,401	5,149
Other exports of goods	4,489	4,653	3,612	4,655	6,091	7,194	8,393	9,762	11,374	13,330
Imports of goods	**18,252**	**21,190**	**19,778**	**19,054**	**22,349**	**24,931**	**27,296**	**30,382**	**33,527**	**37,095**
Food Products	1,423	1,697	1,736	1,944	2,305	2,368	2,511	2,674	2,846	3,028
Energy products	792	835	541	984	1,366	1,283	1,318	1,383	1,467	1,566
Machinery and equipment	7,529	9,572	8,900	8,015	9,857	11,571	12,762	14,316	15,887	17,675
Other imports of goods	8,508	9,086	8,600	8,111	8,820	9,707	10,706	12,009	13,327	14,827
Balance of services	**-2,442**	**-2,266**	**-1,855**	**-1,791**	**-1,862**	**-1,703**	**-1,496**	**-1,068**	**-920**	**-754**
Credit	2,750	3,095	2,641	1,665	2,345	3,477	4,825	5,839	6,591	7,439
Debit	5,191	5,361	4,495	3,456	4,207	5,180	6,321	6,906	7,512	8,193
Primary income (net)	**1,527**	**744**	**-236**	**-218**	**-244**	**-201**	**-226**	**-174**	**-63**	**99**
of which: Interest (net)	-568	-765	-983	-915	-1,325	-1,497	-1,704	-1,850	-1,970	-2,074
of which labor compensation (net)	2,923	2,610	1,719	1,509	1,771	2,053	2,242	2,444	2,667	2,915
Primary income: Credit	3,205	2,957	2,078	1,658	2,239	2,555	2,788	3,040	3,316	3,624
Primary income: Debit	1,678	2,213	2,314	1,876	2,482	2,756	3,014	3,213	3,380	3,525
Secondary income (net)	**4,208**	**5,455**	**3,428**	**5,212**	**5,656**	**6,082**	**6,403**	**6,732**	**6,969**	**7,225**
Secondary income: Credit	4,823	6,040	4,020	5,657	6,146	6,621	6,999	7,313	7,614	7,942
Secondary income: Debit	615	586	592	445	491	538	597	581	645	717
II. Capital transfers	**143**	**254**	**183**	**25**	**184**	**202**	**224**	**249**	**276**	**307**
III. Financial account balance 1/	**-1,413**	**-6,381**	**-2,842**	**-5,703**	**-3,482**	**-4,580**	**-4,452**	**-4,367**	**-4,699**	**-4,924**
Direct investment	**-623**	**-2,315**	**-750**	**-1,405**	**-1,531**	**-1,680**	**-2,235**	**-2,655**	**-3,131**	**-3,581**
Portfolio investment	**-13**	**-1,346**	**-26**	**-1,378**	**-2,050**	**-1,750**	**-983**	**-333**	**-811**	**-801**
Other investment	**-777**	**-2,721**	**-2,066**	**-2,921**	**98**	**-1,150**	**-1,234**	**-1,380**	**-757**	**-542**
Loans, net (- = net inflow)	-2,044	-5,782	-3,070	-5,412	-2,322	-3,141	-3,374	-3,174	-2,678	-2,330
Public and publ. guaranteed debt	-2,387	-4,714	-4,037	-3,542	-2,897	-2,992	-2,675	-2,358	-2,055	-1,766
Commercial nonguaranteed	344	-1,068	967	-1,871	574	-149	-699	-816	-623	-563
Others	1,267	3,061	1,004	2,492	2,420	1,991	2,140	1,794	1,921	1,788
IV. Errors and omissions	**455**	**-1,866**	**0**	**-811**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance (I + II - III + IV)	**-1,562**	**1,411**	**-2,834**	**1,776**	**-255**	**812**	**621**	**323**	**299**	**280**
V. Financing	**1,562**	**-1,411**	**2,834**	**-1,776**	**255**	**-812**	**-621**	**-323**	**-299**	**-280**
Use of reserves (- = increase/accumulation)	1,562	-1,411	2,459	-2,151	255	-812	-621	-323	-299	-280
Use of IMF credit (net)	0	0	375	375	0	0	0	0	0	0
Financing Gap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
VI. Gold purchases not exported & valuation changes	567	667	1,047	3,969	-151	-152	-152	-152	-91	0
Change in reserves (- V + VI ; + = increase)	**-995**	**2,078**	**-1,412**	**5,745**	**-406**	**660**	**469**	**171**	**208**	**280**
Memorandum items:										
Current account balance (in percent of GDP)	**-7.1**	**-5.8**	**-9.6**	**-5.4**	**-6.4**	**-5.9**	**-5.4**	**-5.2**	**-5.1**	**-4.8**
Underlying current account (in percent of GDP) 2/	-5.6	-7.3	-10.9	-5.8	-6.2	-5.7	-5.3	-5.0	-4.9	-4.6
Gross international reserves (billions of U.S. dollars)	**27.1**	**29.2**	**27.7**	**34.9**	**34.5**	**35.2**	**35.6**	**35.8**	**36.0**	**36.3**
Gross international reserves (months of imports)	12.2	15.5	11.5	15.8	13.7	12.6	11.5	10.5	9.5	8.7
Gross international reserves excl. FRD (billions of U.S. dollars)	**15.6**	**18.2**	**16.8**	**24.5**	**24.8**	**25.5**	**25.9**	**26.1**	**26.3**	**26.6**
Gross international reserves excl. FRD (months of imports)	7.0	9.7	7.0	11.1	9.9	9.1	8.3	7.6	7.0	6.4
Real exchange rate CPI based (2015=100)	60.6	64.5	65.6	64.6	63.3	63.6	64.2	65.2	66.2	67.4
Remittances (billions of U.S dollars)	7.8	8.7	5.8	7.3	8.0	8.8	9.4	9.9	10.4	11.0
Total debt service payment (billions of U.S. dollars)	2.2	2.7	3.5	3.4	6.2	5.7	5.9	6.6	7.4	8.4
Gross external financing needs (billions of U.S. dollars)	5.2	5.4	8.5	5.8	8.8	8.4	8.6	10.1	10.7	11.8

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, 2018–2026
(percent of GDP)

	2018	2019	2020 RFI-RCF	2020 Est.	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.
I. Current account balance	**-7.1**	**-5.8**	**-9.6**	**-5.4**	**-6.4**	**-5.9**	**-5.4**	**-5.2**	**-5.1**	**-4.8**
Balance of goods and services	-18.5	-16.6	-14.9	-14.1	-15.2	-14.6	-13.7	-13.1	-12.6	-12.0
Merchandise trade balance	-13.6	-12.6	-11.8	-11.0	-12.2	-12.1	-11.7	-11.8	-11.6	-11.3
Exports of goods	**22.6**	**24.1**	**20.7**	**22.0**	**24.3**	**24.9**	**24.9**	**24.8**	**24.8**	**25.0**
Cotton fiber	0.4	0.5	0.3	0.3	0.2	0.1	0.0	0.0	0.0	0.0
Energy	5.3	4.4	2.8	1.1	1.8	2.3	2.0	1.9	1.8	1.7
Gold	5.8	8.5	9.5	10.1	9.0	8.2	7.4	6.6	5.9	5.2
Food Products	2.2	2.6	2.1	2.5	3.4	3.7	4.2	4.5	4.8	5.0
Other exports of goods	8.9	8.1	5.9	8.1	9.9	10.7	11.3	11.8	12.3	13.0
Imports of goods	**36.2**	**36.7**	**32.5**	**33.0**	**36.4**	**37.1**	**36.6**	**36.6**	**36.4**	**36.2**
Food Products	2.8	2.9	2.9	3.4	3.8	3.5	3.4	3.2	3.1	3.0
Energy products	1.6	1.4	0.9	1.7	2.2	1.9	1.8	1.7	1.6	1.5
Machinery and equipment	14.9	16.6	14.6	13.9	16.1	17.2	17.1	17.2	17.2	17.3
Other imports of goods	16.9	15.7	14.1	14.1	14.4	14.4	14.4	14.5	14.5	14.5
Balance of services	**-4.8**	**-3.9**	**-3.0**	**-3.1**	**-3.0**	**-2.5**	**-2.0**	**-1.3**	**-1.0**	**-0.7**
Credit	5.5	5.4	4.3	2.9	3.8	5.2	6.5	7.0	7.2	7.3
Debit	10.3	9.3	7.4	6.0	6.9	7.7	8.5	8.3	8.2	8.0
Primary income (net)	**3.0**	**1.3**	**-0.4**	**-0.4**	**-0.4**	**-0.3**	**-0.3**	**-0.2**	**-0.1**	**0.1**
of which: Interest (net)	-1.1	-1.3	-1.6	-1.6	-2.2	-2.2	-2.3	-2.2	-2.1	-2.0
of which labor compensation (net)	5.8	4.5	2.8	2.6	2.9	3.1	3.0	2.9	2.9	2.8
Primary income: Credit	6.4	5.1	3.4	2.9	3.7	3.8	3.7	3.7	3.6	3.5
Primary income: Debit	3.3	3.8	3.8	3.3	4.0	4.1	4.0	3.9	3.7	3.4
Secondary income (net)	**8.4**	**9.4**	**5.6**	**9.0**	**9.2**	**9.0**	**8.6**	**8.1**	**7.6**	**7.1**
Secondary income: Credit	9.6	10.5	6.6	9.8	10.0	9.8	9.4	8.8	8.3	7.8
Secondary income: Debit	1.2	1.0	1.0	0.8	0.8	0.8	0.8	0.7	0.7	0.7
II. Capital transfers	**0.3**	**0.4**	**0.3**	**0.0**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**
III. Financial account balance 1/	**-2.8**	**-11.1**	**-4.7**	**-9.9**	**-5.7**	**-6.8**	**-6.0**	**-5.3**	**-5.1**	**-4.8**
Direct investment	**-1.2**	**-4.0**	**-1.2**	**-2.4**	**-2.5**	**-2.5**	**-3.0**	**-3.2**	**-3.4**	**-3.5**
Portfolio investment	**0.0**	**-2.3**	**0.0**	**-2.4**	**-3.3**	**-2.6**	**-1.3**	**-0.4**	**-0.9**	**-0.8**
Other investment	**-1.5**	**-4.7**	**-3.4**	**-5.1**	**0.2**	**-1.7**	**-1.7**	**-1.7**	**-0.8**	**-0.5**
Loans, net (- = net inflow)	-4.1	-10.0	-5.0	-9.4	-3.8	-4.7	-4.5	-3.8	-2.9	-2.3
Public and publ. guaranteed debt	-4.7	-8.2	-6.6	-6.1	-4.7	-4.4	-3.6	-2.8	-2.2	-1.7
Commercial nonguaranteed	0.7	-1.9	1.6	-3.2	0.9	-0.2	-0.9	-1.0	-0.7	-0.6
Others	2.5	5.3	1.6	4.3	3.9	3.0	2.9	2.2	2.1	1.7
IV. Errors and omissions	**0.9**	**-3.2**	**0.0**	**-1.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance (I + II - III + IV)	**-3.1**	**2.4**	**-4.7**	**3.1**	**-0.4**	**1.2**	**0.8**	**0.4**	**0.3**	**0.3**
V. Financing	**3.1**	**-2.4**	**4.7**	**-3.1**	**0.4**	**-1.2**	**-0.8**	**-0.4**	**-0.3**	**-0.3**
Use of reserves	3.1	-2.4	4.0	-3.7	0.4	-1.2	-0.8	-0.4	-0.3	-0.3
Use of IMF credit (net)	0.0	0.0	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Financing Gap	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
VI. Gold purchases not exported & valuation changes	1.1	1.2	1.7	6.9	-0.2	-0.2	-0.2	-0.2	-0.1	0.0
Change in reserves (V + VI ; + = increase)	**-2.0**	**3.6**	**-2.3**	**10.0**	**-0.7**	**1.0**	**0.6**	**0.2**	**0.2**	**0.3**
Memorandum items:										
Current account balance (percent of GDP)	**-7.1**	**-5.8**	**-9.6**	**-5.4**	**-6.4**	**-5.9**	**-5.4**	**-5.2**	**-5.1**	**-4.8**
Underlying current account (percent of GDP) 2/	**-5.6**	**-7.3**	**-10.9**	**-5.8**	**-6.2**	**-5.7**	**-5.3**	**-5.0**	**-4.9**	**-4.6**
Gross international reserves (billions of U.S. dollars)	**27.1**	**29.2**	**27.7**	**34.9**	**34.5**	**35.2**	**35.6**	**35.8**	**36.0**	**36.3**
Gross international reserves excl. FRD (billions of U.S. dollars)	**15.6**	**18.2**	**16.8**	**24.5**	**24.8**	**25.5**	**25.9**	**26.1**	**26.3**	**26.6**
Real exchange rate CPI based (2015=100)	60.6	64.5	65.6	64.6	63.3	63.6	64.2	65.2	66.2	67.4
Remittances (percent of GDP)	13.4	15.1	9.5	12.6	13.1	13.1	12.5	11.9	11.3	10.7
Gross external debt (percent of GDP)	34.3	43.9	46.3	58.4	62.3	63.8	62.3	60.3	57.8	55.2
PPG external debt (percent of GDP)	20.3	29.2	34.1	37.2	41.3	43.1	42.3	41.0	39.4	37.8
Total debt service payment (percent of GDP)	4.4	4.7	5.8	5.9	10.0	8.5	7.9	8.0	8.1	8.2
Gross external financing needs (percent of GDP)	10.4	9.3	13.9	10.1	14.4	12.4	11.5	12.2	11.6	11.6
Nominal exchange rate (avg.)	8,072	8,837	10,254	10,055	…	…	…	…	…	…
Nominal exchange rate (eop)	8,340	9,516	9,885	10,477	…	…	…	…	…	…

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: General Government, 2018–2026
(billions of Sum)

	2018	2019	2020	2020	2020	2021	2022	2023	2024	2025	2026
			May	Sep	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
			RFI-RCF	Staff Visit							
Consolidated budget revenues	**116,551**	**146,548**	**151,364**	**154,782**	**160,183**	**184,858**	**217,124**	**250,270**	**283,326**	**319,211**	**360,099**
Tax revenues	70,797	97,894	111,588	111,808	112,892	132,647	158,371	182,602	207,001	233,664	264,105
Taxes on incomes and profits	17,184	31,785	38,509	40,514	45,207	50,334	61,206	72,204	83,569	96,166	110,656
Taxes on property	4,110	4,673	3,999	4,598	4,361	6,034	7,337	8,655	10,017	11,528	13,264
Taxes on goods and services	47,676	59,133	66,956	63,647	59,771	71,532	83,959	94,903	105,501	116,915	129,807
Value added tax	27,877	33,810	40,674	35,808	31,177	43,991	52,776	60,864	68,967	77,726	87,638
Excises	9,702	10,316	11,882	11,381	11,697	12,800	15,356	17,709	20,067	22,615	25,499
Mining tax	8,425	14,693	14,048	16,107	16,417	14,056	15,035	15,445	15,496	15,511	15,508
Taxes on international trade	1,826	2,303	2,125	3,048	3,554	4,748	5,870	6,840	7,914	9,056	10,378
Other revenues	16,329	23,709	16,121	20,463	24,191	26,137	30,956	35,622	40,344	45,564	51,629
Funds	29,425	24,945	23,654	22,512	23,100	26,074	27,796	32,046	35,981	39,983	44,364
Social security contributions	24,144	24,465	21,961	20,414	20,737	23,655	27,614	31,831	35,732	39,696	44,034
Other	5,281	481	1,693	2,098	2,363	2,419	182	215	249	287	330
											0
Consolidated budget expenditures	**125,198**	**166,488**	**185,183**	**198,467**	**185,917**	**221,564**	**248,400**	**279,103**	**310,239**	**341,500**	**385,016**
Social	41,370	50,727	52,375	55,800	55,312	61,332	72,887	82,644	92,703	102,820	116,875
Social safety net	23,569	31,410	42,704	40,797	40,547	47,264	56,655	64,239	72,057	79,921	90,846
Economy	7,749	13,358	15,773	20,137	16,440	14,703	16,149	18,311	20,539	22,781	25,895
Public administration	3,879	6,058	6,175	7,442	8,662	7,551	8,615	9,769	10,958	12,154	13,815
Public investment	23,311	35,254	21,732	32,644	26,609	33,200	26,838	29,793	32,741	35,694	39,856
Interest expenditure	408	851	748	2,651	1,638	2,965	3,434	4,287	4,709	4,960	5,223
Other	20,783	22,262	32,783	29,906	27,863	42,449	47,086	52,996	59,546	66,308	75,785
Externally Financed Expenditure	4,130	6,567	12,894	9,090	8,846	12,100	16,735	17,064	16,985	16,863	16,721
Consolidated budget balance	**-8,647**	**-19,940**	**-33,819**	**-43,685**	**-25,734**	**-36,706**	**-31,276**	**-28,833**	**-26,913**	**-22,289**	**-24,917**
Adjustments to revenues	-3,591	-3,422	-1,793	-6,339	-5,822	-6,884	-5,320	-5,902	-6,438	-6,921	-7,357
Adjusted revenues 1/	112,960	143,126	149,571	148,443	154,361	177,974	211,804	244,368	276,888	312,290	352,742
Adjustments to Expenditures	-19,326	-22,045	-11,058	-25,851	-12,611	-20,105	-14,637	-14,755	-15,153	-15,528	-16,117
Adjusted expenditures 1/	105,873	144,443	174,125	172,616	173,306	201,459	233,763	264,349	295,086	325,972	368,898
Adjusted fiscal balance	**7,088**	**-1,317**	**-24,554**	**-24,173**	**-18,945**	**-23,485**	**-21,959**	**-19,981**	**-18,198**	**-13,682**	**-16,157**
Policy-based lending operations	15,735	18,623	9,266	19,512	6,789	13,221	9,317	8,852	8,715	8,607	8,760
Overall fiscal balance	**-8,647**	**-19,940**	**-33,819**	**-43,685**	**-25,734**	**-36,706**	**-31,276**	**-28,833**	**-26,913**	**-22,289**	**-24,917**
Statistical Discrepancy	-3,060	3,693	0	0	4,086	0	0	0	0	0	0
Financing	**5,587**	**23,633**	**33,819**	**43,685**	**29,820**	**36,706**	**31,276**	**28,833**	**26,913**	**22,289**	**24,917**
Domestic	-9,575	-7,193	4,895	9,733	-7,525	7,718	789	-92	6,108	-3,910	-792
Domestic banking system	-10,375	-8,059	3,343	5,761	-10,229	5,478	-2,981	-5,465	1,117	-8,485	-5,367
Deposits at the central bank	-10,375	-8,059	15,114	7,902	-10,229	4,478	-2,981	-5,465	1,117	-8,485	-5,367
Deposit money banks	0	0	-11,771	-2,142	0	1,000	0	0	0	0	0
Treasury bills & bonds	597	653	1,329	3,750	2,704	2,040	3,570	5,173	4,792	4,375	4,375
Privatization proceeds	203	213	223	223	0	200	200	200	200	200	200
External	15,162	30,825	28,924	33,951	37,345	28,988	30,487	28,925	20,805	26,199	25,709
Multilateral	13,646	15,780	26,496	24,241	23,867	16,762	16,710	16,865	16,622	16,345	16,057
of which: IMF	…	…	3,707	3,753	3,770	…	…	…	…	…	…
Bilateral	1,516	6,208	2,429	2,704	5,962	2,953	3,858	3,871	3,792	3,705	3,617
Commercial	0	8,837	0	7,006	7,516	9,273	9,919	8,189	391	6,149	6,035
Memorandum items											
GDP	406,649	510,117	601,604	598,206	580,203	668,939	785,158	894,059	998,826	1,109,453	1,232,255

Sources: Country authorities; and IMF staff estimates.

1/ Adjusted fiscal data are budget data adjusted for financing operations of the Fund for Reconstruction and Development (FRD), equity injections, and policy lending.

Table 4b. Uzbekistan: General Government, 2018–2026

(percent of GDP)

	2018	2019	2020	2020	2020	2021	2022	2023	2024	2025	2026
			May	Sep	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
			RFI-RCF	Staff Visit							
Consolidated budget revenues	**28.7**	**28.7**	**25.2**	**25.9**	**27.6**	**27.6**	**27.7**	**28.0**	**28.4**	**28.8**	**29.2**
Tax revenues	17.4	19.2	18.5	18.7	19.5	19.8	20.2	20.4	20.7	21.1	21.4
Taxes on incomes and profits	4.2	6.2	6.4	6.8	7.8	7.5	7.8	8.1	8.4	8.7	9.0
Taxes on property	1.0	0.9	0.7	0.8	0.8	0.9	0.9	1.0	1.0	1.0	1.1
Taxes on goods and services	11.7	11.6	11.1	10.6	10.3	10.7	10.7	10.6	10.6	10.5	10.5
Value added tax	6.9	6.6	6.8	6.0	5.4	6.6	6.7	6.8	6.9	7.0	7.1
Excises	2.4	2.0	2.0	1.9	2.0	1.9	2.0	2.0	2.0	2.0	2.1
Mining tax	2.1	2.9	2.3	2.7	2.8	2.1	1.9	1.7	1.6	1.4	1.3
Taxes on international trade	0.4	0.5	0.4	0.5	0.6	0.7	0.7	0.8	0.8	0.8	0.8
Other revenues	4.0	4.6	2.7	3.4	4.2	3.9	3.9	4.0	4.0	4.1	4.2
Funds	7.2	4.9	3.9	3.8	4.0	3.9	3.5	3.6	3.6	3.6	3.6
Social security contributions	5.9	4.8	3.7	3.4	3.6	3.5	3.5	3.6	3.6	3.6	3.6
Other	1.3	0.1	0.3	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0
Consolidated budget expenditures	**30.8**	**32.6**	**30.8**	**33.2**	**32.0**	**33.1**	**31.6**	**31.2**	**31.1**	**30.8**	**31.2**
Social	10.2	9.9	8.7	9.3	9.5	9.2	9.3	9.2	9.3	9.3	9.5
Social safety net	5.8	6.2	7.1	6.8	7.0	7.1	7.2	7.2	7.2	7.2	7.4
Economy	1.9	2.6	2.6	3.4	2.8	2.2	2.1	2.0	2.1	2.1	2.1
Public administration	1.0	1.2	1.0	1.2	1.5	1.1	1.1	1.1	1.1	1.1	1.1
Public investment	5.7	6.9	3.6	5.5	4.6	5.0	3.4	3.3	3.3	3.2	3.2
Interest expenditure	0.1	0.2	0.1	0.4	0.3	0.4	0.4	0.5	0.5	0.4	0.4
Other	5.1	4.4	5.4	5.0	4.8	6.3	6.0	5.9	6.0	6.0	6.2
Externally financed expenditure	1.0	1.3	2.1	1.5	1.5	1.8	2.1	1.9	1.7	1.5	1.4
Consolidated budget balance	**-2.1**	**-3.9**	**-5.6**	**-7.3**	**-4.4**	**-5.5**	**-4.0**	**-3.2**	**-2.7**	**-2.0**	**-2.0**
Adjustments to revenues	-0.9	-0.7	-0.3	-1.1	-1.0	-1.0	-0.7	-0.7	-0.6	-0.6	-0.6
Adjusted revenues 1/	27.8	28.1	24.9	24.8	26.6	26.6	27.0	27.3	27.7	28.1	28.6
Adjustments to Expenditures	-4.8	-4.3	-1.8	-4.3	-2.2	-3.0	-1.9	-1.7	-1.5	-1.4	-1.3
Adjusted expenditures 1/	26.0	28.3	28.9	28.9	29.9	30.1	29.8	29.6	29.5	29.4	29.9
Adjusted fiscal balance	**1.7**	**-0.3**	**-4.1**	**-4.0**	**-3.3**	**-3.5**	**-2.8**	**-2.2**	**-1.8**	**-1.2**	**-1.3**
Policy-based lending operations	3.9	3.7	1.5	3.3	1.2	2.0	1.2	1.0	0.9	0.8	0.7
Overall fiscal balance	**-2.1**	**-3.9**	**-5.6**	**-7.3**	**-4.4**	**-5.5**	**-4.0**	**-3.2**	**-2.7**	**-2.0**	**-2.0**
Statistical Discrepancy	-0.8	0.7	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Financing	**1.4**	**4.6**	**5.6**	**7.3**	**5.1**	**5.5**	**4.0**	**3.2**	**2.7**	**2.0**	**2.0**
Domestic	**-2.4**	**-1.4**	**0.8**	**1.6**	**-1.3**	**1.2**	**0.1**	**0.0**	**0.6**	**-0.4**	**-0.1**
Domestic banking system	-2.6	-1.6	0.6	1.0	-1.8	0.8	-0.4	-0.6	0.1	-0.8	-0.4
Deposits at the central bank	-2.6	-1.6	2.5	1.3	-1.8	0.7	-0.4	-0.6	0.1	-0.8	-0.4
Deposit money banks	0.0	0.0	-2.0	-0.4	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Treasury bills & bonds	0.1	0.1	0.2	0.6	0.5	0.3	0.5	0.6	0.5	0.4	0.4
Privatization proceeds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	**3.7**	**6.0**	**4.8**	**5.7**	**6.4**	**4.3**	**3.9**	**3.2**	**2.1**	**2.4**	**2.1**
Multilateral	3.4	3.1	4.4	4.1	4.1	2.5	2.1	1.9	1.7	1.5	1.3
of which: IMF	…	…	0.6	0.6	0.6	…	…	…	…	…	…
Bilateral	0.4	1.2	0.4	0.5	1.0	0.4	0.5	0.4	0.4	0.3	0.3
Commercial	0.0	1.7	0.0	1.2	1.3	1.4	1.3	0.9	0.0	0.6	0.5

Sources: Country authorities; and IMF staff estimates.

1/ Adjusted fiscal data are budget data adjusted for financing operations of the Fund for Reconstruction and Development (FRD), equity injections, and policy lending.

Table 5. Uzbekistan: Central Bank Survey, 2018–2026

(billions of Sum)

	2018	2019	2020	2020	2021	2022	2023	2024	2025	2026
			RFI-RCF		Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Gross international reserves (billions of U.S. dollars)	27.1	29.2	27.7	34.9	34.5	35.2	35.6	35.8	36.0	36.3
Official exchange rate (Sum/U.S. dollar, eop)	8,340	9,516	10,254	10,477	…	…	…	…	…	…
Net foreign assets	**222,757**	**273,987**	**276,884**	**357,563**	**385,646**	**415,901**	**420,800**	**426,391**	**432,495**	**439,550**
Foreign Assets	225,848	277,493	284,508	365,688	394,441	425,205	430,088	435,757	441,940	449,074
o/w FRD	96,138	104,204	112,275	109,360	109,972	116,341	116,141	117,113	118,093	119,082
Foreign liabilities	3,091	3,506	7,623	8,125	8,795	9,304	9,288	9,366	9,444	9,524
Net domestic assets	**-188,274**	**-233,380**	**-233,825**	**-310,687**	**-334,083**	**-358,082**	**-356,811**	**-355,479**	**-354,195**	**-353,190**
Net domestic credit	-116,971	-123,058	-113,919	-145,310	-150,791	-159,927	-164,787	-164,381	-173,563	-179,609
Government, net	-118,937	-126,203	-119,586	-148,007	-153,026	-162,999	-168,244	-168,209	-177,781	-184,262
Of which: FRD	-96,138	-104,204	-112,275	-109,360	-109,972	-116,341	-116,141	-117,113	-118,093	-119,082
Local government	0	0	0	0	0	0	0	0	0	0
Public nonfinancial corporations	73	163	163	295	295	295	295	295	295	295
Private sector	0	0	0	0	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0	0	0	0	0
Banks	1,893	2,982	5,505	2,402	1,940	2,777	3,162	3,532	3,924	4,358
Other items, net	-71,303	-110,321	-119,906	-165,377	-183,292	-198,155	-192,024	-191,097	-180,632	-173,581
Deposits excl. from broad money	0	0	0	0	0	0	0	0	0	0
Other securities than shares excl. from broad mone	0	0	0	0	0	0	0	0	0	0
Loans	0	0	0	0	0	0	0	0	0	0
Fin. derivates	0	0	0	0	0	0	0	0	0	0
Shares and other equity	-72,174	-111,601	-120,246	-169,470	-197,377	-217,985	-215,446	-217,148	-219,615	-223,235
Other items (net)	871	1,280	339	4,093	14,085	19,830	23,422	26,050	38,983	49,654
Reserve money	**34,483**	**40,607**	**43,059**	**46,877**	**51,563**	**57,819**	**63,989**	**70,913**	**78,301**	**86,360**
Currency in circulation	23,122	26,310	28,652	27,799	30,470	34,156	37,842	41,856	45,975	50,236
Deposits of commercial banks	11,108	14,005	14,115	18,800	20,815	23,385	25,869	28,779	32,047	35,846
Other deposits	253	292	292	278	278	278	278	278	278	278
Growth rates										
Reserve money	-1.9	17.8	6.0	15.4	10.0	12.1	10.7	10.8	10.4	10.3
Net foreign assets	-0.2	23.0	1.1	30.5	7.9	7.8	1.2	1.3	1.4	1.6
Net domestic assets	0.1	24.0	0.2	33.1	7.5	7.2	-0.4	-0.4	-0.4	-0.3
Net credit to government	-1.3	6.1	-5.2	17.3	3.4	6.5	3.2	0.0	5.7	3.6
Nominal GDP	34.4	25.4	17.5	13.7	15.3	17.4	13.9	11.7	11.1	11.1
Money multiplier (in levels)	2.3	2.2	2.5	2.3	2.4	2.5	2.7	2.8	3.0	3.2

Sources: Uzbekistan authorities and IMF staff estimates and projections.

Table 6. Uzbekistan: Monetary Survey, 2018–2026

(billions of Sum)

	2018	2019	2020 RFI-RCF	2020	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.
Net foreign assets (billions of U.S. dollars)	29.2	31.3	29.9	37.7	36.4	36.4	36.6	36.7	36.9	37.1
Official exchange rate (Sum/U.S. dollar, eop)	8,340	9,516	10,254	10,477	…	…	…	…	…	…
Net foreign assets	**206,162**	**232,009**	**231,977**	**281,125**	**282,587**	**293,293**	**282,411**	**273,512**	**268,337**	**265,385**
Foreign assets	243,861	297,565	306,135	394,574	416,352	439,988	441,252	447,014	453,291	459,292
o/w FRD	96,138	104,204	112,275	109,360	109,972	116,341	116,141	117,113	118,093	119,082
Foreign liabilities	37,699	65,557	74,157	113,448	133,766	146,695	158,840	173,502	184,955	193,907
Net domestic assets 1/	**-125,997**	**-140,743**	**-125,465**	**-173,522**	**-158,064**	**-147,407**	**-111,529**	**-73,027**	**-33,880**	**8,509**
Net domestic credit	-18,184	36,647	75,095	71,377	118,930	163,983	209,435	262,121	306,757	359,806
Government, net	-186,742	-172,011	-178,585	-208,989	-216,632	-230,557	-237,106	-239,443	-252,218	-262,519
Of which : Fund for Reconstruction and Development	-143,285	-112,638	-121,363	-117,956	-120,314	-130,422	-133,423	-137,775	-142,165	-146,638
Of which : T-bills	594	1,254	2,533	3,764	5,597	9,167	14,340	19,132	23,507	27,882
Local government	0	0	0	0	0	0	0	0	0	0
Nonfinancial public corporations	70,792	53,466	64,991	62,996	75,377	88,586	100,227	112,554	125,414	139,605
Private sector	96,747	153,767	187,015	214,936	257,379	302,660	342,564	384,820	428,906	477,550
Other financial corporations	1,020	1,424	1,674	2,434	2,806	3,294	3,751	4,190	4,654	5,170
Other items, net	-107,813	-180,789	-203,869	-203,869	-217,507	-224,686	-246,268	-262,591	-284,744	-306,898
Deposits excl. from broad money	-154	-221	-260	-138	-159	-187	-213	-238	-264	-293
Other securities than shares excl. from broad money	-10	-35	-41	-121	-140	-164	-187	-209	-232	-257
Loans	-5,179	-12,257	-13,830	-15,472	-17,838	-20,937	-23,841	-26,635	-29,585	-32,859
Fin. derivates	0	0	0	0	0	0	0	0	0	0
Insurance technical reserves	-3,401	-3,901	-4,585	-4,408	-5,082	-5,965	-6,793	-7,589	-8,429	-9,362
Shares and other equity	-98,753	-162,632	-182,625	-227,824	-266,674	-302,574	-311,768	-324,757	-339,143	-355,993
Others	-316	1,656	782	3,064	12,899	18,437	21,837	24,279	37,015	47,468
Broad Money	**80,165**	**91,266**	**106,513**	**107,604**	**124,523**	**145,885**	**170,882**	**200,486**	**234,456**	**273,893**
Currency outside banks	22,164	24,246	27,693	24,920	28,839	32,327	35,816	39,615	43,514	47,546
Demand deposits	17,290	19,717	23,011	27,200	31,477	36,877	43,195	50,679	59,266	69,234
Quasi-money	40,710	47,303	55,206	55,484	64,207	75,222	88,111	103,376	120,892	141,227
Memorandum items:										
FRD (in billions of U.S. dollars)	17.2	11.8	11.8	11.3	10.6	10.9	11.1	11.4	11.7	11.9
FRD in reserves at CBU	11.5	10.9	10.9	10.4	9.7	9.7	9.7	9.7	9.7	9.7
FRD Loans to banks	5.7	0.9	0.9	0.8	0.9	1.2	1.4	1.7	2.0	2.2
Deposits in Broad Money (Billions of sum)	58,001	67,020	78,216	82,684	95,684	112,099	131,307	154,055	180,158	210,461
Growth Rates										
Broad money	13.2	13.8	16.7	17.9	15.7	17.2	17.1	17.3	16.9	16.8
Net foreign assets	-5.6	12.5	0.0	21.2	0.5	3.8	-3.7	-3.2	-1.9	-1.1
Net domestic assets	-14.6	11.7	-10.9	23.3	-8.9	-6.7	-24.3	-34.5	-53.6	-125.1
Domestic bank credit to government	12.7	-7.9	3.8	21.5	3.7	6.4	2.8	1.0	5.3	4.1
Domestic credit to rest of economy	51.3	23.8	21.6	34.4	19.7	17.6	13.2	12.3	11.4	11.3
Domestic credit to rest of economy (adjusting for FRD-loan transfers) 1/	51.3	48.1	21.6	34.4	19.7	17.6	13.2	12.3	11.4	11.3
Domestic credit to the private sector	93.0	58.9	21.6	39.8	19.7	17.6	13.2	12.3	11.5	11.3
Memorandum Items										
Velocity (in levels) 2/	5.1	5.6	5.6	5.4	5.4	5.4	5.2	5.0	4.7	4.5
Ratio of currency outside banks to deposits (in percent)	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Ratio of currency outside banks to broad money (in percent)	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Credit to the economy (percent of GDP)	41.5	40.9	42.2	48.3	50.2	50.2	49.9	50.2	50.4	50.5
Credit to the private sector (percent of GDP)	23.8	30.1	31.1	37.0	38.5	38.5	38.3	38.5	38.7	38.8

Sources: Uzbekistan authorities and IMF staff estimates and projections.

1/ In Nov.2019 commercial banks transfered loans funded by FRD to SOEs to FRD for about Sum 41 trillion. The operation included the transfer of both loans to the SOEs and thecorresponding 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.

Table 7. Uzbekistan: Financial Sector Indicators, 2015–2020

(End of period in percent, unless otherwise indicated)

	2015	2016	2017	2018	2019 [1]	2020
Capital adequacy						
Regulatory capital to risk-weighted assets	14.7	14.7	18.8	15.6	23.5	18.4
Regulatory tier 1 capital to risk-weighted assets	12.5	12.5	16.5	14.3	19.6	15.2
Capital to total assets	11.3	10.7	12.4	12.4	18.7	15.9
Asset quality						
Non-performing loans to total gross loans	1.5	0.7	1.2	1.3	1.5	2.1
Non-performing loans net of provisions to capital	4.2	2.2	2.9	4.3	2.7	3.6
Profitability						
Interest margin to gross income	39.9	39.5	32.5	48.4	50.7	54.3
Non-interest expenses to gross income	65.9	64.8	59.3	54.4	49.5	45.1
Return on assets	2.0	2.0	1.9	2.0	2.2	2.2
Return on equity	17.5	17.9	17.1	16.2	16.7	10.3
Liquidity						
Liquid assets to total assets (Liquid asset ratio)	23.7	25.4	23.6	13.6	13.9	15.4
Liquid assets to short-term liabilities	43.6	48.4	55.7	41.2	40.3	39.9
FX Vulnerabiliteis						
Net FX open position	16.3	11.9	13.5	2.1	11.6	4.0
Ratio FX loans to total loans	42.8	44.1	63.2	56.6	47.9	49.2
Ratio FX liabilities to total liabilities	40.1	44.8	67.6	62.1	56.9	59.7

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: Sustainable Development Goals, 2000-present

	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)	34	42	31	30	29
Mortality rate, under-5 (per 1,000 live births)	63	49	33	23	17
Incidence of tuberculosis (per 100,000 people)	99	120	97	79	70
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	96	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	32
Clean Water and Sanitation					
People using at least basic drinking water services (percent of population)	85	92	96	98	96
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	21
Decent Work and Economic Growth					
Employment in agriculture (percent of total employment) (modeled ILO estimate)	40	36	31	27	23
Wage and salaried workers, total (percent of total employment) (modeled ILO estimate)	50	52	54	55	57
Industry, Innovation, and Infrastructure					
CO2 emissions (metric tons per capita)	4.9	4.5	3.6	3.3	…
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	29
Responsible Consumption and Production					
Total natural resources rents (percent of GDP)	16	23	18	9	19
Life on Land					
Forest area (percent of land area)	7.6	7.7	7.7	7.6	7.5
Technology					
Individuals using the Internet (percent of population)	0	3	16	43	55

Source: The World Bank

Table 9. Uzbekistan: Recommendations of the 2019 Article IV Consultation	
Recommendations	**Status**
Fiscal Policies	
Maintain moderate fiscal deficits to support macroeconomic stability.	Deficits were higher in 2019 and 2020 due to higher investment and the impact of the pandemic, respectively. The authorities are committed to tighten fiscal policy as the pandemic abates.
Improve tax administration and widen the tax base to improve the business climate while maintaining revenues.	The tax base was broadened and improvements in tax administration are underway. Revenues were broadly maintained despite a lowering of tax rates.
Bring all fiscal operations on budget.	Budget coverage has been improved, by including FRD and externally financed operations, but some small accounts are not yet included.
Resist pressures to scale up policy lending or off-budget operations.	Policy lending was reduced in 2020. Integrating decisions regarding policy loans into the overall budget processes needs to be improved.
The targeting and coverage of social benefits needs to be improved.	Social protection programs have been expanded, but do not yet reach all vulnerable households.
Monetary and Financial Policies	
The CBU should maintain a tight monetary policy and reduce liquidity to the banks if necessary.	The CBU maintained positive real interest rates, while supporting banks' liquidity during the pandemic.
Contain credit growth to avoid risks to macroeconomic stability.	Credit growth, while having slowed, remains high, and vulnerabilities may have increased.
Phase out directed credit to improve credit allocation and report the subsidy component in the budget.	The interest rate on policy loans was raised to at least the CBU policy rate. A large volume of policy loans was moved from banks' balance sheets to the FRD. Policy lending continues, albeit on a smaller scale.
The exchange rate should be allowed to move with fundamentals. FX intervention should be more regular and predicable.	The exchange rate appears to be in line with fundamentals. CBU intervention is limited to sterilizing gold purchases, while foreign exchange auctions help to develop the FX market. Day-to-day movements remain relatively limited.
The efficiency of banks needs to be enhanced, by improving governance and through their restructuring.	A strategy to restructure and divest state-owned banks was adopted, with the first bank to be sold in 2021. Governance has improved with the appointment of independent supervisory board members.
Growth and Structural Policies	
Structural reforms should be prioritized and focus on alleviating resource constraints, lowering business costs, and improving public governance.	The authorities have developed plans to restructure and divest state assets, but implementation has been slow, in part due to the pandemic. A new public procurement law and platform are to be adopted in 2021.
Future price increases (especially in the energy sector) should be raised and follow a pre-announced calendar.	Food and fuel prices are market-determined, but utility prices remain regulated and below cost-recovery levels.
Economic Statistics	
Continue to improve the quality and availability of statistics and develop a roadmap to subscribe to the IMF's SDDS.	Significant progress has been made in all areas of statistics. Efforts are ongoing with a view to subscribing to the SDDS by end-2022.

Annex I. Risk Assessment Matrix[1]

Risk Assessment Matrix

Risk	Description	Likelihood / Timeframe	Possible Impact *(if realized)* / Transmission Channels	Policy Advice
External Risks and Spillovers				
Unexpected shifts in the COVID-19 pandemic	The disease proves hard to eradicate, requiring more costly containment efforts and impacting economic activity. Delays in availability of vaccine and continued weakness in trading partners prompts a reassessment of growth prospects.	**Medium** **Short-Term**	**High** A resurgence or setbacks in efforts to contain the pandemic could result in lower domestic demand, continued slow growth, and loss of jobs. A global or regional slowdown could result in lower exports and remittances, and less growth and more unemployment.	Uzbekistan could slow fiscal consolidation and target additional spending at affected sectors. The authorities should allow the exchange rate to adjust in line with fundamentals to prevent external imbalances and to maintain adequate reserves.
Commodity prices decline or become more volatile (e.g., gold, natural gas, and oil)	Gold prices rose 27 percent in 2020. As the COVID crisis abates, the price could fall sharply. Conversely, natural gas prices fell 26 percent in 2020, and China and Russia reduced purchases. These may or may	**Medium** **Short** to **Medium-Term**	**Medium** In 2020, gold exports were about 10 percent of GDP and the loss in natural gas exports was about 3 percent of GDP. Adverse movements could worsen the trade balance, fiscal revenues,	The authorities should allow the nominal exchange rate to adjust to persistent external price shocks. Uzbekistan can slow fiscal consolidation in the short-term to offset a shock but should reduce spending in

[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 relative 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 overall level of concern as of 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 Assessment Matrix				
Risk	**Description**	**Likelihood / Timeframe**	**Possible Impact *(if realized)* / Transmission Channels**	**Policy Advice**
	not recover in 2021. Given heightened uncertainty, commodity prices may fluctuate sharply, complicating policy making.		and contribute to uncertainty that dampens investment. However, gold prices tend to move counter cyclically, partly acting as a natural hedge to global slowdowns and lower energy prices.	the medium-term if large fiscal deficits are persistent. Over the medium to long-term, trade liberalization and structural reforms can provide incentives to diversify exports and boost competitiveness.
Domestic Risks				
Credit boom and/or pandemic weakens bank balance sheets	With continued rapid credit growth and high policy lending, banks have increased foreign borrowing and lend to projects with low returns. Asset quality declines.	**Medium** **Short** to **Medium Term**	**High** If a shock occurs, non-performing loans would increase, and banks' balance sheets would weaken. The government may need to bail out state banks and enterprises at significant cost.	Continue reforms in the banking sector to improve corporate governance. Continue to improve bank supervision, crisis preparedness, and framework for emergency liquidity assistance. Reduce the share of policy loans so that projects are chosen on commercial terms based on risk and return.
Reform Fatigue	Lack of implementation capacity, disappointment, or impatience with reforms results in popular frustration. With presidential elections planned for late 2021, structural reforms (e.g., banking system, SOEs,	**Medium** **Medium Term**	**High** Significant progress has already been made in "first generation" reforms, such as FX and trade liberalization, tax reforms, budget reform, introduction of inflation targeting.	Reiterate the government's commitment and communicate that reforms are needed to address current shortcomings (e.g., misallocation of resources, lack of sufficient investment

Risk Assessment Matrix				
Risk	**Description**	**Likelihood / Timeframe**	**Possible Impact *(if realized)* / Transmission Channels**	**Policy Advice**
	price controls, competition policy) may slow or come to a halt.		Remaining reforms are more complex and will require sufficient time and careful preparation and sequencing. A slowdown in reforms could result in lower investment and productivity and slower growth. Popular frustration could grow.	in health, education, and infrastructure.) Continue to focus on the highest priority reforms including price liberalization, reforming state enterprises, improving the banking system, upgrading the social protection system, and improving the business environment.
Continued High Fiscal Deficits and a Rise in Public Debt	Public debt has risen rapidly in recent years and stood at 38 percent of GDP at end-2020. High foreign and domestic borrowing could make it harder to service debt. Under an extreme scenario, a high share of foreign borrowing coupled with an economic shock could result in a sudden loss of confidence.	Medium **Medium-Term** Low **Medium-Term**	Medium Higher debt service could squeeze out needed expenditures (e.g. investment and social spending). Alternatively, fiscal consolidation could slow, raising concerns about debt sustainability. Under an extreme scenario, Uzbekistan could lose access or face higher costs for foreign or domestic financing. High buffers (e.g. FX holdings of the CBU and FRD) mitigate these risks.	Continue fiscal consolidation to achieve the government's goal of reaching a 2 percent of GDP fiscal deficit over the medium-term. Continue to set annual limits on contracting public and publicly guaranteed debt so that debt remains below 60 percent of GDP. Build the government's fiscal risk framework, including steps to take if debt approaches the limit. Improve project selection.

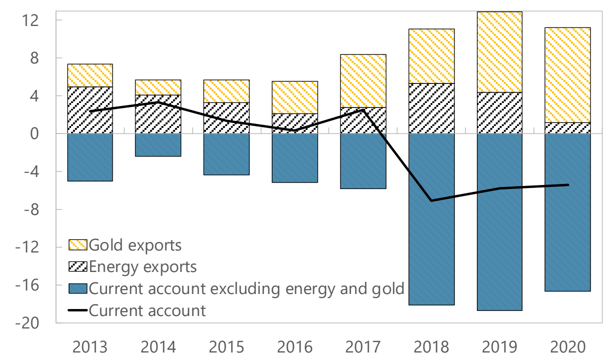
Annex II. External Sector Assessment

The external sector assessment indicates that Uzbekistan's external position is broadly in line with economic fundamentals and desirable policies. The country's external risks are increasing, but external stability risks are mitigated by the large FX reserves and the long maturity of external debt.

A. Current Account (CA)

1. **Background.** Key structural reforms—including FX market liberalization, the removal of trade restrictions, especially on regional border trade—and increased investment turned the CA surplus of 2½ percent of GDP in 2017 into a CA deficit of 6½ percent of GDP in 2018–19. This shift to relatively high CA deficits has been a typical feature of transitions from planned to marked-based economies. Therefore, prior to the pandemic, Uzbekistan was already expected to have sizable CA deficits for several years. The pandemic adversely affected energy exports as regional natural gas demand collapsed, and remittances also fell as borders were closed and activity declined in source-countries. These effects were offset by higher gold exports and lower imports, as domestic demand fell and capital projects were put on hold. The CA deficit reached 5½ percent of GDP in 2020, slightly below the 2019 level.

Current Account Balance
(Percent of GDP)



Sources: Country authorities; and IMF staff estimates.

2. **The EBA-lite CA approach suggests that Uzbekistan's economic fundamentals are consistent with running sizable current account deficits.** Staff's estimate of the 2020 CA norm—i.e., the CA consistent with Uzbekistan's economic fundamentals as well as desirable policies—is in the -3 to -5 percent of GDP range (text table). That CA norm points to a sizable deficit that 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, and investment will need to exceed domestic savings. At the same time, a relatively young population and the expectation of higher incomes in the future means that increasing savings to prepare for an aging population is not yet an issue in the case of Uzbekistan. The CA norm assumes policies are set at their desirable levels, which includes the following benchmarks: (i) an overall fiscal deficit of 2 percent of GDP; (ii) credit growth broadly in line with nominal GDP growth; and (iii), broadly unchanged levels of FX reserves.

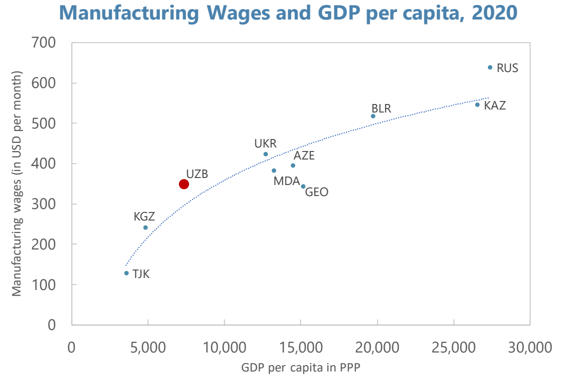
Uzbekistan: Results from EBA-lite models, 2020
(in percent of GDP, unless otherwise indicated)

	CA model		REER model
I. CA-Actual	**-5.4**		
II. Cyclical contributions: output gap and terms of trade	0.0		
III. Other temporary factors*	-2.2		
IV. Natural disasters and conflicts	-0.1		
V. Adjusted CA (V = I - II - III - IV)	**-3.2**		
VI. Adjusted CA Norm	**-4.0**	**±1**	
VII. CA Gap (VII = V - VI)	**0.8**		**7.6**
o/w Policy gap	3.1		
Elasticity	-0.2		
REER Gap (in percent, + = overvaluation)	**-3.7**		**-34.3**

* These adjustments include: 1) deviations of gold exported from the production (+0.4 percent of GDP); 2) correction for lower energy exports (-2.3 percent of GDP), lower remittances (-0.3 percent of GDP), and tourism (+0.1 percent of GDP) due to the pandemic.

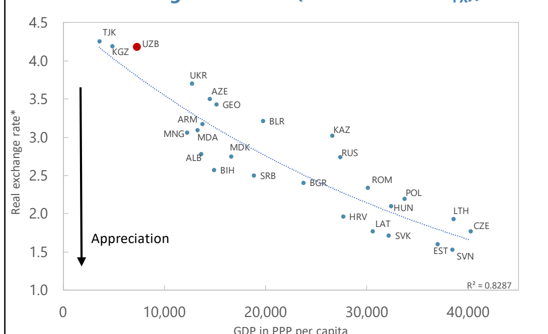
3. The CA gap implies a small real effective exchange rate (REER) gap. The difference between the adjusted CA (see Box 1) and the CA norm suggests a CA gap of 0.8 percent, which should be cautiously interpreted given the current high level of uncertainty as a result of the pandemic.[1] Using standard trade elasticities, the REER gap would be only 3¾ 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 nominal exchange rate (vs U.S. dollar) to the PPP-exchange rate, are consistent with an assessment of no significant deviations.

Manufacturing Wages and GDP per capita, 2020



Sources: IMF staff estimates

Real Exchange Rate 2020 (Ratio FX-to-PPP$_{FX}$), 2020



* E.g. Real exchange = 4 means Nominal FX vs USD is 4 times the PPP-FX
Sources: IMF staff estimates.

4. Short-Term CA Outlook. The CA deficit is expected to widen as investment projects catch up, after several investment plans were delayed in 2020, and incomes recover, increasing demand for imported consumer goods. For 2021, the CA deficit is projected to increase to 6½ percent of GDP, a projection conditional on the policies assumed in the baseline, especially more moderate credit growth. Under the baseline policies, the risk of a sharp deterioration of the CA deficit will depend on the speed of the recovery from the pandemic in Uzbekistan and remittance source-countries, as well as medium-term fiscal policies, and reform progress.

5. Medium-Term CA Outlook. The CA is projected to gradually converge to a deficit of about 5 percent of GDP, which is within the range of the estimated current account norm of about -3 to -5 percent of GDP. This is in line with the expectations for a transition economy with Uzbekistan's characteristics:

a) Following a dip in 2020, trading-partner import demand is projected to recover after 2021, with import growth in China and Russia expanding at about 4 percent.

b) The price of gold is assumed to decline marginally in 2021 and then remain relatively stable, while prices of cotton, natural gas, and copper will recover gradually.

[1] Policy gaps for Uzbekistan indicate that policies narrowed the 2020 current account deficit as the fiscal deficit was lower than in the rest of the world. Nonetheless, there is an unexplained residual of -2¼ percent of GDP.

c) Imports of goods are projected to increase in 2021–23 as investment increases, but then gradually decline to 36 percent of GDP. The import-to-GDP ratio is projected to decline marginally, a pattern also observed in other early transition economies[2].

d) Remittances are expected to recover gradually in 2021–22 as international travel resumes and activity in source countries recovers. They will remain an important and stable source of external income, but gradually decline in terms of GDP as Uzbekistan's GDP is forecasted to grow faster than remittance source countries.

6. Assessment. Subject to the considerable uncertainties related to the pandemic, Uzbekistan's current account position in 2020 is assessed to be broadly consistent with fundamentals and desired policies. The narrow implied REER gap and the apparent lack of a cost competitiveness problem suggest no misalignment issues. The CA deficits in 2020 and the near term can be mainly attributed to the first round of transition and a still relatively high level of capital imports. In the medium term, the pace of domestic demand growth needs to be contained through a gradual fiscal consolidation, a balanced credit policy, and a rational SOE-investment policy to avoid the emergence of excessive CA deficits.

B. Financial Account

7. Background. Financial flows are 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 FDI, loans, and international bond issuances. On average during 2019–20, net FDI inflows accounted for about 3¼ percent of GDP, net loans about 9¾ percent of GDP and portfolio flows (bonds) about 2½ percent of GDP. While official borrowing at concessional rates dominates external borrowing, recently borrowing at market terms has been increasing. The government and state-owned banks have placed Eurobonds in 2019 and 2020 that were heavily oversubscribed. In addition, state-owned banks have increased borrowing from international commercial banks, official development banks, and IFIs, which increased banking sector external debt from 2 to 11 percent of GDP between 2018 and 2020.

8. Assessment. In the near term, FDI inflows are expected to remain modest and official external borrowing will likely expand further. The government plans to continue tapping the sovereign bond market and multilateral institutions remain keen to provide additional loans to the government for 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.

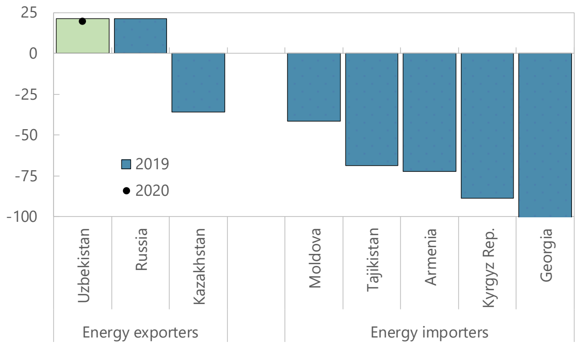
C. International Investment Position (IIP)

9. Background. Uzbekistan's IIP is stronger than most of its regional peers (see text chart). The strong IIP position is the result of past FX reserve accumulation and the desire of the private sector

[2] As market institutions develop transition economies produce more varieties of goods which tends to slow imports.

to accumulate large FX cash holdings. In the last few years, the IIP has weakened somewhat, as external borrowing has expanded to finance investment projects.

Regional Peers: International Investment Position
(Percent of GDP)



Sources: IMF, BOP statistics; and IMF staff estimates.

Uzbekistan: International Investment Position
Billions of U.S. dollars

	2018	2019	2020
Assets	**43.0**	**47.8**	**57.2**
Direct investment	0.2	0.2	0.2
Other invest.: Deposits and FX cash	13.6	16.4	17.7
Other invest.: Others	2.2	2.1	4.2
Reserve assets	27.1	29.2	35.2
Liabilities	**27.2**	**35.7**	**44.8**
Direct investment	9.0	9.5	10.9
Other investment and portfolio	18.2	24.7	33.8
of which: Gov. loans	10.1	14.7	20.1
of which: Other sectors loans	5.4	4.5	12.4
of which: Other sectors trade credit	1.2	2.3	...
IIP	**15.8**	**12.2**	**12.5**

Sources: Country authorities; and IMF staff 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 relatively 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. But the fast expansion of external borrowing on market-terms by the government, SOEs and state banks is raising medium-term risks.

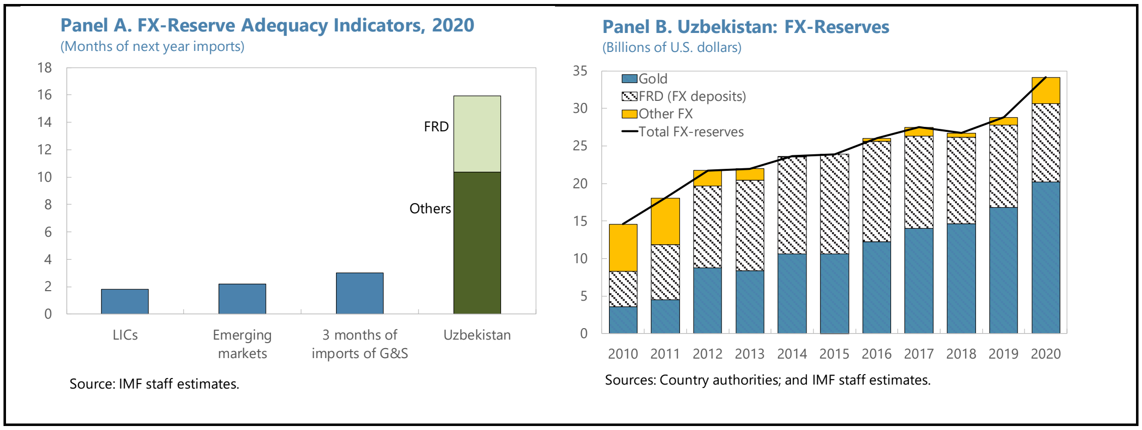
D. FX Reserve Adequacy

12. Background. Uzbekistan's FX reserves are large by all metrics. At US$35 billion at end-2020, they were equivalent to about 61 percent of GDP or 16 months of imports of goods and services. FX reserves were considerably above the IMF's reserve adequacy metric for emerging markets or developing countries.[3] 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 FX reserves are in gold. As gold prices increase during global recessions, FX-reserve revaluation provides additional capacity to face shocks.

13. FX reserves are high providing sizable external buffers. About one third of FX 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

[3] Actual reserves are about 1,700 percent of the IMF's reserve adequacy metric (above the 100-150 percent recommended) or about 1,200 percent excluding FX deposits of the FRD.

efficiently manage these sizable resources, the CBU joined the World Bank's Reserve Advisory and Management Partnership (RAMP) in 2020, to enhance its reserve management and governance framework, and to build the capacity. This would also help optimizing the level of reserve holdings over time.

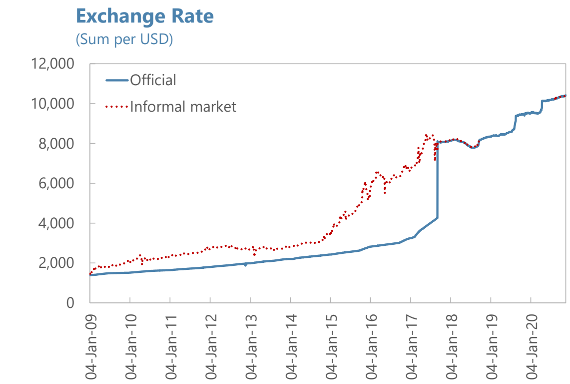


14. CBU intervention has predominantly been limited to adherence to the neutrality principle, indicating that demand and supply largely determine the exchange rate trends. Reserves, after removing the revaluation of gold, have been almost flat over the last few years (See figure 2 Staff report) as the CBU has limited intervention to sterilize the funds it injects when purchasing gold from the domestic producers (the so-called neutrality principle).

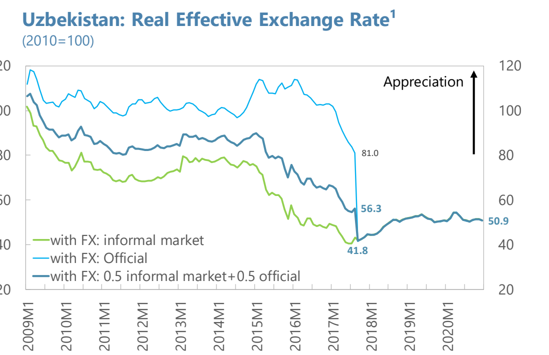
15. Assessment. FX reserves help to ensure Uzbekistan has access to needed imports and insure against shocks. They are also needed for operational purposes, including smoothing volatility in the FX market, while allowing the exchange rate to adjust in line with market forces. Staff assesses Uzbekistan's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

E. Real Exchange Rate

16. Background. On September 5, 2017, Uzbekistan unified its official and parallel exchange rates and liberalized access to foreign exchange. The official nominal exchange rate depreciated from 4,250 to 8,100 sum per U.S. dollar. Since then, the nominal exchange rate has shown limited daily volatility and step depreciations in response to shocks that also affected regional trading partners' currencies. The average annual nominal depreciation reached about 10 percent during 2019–20, while the real effective exchange rate has been relatively stable since late 2018. 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.



Sources: IMF staff estimates.



1/ REER based on CPI (as in INS methodology).
Source: IMF staff estimates.

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 strongly weaker than implied by fundamentals and desired policies. Such result seems unfeasible for Uzbekistan's economy, which is running a CA deficit above 5 percent of GDP.[4]

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

19. Assessment. Subject to the already mentioned data uncertainties, staff assesses that the 2020 average REER was broadly consistent with fundamentals and desired policies based on the EBA-current account approach.

[4] This estimation assumes the REER was in equilibrium on average during 2011–2019.

Box 1. Adjusting the Current Account for Temporary Factors

The adjusted CA deficit in 2020—which corrects the CA for temporary and cyclical factors— is estimated at -3.2 percent of GDP. In addition to the standard cyclical correction for terms of trade and output gap, two additional adjustments are needed. First adjusting for the CBU's decision on how much of its annual purchase of gold it exports during the year. Second adjusting for additional one-off temporary effects due to the pandemic on energy, remittances, and tourism.

- **Adjusting for CBU gold exports deviation from the gold purchases:** The reason for correcting for gold purchases is that the CBU's gold purchases from domestic producers add immediately to FX reserves but do not affect the rest of the BOP. If all gold purchased is exported, the export is registered as a CA credit that fully matches the FX reserve buildup. But if exports of gold exceed the purchases during the year, the CA deficit is underestimated. In 2020 exports of gold exceeded CBU purchases of gold by 0.4 percent of GDP so after correcting for this effect the CA deficits is 0.4 percent of GDP higher.[1/]
- **Adjusting for the temporary effect of the pandemic on energy balances, remittances, and tourism:** Standard cyclical adjustments are insufficient to account for the exceptionally sharp contractions in the volume of energy, remittances, and tourism in 2020. The temporary component for a flow "X" is estimated with the formula below. For example, the change in the energy balance in 2020 is estimated by comparing the change in the projected energy balance for 2020 and 2025 in the baseline scenario with the projected energy balance for 2020 and 2025 in the January 2020 WEO (before the COVID-19 shock). The temporary component is defined as the part of the revision that is expected to fade by 2025[2/ 3/ 4/].
- $\boldsymbol{temporary\ effect\ on\ X = elasticity_X^{CA}\ \left(\left(X_{2020}^{Forecast} - X_{2020}^{WEO\ Jan.2020}\right) - \left(X_{2025}^{Forecast} - X_{2025}^{WEO\ Jan.2020}\right)\right)}$

1/ In 2020, purchases of domestically produced gold amounted to 9.7 percent of GDP, while gold exports reached 10.1 percent of GDP. The observed current account deficit was therefore corrected (increased) by 0.4 percent of GDP.

2/ The difference in the projected energy balance for 2020 compared with the projection in the January 2020 WEO is about -3.2 percent of GDP. The change in the projected energy balance for 2025 due to the pandemic is zero percent of GDP. The difference between the two changes (-3.2 percent of GDP) measures the transitory shock in 2020. The current account adjustor is -2.3 percent of GDP (0.7 × -3.2), where 0.7 is an estimated elasticity.

3/ The difference in the projected remittances in 2020 compared with the projection in the January 2020 WEO is about -0.9 percent of GDP. The change in the forecasted remittances for 2025 due to the pandemic is zero percent. The difference between the two changes (-0.9 percent of GDP) is used to measure the transitory shock in 2020. The CA adjustor is -0.3 percent of GDP (0.35 × -0.9), where 0.35 is an assumed elasticity.

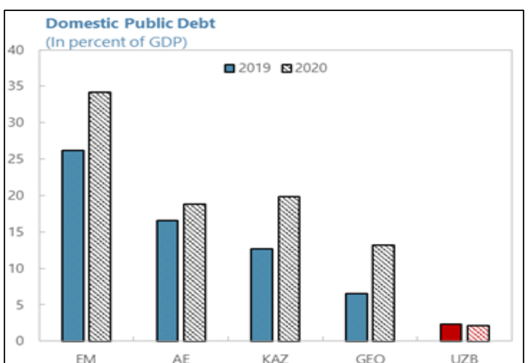
4/ The change in projected tourism in 2020 compared with the projection in the January 2020 WEO is about 0.1 percent of GDP. The change in the forecasted tourism for 2025 due to the pandemic is zero percent. The difference between the two changes (0.1 percent of GDP) is used to measure the transitory shock in 2020. The CA adjustor is 0.1 percent of GDP (0.75 × 0.1), where 0.75 is an estimated elasticity.

Annex III. Monetary Policy Transmission and Inflation Targeting[1]

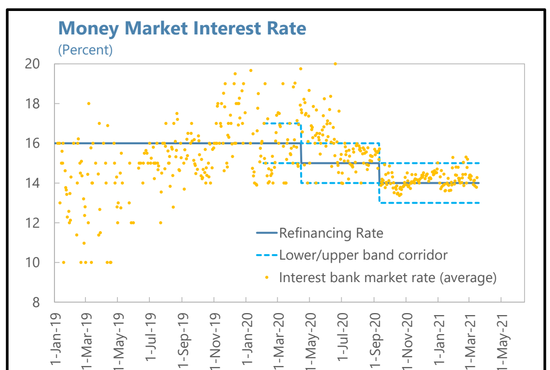
1. **In late 2019, the CBU announced it was moving to an inflation targeting (IT) regime by 2023.** The new central bank law clearly sets price stability as the CBU's main mandate. In addition, an IT strategy, approved by the President[2], guides the transition to an IT framework to reach an inflation target of 10 percent by 2021 and 5 percent by 2023. This strategy also establishes an agreement between the CBU and the government to address any barriers preventing the transition to IT. In this context, the CBU has started transitioning to IT by successfully implementing the strategy in areas within its control. These include the formulation of a financial sector reform strategy, the approval of new laws on FX regulation, payment system, and banking, and the modernization of its monetary framework and operations, including its communication.

2. **Despite the substantial progress made in improving the CBU's monetary policy framework and its operations, monetary policy transmission can still be enhanced.** Multiple factors, including the lack of developed financial markets, a high degree of dollarization, and the large footprint of the government in the financial system make monetary policy less effective.

3. **Undeveloped financial markets tend to weaken monetary transmission.** Progress was made in 2020 in the development of the interbank market, with interbank rates being kept successfully within the policy rate corridor. Further efforts will need to focus on reducing market segmentation, as some banks consistently are the borrowers and lenders in the market. The government securities market also remains shallow with a low level of domestic public debt in 2020, compared to Uzbekistan's regional peers.



Sources: World Economic Outlook, and IMF Staff Calculations.

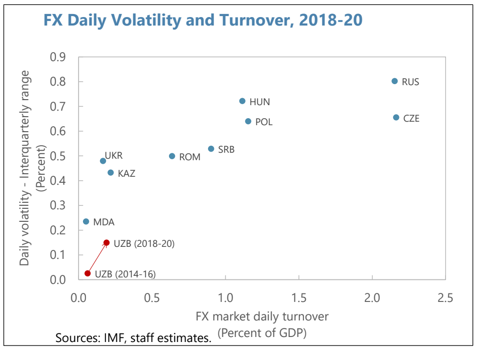


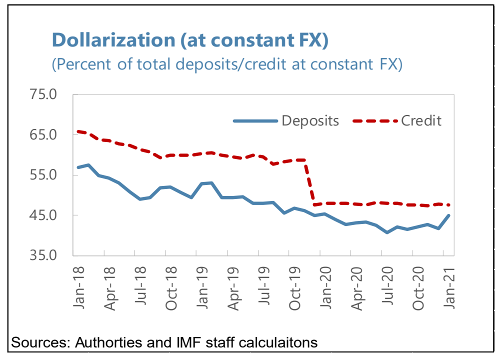
Sources: CBU; and IMF staff estimates.

4. **The exchange rate largely moves in line with economic fundamentals, but the market is also not very deep.** Transactions are dominated by the government and SOEs, while the CBU supplies a steady supply of FX as part of its intervention policy, meeting most of the market's demand. This appears to have contributed to a relatively low level of daily FX volatility. Uzbekistan's daily FX volatility is below that seen in Uzbekistan's inflation targeting peers, although it has increased since 2017. This low volatility is likely to contribute to increased dollarization.

[1] This annex is based on ongoing research assessing IT transmission in Uzbekistan by E. Cabezon and M. Al Rasasi.

[2] Presidential Decree 5877, November 19, 2019.





5. **A high degree of dollarization also hampers effective transmission.** In 2020, the level of dollarization with respect to deposits and credit was about 43 and 50 percent, respectively. The degree of dollarization rose following the depreciation in 2017, but also reflects banks relying on foreign borrowing to meet domestic credit demand and, more broadly, a lack of confidence in the domestic currency and the banking system. In general, the higher the degree of dollarization, the lower the base of credit and deposits that is affected by changes in the CBU's policy rate.

6. **The large footprint of the state-owned banks impairs the transmission channel as well.** State-owned banks account for 85 percent of total banking system assets. As these banks do not yet operate fully on market principles, the transmission of the CBU policy rate to state banks' lending and deposit rates is limited. Similarly, state-owned enterprises have easy access to government funding and policy loans undermining the effectiveness of monetary policy, and also may be less sensitive to increases in lending rates if they are not subject to strict financial discipline.

7. **Estimates of the transmission of the policy rate to retail interest rates suggest that transmission is still developing.** The elasticity of retail rates to monetary policy rates was estimated based on an OLS method with monthly data for 2010:M1 to 2020:M12. The estimation results (Text Table) indicate some improvement in the estimated coefficients for the sample after the start of reforms in 2017, but these coefficients remain statistically insignificant due to the limited number of observations. The estimated coefficients for the whole sample are below those seen in other emerging economies.

Elasticity of Interest Rate to Monetary Policy Rates
(Percentage Points)

	2010M1-2017M8	2017M9-2020M12	**2010M1-2020M12**
Lending Rates			
UZB	0.17**	0.36	**0.20****
Selected IT peers[1]			**0.69****
Deposit Rates			
UZB	0.16	0.16	**0.16**
Selected IT peers[1]			**0.60****

Note:
Based on OLS regression: ΔInterest rate "x_t" = $\alpha + \beta\Delta$Monetary Policy Rate$_t + \varepsilon_t$
Stars represent significant levels: ***, **, * represent 1%, 5% and 10% respectively.
1/ includes Poland, Hungary, and Romania.
Source: IMF Staff estimates.

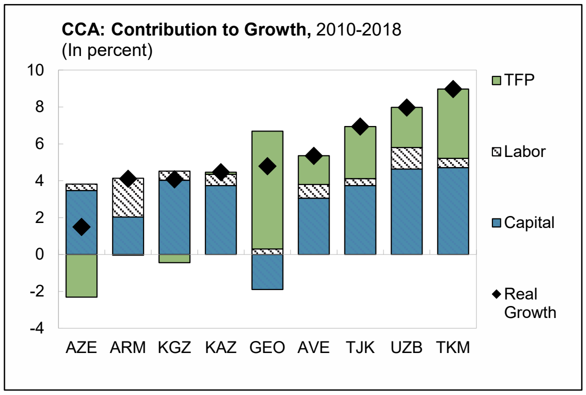
8. **Strengthening monetary transmission requires further reform progress.** This includes fostering financial market development, including the government securities market, the FX market, and more broadly, moving ahead with the reform of the state-owned banks, while safeguarding financial stability. Combined with continued sound monetary policies aimed at achieving low inflation, this will help to improve confidence in the banking system and the national currency.

Annex IV. Impact of Structural Reforms

This annex builds on IMF research examining the link between structural reforms and performance indicators to estimate the impact of different types of structural reforms on growth and job creation in Uzbekistan. It finds that governance reforms are most likely to raise growth in the near-term, while reforms to domestic finance, trade openness, and governance would have the biggest impact over the medium-term. It is estimated that significant reforms in all areas could raise the level of GDP by as much as 10-15 percent.

Why Do Structural Reforms Matter?

1. A traditional approach to explaining growth is to decompose it into contributions from capital, labor, and a residual. The residual incorporates the contributions of all other factors and is often interpreted as measuring productivity growth and called total factor productivity (TFP). When this approach is used to examine growth in the Caucuses and Central Asia (CCA), about half of recent growth it estimated to come from increases in physical capital, a small share from increases in the labor force, and the rest from TFP. This is generally true for Uzbekistan as well, though the contribution of growth in labor is higher reflecting demographic changes, the entry of young people into the labor force. A large literature looks at determinants of TFP. Structural and institutional factors appear to have a significant impact, and appear to increase growth by raising total factor productivity.

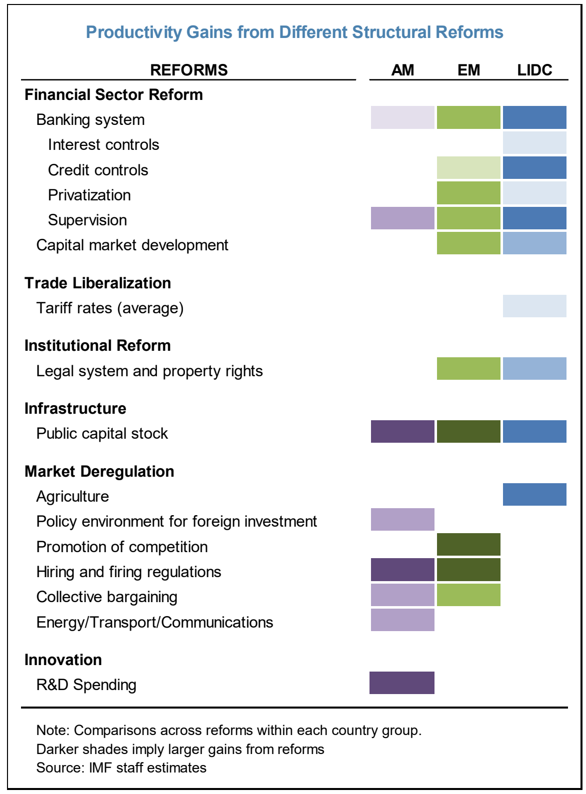


How Does Uzbekistan Compare on Structural Measures?

2. As is true for many countries, Uzbekistan's scores on structural measures vary widely depending on the measure used. In general, Uzbekistan tends to do relatively well on measures related to fiscal and monetary management, trade, goods and labor markets, and political stability (see Figure 7 in the main text). Uzbekistan tends to score relatively less well on measures related to access to finance, investment attractiveness, innovation, and governance. When asked what the biggest obstacles to business are, firms in Uzbekistan cite tax rates as do firms in other European and Central Asian countries. But firms in Uzbekistan are more likely to cite informality, transportation, electricity, and land than firms in other countries, while education and political stability are cited less. Corruption and financing are cited at about the same rates in other countries.

What Impact Do Structural Reforms Have on Growth?

3. It is difficult to quantify the impact of structural reforms on growth and job creation. Doing so requires examining the impact of such reforms across a large sample of countries. The IMF has done so in several major studies. A 2015 policy paper on Structural Reforms and Macroeconomic Performance examined 75 emerging and developing countries over the period 1970-2011. It found that for developing countries, the biggest impacts occurred with reforms in agriculture, banking, business regulations, infrastructure, labor markets, and governance and institutions.



4. Another study, for the IMF's October 2019 World Economic Outlook (WEO), looked at 61 emerging and developing countries from 1973-2014. It examined six types of reforms: domestic finance, external finance, trade, product markets, labor markets, and governance. It found that structural reforms take time to raise output, but the effect can be very significant. For example, a major reform (a two standard deviation improvement in all structural indicators) is estimated to raise output by a total of 7½ percent after six years. Governance reforms have the greatest impact on output after one year, while domestic finance and governance reforms have the greatest impact after six years. The estimates assume that reforms have independent impacts and are the same across countries. In fact, reforms are likely to be complementary. For example, the study found that better governance (in the top quartile) increases output an additional one percentage point for financial reforms and three percentage points for product market reforms after six years. Moreover, countries that start with larger informal sectors are likely to gain more.

Average Effects of Reform
(two standard deviation improvement in indicator)

Sector	Impact on:	Average % Change at 1 year	at 6 years
Domestic Finance	Output	0.1	2.2
External Finance	Output	0.3	1.3
Trade	Output	0.0	1.1
Product Market	Output	0.4	0.9
Governance	Output	1.4	2.1
Labor Market	Jobs	0.1	0.8

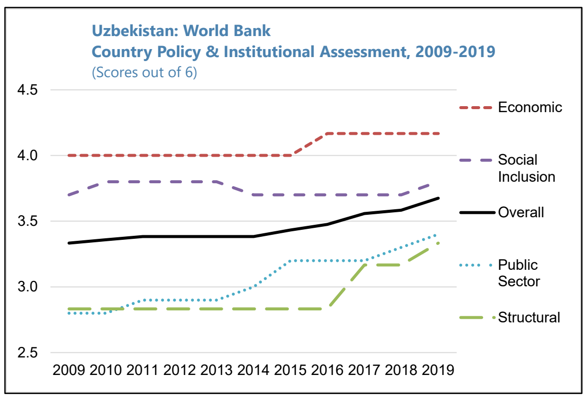
How Would Structural Reforms Impact Uzbekistan?

5. Before reforms started in 2016, Uzbekistan scored relatively high on the product and labor market indicators compared to other CIS countries. It scored close to average on the trade measure and relatively low on the domestic and external finance indicators. Over the previous ten years, there had been some improvement in measures of trade while most other measures remained stable. The table below shows Uzbekistan's scores on these indicators as of 2014 and estimated gaps compared to the CIS average and countries on the frontier. The last two columns show estimates of increases in Uzbekistan's GDP after six years if Uzbekistan's scores rose to the CIS average or closed half the gap with the best practice frontier. It suggests that structural reforms to domestic finance, trade, and governance that close half the gap with the frontier could each raise Uzbekistan's GDP by 3-4 percentage points over six years. The increase in output due to a major reform in all categories could increase Uzbekistan's GDP by almost 11 percentage points. The benefits of reforms are likely even higher once one accounts for complementarities among structural reforms and likely reductions in the informal sector.

Uzbekistan: Estimated Impact of Structural Reforms on GDP

Sector	Uzbekistan Score	Gap vs CIS	Gap vs Frontier	year 6 ΔGDP if improve to: CIS Ave	1/2 Frontier
Domestic Finance	0.44	-0.22	-0.56	3.2	3.9
External Finance	0.50	-0.20	-0.50	0.7	0.8
Trade	0.70	-0.07	-0.28	1.3	2.7
Product Market	0.69	0.17	-0.31	…	0.4
Governance	0.29	-0.07	-0.40	0.3	2.9
Labor Market	0.68	0.07	-0.29	…	0.4

6. Recent indicators suggest Uzbekistan has already made progress in these reform areas. Trade foreign exchange liberalization took place in 2017 and the authorities have gradually improved domestic finance by raising interest rates on and removing policy loans from banks' balance sheets. At the same time, a surge in external financing has boosted investment. Thus, measures of domestic and external finance and trade have improved significantly. Similarly, the World Bank's Country Policy and Institutional Assessment (CPIA) indicators improved by six percent from 2016 to 2019. The subindex for structural measures rose even more, by almost 20 percent, during this period.



Conclusion

7. In summary, studies show that structural reforms can significantly raise GDP but take many years to show their full effect. If structural reforms—especially in domestic finance, trade, and governance—are able to close half of Uzbekistan's gap with the frontier, it is estimated the level of Uzbekistan's GDP could rise by an additional 10-15 percent over the medium-term. Reforms to trade in 2017 and domestic finance in 2019 would not be expected to have their full impact until 2023 and beyond. Given steps already taken in these areas, governance reforms would be expected to have the biggest impact and could raise GDP over a shorter time period.

INTERNATIONAL MONETARY FUND

REPUBLIC OF UZBEKISTAN

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

April 6, 2021

Prepared By

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

CONTENTS

FUND RELATIONS

As of March 31, 2021

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	262.79	100.00
Holdings	266.14	101.28

Outstanding Purchases and Loans:

	SDR Million	Percent Quota
RCF Loans	92.02	16.70
Emergency Assistant (RFI)	183.55	33.30

Latest Financial Commitments

	Arrangements	Outright Loans	
Type	**Stand-By**	**RFI**	**RCF**
Approval Date	December 18, 1995	May 18, 2020	May 18, 2020
Expiration/Drawn Date	March 17, 1997	May 20, 2020	May 20, 2020
Amount Approved (SDR Million)	124.70	183.55	92.05
Amount Drawn (SDR Million)	65.45	183.55	92.05

Projected Obligations and Projected Payments to the Fund:

	2021	2022	2023	2024	2025
Principal			45.89	91.78	55.09
Charges/Interest	1.45	1.93	1.88	1.14	0.22
Total	1.45	1.93	47.77	92.91	55.31

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 FX regime in Uzbekistan, two exchange restrictions and one MCP that had been maintained inconsistently with Article VIII obligations were eliminated. Since then, Uzbekistan maintains 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. 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 May 9, 2019.

Safeguards Assessment

The CBU has not undergone a safeguard assessment, which is expected to be initiated in FY22.

Resident Representative

A resident representative for Uzbekistan was appointed in December 2020. A resident representative office was previously open in Tashkent from September 1993 to April 2011.

Technical Assistance Missions

May 2019 to March 2021

	IMF Department	Type of Technical Assistance	Mission Date
Public Financial Management			
1	Fiscal Affairs	Budget Preparation, Fiscal Risk Analysis, and Public Investment Management	May 2019
2	Fiscal Affairs	Budget Preparation, Fiscal Risk Analysis, and Public Investment Management	Jun 2019
3	Fiscal Affairs	Budget Preparation, Fiscal Risk Analysis, and Public Investment Management	Jul 2019
4	Fiscal Affairs	Annual Budget Law	Aug 2019
5	Fiscal Affairs	Budget Preparation, Fiscal Risk Analysis, and Public Investment Management	Sep 2019
6	Fiscal Affairs	Annual Budget Law	Sep 2019
7	Fiscal Affairs	Budget Preparation, Fiscal Risk Analysis, and Public Investment Management	Oct 2019
8	Fiscal Affairs	Budget Preparation, Fiscal Risk Analysis, and Public Investment Management	Feb 2020
9	Fiscal Affairs	Budget Preparation, Fiscal Risk Analysis, and Public Investment Management	Jul 2020
10	Fiscal Affairs	Budget Preparation, Fiscal Risk Analysis, and Public Investment Management	Aug 2020
11	Fiscal Affairs	Fiscal Strategy	Aug 2020
12	Fiscal Affairs	Macro-Fiscal Workshop	Aug 2020
13	Fiscal Affairs	Public Investment Management Assessment	Sep 2020
14	Fiscal Affairs	Rules Based Fiscal Framework	Feb 2021
Tax Administration			
15	Fiscal Affairs	Tax System Reform – Long Term Expert	May 2019 – April 2021
16	Fiscal Affairs	Tax Administration Reform Strategy	Jun 2019
17	Fiscal Affairs	Tax Administration Reform Strategy	Sep 2019
18	Fiscal Affairs	Large Taxpayer Office	Sep 2019
19	Fiscal Affairs	Tax Audit Strategy	Oct 2019
20	Fiscal Affairs	Large Taxpayer Office	Oct 2019

	IMF Department	Type of Technical Assistance	Mission Date
21	Fiscal Affairs	Tax Audit Strategy	Dec 2019
22	Fiscal Affairs	Tax Administration Reform Strategy	Dec 2019
23	Fiscal Affairs	Organization Structure	Jul 2020
24	Fiscal Affairs	Value Added Tax	Aug 2020
25	Fiscal Affairs	Compliance Risk Management	Sep 2020
26	Fiscal Affairs	Medium-Term Revenue Strategy Workshop	Nov 2020
27	Fiscal Affairs	Compliance Risk and Cash Economy	Feb 2021
Tax Policy			
28	Fiscal Affairs	Value Added and Excise Taxes	May 2019
29	Fiscal Affairs	Tax Code Reforms	Jul 2019
30	Fiscal Affairs	Natural Resource Taxes	Oct 2019
31	Fiscal Affairs	Land and Property Taxes	Feb 2020
32	Fiscal Affairs	Natural Resource Taxes	Sep 2020
33	Fiscal Affairs	Land and Property Taxes	Feb 2021
34	Fiscal Affairs	International Taxation	Mar 2021
Macroeconomic Forecasting			
35	Institute for Capacity Development	Financial Programing and Policies	Oct 2019
36	Institute for Capacity Development	Financial Programing and Policies	Oct 2020
37	Institute for Capacity Development	Financial Programing and Policies	Mar 2021
Monetary and Financial Policies and Operations			
38	Monetary and Capital Markets	Monetary and Foreign Exchange Operations	Mar 2020
39	Monetary and Capital Markets	Monetary and Foreign Exchange Operations	Sep 2020
40	Monetary and Capital Markets	Financial Sector Stability Review	Sep 2020
41	Monetary and Capital Markets	Capital Markets Regulation – IOSCO	Nov 2020
42	Monetary and Capital Markets	Financial Sector Stability Review	Nov 2020

	IMF Department	Type of Technical Assistance	Mission Date
43	Monetary and Capital Markets	Capital Account Liberalization	Jan 2021
		Statistics	
44	Statistics	Government Financial Statistics	Jul 2019
45	Statistics	Monetary and Financial Statistics	Jul 2019
46	Statistics	External Sector Statistics	Oct 2019
47	Statistics	Government Financial Statistics – Natural Resource Revenues	Oct 2019
48	Statistics	National Accounts	Feb 2020
49	Statistics	Public Sector Debt Statistics	Mar 2020
50	Statistics	Producer Price Index	Oct 2020
51	Statistics	External Sector Statistics	Nov 2020
52	Statistics	Consumer Price Index	Dec 2020
53	Statistics	Export and Import Price Indices	Mar 2021
54	Statistics	National Accounts – Natural Resources	Mar 2021
55	Statistics	Multi-Topic Statistics Diagnostic	Mar 2021

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

As of March 31, 2021

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?c37=on&keywordSearch=

World Bank Group:

- Country page: https://www.worldbank.org/en/country/uzbekistan
- Overview of Word Bank Group lending: https://financesapp.worldbank.org/countries/Uzbekistan/
- IBRD-IDA project operations: http://projects.worldbank.org/search?lang=en&searchTerm=&countrycode_exact=UZ

STATISTICAL ISSUES

As of March 31, 2021

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. Capturing the informal sector remains a challenge.
National Accounts: The State Statistics Committee (SSC) has made important progress in improving national account statistics with the goal of implementing the 2008 System of National Accounts (SNA) standards by December 2021. To do so, the SSC is improving compilation of financial intermediation services, imputed rent, and output of public administration. It is also reconciling data on exports and imports from the balance of payments and national accounts. The SSC is using supply and use tables to allow faster compilation of GDP estimates and reconcile differences between GDP production and expenditure approaches. Improvements are also being made to quarterly GDP data, with the SSC planning to report discrete quarterly data from September 2021. The nominal level of GDP is 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 IMF technical assistance. 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.
Price Statistics: The SSC updated CPI methodology in 2018. They are planning additional improvements with respect to collecting prices for telecommunication services and electronics, imputing missing prices, and improving expenditure weights, sampling, and aggregation. Regarding producer prices, the SSC compiles and disseminates a monthly PPI for mining and extraction, manufacturing, and utilities. Coverage will be expanded to include PPI for agriculture (planned for early 2022) and for construction. The SSC is expanding coverage to small establishment and improving methods for estimating missing prices. The SSC has made other improvements to export and import price indices and begun compiling a residential property price index on an experimental basis. Further improvements are planned.
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. The government has been making good progress expanding GFS to include off-budget accounts of budgetary organizations, extrabudgetary funds, the Fund for Reconstruction and Development, and foreign financed investment in the budget. The government is expected to complete this expansion within the next 12

months. However, there remains a significant statistical discrepancy between the financing of the budget based on above-the-line and below-the-line data, which should be addressed by further improvements to coverage and classification. The government could also improve fiscal statistics by reconciling monetary and fiscal financing data on a regular basis.

The government presents expenditures in the budget according to its own classification system. In 2020, the government presented the budget based on international standards alongside the national format. They plan further improvements to align the budget classification with GFSM 2014. Information on total proceeds from privatization operations and treasury bills are provided on a quarterly basis and data on issues and repayments of treasury bills are available monthly on request. The Ministry of Finance has established a debt management office which has implemented the UN's debt management financial analysis system (DMFAS) with an improvement in reporting on debt statistics. However, public sector debt statistics (PSDS) are not yet fully compiled according to international standards, and the authorities are not yet reporting to the joint World Bank-IMF Quarterly PSDS database.

The authorities have strong commitment to improve fiscal statistics. The authorities started reporting fiscal data complaint with GFSM 2001 in 2013 and have published annual fiscal data in the GFS Yearbook for the period 2011 onwards. They are also working intensively to implement the recommendations of a 2018 Fiscal Transparency Evaluation and IMF recommendations on GFS and PSDS, including the recommendation to develop a general government sector financial balance sheet.

Monetary and Financial Statistics: Following the 2019 monetary and financial statistics mission, the 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. Work is in progress to develop data for other financial corporations. CBU also reports data on some key series and of the Financial Access Survey (FAS), including two indicators of the U.N. Sustainable Development Goals.

Financial Soundness Indicators: The CBU reports the 12 core financial soundness indicators (FSIs) and 9 of the 13 encouraged FSIs for deposit takers as well as one for other sectors 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: In 2018, the CBU started publishing balance of payments (BOP) and international investment position (IIP) data. Since then, the quality has improved significantly and the CBU has produced historical statistics that start in 2010. Before 2018, BOP and international reserves data were compiled but not published and only limited data on external trade was published. Currently, the CBU and SSC publish comprehensive reports in English, Russian, and Uzbek. In addition, the CBU has begun releasing a flash estimate 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 yet disseminated. The CBU needs to continue building up its capacity to compile external sector statistics. In particular, to reduce errors and omissions it will be important to refine

estimates of exports and imports of goods and enhance estimates of trade credit and households' foreign exchange cash holdings.
Other Statistics: Labor statistics have sizable limitations. Labor statistics (job vacancies, labor costs and hours worked) definitions need to follow more closely international standards. The quality of employment data in household and enterprises surveys needs to be improved. Currently, statistics are produced by the Ministry of Labor, rather than statistics office.
II. **Data Standards and Quality**
Uzbekistan has been participating in the IMF's Enhanced General Data Dissemination System (e-GDDS) since May 2018 and regularly updates the National Summary Data Page (NSDP) on the website of the State Statistics Committee. The authorities are in the process of improving data dissemination with the goal of subscribing to the IMF's Special Data Dissemination Standard (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 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 account, and price statistics. No data ROSC is available.

Table of Common Indicators Required for Surveillance

As of March 31, 2021

	Date of Latest Observation	Date Received [1]	Frequency of Data [2]	Frequency of Reporting	Frequency of Publication
Exchange Rates	Mar 30, 2021	Mar 31, 2021	D	W	W
International Reserve Assets and Reserve Liabilities of the Monetary Authorities [3]	Feb 2021	Feb 2021	M	M	M
Reserve/Base Money	Feb 2021	Feb 2021	M	M	M
Broad Money	Feb 2021	Feb 2021	M	M	M
Central Bank Balance Sheet	Feb 2021	Feb 2021	M	M	M
Consolidated Balance Sheet of the Banking System [4]	Feb 2021	Feb 2021	M	M	M
Interest Rates [5]	Feb 2021	Feb 2021	M	M	
Consumer Price Index	Feb 2021	Feb 2021	M	M	M
Revenue, Expenditure, Balance, and Composition of Financing—General Government [6]	2020 Q4	Mar 2021	Q	Q	Q
Revenue, Expenditure, Balance, and Composition of Financing—Central Government	NA	NA	NA	NA	NA
Stocks of Central Government and Central Government Guaranteed Debt[7]	2020 Q4	Mar 2021	Q	Q	Q
External Current Account Balance	2020 Q4	Mar 2021	Q	Q	Q
Exports and Imports of Goods and Services	Feb 2021	Mar 2021	M	M	M
GDP	2020 Q4	Jan 2021	Q	Q	Q
Gross External Debt	2020 Q4	Mar 2021	Q	Q	Q
International Investment Position	2020 Q4	Mar 2021	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

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

April 6, 2021

Approved By
Thanos Arvanitis and Uma Ramakrishnan (IMF) and Marcello Estevão (IDA)

Prepared by the International Monetary Fund and the International Development Association

Uzbekistan: Debt Sustainability Analysis	
Risk of External Debt Distress	Low
Overall Risk of Debt Distress	Low
Granularity in the Risk Rating	Not Applicable
Application of Judgement	No

Under the baseline scenario, the path of public and publicly guaranteed (PPG) external debt is expected to remain around 40 percent of GDP over the medium term.[1] This is about 7 percentage points of GDP higher than under the previous DSA of May 2020. Due to the COVID-19 shock, the government's overall fiscal deficit and disbursements of guaranteed debt are expected to be higher and GDP lower over the next five years. Uzbekistan's total and PPG external debt are projected to peak at 64 and 43 percent of GDP, respectively, in 2022 before declining modestly out to 2026 and then stabilizing.

Staff assesses that Uzbekistan remains at a low risk of external debt distress.[2] Under the baseline scenario, PPG external debt indicators remain well below relevant thresholds. Under the most extreme scenario (worse-than-expected exports), the debt service-to-exports ratio would breach its threshold. This is discounted as it occurs in only one year (2024) due to repayment of a Eurobond, then the ratio returns and remains below the threshold thereafter. Shock scenarios with higher primary deficits or higher contingent liabilities arising from state enterprise debt would raise risk indicators modestly. The probability of these risks being realized is about the same as in the May 2020 DSA.

Under the authorities' plans, which include an annual limit on PPG debt commitments and a limit on the overall PPG debt stock, the PPG debt-to-GDP ratio will remain around 40 percent of GDP over the medium term. Strong foreign exchange reserves and low rollover risk (due to the long-term maturity of debt), mitigate the potential risk of debt distress. To limit risks to its strong external position, the government should continue to carefully manage public and external borrowing, improve public investment management and coordination, and be cautious on granting government debt guarantees.

[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 3.16 based on the October 2020 WEO and 2019 CPIA indicating a strong debt carrying capacity (see Text Table 4).

BACKGROUND

A. Public Debt Coverage

1. **Public debt coverage is broad** (see text table 1). Coverage includes debt of the central government, state and local governments, the pension fund, extra-budgetary funds, and debt of state-owned enterprises (SOEs) guaranteed by the government. Public debt does not include non-guaranteed debt of SOEs and joint ventures (about 6 percent of GDP in 2020 down from 7 percent in 2019). The authorities are improving coverage and have made steady progress over the last few years with technical support from the IMF and World Bank. The government established a Debt Management Office (DMO) in the Ministry of Finance and has been implementing Debt Management Financial Analysis System (DMFAS) software from the United Nations Conference on Trade and Development (UNCTAD). Private external debt is primarily comprised of borrowing by state owned banks and by joint ventures of SOEs.

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** (see Text Table 2). For the financial market shock, staff used the default value of 5 percent of GDP. But for a shock to SOE debt, staff raised the value from 2 to 7 percent of GDP. This reflects the large share of SOEs in economic activity and the potential for contingent liabilities to be realized in the future due to the rapid rise in credit growth over the last few years. Currently, liabilities arising from Public Private Partnership (PPP) projects are not large, although the government has put in place a legal framework and plans to scale up PPPs significantly over the medium-term.

Text Table 2. Magnitude of Contingent Liability Shock

1	The country's coverage of public debt	The general government, 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	7.0	
4	PPP	35	percent of PPP stock	0.0	No PPPs currently
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)			12.0	

B. Background on Debt and Short-Term Developments

3. Uzbekistan's public and external debt levels have risen rapidly in recent years from low levels in the past. Total PPG debt rose from US$ 9.9 billion (20.3 percent of GDP) at end-2018 to US$ 21.0 billion (37.8 percent of GDP) at end-2020. Similarly, total external debt (the sum of public and private external debt) rose from US$ 17.0 billion (34.3 percent of GDP) at end-2018 to US$ 32.9 billion (58.4 percent of GDP) at end-2020. These increases were primarily due to higher PPG external debt, which makes up almost two-thirds of external debt and 98 percent of total PPG debt.

- In 2019, public external borrowing was driven by project financing. PPG external debt disbursements were US$ 6.3 billion (11.0 percent of GDP). US$ 4.4 billion (about 8 percent of GDP and 70 percent of total disbursements) financed projects and US$ 1.8 billion (about 3 percent of GDP and 30 percent of total disbursements) was used as budget support. This included proceeds from Uzbekistan's first issuance of Eurobonds, worth US$ 1 billion. Recognizing that this level of disbursement would be difficult to sustain, the government instituted an annual limit on PPG external debt commitments of US$ 4 billion.
- In 2020, to address the COVID crisis, the government increased expenditures for healthcare, social assistance, investment, and other support to the economy. The annual limit on PPG external debt commitments was eased, and disbursements were US$ 5.3 billion. The overall fiscal deficit increased modestly, from 4 percent of GDP in 2019 to 4½ percent of GDP in 2020. The share of external borrowing used as budget support rose to about 50 percent. In late 2020, the government successfully placed about US$ 750 million in sovereign bonds. This included a US$555 million, 10-year Eurobond and an UZS 2 trillion (US$ 192 million), 3-year som denominated bond. The US dollar Eurobond was issued at a 3.7 percent interest rate. In early February 2021, it was trading with a yield of 3.6 percent, about 240 basis points above US Treasuries. The som denominated bond was issued at 14.5 percent interest rate and was trading at about 14 percent in early February 2021.

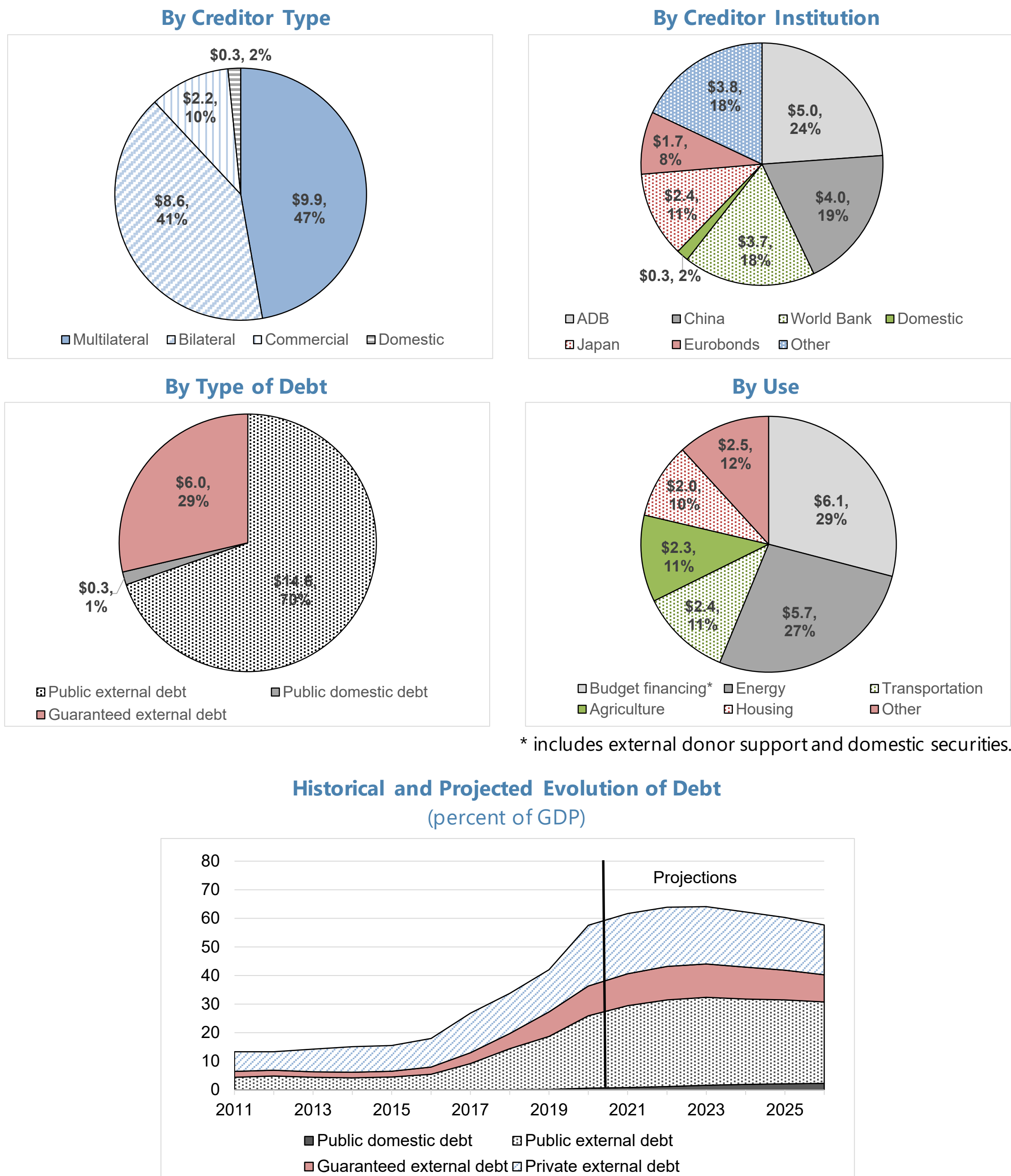
4. Most of Uzbekistan's public debt has been provided by multilateral and official bilateral creditors and has been used to fund infrastructure projects and government deficits (see Text Figure 1).

- Multilateral and bilateral creditors have each provided about 40 percent of Uzbekistan's PPG debt financing. Among multilateral institutions, the Asian Development Bank and World Bank are the largest creditors. Among bilateral donors, China and Japan are the largest. Two thirds of PPG debt is comprised of public debt, while one third is publicly guaranteed debt.
- In terms of use, about a quarter of external financing has been used as general budget support. The remainder has financed infrastructure projects. With substantial reserves of natural gas and oil, the energy sector has received about a quarter. But significant financing has also gone to projects in the agriculture, housing, and transportation sectors.
- Domestic public debt is comprised of government bills and bonds. As of end-2020, domestic debt securities amounted to US$ 340 million (0.6 percent of GDP). Seventy percent was comprised of short-term bills with maturities of one year or less. At end-2020, outstanding

government bonds had original maturities ranging from 1½ to 3 years, with average maturity of 2.2 years.

Text Figure 1. Composition of Public and Publicly Guaranteed Debt, end-2020

Total = US$ 21.0 Billion (37.8% of GDP)
External = US$ 20.6 billion (37.2% of GDP)
Domestic = US$ 0.3 billion (0.6% of GDP)



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

5. **Private external debt has also risen significantly over the last few years**. With trade and foreign exchange liberalization in 2017, many firms increased purchases of capital goods, which jumped by US$ 3 billion in 2018 and US$ 2 billion in 2019, some of which was financed by state banks that borrowed abroad. In 2020, private external debt rose by US$3.7 billion (6½ percent of GDP) and stood at US$ 12.2 billion (21 percent of GDP) at end-2020. State banks significantly expanded external borrowing in 2020 to finance domestic credit expansion as the government reduced policy lending.

UNDERLYING ASSUMPTIONS AND COUNTRY CLASSIFICATION

A. Assumptions for the Macroeconomic Forecast

6. **Compared to the May 2020 DSA, macroeconomic conditions have moderately worsened due to a more prolonged COVID crisis. The weaker outlook is expected to persist in 2021.** In particular:

- **Growth and Inflation**: Real GDP growth in 2020 was 1.6 percent, about the same as forecast in May 2020. Projections for 2021 and 2022 are now about 1½ and half percent lower, respectively, than forecast in May 2020 as the COVID pandemic is expected to affect growth further into 2021 and 2022. For 2021-2026, the average growth projection remains about 5.5 percent, then declines to 5 percent for 2027-2041. Consumer price inflation is projected to remain around 10 percent with an increase in public wages in 2021 and increases in administrative energy prices in 2022. Thereafter, central bank policies are projected to bring consumer price inflation close to their medium-term target of 5 percent

- **Fiscal outlook**: The government's overall fiscal deficit was 4.4 percent of GDP in 2020 somewhat smaller than forecast in May 2020. Overall revenues were stronger than expected, due in part to higher gold prices which boosted mining profits. Overall expenditures were about as forecast and included additional spending on healthcare, social protection, investment, and support to businesses during the COVID crisis. Staff projects that the overall fiscal deficit will be higher in 2021 as some spending is carried over from 2020 and over the medium-term as consolidation is pushed back. In particular, the overall fiscal deficit is projected to rise to 5½ percent of GDP in 2021, before returning to the government's target of 2 percent of GDP over the medium-term, as revenues increase modestly and policy lending decreases.

- **External outlook**: The current account in 2020 improved to a deficit of 5.4 percent of GDP, compared to 5.8 percent of GDP in 2019 and staff's May 2020 forecast of a deficit of 9.6 percent of GDP. While exports and remittances fell compared to 2019, this was more than offset by the decline in imports. A decline in natural gas exports was partially offset by a higher price of gold, Uzbekistan's largest export. The current account deficit is projected to widen in 2021 as imports rebound. Over the medium term, the current account deficit is projected to improve to 5 percent of GDP in 2026 due to a recovery in goods and services exports.

- **Financing Strategy**: In the near-term, international creditors are expected to continue to provide the majority of financing. Financing from external bond issuance and the Fund for Reconstruction and Development will remain at about the same level as in 2020. External budget support (primarily from International Financial Institutions) is expected to decline. Going forward, the government plans increase the annual limit on debt commitments to about US$ 5 billion in 2021 and US$ 5.5 billion over the medium term but will include gross domestic debt issuance in the limit. Disbursements are assumed to be comprised of 30 percent multilateral, 25 percent bilateral, 20 percent sovereign, and 25 percent domestic debt. Domestic debt issuance is assumed to be about one-half government bills and one-half bonds, rising to 2¼ percent of GDP by 2026. Over the long-term, as the local bond market develops, the share of financing from domestic securities is assumed to gradually increase to 5½ percent of GDP by 2041.

Text Table 3. Comparison of Key Macroeconomic Assumptions

DSA Vintage:	**Actual**	**May 2019 Art IV**		**May 2020 RCF/RFI**		**Current**	
Key macroeconomic variables (annual averages)	2015-20	2019-24	2025-39	2020-25	2026-40	2021-26	2027-41
				(percent change)			
Real GDP growth	5.1	5.9	6.0	5.2	5.1	5.4	5.1
GDP deflator (UZS)	2.5	12.4	6.7	8.4	5.5	7.6	3.1
Nominal GDP (UZS)	7.8	19.1	13.1	14.0	10.8	13.4	8.3
Exports of goods & services (USD)	1.2	9.2	7.7	10.6	7.6	14.9	7.7
Fiscal balance				**(percent of GDP)**			
Revenues & grants	26.4	25.7	26.1	25.3	25.7	27.6	28.6
Primary expenditure	28.5	27.1	27.6	28.2	27.5	30.6	30.7
Primary deficit	2.2	1.4	1.4	2.8	1.8	3.0	2.0
Interest expenditure	0.1	0.2	0.2	0.2	0.3	0.5	0.5
Overall fiscal deficit	2.3	1.6	1.6	3.1	2.1	3.4	2.5
External balance				**(percent of GDP)**			
Non-interest current account deficit	1.5	4.1	3.4	4.8	7.6	3.7	3.0
Current account deficit	2.4	5.0	4.2	6.4	4.3	5.5	4.8

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

B. Realism Tools

7. Realism tools suggest Uzbekistan is an outlier relative to peers, reflecting the rapid increase in debt, impact of the COVID crisis, and the authorities' reforms.

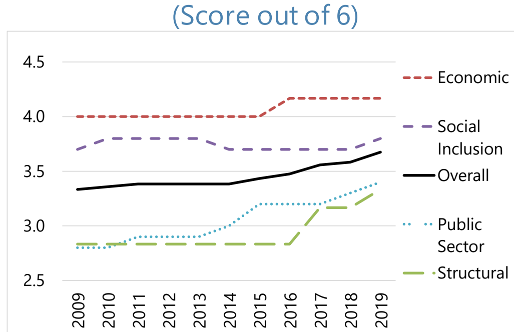
- **Forecast errors**. The growth of Uzbekistan's public and external debt is above the 75th percentile for low income countries (see Figure 3). For PPG external debt, the largest contribution has come from prices and the exchange rate. This is not surprising as the opening of the trade and foreign exchange regimes in 2017 was accompanied by a 50 percent depreciation of the official exchange rate. For overall PPG debt, the largest contributions have come from primary deficits and other debt creating flows (i.e. public external borrowing for projects). In both cases, the increase in debt creating flows is expected to drop from close to 30 percent of GDP over the last 5 years to about 5 percent over the next five years. This reflects a stabilization of the exchange rate and a return to growth following the pandemic.

- **Fiscal adjustment**. The realism tools suggest that the projected fiscal adjustment over the next three years is feasible as Uzbekistan's adjustment is not far from the mean for adjustments in other countries (see Figure 4). While history suggests fiscal consolidation could lower growth, previous experience may provide less guidance given the special features of the COVID shock. In particular, as the crisis subsides global and domestic growth are expected to rebound. With greater external demand, the negative impact of fiscal consolidation on growth is likely to be less than in more normal times.
- **Investment and growth.** For 2020, government investment was modestly higher and private investment modestly lower than projected in May 2020. This reflects additional government stimulus spending and the poorer outlook for private investment as the pandemic continued longer than previously expected. Over the medium-term, staff's current projections for government and private investment are similar to those in May. Government investment is expected to level off as a share of GDP, while economic reforms provide incentives for private firms to raise investment.

C. Country Classification and Scenario Stress Tests

8. Uzbekistan's debt-carrying capacity is assessed as strong (see Text Table 4). Uzbekistan's Composite Indicator (CI) score is 3.16.[3] The strong CI score reflects high average international reserves (about 60 percent of the 10-year average of imports) and high average Country Policy and Institutional Assessment (CPIA) ratings. It represents a modest decline from Uzbekistan's CI score of 3.21 at the time of the May 2020 DSA. The decline was primarily caused by lower projected global growth due to the more prolonged impact of the COVID pandemic. Remittances and scores for domestic components of the CPIA rose. Uzbekistan's CPIA score rose due to improvements in the business environment, revenue mobilization, public sector transparency, and equitable use of public resources. In May 2020, staff projected remittances would fall significantly in 2020 as the pandemic prevented Uzbekistan workers from travelling abroad to work. However, remittances were higher than expected and staff has revised the projections upwards.

Text Figure 2. Country Policy and Institutional Assessment, 2009-2019
(Score out of 6)



Source: World Bank.

[3] The CI is based on the IMF's World Economic Outlook (WEO) of October 2020 and the World Bank's Country Policy and Institutional Assessment (CPIA) for 2019. The DSA-LIC framework uses the CI to capture factors affecting a country's debt carrying capacity. The CI is calculated using a weighted average of a country's CPIA score, real GDP growth, remittances, foreign exchange reserves, and global growth averaged over 5 years of historical data and 5 years of projections.

EXTERNAL DSA

9. Staff assesses Uzbekistan's risk of external debt distress as low. From 2020 to 2022, PPG external debt is projected to rise from 37 to 43 percent of GDP, before gradually declining over the medium-term (see Table 1). Total external debt is driven by PPG external debt (about two-thirds of the total) and is projected to peak at about 64 percent of GDP in 2022. Under the baseline scenario, sustainability indicators stay well below risk thresholds.

10. 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 breach its threshold in 2024 as a US$ 500 million Eurobond issued in 2019 comes due. As a temporary breach, it is discounted from the risk ratings. The most significant other stress scenarios are: (i) a combination of shocks and (ii) a decline in remittances and FDI. But compared to an export shock, these scenarios would have much less of an impact and debt indicators would remain below risk thresholds. Under the market financing scenario, debt indicators would rise slightly above the baseline (see Tables 3 and 4) and indicators suggest gross financing need and spreads would remain well below thresholds (see Figure 5).

Text Table 4. Composite Indicator of Debt Carrying Capacity

Debt Carrying Capacity		Strong

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Strong	Strong 3.16	Strong 3.21	Strong 3.17

Applicable thresholds

EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	240
GDP	55
Debt service in % of	
Exports	21
Revenue	23

TOTAL public debt benchmark	
PV of total public debt in percent of GDP	70

OVERALL RISK OF PUBLIC DEBT DISTRESS

11. Staff assesses Uzbekistan's overall risk of public debt distress as low. Overall PPG debt is projected to rise from 38 percent of GDP in 2020 to 44 percent of GDP in 2022, before gradually declining out to 2026 and then stabilizing around 40 percent of GDP (see Table 2). This is line with the government's plan to implement fiscal rules, including a debt to GDP limit of 60 percent of GDP. While the overall PPG debt ratio is projected to remain stable, the composition would shift, with domestic securities gradually rising to about 5½ percent of GDP in 2041. PPG external debt would correspondingly decline modestly as a share of GDP. Multilateral and official bilateral creditors are expected to provide the majority of financing over the medium term, although the share of budget support should decline.

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 decline in exports), the PV of debt-to-GDP ratio remains more than 20 percent of GDP below the public debt benchmark. Greater use of domestic debt would reduce the risk of reliance on foreign currency external debt. The authorities will need to carefully manage the maturity structure and currency composition of public debt to mitigate the burden of debt service. The stress test results in this DSA are similar to those of the May 2020 DSA.

RISK RATING AND VULNERABILITIES

13. Uzbekistan is at low risk of debt distress, but a rapid increase in debt in recent years underlines the need to carefully manage both external and public debt and act if indicators worsen significantly. Uzbekistan needs significant investment to achieve its development goals. These include raising growth, creating high quality jobs, upgrading infrastructure, and improving social support systems. At the same time, a continuation of the rapid increase in debt that has occurred over the last several years could quickly exhaust Uzbekistan's fiscal space and raise vulnerabilities. The authorities have already taken steps to limit a further rapid increase in debt. They have implemented annual limits on new commitments of PPG debt and are drafting a public debt law which will limit overall PPG debt to 60 percent of GDP. Staff's analysis indicates that with the annual limits on PPG debt, debt ratios will peak in 2022 and subsequently decline. Strong FX reserves and low rollover risk, due to the long-term maturity of debt, mitigate the risk of debt distress. To limit risks to its strong external position, the government should continue to carefully manage public and external borrowing, improve public investment management and coordination, and be cautious about granting government debt guarantees. The government is also encouraged to include non-guaranteed debt of state enterprises in the coverage of public debt, as the state enterprise sector comprises a significant share of the economy.

AUTHORITIES' VIEWS

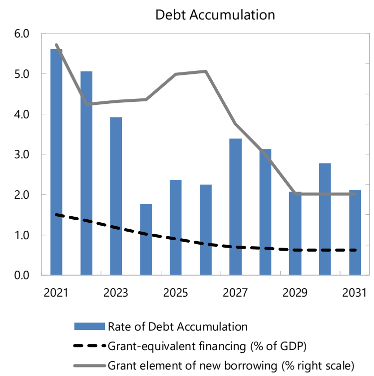
14. The authorities generally agreed with the outlook and emphasized their commitment to maintain sustainable public and external debt. They noted substantial progress in improving debt statistics, including via the DMFAS system. The Ministry of Finance's Debt Management Office has provided better tracking, analysis, and management of domestic and external debt. Nonetheless, they are cognizant of the potential risks arising from the increase in public debt, as well as from contingent liabilities. To address these issues, they noted they had recently undergone an assessment of their public investment management system with a view to improving project selection and monitoring and enhancing intra-governmental coordination on investment and debt management. They emphasized their commitment to ensure debt sustainability and pointed to concrete policy actions, including the implementation of annual limits on PPG debt commitments and the preparation of a debt law that would introduce a cap on PPG debt as a share of GDP.

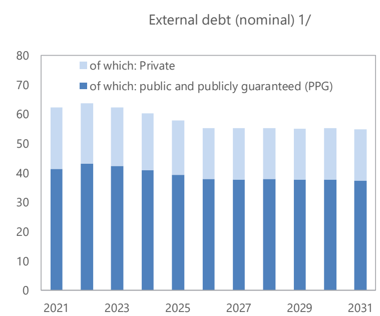
Table 1. Uzbekistan: External Debt Sustainability Framework, Baseline Scenario, 2020-2041

(In percent of GDP, unless otherwise indicated)

	Actual	Projections								Average 8/	
	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
External debt (nominal) 1/	58.4	62.3	63.8	62.3	60.3	57.8	55.2	54.8	52.0	26.3	57.9
of which: public and publicly guaranteed (PPG)	37.2	41.3	43.1	42.3	41.0	39.4	37.8	37.3	34.5	15.0	39.4
Change in external debt	14.5	3.8	1.5	-1.5	-2.0	-2.5	-2.6	-0.5	-0.5		
Identified net debt-creating flows	3.0	1.2	0.4	-0.7	-1.1	-1.3	-1.5	-1.3	-1.1	-1.6	-0.9
Non-interest current account deficit	4.1	5.1	4.1	3.5	2.8	3.3	3.4	3.0	3.0	-0.3	3.3
Deficit in balance of goods and services	14.1	15.2	14.6	13.7	13.1	12.6	12.0	12.0	12.0	7.7	12.8
Exports	24.9	28.1	30.1	31.4	31.8	32.0	32.2	32.2	32.2		
Imports	39.0	43.3	44.8	45.1	44.9	44.5	44.2	44.2	44.2		
Net current transfers (negative = inflow)	-9.0	-9.2	-9.0	-8.6	-8.1	-7.6	-7.1	-7.1	-7.1	-5.0	-7.7
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)	-1.0	-0.9	-1.5	-1.6	-2.2	-1.7	-1.5	-1.9	-1.9	-3.0	-1.8
Net FDI (negative = inflow)	-2.4	-2.5	-2.5	-3.0	-3.2	-3.4	-3.5	-3.5	-3.5	-1.9	-3.2
Endogenous debt dynamics 2/	1.4	-1.5	-1.2	-1.2	-0.6	-1.2	-1.5	-0.8	-0.6		
Contribution from nominal interest rate	1.4	1.3	1.8	1.9	2.4	1.8	1.4	1.8	1.8		
Contribution from real GDP growth	-0.7	-2.7	-3.0	-3.2	-3.1	-3.0	-2.9	-2.6	-2.5		
Contribution from price and exchange rate changes	0.7	...	...	...	...	...	...	...	...		
Residual 3/ 9/	11.5	2.7	1.1	-0.8	-0.9	-1.2	-1.0	0.8	0.6	6.0	0.5
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	17.0	21.3	24.0	25.2	24.2	24.0	23.6	25.7	26.6		
PV of PPG external debt-to-exports ratio	68.4	75.9	79.9	80.5	76.1	75.0	73.2	79.7	82.4		
PPG debt service-to-exports ratio	7.4	5.6	7.4	8.4	12.3	8.4	7.0	6.8	8.1		
PPG debt service-to-revenue ratio	7.0	5.9	8.3	9.6	14.1	9.6	7.9	7.6	9.1		
Gross external financing need (Million of U.S. dollars)	5,259	8,225	7,654	7,434	8,634	8,818	9,607	14,028	28,958		
Key macroeconomic assumptions											
Real GDP growth (in percent)	1.6	5.0	5.3	5.5	5.5	5.5	5.5	5.1	5.0	6.1	5.3
GDP deflator in US dollar terms (change in percent)	-1.7	1.2	4.2	5.1	5.6	5.2	5.3	2.5	1.9	-2.8	4.0
Effective interest rate (percent) 4/	3.1	2.3	3.2	3.4	4.3	3.3	2.7	3.5	3.7	2.6	3.5
Growth of exports of G&S (US dollar terms, in percent)	-15.4	19.8	17.6	15.4	13.0	11.4	12.1	7.7	7.0	2.9	12.2
Growth of imports of G&S (US dollar terms, in percent)	-15.2	18.0	13.4	11.6	10.9	10.1	10.4	7.7	7.0	8.7	10.9
Grant element of new public sector borrowing (in percent)	...	19.8	18.8	18.9	18.9	19.3	19.4	17.3	17.3	...	18.5
Government revenues (excluding grants, in percent of GDP)	26.6	26.6	27.0	27.3	27.7	28.1	28.6	28.6	28.6	27.7	28.0
Aid flows (in Million of US dollars) 5/	0.0	960.0	700.0	707.0	707.0	805.0	805.0	548.5	1104.3		
Grant-equivalent financing (in percent of GDP) 6/	...	1.5	1.4	1.2	1.0	0.9	0.8	0.6	0.6	...	0.9
Grant-equivalent financing (in percent of external financing) 6/	...	19.8	18.8	18.9	18.9	19.3	19.4	17.3	17.3	...	18.5
Nominal GDP (Million of US dollars)	57,706	61,320	67,283	74,583	83,046	92,155	102,379	157,773	311,343		
Nominal dollar GDP growth	0.0	6.3	9.7	10.8	11.3	11.0	11.1	7.7	7.0	3.2	9.6
Memorandum items:											
PV of external debt 7/	38.3	42.3	44.7	45.2	43.5	42.4	41.0	43.1	44.0		
In percent of exports	153.6	150.7	148.6	144.3	136.8	132.5	127.1	133.7	136.3		
Total external debt service-to-exports ratio	30.0	38.4	32.5	30.2	34.1	30.4	29.3	29.0	30.3		
PV of PPG external debt (in Million of US dollars)	9,835	13,078	16,179	18,814	20,124	22,086	24,150	40,570	82,677		
(PVt-PVt-1)/GDPt-1 (in percent)		5.6	5.1	3.9	1.8	2.4	2.2	2.1	1.8		
Non-interest current account deficit that stabilizes debt ratio	-10.4	1.3	2.6	5.0	4.7	5.8	6.0	3.5	3.5		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - \rho(1+g) + \varepsilon\alpha (1+r)]/(1+g+\rho+g\rho)$ 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, Ɛ=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.

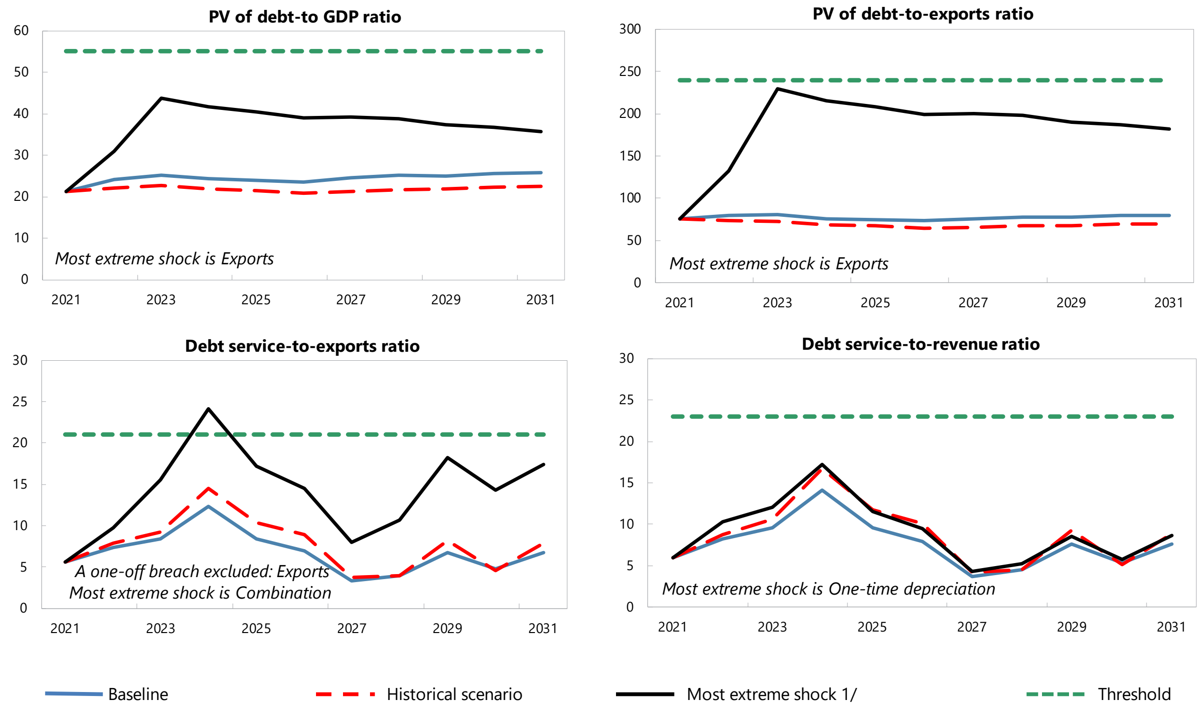
6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

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.

9/ Residual in 2019 is a result of large errors and ommisions, reserve accumulation, and other outflows (mostly households' FX accumulation), while the residual in 2020 is attributed to the use of reserves finance external financing needs.

Figure 1. Uzbekistan: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2021-2031



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	3.0%	3.0%
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 2031. 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.

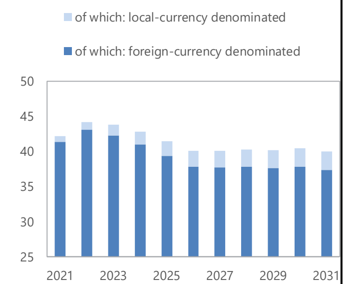
2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

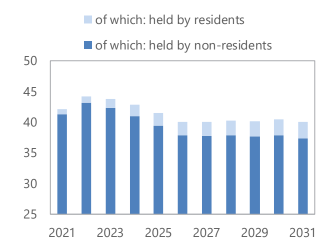
Table 2. Uzbekistan: Public Sector Debt Sustainability Framework, Baseline Scenario, 2020-2041
(In percent of GDP, unless otherwise indicated)

	Actual	Projections								Average 6/	
	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
Public sector debt 1/	**37.8**	**42.1**	**44.2**	**43.8**	**42.8**	**41.4**	**40.0**	**40.0**	**40.0**	**15.0**	**41.4**
of which: external debt	**37.2**	**41.3**	**43.1**	**42.3**	**41.0**	**39.4**	**37.8**	**37.3**	**34.5**	**15.0**	**39.4**
Change in public sector debt	8.5	4.3	2.1	-0.4	-1.0	-1.4	-1.4	-0.4	-0.2		
Identified debt-creating flows	**8.6**	**3.4**	**1.8**	**-0.6**	**-0.6**	**-1.6**	**-1.8**	**-0.5**	**0.1**	**2.7**	**-0.3**
Primary deficit	**4.2**	**4.2**	**3.9**	**3.4**	**2.1**	**2.3**	**2.0**	**2.0**	**2.0**	**0.0**	**2.6**
Revenue and grants	26.6	26.6	27.0	27.3	27.7	28.1	28.6	28.6	28.6	**27.8**	**28.0**
of which: grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Primary (noninterest) expenditure	30.8	30.8	30.9	30.7	29.8	30.5	30.7	30.7	30.7	**27.8**	**30.6**
Automatic debt dynamics	**-0.1**	**-2.2**	**-3.4**	**-4.5**	**-2.8**	**-3.6**	**-3.3**	**-1.9**	**-1.7**		
Contribution from interest rate/growth differential	0.0	-2.3	-2.0	-2.1	-1.5	-2.1	-2.4	-1.7	-1.6		
of which: contribution from average real interest rate	0.4	-0.5	0.1	0.2	0.7	0.1	-0.2	0.2	0.3		
of which: contribution from real GDP growth	-0.5	-1.8	-2.1	-2.3	-2.3	-2.2	-2.2	-2.0	-1.9		
Contribution from real exchange rate depreciation	-0.1	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**4.6**	**1.4**	**1.2**	**0.5**	**0.0**	**-0.3**	**-0.6**	**-0.6**	**-0.2**	**2.6**	**0.0**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
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)	4.6	1.4	1.3	0.5	0.1	-0.3	-0.5	-0.5	-0.2		
Residual	**-0.1**	**0.9**	**0.2**	**0.2**	**-0.3**	**0.2**	**0.4**	**0.1**	**-0.3**	**0.4**	**0.5**
Sustainability indicators											
PV of public debt-to-GDP ratio 2/	**18.4**	**23.0**	**25.8**	**26.7**	**26.2**	**25.9**	**25.9**	**28.7**	**32.3**		
PV of public debt-to-revenue and grants ratio	**69.1**	**86.5**	**95.7**	**97.8**	**94.4**	**92.2**	**90.3**	**100.4**	**113.0**		
Debt service-to-revenue and grants ratio 3/	**8.7**	**7.9**	**10.5**	**12.0**	**17.7**	**13.9**	**12.7**	**14.3**	**24.8**		
Gross financing need 4/	11.1	7.7	8.0	7.1	7.1	5.9	5.1	5.6	8.9		
Key macroeconomic and fiscal assumptions											
Real GDP growth (in percent)	1.6	5.0	5.3	5.5	5.5	5.5	5.5	5.1	5.0	**6.1**	**5.3**
Average nominal interest rate on external debt (in percent)	2.6	0.4	2.0	2.3	3.7	2.2	1.3	2.4	2.7	**2.1**	**2.4**
Average real interest rate on domestic debt (in percent)	28.3	2.0	2.8	3.6	3.2	2.6	2.1	1.9	1.7	**28.3**	**2.4**
Real exchange rate depreciation (in percent, + indicates depreciation)	-0.4	...	...	...	...	...	...	...	...	**9.6**	**...**
Inflation rate (GDP deflator, in percent)	11.9	9.8	11.5	7.9	5.9	5.3	5.3	5.3	5.3	**16.0**	**6.5**
Growth of real primary spending (deflated by GDP deflator, in percent)	-1.7	5.2	5.5	4.8	2.5	7.8	6.2	5.1	5.0	**7.5**	**5.3**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-4.4	-0.1	1.9	3.8	3.1	3.7	3.4	2.4	2.2	**-2.6**	**2.4**
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 sector 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.

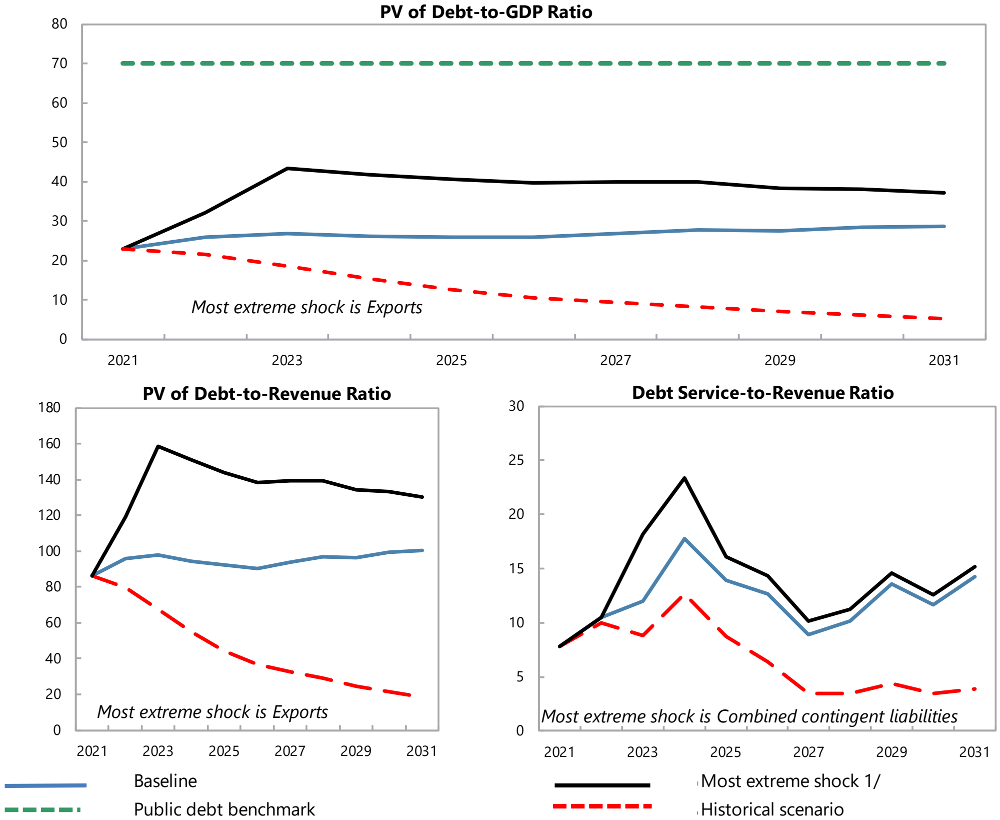
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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, 2021-2031



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	78%	78%
Domestic medium and long-term	11%	11%
Domestic short-term	16%	11%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	3.0%	3.0%
Avg. maturity (incl. grace period)	18	18
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	2.1%	2.1%
Avg. maturity (incl. grace period)	2	2
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	0.3%	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 2031. 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, 2021-2031
(In percent)

					Projections 1/						
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
					PV of debt-to GDP ratio						
Baseline	21	24	25	24	24	24	24	25	25	26	26
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	21	22	23	22	21	21	21	22	22	22	22
B. Bound Tests											
B1. Real GDP growth	21	25	27	26	25	25	26	27	26	27	27
B2. Primary balance	21	26	31	30	30	29	30	30	30	30	30
B3. Exports	21	31	44	42	40	39	39	39	37	37	36
B4. Other flows 3/	21	32	40	38	37	36	36	36	34	34	33
B5. Depreciation	21	30	28	27	26	26	27	28	29	30	30
B6. Combination of B1-B5	21	36	42	40	39	38	38	38	36	36	35
C. Tailored Tests											
C1. Combined contingent liabilities	21	32	33	33	32	31	32	32	32	32	32
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	21	27	28	28	27	27	28	28	28	28	29
Threshold	55	55	55	55	55	55	55	55	55	55	55
					PV of debt-to-exports ratio						
Baseline	76	80	80	76	75	73	76	78	77	79	80
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	76	73	72	69	67	64	66	67	68	69	69
B. Bound Tests											
B1. Real GDP growth	76	80	80	76	75	73	76	78	77	79	80
B2. Primary balance	76	87	100	96	94	91	93	94	92	94	93
B3. Exports	76	133	229	215	208	199	200	198	190	187	182
B4. Other flows 3/	76	105	127	119	115	111	111	111	106	105	103
B5. Depreciation	76	80	70	67	66	65	68	70	71	73	74
B6. Combination of B1-B5	76	140	128	178	172	165	166	164	158	156	152
C. Tailored Tests											
C1. Combined contingent liabilities	76	106	107	103	100	97	99	100	98	99	99
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	76	80	82	78	77	75	77	79	77	79	80
Threshold	240	240	240	240	240	240	240	240	240	240	240
					Debt service-to-exports ratio						
Baseline	6	7	8	12	8	7	3	4	7	5	7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	6	8	9	15	10	9	4	4	8	5	8
B. Bound Tests											
B1. Real GDP growth	6	7	8	12	8	7	3	4	7	5	7
B2. Primary balance	6	7	9	13	9	8	4	5	8	6	8
B3. Exports	6	10	16	**24**	17	15	8	11	18	14	17
B4. Other flows 3/	6	7	9	14	10	8	5	6	10	8	10
B5. Depreciation	6	7	8	12	8	7	3	4	6	4	6
B6. Combination of B1-B5	6	9	14	21	15	12	7	10	15	12	14
C. Tailored Tests											
C1. Combined contingent liabilities	6	7	9	13	9	8	4	5	7	5	7
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	9	13	9	7	6	6	9	5	7
Threshold	21	21	21	21	21	21	21	21	21	21	21
					Debt service-to-revenue ratio						
Baseline	6	8	10	14	10	8	4	4	8	5	8
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	6	9	11	17	12	10	4	4	9	5	9
B. Bound Tests											
B1. Real GDP growth	6	8	10	15	10	8	4	5	8	6	8
B2. Primary balance	6	8	10	15	11	9	5	6	9	7	9
B3. Exports	6	8	11	17	12	10	5	7	12	10	12
B4. Other flows 3/	6	8	11	16	11	9	5	7	11	9	11
B5. Depreciation	6	10	12	17	12	9	4	5	9	6	9
B6. Combination of B1-B5	6	9	12	17	12	10	5	8	12	10	12
C. Tailored Tests											
C1. Combined contingent liabilities	6	8	11	15	11	9	5	5	8	6	8
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	8	10	15	10	8	7	7	10	5	8
Threshold	23	23	23	23	23	23	23	23	23	23	23

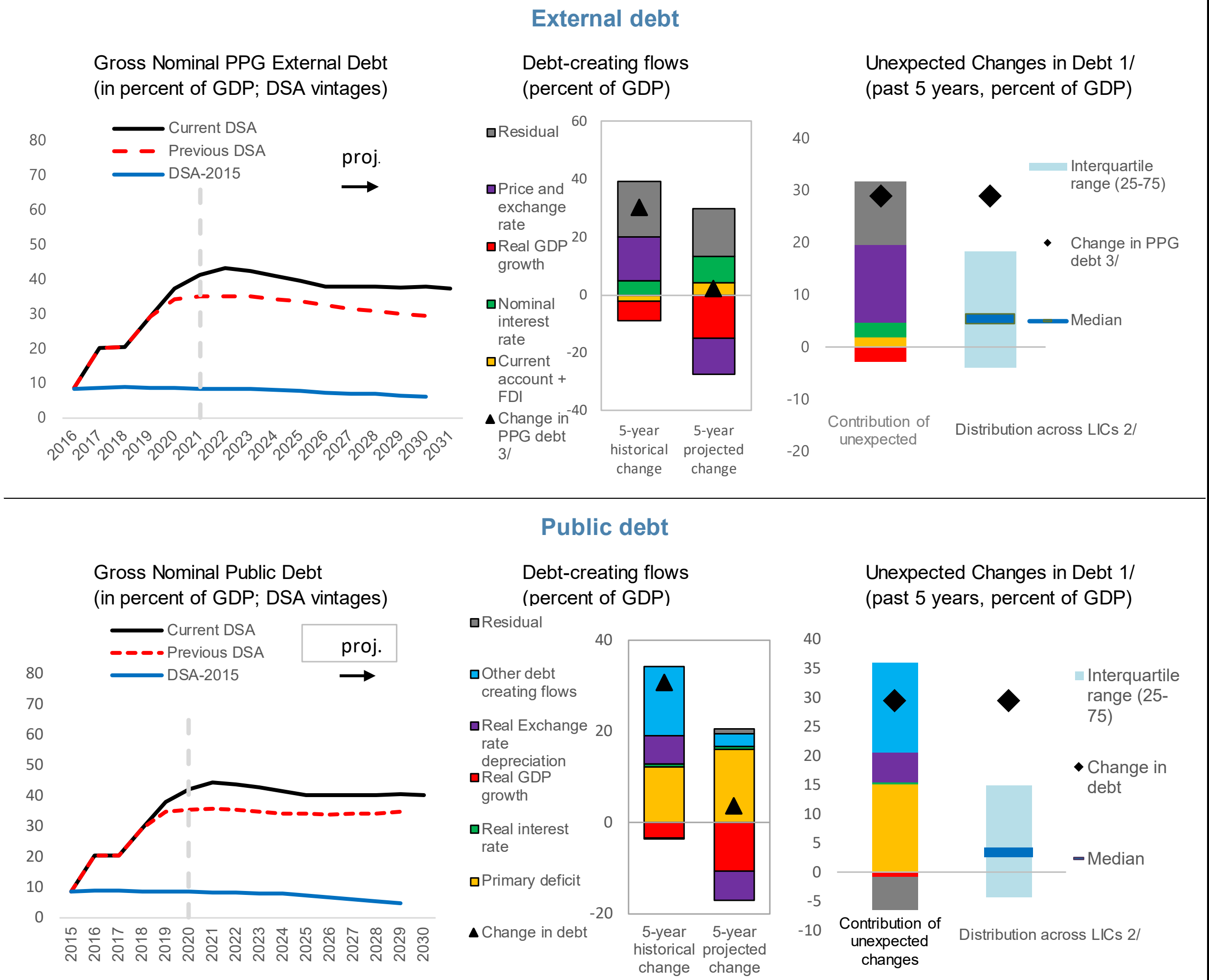
Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private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

Table 4. Uzbekistan: Sensitivity Analysis for Key Indicators of Public Debt, 2021-2031
(In percent)

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of Debt-to-GDP Ratio											
Baseline	23	26	27	26	26	26	27	28	28	29	29
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	23	21	19	15	13	10	9	8	7	6	5
B. Bound Tests											
B1. Real GDP growth	23	27	30	31	32	33	35	37	38	40	42
B2. Primary balance	23	29	34	33	32	32	32	33	33	33	33
B3. Exports	23	32	43	42	41	40	40	40	38	38	37
B4. Other flows 3/	23	34	41	40	39	38	38	38	37	37	36
B5. Depreciation	23	29	27	24	22	21	20	19	18	17	16
B6. Combination of B1-B5	23	26	29	29	28	28	29	29	29	29	29
C. Tailored Tests											
C1. Combined contingent liabilities	23	36	36	35	34	34	34	35	34	35	35
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	23	26	27	27	26	26	27	28	28	28	29
Public debt benchmark	70	70	70	70	70	70	70	70	70	70	70
PV of Debt-to-Revenue Ratio											
Baseline	86	96	98	94	92	90	94	97	97	100	100
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	86	80	68	55	45	37	33	29	24	22	18
B. Bound Tests											
B1. Real GDP growth	86	101	111	112	114	116	123	130	134	141	145
B2. Primary balance	86	106	124	119	114	111	113	115	114	116	116
B3. Exports	86	119	158	151	144	138	139	139	134	133	130
B4. Other flows 3/	86	124	152	144	138	133	134	134	130	129	126
B5. Depreciation	86	107	99	88	79	72	70	68	63	61	57
B6. Combination of B1-B5	86	98	107	103	100	97	100	102	101	103	102
C. Tailored Tests											
C1. Combined contingent liabilities	86	134	132	126	121	117	119	121	120	122	122
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	86	96	99	96	94	92	95	98	97	100	100
Debt Service-to-Revenue Ratio											
Baseline	8	10	12	18	14	13	9	10	14	12	14
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	8	10	9	13	9	6	3	3	4	3	4
B. Bound Tests											
B1. Real GDP growth	8	11	13	20	16	15	12	13	17	16	19
B2. Primary balance	8	10	14	22	17	14	10	12	16	14	16
B3. Exports	8	10	13	20	16	14	10	13	18	16	18
B4. Other flows 3/	8	10	13	19	16	14	10	13	17	15	18
B5. Depreciation	8	11	14	20	15	14	9	10	13	11	13
B6. Combination of B1-B5	8	10	14	20	16	15	11	12	15	13	15
C. Tailored Tests											
C1. Combined contingent liabilities	8	10	18	23	16	14	10	11	15	13	15
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	10	12	18	14	13	12	13	16	12	14

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.

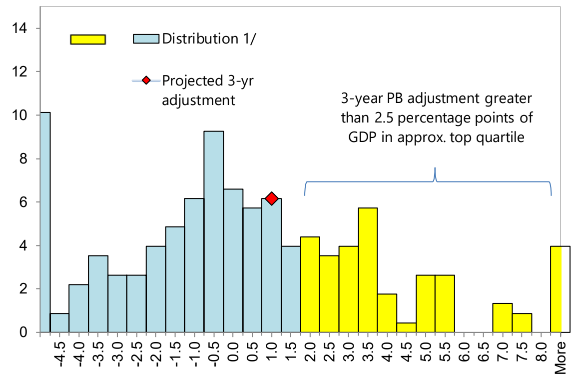
Figure 3. Uzbekistan: Drivers of Debt Dynamics—Baseline Scenario



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.

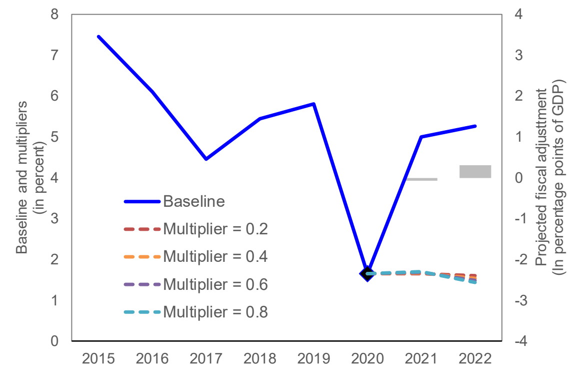
Figure 4. Uzbekistan: Realism Tools

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



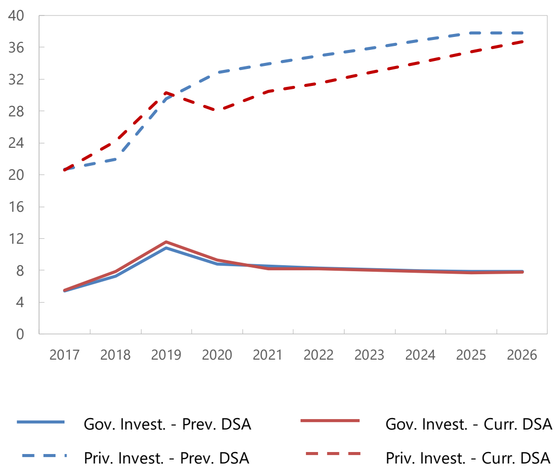
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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)

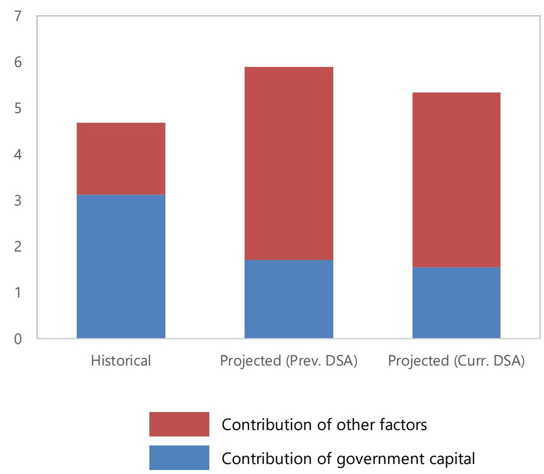
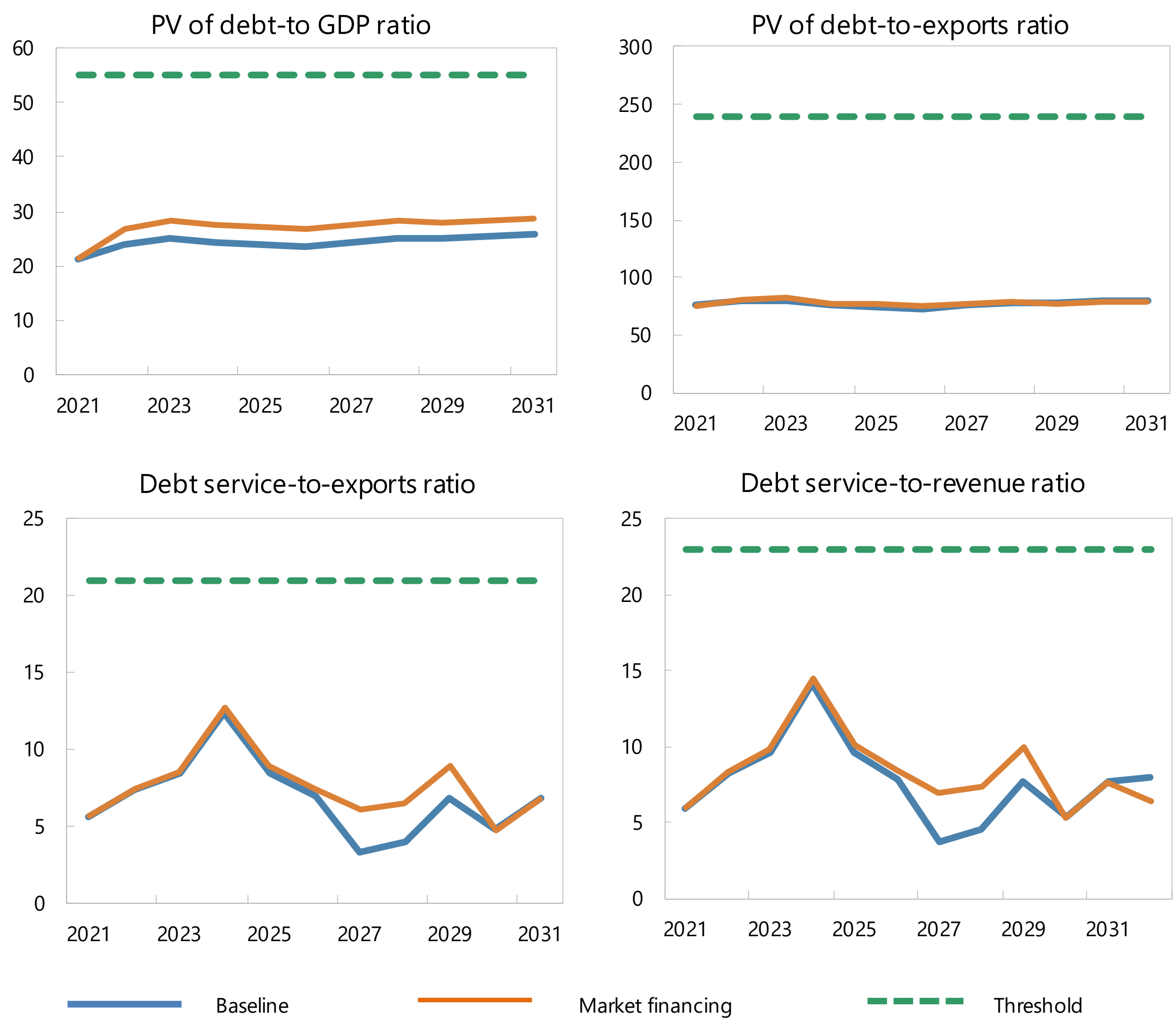


Figure 5. Uzbekistan: Market-Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	8	267
Breach of benchmark	No	No
Potential heightened liquidity needs	Low	

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

2/ Uzbeksitan is not included in EMBI. Spread from the Uzbek 2019 international issuance.



Sources: Country authorities; and staff estimates and projections.