

Republic of Uzbekistan: Requests for Disbursement under the Rapid Credit Facility and Purchase under the Rapid Financing Instrument-Press Release; Staff Report; and Statement by the Executive Director for the Republic of Uzbekistan



REPUBLIC OF UZBEKISTAN

May 2020

REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND PURCHASE UNDER THE RAPID FINANCING INSTRUMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE REPUBLIC OF UZBEKISTAN

In the context of requests for disbursement under the Rapid Credit Facility and purchase under the Rapid Financing Instrument for the Republic of Uzbekistan, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 18, 2020, following discussions that ended on April 30, 2020, with the officials of the Republic of Uzbekistan on economic developments and policies underpinning the IMF arrangement under the Rapid Credit Facility and Rapid Financing Instrument. Based on information available at the time of these discussions, the staff report was completed on May 12, 2020.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association.
- A **Statement by the Executive Director** for the Republic of Uzbekistan.

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

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Washington, D.C.



IMF Executive Board Approves a US\$375 Million Disbursement to the Republic of Uzbekistan to Address the Impact of the COVID-19 Crisis

FOR IMMEDIATE RELEASE

- The IMF Executive Board approved the disbursement of US\$375 million under the Rapid Credit Facility and Rapid Financing Instrument to support Uzbekistan's response to the COVID-19 pandemic.
- The COVID-19 pandemic is significantly impacting Uzbekistan's economy, reducing growth, and creating additional external and fiscal financing needs
- Over the medium-term, fiscal and monetary policies are expected to maintain Uzbekistan's fiscal and external sustainability and Uzbekistan is committed to continuing economic and structural reforms.

Washington, DC – May 18, 2020 the Executive Board of the International Monetary Fund (IMF) today approved the disbursement of SDR 275.6 million (50 percent of quota, about US\$375 million) under the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI). This will help to meet Uzbekistan's increased need for fiscal and urgent balance of payments financing arising from the impact of the COVID-19 crisis.

The crisis has adversely affected Uzbekistan's macroeconomic outlook. Growth is projected to slow to 1½ percent this year and lower revenues and additional crisis-related expenditures—on healthcare and to support households and firms—are expected to widen the fiscal deficit to about 4 percent of GDP. IMF and other donor support will help cover the resulting financing needs, support the economy, and provide assistance to affected households and firms. The authorities will increase the accountability and transparency of expenditures to improve the efficiency and safeguard the use of public resources.

The authorities' policies are expected to maintain macroeconomic stability and fiscal and balance of payments' sustainability over the medium-term. They have expressed their strong commitment to continue economic and structural reforms. The IMF stands ready to provide policy advice and further support, as needed.

Following the Executive Board discussions, Mr. Tao Zhang, Deputy Managing Director and Chair, made the following statement:

"The COVID-19 pandemic has severely impacted Uzbekistan's economy. Growth is projected to slow significantly while lower exports and remittances will widen the current account deficit. The fiscal deficit is expected to increase on the back of a fall in revenues and crisis-related expenditures. These have generated significant balance of payments and fiscal financing needs.

"IMF financial assistance under the RCF and the RFI, along with support from other multilateral institutions, will help cover Uzbekistan's fiscal and balance of payments needs and mitigate the impact on its foreign exchange reserves. It will also provide resources to support

increased crisis spending for healthcare, social protection, and public support for affected firms and households.

“As the higher fiscal and external financing needs primarily arise from the COVID-19 shock, a temporary loosening of fiscal and monetary policies is appropriate. As the crisis subsides, the focus should revert to ensuring medium-term fiscal and external sustainability. Fiscal policy should aim for a return to moderate fiscal deficits and limit external borrowing so that public sector debt stays on a sustainable path.

“On monetary and financial sector policies, the authorities should continue developing their inflation targeting framework focused on price stability while allowing the exchange rate to move in line with fundamentals. They should also continue to provide appropriate liquidity support to the financial system, while continuing rigorous financial supervision and maintaining capital requirements and loan standards.

“Uzbekistan aims to continue implementing its structural reform agenda, to complete the transformation to a modern, open market economy, and to improve governance and public management. It has committed to safeguard the use and improve the efficiency of its public resources by increasing transparency and accountability.”



REPUBLIC OF UZBEKISTAN

May 12, 2020

REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND PURCHASE UNDER THE RAPID FINANCING INSTRUMENT

EXECUTIVE SUMMARY

Context. The COVID-19 pandemic has severely impacted Uzbekistan. Growth is projected to slow to 1.5 percent in 2020, while lower exports and remittances are expected to widen the current account deficit to almost 10 percent of GDP. Addressing the external shock and the domestic impact of COVID-19 is expected to require additional external financing of about US\$ 4 billion (7 percent of GDP). At the same time, weaker than expected revenues and additional crisis-related expenditures are expected to widen the fiscal deficit from near balance to about 4 percent of GDP. Uncertainty about the severity and length of the global downturn and the impact on Uzbekistan's economy is large.

Financial Assistance. Uzbekistan's authorities have requested financial assistance under the RCF and RFI to cope with the impact of the COVID-19 pandemic and partly cover immediate external financing needs. The RCF and RFI funds will be used for budget support, to finance spending for healthcare, and to support vulnerable households and firms. Uzbekistan is a presumed blender based on income criteria. Staff assesses that Uzbekistan meets the eligibility requirements for an RCF and an RFI and supports the request for a disbursement of 50 percent of quota (SDR 275.6 million or about US\$ 375 million), which along with the use of international reserves and financing from other IFIs should be sufficient to address urgent balance of payments and fiscal financing needs. Financing would comprise a disbursement of 16.7 percent of quota under the RCF and a purchase of 33.3 percent of quota under the RFI. The authorities are committed to transparency and accountability and have provided assurances on effective use of resources through appropriate reporting, monitoring, and auditing.

Policies. The authorities' policies aim at mitigating the economic and social impact of the crisis, including by temporarily relaxing fiscal and financial policies to absorb the shock, and supporting an economic recovery, while maintaining macroeconomic and financial stability. A temporary increase in the fiscal deficit to accommodate emergency spending on healthcare and social support and to allow automatic stabilizers to work is appropriate. Over the medium-term, Uzbekistan will pursue fiscal consolidation and continue tax and public financial management reforms. The Central Bank of Uzbekistan (CBU) will continue to ensure exchange rate flexibility to deal with external shocks and limit foreign exchange intervention to avoid disorderly market conditions. Monetary

policy will aim to ensure that inflation remains on a downward path in line with CBU targets. The CBU will provide appropriate liquidity support to the financial system and has room to relax capital conservation and liquidity buffers if needed.

Risk of debt distress. Low

Capacity to repay the Fund. Adequate

Approved By
Thanos Arvanitis,
Chris Lane

Discussions with the authorities were held remotely during April 27-30, 2020. The staff team comprised L. Dwight (head), E. Cabezon (MCD), and G. Kostina (head of local office), with support from A. Yaaqoubi, L. Nigmatullina, and G. Gedrimaite.

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CONTEXT

1. **Like other countries in the region, Uzbekistan has been hit hard by the spread of COVID-19 and the impact of policies to contain it.** The first case of COVID-19 in Uzbekistan was reported on March 15, 2020, after which the authorities promptly introduced stringent containment measures, restrictions on movement, as well as limits on economic and social activity. Non-essential businesses and schools were closed and religious and social gatherings were prohibited. Nonetheless, the spread of the virus has continued, and the number of infected persons may be underestimated.

2. **This shock came as the authorities continued to make progress on long-needed economic reforms.** After years of relative economic isolation, in 2017–18 the authorities liberalized the trade and exchange rate regimes, liberalized many prices, improved statistics, and reformed government operations. In 2019, they implemented major tax reforms to reduce taxes on the private sector and labor and the parliament approved the budget for the first time. A new central bank law was enacted focusing more explicitly on inflation and financial stability and a new bank law strengthened licensing standards. Interest rates on new preferential loans were increased to the refinancing rate in early 2020 to reduce segmentation of the financial market. While further progress is needed, the achievements of the last three years have been impressive.

3. **Uzbekistan’s macroeconomic performance continued to improve in 2019:**

- **Growth and inflation:** Real GDP growth accelerated to a robust 5.6 percent while average consumer price inflation declined somewhat to 14.5 percent.
- **Fiscal position.** Fiscal performance was solid in 2019 following the tax reform. Despite a decrease in corporate income tax, VAT, and property tax rates and enterprise social security contributions, a widening of the tax base kept revenues at 28 percent of GDP.¹ The fiscal balance was zero, but the overall fiscal deficit including policy lending², expanded to 3.9 percent of GDP. The level of public and publicly guaranteed (PPG) debt at end- 2019 was relatively moderate at 29 percent of GDP.
- **External position.** The current account deficit narrowed to 5.6 percent of GDP, primarily due to higher gold exports. However, with higher borrowing to finance infrastructure and other capital spending, external debt to GDP rose from 34 percent in 2018 to 44 percent in 2019. Official reserves stood at US\$ 29 billion (14 months of imports) at the end of 2019. Reserves excluding liabilities to the Fund for Reconstruction and Development (FRD) stood lower at US\$ 18 billion (9 months of imports).

¹ The government of Uzbekistan has significantly improved fiscal reporting over the last several years with the goal of bringing fiscal accounts in line with GFS Statistics. In the meantime, IMF staff adjusts revenues and expenditures for international comparison.

² Government policy lending primarily comprises FRD loans to state enterprises. With overruns in 2019, the 2020 budget envisioned a sharp reduction in FRD lending.

- **Money and credit.** Credit to the economy continued to be strong, driven by policy lending by the FRD, at close to 50 percent.³ Following a recapitalization of state banks, capital adequacy ratios rose to 23 percent at end-2019, while the non-performing loan (NPL) ratio was only 1.5 percent.

IMPACT OF THE SHOCK, OUTLOOK, AND RISKS

4. **The authorities acted quickly to contain the impact of the COVID-19 virus.** On March 19, the President announced anti-crisis measures, including additional healthcare spending (both containment and mitigation), support to firms and workers, and an expansion of social support measures to be financed by the creation of a UZS 10 trillion (USD 1 billion) Anti-Crisis Fund. On April 3, the President announced additional tax reductions and loan guarantees.

5. **Despite these measures, the COVID-19 crisis is expected to have a significant negative impact on Uzbekistan's economy.** The main factors are a fall in trading partner demand and natural gas prices, lower remittances and labor income (particularly from migrants in Russia), and lower activity, as measures to contain the COVID-19 virus reduce output (especially in tourism and transportation). Higher gold prices and fiscal stimulus will help partially offset these effects. Although near-term projections are very difficult, given the uncertainty about the duration of the outbreak and the measures to contain it, real growth is projected to fall to 1.5 percent (compared with a pre-crisis forecast of 6 percent). Average consumer price inflation is expected to decline to 12.9 percent. Growth is expected to bounce back in 2021 to 7 percent, due to base effects and the restoration of economic activity. The crisis is projected to sharply increase unemployment in 2020, particularly for workers who typically migrate abroad for work.

6. **Fiscal Position.** Public finances are coming under significant pressure. With a loss in revenues (2.2 percent of GDP) and additional spending needs (1.5 percent of GDP), the fiscal deficit is forecast to rise from 0.4 to 4.1 percent of GDP in 2020. In addition to automatic stabilizers, the larger deficit reflects tax relief to small and medium-sized businesses and large additional spending

needs. Particular measures include: (i) expanding funding for healthcare, including for medicines, the cost of quarantines, and salaries for medical employees; (ii) increasing the number of low-income families receiving social benefits; (iii) providing assistance to affected businesses via interest subsidies; (iv) financing public works to improve infrastructure and support employment; (v) temporarily reducing social contributions of individual entrepreneurs; (vi) delaying payments of the

	2020		Δ
	Pre-COVID-19	Post-COVID-19	
GDP growth (percent)	6.0	1.5	-4.5
Inflation average (percent)	13.8	12.9	-0.9
Fiscal balance	-0.4	-4.1	-3.7
Public debt	29.7	34.5	4.8
Current account balance	-4.7	-9.6	-5.0
External debt	41.7	46.3	4.5
Reserves excl. FRD (USD billion)	21.1	16.8	-4.3
Credit growth (percent)	28.3	21.6	-6.8

Source: Authorities' data and IMF staff estimates

³ Credit growth is adjusted for the transfer of loans to state enterprises worth UZS 41 trillion (about 20 percent of credit to the economy) from banks to the FRD, carried out as part of financial sector reform.

property and land taxes; (vii) and delaying 2019 income tax declarations. Part of the higher spending needs will be offset by a modest reduction (0.2 percent of GDP) in other areas.

7. **External Position.** With weaker trading partner demand and remittances, the current account deficit is expected to increase from 5.6 percent of GDP in 2019 to 9.6 percent of GDP in 2020. On the financial account, foreign direct investment and issuance of external bonds by the government and state enterprises are expected to decline. External financing needs implied by the wider current account deficit and weaker financial inflows are estimated to exceed US\$ 4 billion (7 percent of GDP) in 2020. Reserve cover would decline to below 11 months of imports of goods and services (or about 6 months of imports excluding liabilities to the FRD) if fully covered by a decline in reserves. The projected external financing need cannot be addressed entirely by using reserves without causing immediate and significant disruption to the economy and the foreign exchange market. A sharp decline in reserves would likely undermine confidence, increase foreign exchange (FX) demand and put additional pressure on the currency. A sharp and disorderly sum depreciation could accelerate already high inflation and increase non-performing loans. Such a scenario could also undermine confidence in the reforms and the opening up of the economy.

8. **Risks to the Outlook.** The impact of the COVID-19 outbreak is still highly uncertain. External risks could arise from further a deterioration in trading partner demand, a fall in commodity prices (especially for gold, natural gas, or copper) or a sharper-than-projected fall in remittances or labor income. Domestically, measures to contain and mitigate the virus could result in a larger or more prolonged fall in output. Lower external or domestic demand and/or higher expenditures for health, social protection, or support to individuals and firms could cause the fiscal deficit to increase further. The crisis also increases the potential for medium-term problems, such as disrupted supply chains, weakened balance sheets, and lower tourism and remittances. A further increase in the price of gold could provide an upside. Were downside risks to materialize, additional mitigation measures would be needed to soften the economic impact, supported by additional external financing from IFIs.

POLICY DISCUSSIONS

A. Fiscal Policy

9. **A widening of the fiscal deficit this year, to about 4 percent of GDP, strikes an appropriate balance** (see Table 4). A revised budget, including additional COVID-related expenditures, was recently passed by parliament. Public debt is low and thus the country has fiscal space to accommodate a temporary increase in the deficit. Recognizing the risks associated with the swift execution of pandemic-related spending, the authorities are determined to ensure transparency, including by undertaking independent audits of spending and publishing the results. In addition, the authorities will publish details of crisis-related public spending (see Letter of Intent). The authorities are also considering ways to further reallocate expenditures (e.g. from state and local administration and other expenditures) toward healthcare, social protection, and investment in case the crisis deepens or lasts longer. A further temporary increase in the deficit would not undermine fiscal sustainability.

10. **Financing the larger fiscal deficit will require external financing.** Financing the deficit entirely in the domestic market would be difficult, given the small size of the market. For example, outstanding domestic government bonds at end-February totaled only UZS 1.9 trillion, compared to the government's estimate of additional costs due to the crisis of UZS 10 trillion. The government had planned a sovereign bond offering in 2020, but external financing conditions likely now preclude this option. Monetary financing is prohibited under the new central bank law, while the FRD's mandate is project financing. An inability to fill the fiscal financing gap could lead to immediate and severe economic disruption, including a further spread of COVID-19 due to inadequate health spending, a deeper or more prolonged shutdown of the economy, and additional job losses.

11. **Over the medium-term, the government aims to keep the consolidated fiscal deficit at or below two percent of GDP.** Planned improvements in tax administration and public financial management should help the government achieve this objective. The government caps annual new PPG debt commitments according to a fiscal and debt sustainability analysis. If it adheres to its current annual cap of US\$ 4 billion over the medium-term, staff projects the ratio of public and publicly guaranteed debt to GDP would stabilize around 35 percent and Uzbekistan would remain at low risk of debt distress (see Debt Sustainability Analysis).

B. Monetary and Exchange Rate Policy

12. **Monetary policy has been eased in response to the crisis, amidst declining inflation.** After the onset of the crisis, and on the back of lower demand but relatively elevated inflation expectations,⁴ the CBU lowered the refinancing rate from 16 to 15 percent in mid-April. The CBU continues to aim to keep consumer price inflation on track toward meeting the inflation target of 5 percent by 2023 and stands ready to adjust monetary policy as needed.

13. **To avoid disruptions in the payments system, the CBU continues to provide appropriate short-term liquidity to banks.** The recently launched repurchase operations and overnight facilities are steps forward in this regard and the CBU can also provide emergency liquidity assistance (ELA), if needed.

14. **The authorities are committed to continued exchange rate flexibility and to use reserve buffers in case of disorderly market conditions.** The CBU has maintained its intervention policy, whereby foreign exchange transactions are limited to offsetting purchases of domestically produced gold and smoothing fluctuations in the foreign exchange market. This policy contributed to a broadly stable exchange rate against the dollar following the August 2019 depreciation. In April 2020, the exchange rate against the U.S. dollar depreciated 6 percent. Recent exchange rate pressures are likely to persist, which would warrant further exchange rate flexibility and targeted FX intervention to avoid disorderly market conditions. The functioning of the foreign exchange market could be improved by removing structural impediments, for example by implementing a unified

⁴ The CBU reduced the range of its forecast for end-2020 consumer inflation by one percent point to 11-12.5 percent.

platform for OTC interbank FX transactions and setting the CBU reference rate daily rather than weekly.

C. Financial Sector Policy

15. **The authorities made progress on financial sector reforms prior to the COVID-19 crisis.** In 2019, the authorities reformed state banks by: (i) moving policy lending for state enterprises from the banks to the FRD; (ii) cleaning up banks' balance sheets; (iii) centralizing ownership oversight at the Ministry of Finance; (iv) setting corporate governance objectives; and as noted earlier (v) raising the interest rate on preferential loans to the CBU refinancing rate. To deal with the COVID-19 crisis, the CBU has encouraged banks to consider providing deferrals on loan repayments for households and firms in affected sectors on a case-by-case basis. In addition, the authorities are planning to defer some repayments of state enterprise credits to state banks. Challenges in the current environment include further orienting state banks towards commercial lending and attracting strategic investors.

16. **The authorities should maintain capital requirements and NPL standards, but requirements for capital conservation and liquidity buffers could be eased, if needed.** It is important to avoid disruption of the payment system and any bank recapitalization should be transparent. In line with the new central bank law, the CBU can boost governance by continuing to improve internal procedures and accounting practices; the planned IMF safeguards assessment will be helpful in this regard.

D. Structural Agenda

17. **The authorities have emphasized they are committed to continuing structural reforms notwithstanding the crisis.** Over the last few years, the authorities have made substantial progress on structural reforms. Going forward, the government should prioritize reforms according to its implementation capacity. Additional reforms could focus on further liberalizing trade and administered prices, improving public governance and fighting corruption, restructuring state enterprises, as well as boosting efficiency and private sector development, a key for job creation.

MODALITIES, ACCESS, CAPACITY TO REPAY, AND SAFEGUARDS

18. **The authorities have requested financial assistance of 50 percent of quota (SDR 275.6 million, about US\$ 375 million) under the RCF (16.7 percent of quota or SDR 92.05 million) and RFI (33.3 percent of quota or SDR 183.55 million) to address Uzbekistan's urgent balance of payments and fiscal financing needs.** The RCF/RFI is also expected to catalyze support from other IFIs. The Asian Development Bank and World Bank have committed to provide additional funding of around US\$ 1.3 billion. Together with a drawdown in reserves by nearly US\$ 2.5 billion, this will cover Uzbekistan's financing needs.

19. **Uzbekistan’s public debt is sustainable and its capacity to repay the Fund is adequate.** Uzbekistan currently has no outstanding loans from the IMF and debt service on the proposed disbursement under the RCF and purchase under the RFI would remain low. The authorities intend to use Fund financial assistance for budget support, to help cover fiscal financing needs. The authorities have committed to an IMF safeguards assessment and to sign a Memorandum of Understanding between the CBU and the Ministry of Finance to clarify responsibilities for holding funds and repaying Fund resources.

Impact of COVID-19: Balance of Payments and Financing Gap		
(In billions of U.S. dollars)		
	2019	2020
	Est.	Proj.
Current account	-3.2	-5.9
Goods balance (excl. gold)	-14.5	-14.9
Gold	4.9	5.8
Services	-2.3	-1.9
Remittances	8.7	5.8
Other	-0.1	-0.7
Capital and financial account	8.1	1.7
Direct investment	2.3	0.8
Portfolio investment	1.3	0.0
Official financing (excl IMF and new IFI financing)	4.7	2.7
Other flows	-0.2	-1.8
Errors and omissions	-3.5	0.0
Financing gap (excl IMF and new IFI financing)	1.4	-4.1
(in percent of GDP)	2.4	-6.8
Potential financing	-1.4	4.1
IMF (RFI/RCF)	...	0.4
Other IFIs	...	1.3
Use of Reserves	-1.4	2.5
Financing gap (incl IMF, new IFI financing, and reserves)	0	0

Source: Authorities' data and IMF staff estimates

STAFF APPRAISAL

20. **The COVID-19 crisis is expected to have a significant impact on Uzbekistan’s economy in 2020.** Lower export demand and remittances from partner countries as well as the reduction of domestic activity to prevent the spread of COVID-19 will slow growth and widen the current account deficit. Needed additional expenditures on health, social protection, and public investment, as well as a reduction in revenue caused by the slowdown will raise the government’s fiscal deficit.

21. **Uzbekistan’s higher fiscal and external financing needs arise primarily from the COVID-19 shock and warrant a temporary loosening of fiscal and monetary policies.** As the crisis abates, policies should continue to focus on ensuring fiscal and external sustainability over the medium-term:

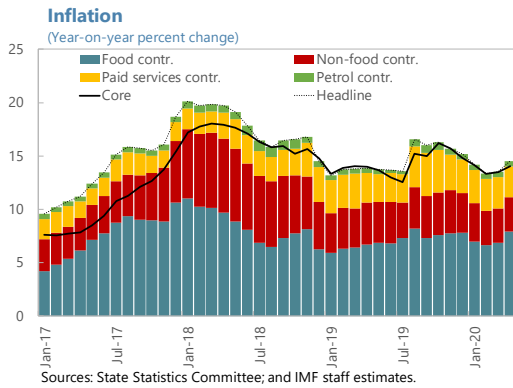
- Regarding fiscal policy, staff supports a temporary increase in the fiscal deficit along with additional financing from multilateral partners. Over the medium-term, the government should aim to keep the fiscal deficit, including policy lending, at or below two percent of GDP. The government should exercise restraint in public and publicly guaranteed borrowing to keep PPG debt on a sustainable path. Adhering to the government’s policy of capping commitments of PPG debt based on fiscal and debt sustainability analyses should be sufficient to achieve this outcome.
- On monetary and exchange rate policy, staff supports the authorities’ inflation targeting framework, which focuses on price stability, and allowing the exchange rate to move in line with fundamentals. The authorities should also improve the functioning of the FX market by removing structural impediments and making CBU FX interventions, to sterilize liquidity generated by purchases of domestic gold, more regular and predictable.

- To maintain financial stability, the authorities should continue to provide appropriate short-term liquidity to the banking system while continuing rigorous financial supervision. Capital conservation and liquidity buffers could be eased while maintaining capital requirements and NPL standards. State banks can play a countercyclical role by expanding lending to mitigate the crisis, but over the medium-term it is important that lending become more commercially oriented.

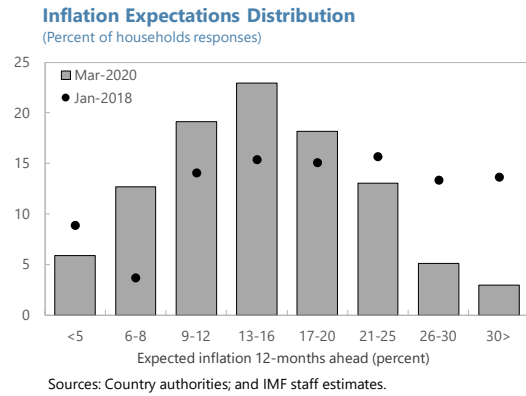
22. **Staff supports the authorities' request for financial assistance of 50 percent of quota under the RCF and RFI to address Uzbekistan's balance of payments need, which if not addressed would result in immediate and severe economic disruption.** IMF financial assistance under the RCF and RFI is appropriate as the balance of payments need is expected to be resolved within a year and donor financing remains strong. No major policy adjustments are required as the authorities' policies are expected to address the balance of payments need in the near-term and to maintain fiscal and external sustainability over the medium-term. Based on Uzbekistan's track record of strong macroeconomic policies and relations with the Fund, staff is confident the authorities will continue to cooperate with the Fund and pursue appropriate policies to address the COVID-19 shock and the external and fiscal financing gaps.

Figure 1. Uzbekistan: Inflation and Monetary Policy

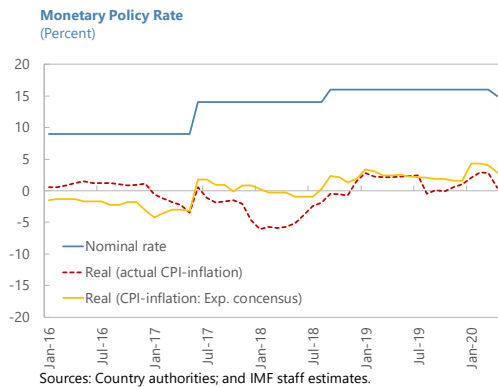
Inflation has been declining...



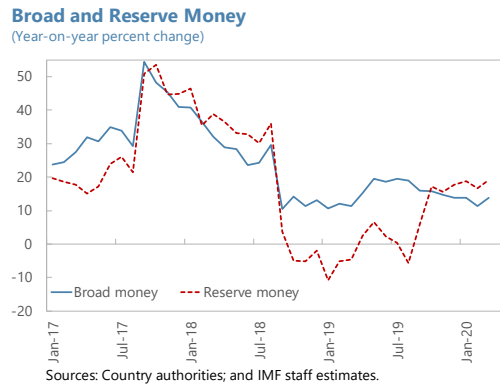
but inflation expectations remain high despite the CBU communication is helping to anchor them.



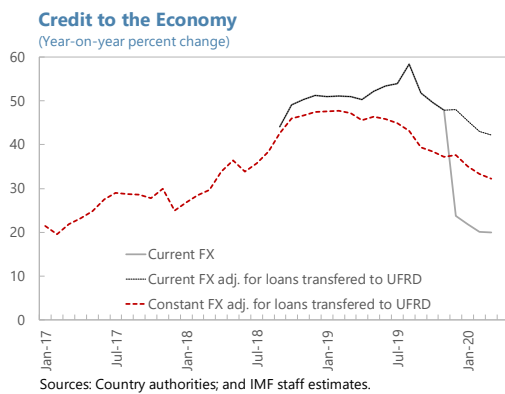
Monetary policy has been tight with positive real policy rate...



and reserve as well as broad money growing less than the nominal GDP



Also credit slowed down...



as the authorities implemented measures to contain preferential lending

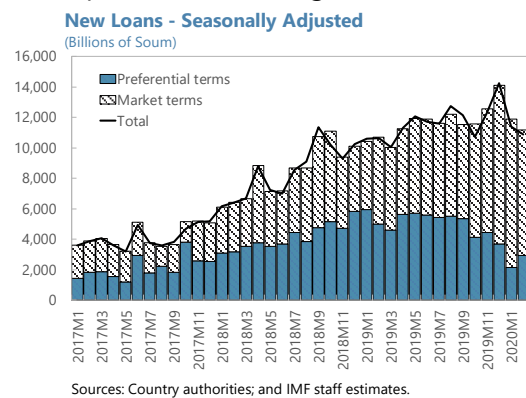
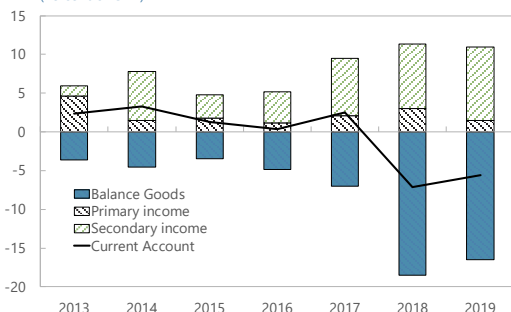


Figure 2. Uzbekistan: External Sector

Current account deteriorated after the reforms (due to trade liberalization and a surge in investment)

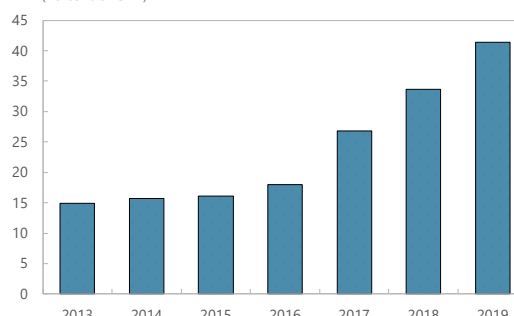
...which was financed with external borrowing

Current Account
(Percent of GDP)



Sources: Country Authorities; and IMF staff estimates.

External Debt
(Percent of GDP)

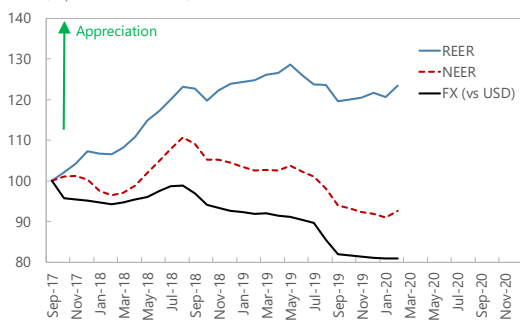


Sources: Country authorities; and IMF staff estimates.

while the NEER has been relatively stable since September 2017.

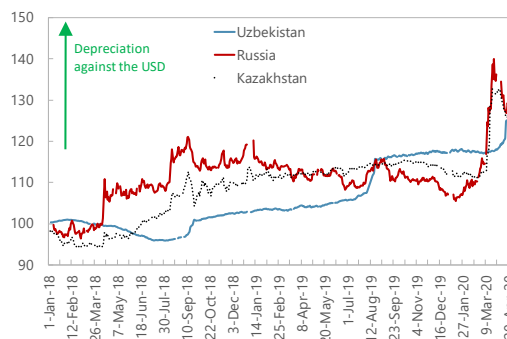
But the environment is deteriorating with regional peers depreciating their currencies...

Exchange Rate
(September 2017=100)



Sources: IMF estimates.

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

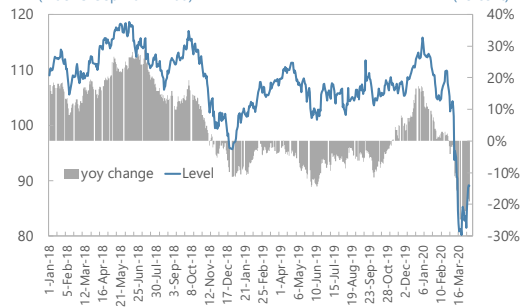


Lastest data 30-Apr-2020

key commodity prices dropping...

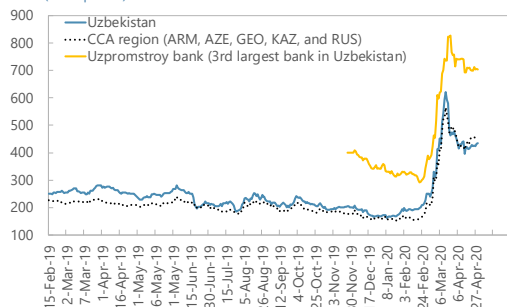
and the cost of funding surging

Price of Exports¹
(Index 5-Sep-2017=100)



1/ Weighted average of gold, cooper, cotton, and oil (proxii for natural gas). Sources: IMF staff estimates.

Sovereign Spread
(Basis points)



Sources: Bloomberg; and IMF staff estimates.

Table 1. Uzbekistan: Selected Economic Indicators, 2017–2025

	2017	2018	2019	2020	2020	2021	2022	2023	2024	2025
			Est. Pre-COV 4/	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
National income										
Nominal GDP (in trillions of sum)	303	407	512	642	602	698	803	902	1,008	1,121
Population (in millions)	32.1	32.7	33.3	33.5	33.9	34.5	35.0	35.5	36.1	36.6
GDP per capita (in US dollars)	1,810	1,543	1,742	1,995	1,795	1,951	2,166	2,371	2,587	2,813
Real sector (Annual percent change)										
GDP at current prices	24.8	34.4	25.9	25.4	17.5	16.1	15.0	12.3	11.7	11.3
GDP at constant prices	4.5	5.4	5.6	6.0	1.5	7.0	6.0	5.5	5.5	5.5
GDP deflator	19.4	27.5	19.2	18.3	15.8	8.5	8.5	6.5	5.9	5.5
Consumer price index (eop)	18.8	14.3	15.2	12.4	11.2	7.4	5.6	5.0	5.0	5.0
Consumer price index (average)	13.9	17.5	14.5	13.8	12.9	9.5	6.4	5.3	5.1	5.0
Money and credit (Annual percent change)										
Reserve money	44.9	-1.9	17.8	25.3	6.0	17.3	15.9	13.6	14.8	15.1
Broad money	41.0	13.2	13.8	27.6	16.7	18.2	21.6	19.2	16.4	16.6
Net foreign assets contribution	269.8	-17.3	32.2	-9.7	0.0	-13.1	-1.3	1.5	1.7	5.2
Net domestic assets contribution	-228.8	30.5	-18.4	37.4	16.7	31.3	22.9	17.6	14.7	11.4
Net claims on government contribution	-184.9	-29.8	18.4	-1.1	-7.2	-5.0	7.2	4.5	5.4	3.3
Credit to the economy contribution	113.0	80.7	50.0	64.8	49.3	35.5	20.7	19.1	14.9	17.0
Others items net contribution	-156.9	-20.4	-86.8	-26.4	-25.4	0.8	-5.0	-6.0	-5.7	-8.9
Credit to the economy growth	103.8	51.3	23.8	28.3	21.6	14.9	8.9	9.2	7.8	9.7
Credit to the economy growth (adjusted for FRD transfers) 1/	103.8	51.3	48.1	28.3	21.6	14.9	8.9	9.2	7.8	9.7
Velocity (in levels)	4.3	5.1	5.6	5.5	5.6	5.5	5.2	4.9	4.7	4.5
(Percent of GDP)										
Broad money	23.4	19.7	17.8	18.2	17.7	18.0	19.1	20.2	21.1	22.1
Credit to the economy	36.8	41.5	40.8	41.7	42.2	41.7	39.5	38.4	37.1	36.6
External sector (Percent of GDP)										
Current account	2.5	-7.1	-5.6	-4.7	-9.6	-7.9	-6.4	-5.6	-4.8	-4.3
External debt	34.1	34.3	43.5	41.7	46.3	47.6	47.2	46.9	45.9	44.8
External debt service ratio (percent of G&S exports)	15.3	15.6	15.7	15.3	23.3	18.0	17.6	17.5	17.1	16.7
(Annual percent change)										
Exports of goods and services	17.7	13.9	20.2	8.9	-10.4	19.3	16.3	12.3	14.0	12.4
Imports of goods and services	13.7	42.3	13.3	7.4	-8.6	19.2	10.4	9.8	9.6	9.6
Exchange rate (in sums per U.S. dollar; eop)	8,120	8,340	9,516	...	...	...	...	...	...	...
Exchange rate (in sums per U.S. dollar; ave)	5,203	8,072	8,837	...	...	...	...	...	...	...
Real effective exchange rate CPI based (2015=100, - = dep)	65.9	60.2	65.0	66.8	65.6	66.9	68.2	69.6	71.0	72.4
Gross international reserves (in billions of US dollars)	28.1	27.1	29.2	32.1	27.7	27.3	26.6	26.8	27.1	28.1
Gross international reserves (months of imports)	14.4	12.2	14.4	11.7	11.5	10.2	9.1	8.4	7.7	7.3
Gross international reserves excl FRD (in billions of US dollars) 1/	15.8	15.6	18.2	21.1	16.8	16.3	15.7	15.9	16.1	17.1
Gross international reserves excl. FRD (months of imports) 1/	8.1	7.0	9.0	7.7	7.0	6.1	5.4	5.0	4.6	4.4
Government finance (Percent of GDP)										
Consolidated budget revenues	24.9	28.7	28.6	25.6	25.2	25.4	25.4	25.5	25.7	25.8
Consolidated budget expenditures	26.3	29.8	31.2	25.3	28.6	26.7	26.2	26.2	26.2	26.4
Consolidated budget balance	-1.4	-1.1	-2.6	0.3	-3.5	-1.3	-0.8	-0.6	-0.5	-0.6
Adjusted revenues 2/	24.7	27.8	28.2	25.3	24.9	25.2	25.2	25.4	25.5	25.7
Adjusted expenditures 2/	23.4	26.0	28.2	25.8	28.9	27.0	26.4	26.4	26.3	26.5
Adjusted fiscal balance	1.3	1.7	0.0	-0.4	-4.1	-1.8	-1.2	-1.0	-0.8	-0.8
Policy lending	3.1	4.0	3.9	1.5	1.5	1.8	1.6	1.4	1.3	1.2
Overall fiscal balance	-1.9	-2.3	-3.9	-1.9	-5.6	-3.5	-2.8	-2.4	-2.1	-2.0
Public debt	20.2	20.4	29.3	29.7	34.5	35.3	35.4	35.3	34.6	33.9
Labor market 3/										
Formal sector employment growth (percent)	0.4	0.7	1.8	1.6	-4.0	1.5	1.5	1.1	1.1	1.1
Working-age population growth (percent)	0.9	0.9	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9
Unemployment rate (percent)	9.0	9.3	9.4	8.9	16.5	13.1	10.6	9.4	8.3	7.1
Labor migrants (millions)	1.3	2.4	2.5	2.6	2.0	2.4	2.5	2.6	2.7	2.7

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, externally financed expenditures, and policy lending.

3/ Labor market statistics were revised starting in 2018.

4/ The numbers in the pre-COVID column give IMF staff projections as of January 2020. The fiscal projections differ from those in the government budget.

Table 2. Uzbekistan: National Accounts, 2017–2025

	2017	2018	2019	2020	2020	2021	2022	2023	2024	2025
			Est. Pre-COV	Proj.	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	73.1	69.4	68.0	66.3	68.2	67.8	66.2	65.3	63.7	62.5
Private	59.9	54.4	51.1	52.0	49.2	50.4	49.2	48.4	46.9	45.5
Public	13.2	15.0	16.9	14.3	18.9	17.4	16.9	16.9	16.8	16.9
Gross investment	29.0	40.3	39.2	39.4	38.8	39.7	39.4	39.4	39.6	39.9
Gross fixed capital formation	25.6	29.8	39.1	29.2	38.6	39.5	39.2	39.3	39.5	39.8
Inventories and stat. discrepancy	3.5	10.4	0.2	10.2	0.1	0.2	0.2	0.2	0.2	0.2
Net exports	-2.1	-9.6	-7.3	-5.7	-6.9	-7.5	-5.6	-4.7	-3.3	-2.4
Exports of goods and services	21.8	29.2	36.3	30.0	30.9	33.4	34.5	34.9	35.9	36.5
Imports of goods and services	23.9	38.8	43.6	35.7	37.9	40.8	40.0	39.6	39.2	38.9
Gross national savings	31.5	33.1	33.6	34.7	29.2	31.8	33.0	33.8	34.9	35.7
Savings-investment balance	2.5	-7.1	-5.6	-4.7	-9.6	-7.9	-6.4	-5.6	-4.8	-4.3
(Annual percent change)										
GDP at constant prices	4.5	5.4	5.6	6.0	1.5	7.0	6.0	5.5	5.5	5.5
Domestic demand	6.6	12.2	5.4	8.5	3.5	7.0	6.3	5.9	5.1	5.2
Final consumption expenditures	3.4	4.2	6.2	8.7	2.9	5.6	5.1	4.9	3.3	3.5
Private	3.9	4.5	6.3	10.4	0.3	8.6	5.5	4.8	3.0	2.9
Public	1.5	3.1	6.1	0.7	12.7	-4.2	3.6	5.2	4.7	5.6
Gross investment	17.7	32.4	3.8	8.0	4.5	9.0	8.0	7.5	7.5	7.5
Gross fixed capital formation	19.4	18.1	46.0	8.0	4.5	9.0	8.0	7.5	7.5	7.5
Exports of goods and services	1.3	10.7	40.9	-5.5	-12.4	20.8	9.3	7.9	11.5	10.9
Imports of goods and services	15.5	39.4	31.5	7.4	-2.2	17.5	9.7	9.1	8.5	8.6
(Contribution to real growth)										
GDP at constant prices (contributions)	4.5	5.4	5.6	6.0	1.5	7.0	6.0	5.5	5.5	5.5
Domestic demand	6.6	12.5	5.9	10.6	5.0	7.2	6.9	6.4	4.9	5.0
Final consumption expenditures	2.7	3.1	4.3	5.5	2.3	3.4	3.4	3.2	2.2	2.3
Gross fixed capital formation	4.4	4.6	13.7	2.3	1.8	3.5	3.2	2.9	2.9	3.0
Inventories and stat. discrepancy	-0.5	4.8	-12.2	2.7	1.0	0.3	0.3	0.2	-0.3	-0.3
Net exports	-2.1	-7.1	-0.3	-4.6	-3.5	-0.2	-0.9	-0.9	0.6	0.5
(Annual percent change)										
Deflators										
GDP	19.4	27.5	19.2	18.3	15.8	8.5	8.5	6.5	5.9	5.5
Domestic demand	19.5	28.7	19.8	14.6	13.2	9.1	6.3	5.2	4.9	4.9
Final consumption expenditures	13.2	22.5	16.2	13.8	14.4	9.3	6.8	5.7	5.4	5.5
Private	14.1	17.0	11.0	13.8	12.9	9.5	6.4	5.3	5.1	5.0
Public	9.1	48.1	33.9	16.4	16.4	11.4	8.2	6.6	6.1	6.0
Gross investment	39.0	40.9	18.1	16.1	11.2	8.9	5.7	4.6	4.4	4.4
Gross fixed capital formation	17.0	32.8	13.0	16.1	11.2	8.9	5.7	4.6	4.4	4.4
Exports of goods and services	80.5	62.5	11.1	25.2	14.4	3.7	8.7	5.3	3.1	2.2
Imports of goods and services	73.5	56.8	7.5	8.7	4.5	6.5	2.7	1.8	1.9	1.8
(Annual percent change)										
Prices										
CPI (average, in percent)	13.9	17.5	14.5	13.8	12.9	9.5	6.4	5.3	5.1	5.0
CPI (end-of-period, in percent)	18.8	14.3	15.2	12.4	11.2	7.4	5.6	5.0	5.0	5.0
Minimum wage (in thousands of sum)	371	426	577	687	692	784	862	930	997	1,067
Average formal sector wage (in thousands of sum)	986	1,240	1,522	1,811	1,826	2,068	2,273	2,453	2,629	2,814
Growth (percent)	13.8	25.8	22.7	19.0	20.0	13.2	10.0	7.9	7.2	7.0
Average government wage (in thousands of sum)	1,074	1,324	1,799	2,141	2,159	2,444	2,687	2,899	3,107	3,326
Growth (percent)	12.9	23.3	35.9	19.0	20.0	13.2	10.0	7.9	7.2	7.0
(Annual percent change)										
Employment 1/										
Formal sector employment growth (percent)	0.4	0.7	1.8	1.5	-4.0	1.5	1.5	1.1	1.1	1.1
Working-age population growth (percent)	0.9	0.9	0.9	1.0	0.9	1.0				
Unemployment rate (percent)	9.0	9.3	9.4	11.3	16.5	13.1	10.6	9.4	8.3	7.1
Labor migrants (millions)	1.3	2.4	2.5	2.5	2.0	2.4	2.5	2.6	2.7	2.7

Sources: Country authorities; and IMF staff estimates.

1/ Labor market statistics were revised starting in 2018.

Table 3a. Uzbekistan: Balance of Payments, 2017–2025
(millions of US dollars)

	2017	2018	2019	2020	2020	2021	2022	2023	2024	2025
				Est. Pre-COV	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
I. Current account balance	1,476	-3,594	-3,246	-3,115	-5,859	-5,302	-4,849	-4,725	-4,437	-4,395
Balance of goods and services	-4,058	-9,308	-9,574	-9,325	-9,051	-10,774	-10,822	-11,358	-11,432	-11,786
Merchandise trade balance	-2,216	-6,867	-7,308	-7,068	-7,196	-8,703	-8,960	-9,845	-10,204	-10,792
Exports of goods	10,162	11,386	13,899	15,690	12,582	14,585	16,779	18,469	20,895	23,355
Cotton fiber	477	222	282	229	181	98	53	28	15	8
Energy	1,608	2,667	2,525	2,692	1,702	2,313	2,644	2,913	3,090	3,261
Gold	3,260	2,910	4,918	5,162	5,801	5,896	5,957	5,201	5,120	5,173
Food Products	876	1,098	1,518	1,752	1,287	1,652	2,130	2,702	3,297	3,857
Other exports of goods	3,941	4,489	4,656	5,855	3,612	4,626	5,994	7,624	9,373	11,056
Imports of goods	12,377	18,252	21,207	22,758	19,778	23,288	25,739	28,314	31,099	34,147
Food Products	1,147	1,423	1,697	1,898	1,736	1,913	2,077	2,258	2,461	2,692
Energy products	668	792	835	922	541	642	741	835	921	1,006
Machinery and equipment	4,497	7,529	9,572	10,053	8,900	10,568	11,683	12,856	14,128	15,483
Other imports of goods	6,066	8,508	9,103	9,885	8,600	10,165	11,238	12,365	13,589	14,966
Balance of services	-1,842	-2,442	-2,266	-2,258	-1,855	-2,071	-1,862	-1,513	-1,228	-995
Credit	2,251	2,750	3,095	3,590	2,641	3,570	4,342	5,258	6,144	7,033
Debit	4,093	5,191	5,361	5,848	4,495	5,641	6,204	6,771	7,371	8,028
Primary income (net)	1,211	1,507	873	1,238	-236	461	508	628	660	711
of which: Interest (net)	-501	-568	-763	-699	-983	-1,004	-1,189	-1,337	-1,483	-1,621
of which labor compensation (net)	2,459	2,923	2,610	2,698	1,719	2,418	2,621	2,860	3,008	3,162
Primary income: Credit	2,598	3,185	2,954	3,156	2,078	2,809	3,054	3,335	3,528	3,730
Primary income: Debit	1,387	1,678	2,080	1,917	2,314	2,348	2,546	2,707	2,867	3,019
Secondary income (net)	4,323	4,208	5,455	4,971	3,428	5,011	5,466	6,005	6,335	6,681
Secondary income: Credit	4,816	4,823	6,040	5,563	4,020	5,608	6,069	6,615	6,950	7,303
Secondary income: Debit	493	615	586	592	592	598	603	610	616	622
II. Capital transfers	100	143	254	200	183	202	227	253	280	309
III. Financial account balance 1/	-571	-1,413	-7,862	-5,462	-2,842	-5,293	-4,802	-4,637	-4,213	-4,944
Direct investment	-1,788	-623	-2,284	-1,534	-750	-2,151	-2,271	-2,271	-2,423	-2,674
Portfolio investment	-3	-13	-1,346	-1,920	-26	-1,928	-32	-35	-39	-543
Other investment	1,221	-777	-4,232	-2,008	-2,066	-1,214	-2,499	-2,331	-1,752	-1,727
Loans, net (- = net inflow)	-1,005	-2,044	-5,618	-4,076	-3,070	-2,433	-3,802	-3,727	-3,213	-3,256
Public and publ. guaranteed debt	-919	-2,387	-4,713	-4,295	-4,037	-2,177	-3,094	-2,930	-2,280	-2,658
o/w new IFI funding (excl. IMF funding)	...	...	...	0	-1,300	-50	0	0	0	0
Commercial nonguaranteed	-85	344	-905	219	967	-256	-709	-798	-933	-597
Others	2,225	1,267	1,386	2,068	1,004	1,219	1,303	1,397	1,461	1,529
IV. Errors and omissions	-2,403	476	-3,459	0	0	0	0	0	0	0
Overall balance (I + II - III + IV)	-256	-1,563	1,411	2,547	-2,834	193	181	165	57	859
V. Financing	256	1,563	-1,411	-2,547	2,834	-193	-181	-165	-57	-859
Use of reserves	256	1,563	-1,411	-2,547	2,459	-193	-181	-165	-57	-859
Use of IMF credit (net)	0	0	0	0	375	0	0	0	0	0
Financing Gap	0	0	0	0	0	0	0	0	0	0
VI. Gold purchases not exported & valuation changes	1,904	567	667	369	1,047	-685	-808	33	175	167
Change in reserves (V + VI ; + = increase)	1,648	-995	2,078	2,916	-1,412	-492	-627	198	231	1,026
Memorandum items:										
Current account balance (in percent of GDP)	2.5	-7.1	-5.6	-4.7	-9.6	-7.9	-6.4	-5.6	-4.8	-4.3
Underlying current account (in percent of GDP) 2/	3.2	-5.7	-6.5	-5.6	-10.9	-9.0	-7.4	-5.6	-4.6	-4.1
Gross international reserves (U.S. dollar billions)	28.1	27.1	29.2	32.1	27.7	27.3	26.6	26.8	27.1	28.1
Gross international reserves excl. FRD (U.S. dollar billions)	15.8	15.6	18.2	21.1	16.8	16.3	15.7	15.9	16.1	17.1
Gross international reserves excl. FRD (months of imports)	8.1	7.0	9.0	7.7	7.0	6.1	5.4	5.0	4.6	4.4
Real exchange rate CPI based (2015=100)	65.9	60.2	65.0	66.8	65.6	66.9	68.2	69.6	71.0	72.4
Real exchange rate GDP deflators based (2015=100)	71.4	69.7	77.0	83.2	83.2	85.7	90.3	94.1	97.4	100.6
Remittances (U.S. dollar billion)	7.3	7.8	8.7	8.3	5.8	8.1	8.7	9.5	10.0	10.5

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, 2017–2025
(percent of GDP)

	2017	2018	2019	2020	2020	2021	2022	2023	2024	2025
			Est. Pre-COV	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
I. Current account balance	2.5	-7.1	-5.6	-4.7	-9.6	-7.9	-6.4	-5.6	-4.8	-4.3
Balance of goods and services	-7.0	-18.5	-16.5	-14.0	-14.9	-16.0	-14.3	-13.5	-12.3	-11.4
Merchandise trade balance	-3.8	-13.6	-12.6	-10.6	-11.8	-12.9	-11.8	-11.7	-10.9	-10.5
Exports of goods	17.5	22.6	24.0	23.5	20.7	21.7	22.1	21.9	22.4	22.7
Cotton fiber	0.8	0.4	0.5	0.3	0.3	0.1	0.1	0.0	0.0	0.0
Energy	2.8	5.3	4.4	4.0	2.8	3.4	3.5	3.5	3.3	3.2
Gold	5.6	5.8	8.5	7.7	9.5	8.8	7.9	6.2	5.5	5.0
Food Products	1.5	2.2	2.6	2.6	2.1	2.5	2.8	3.2	3.5	3.7
Other exports of goods	6.8	8.9	8.0	8.8	5.9	6.9	7.9	9.1	10.0	10.7
Imports of goods	21.3	36.2	36.6	34.1	32.5	34.6	34.0	33.6	33.3	33.2
Food Products	2.0	2.8	2.9	2.8	2.9	2.8	2.7	2.7	2.6	2.6
Energy products	1.1	1.6	1.4	1.4	0.9	1.0	1.0	1.0	1.0	1.0
Machinery and equipment	7.7	14.9	16.5	15.0	14.6	15.7	15.4	15.3	15.1	15.0
Other imports of goods	10.4	16.9	15.7	14.8	14.1	15.1	14.8	14.7	14.6	14.5
Balance of services	-3.2	-4.8	-3.9	-3.4	-3.0	-3.1	-2.5	-1.8	-1.3	-1.0
Credit	3.9	5.5	5.3	5.4	4.3	5.3	5.7	6.2	6.6	6.8
Debit	7.0	10.3	9.3	8.8	7.4	8.4	8.2	8.0	7.9	7.8
Primary income (net)	2.1	3.0	1.5	1.9	-0.4	0.7	0.7	0.7	0.7	0.7
of which: Interest (net)	-0.9	-1.1	-1.3	-1.0	-1.6	-1.5	-1.6	-1.6	-1.6	-1.6
of which labor compensation (net)	4.2	5.8	4.5	4.0	2.8	3.6	3.5	3.4	3.2	3.1
Primary income: Credit	4.5	6.3	5.1	4.7	3.4	4.2	4.0	4.0	3.8	3.6
Primary income: Debit	2.4	3.3	3.6	2.9	3.8	3.5	3.4	3.2	3.1	2.9
Secondary income (net)	7.4	8.4	9.4	7.4	5.6	7.4	7.2	7.1	6.8	6.5
Secondary income: Credit	8.3	9.6	10.4	8.3	6.6	8.3	8.0	7.9	7.5	7.1
Secondary income: Debit	0.8	1.2	1.0	0.9	1.0	0.9	0.8	0.7	0.7	0.6
II. Capital transfers	0.2	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
III. Financial account balance 1/	-1.0	-2.8	-13.6	-8.2	-4.7	-7.9	-6.3	-5.5	-4.5	-4.8
Direct investment	-3.1	-1.2	-3.9	-2.3	-1.2	-3.2	-3.0	-2.7	-2.6	-2.6
Portfolio investment	0.0	0.0	-2.3	-2.9	0.0	-2.9	0.0	0.0	0.0	-0.5
Other investment	2.1	-1.5	-7.3	-3.0	-3.4	-1.8	-3.3	-2.8	-1.9	-1.7
Loans, net (= net inflow)	-1.7	-4.1	-9.7	-6.1	-5.0	-3.6	-5.0	-4.4	-3.4	-3.2
Public and publ. guaranteed debt	-1.6	-4.7	-8.1	-6.4	-6.6	-3.2	-4.1	-3.5	-2.4	-2.6
o/w new IFI funding (excl. IMF funding)	...	...	...	0.0	-2.1	-0.1	0.0	...	...	...
Commercial nonguaranteed	-0.1	0.7	-1.6	0.3	1.6	-0.4	-0.9	-0.9	-1.0	-0.6
Others	3.8	2.5	2.4	3.1	1.6	1.8	1.7	1.7	1.6	1.5
IV. Errors and omissions	-4.1	0.9	-6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (I + II - III + IV)	-0.4	-3.1	2.4	3.8	-4.7	0.3	0.2	0.2	0.1	0.8
V. Financing	0.4	3.1	-2.4	-3.8	4.7	-0.3	-0.2	-0.2	-0.1	-0.8
Use of reserves	0.4	3.1	-2.4	-3.8	4.0	-0.3	-0.2	-0.2	-0.1	-0.8
Use of IMF credit (net)	0.0	0.0	0.0	0.0	0.6	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	3.3	1.1	1.2	0.6	1.7	-1.0	-1.1	0.0	0.2	0.2
Change in reserves (V + VI ; + = increase)	2.8	-2.0	3.6	4.4	-2.3	-0.7	-0.8	0.2	0.2	1.0
Memorandum items:										
Current account balance (in percent of GDP)	2.5	-7.1	-5.6	-4.7	-9.6	-7.9	-6.4	-5.6	-4.8	-4.3
Underlying current account (in percent of GDP) 2/	3.2	-5.7	-6.5	-5.6	-10.9	-9.0	-7.4	-5.6	-4.6	-4.1
Gross international reserves (U.S. dollar billions)	28.1	27.1	29.2	32.1	27.7	27.3	26.6	26.8	27.1	28.1
Gross international reserves excl. FRD (U.S. dollar billions)	15.8	15.6	18.2	21.1	16.8	16.3	15.7	15.9	16.1	17.1
Real exchange rate CPI based (2015=100)	65.9	60.2	65.0	66.8	65.6	66.9	68.2	69.6	71.0	72.4
Real exchange rate GDP deflators based (2015=100)	71.4	69.7	77.0	83.2	83.2	85.7	90.3	94.1	97.4	100.6
Remittances (percent of GDP)	9.0	13.4	15.0	12.4	9.5	12.0	11.5	11.3	10.7	10.2
Nominal GDP (in USD million)	58,147	50,378	57,921	66,800	60,861	67,290	75,792	84,211	93,274	102,960
Nominal exchange rate (avg.)	5,203	8,072	8,837	...	...	...	...	...	...	...
Nominal exchange rate (eop)	8,120	8,340	9,516	...	...	...	...	...	...	...

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, 2017–2025
(billions of som)

	2017	2018	2019	2020	2020	2021	2022	2023	2024	2025
			Est. Pre-COV 3/	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Consolidated budget revenues	75,354	116,551	146,548	164,328	151,364	177,399	203,889	230,375	258,510	289,762
Tax revenues	45,955	70,797	97,894	116,895	111,588	133,249	154,384	175,859	198,742	224,302
Taxes on incomes and profits	12,954	17,184	31,785	44,134	38,509	44,251	53,254	62,245	73,142	85,348
Taxes on property	3,222	4,110	4,673	5,388	3,999	4,642	5,338	5,997	6,698	7,454
Taxes on goods and services	27,566	47,676	59,133	64,874	66,956	81,728	92,827	104,318	115,249	127,456
Value added tax	14,686	27,877	33,810	40,217	40,674	51,027	58,630	66,608	74,129	82,604
Excises	7,449	9,702	10,316	12,385	11,882	14,196	15,914	17,638	19,151	20,820
Mining tax	3,474	8,425	14,693	11,987	14,048	16,118	17,871	19,638	21,522	23,568
Taxes on international trade	2,214	1,826	2,303	2,499	2,125	2,628	2,965	3,298	3,653	4,044
Other revenues	7,370	16,329	23,709	22,209	16,121	18,576	20,772	22,848	25,078	27,509
Funds	22,029	29,425	24,945	25,224	23,654	25,575	28,732	31,669	34,690	37,951
Social security contributions	17,762	24,144	24,465	23,531	21,961	25,399	28,528	31,437	34,429	37,657
Other	4,267	1,693	481	1,693	1,693	176	204	232	261	294
Consolidated budget expenditures	79,440	121,069	159,921	162,385	172,289	186,467	210,563	236,222	263,579	296,196
Socio-cultural expenditure	27,878	44,397	55,467	57,175	63,648	65,269	73,926	83,169	93,026	104,782
Social safety net	16,676	20,543	26,670	32,447	31,430	35,975	40,747	45,841	51,274	57,753
Economy	5,173	7,749	13,358	14,012	15,773	15,946	18,061	20,319	22,727	25,599
Public administration	2,575	3,879	6,058	6,581	6,175	7,354	8,330	9,371	10,482	11,806
Public investment	3,235	5,400	20,270	13,625	16,877	18,173	20,583	23,156	25,901	29,174
Interest expenditure	135	345	852	1,569	748	1,786	2,302	2,450	2,591	2,667
Other	14,041	33,270	22,879	30,614	33,270	38,081	43,132	48,525	54,276	61,135
Consolidated budget balance 1/	-4,085	-4,518	-13,372	1,943	-20,925	-9,068	-6,675	-5,848	-5,069	-6,434
Externally Financed Expenditure	1,513	4,130	6,567	14,394	12,894	15,570	15,895	16,071	16,206	16,338
Overall budget balance	-5,598	-8,647	-19,940	-12,451	-33,819	-24,638	-22,569	-21,919	-21,275	-22,772
<i>Adjustments to revenues</i>	-567	-3,591	-2,030	-1,793	-1,793	-1,150	-1,170	-1,176	-1,190	-1,204
Adjusted revenues 2/	74,787	112,960	144,518	162,535	149,571	176,249	202,718	229,199	257,320	288,558
<i>Adjustments to Expenditures</i>	-8,551	-15,196	-15,477	2,836	1,836	2,041	1,856	2,109	1,819	1,464
Adjusted expenditures 2/	70,889	105,873	144,443	165,221	174,125	188,508	212,419	238,332	265,398	297,660
Adjusted fiscal balance	3,898	7,088	75	-2,686	-24,554	-12,259	-9,701	-9,133	-8,077	-9,102
Policy-based lending operations	9,496	16,267	20,015	9,766	9,266	12,379	12,869	12,786	13,197	13,671
Overall fiscal balance	-5,598	-8,647	-19,940	-12,452	-33,819	-24,638	-22,569	-21,919	-21,275	-22,772
Statistical Discrepancy	-31,152	-11,076	-946	0	0	0	0	0	0	0
Financing	-25,554	-2,429	18,994	12,452	33,819	24,638	22,569	21,919	21,275	22,772
Domestic	-29,705	-17,591	-11,805	-2,016	4,895	-1,259	11,824	11,416	16,439	12,614
Domestic banking system	-29,899	-18,394	-12,622	-2,506	3,343	-1,892	11,448	10,663	15,510	11,591
Deposits at the central bank	-3,882	4,313	6,300	-835	15,114	-631	3,816	3,554	5,170	3,864
Deposit money banks	-26,016	-22,707	-18,923	-1,671	-11,771	-1,261	7,632	7,109	10,340	7,727
Treasury bills & bonds	0	600	605	267	1,329	400	133	500	667	750
Privatization proceeds	193	203	213	223	223	233	243	253	263	273
External	4,151	15,162	30,798	14,468	28,924	25,897	10,745	10,503	4,835	10,159
Multilateral	2,810	13,646	15,901	3,599	26,496	13,460	8,716	8,519	3,982	3,881
of which: IMF	...	...	...	...	3,707	...	...	...	...	...
Bilateral	1,341	1,516	6,061	1,265	2,429	2,057	2,030	1,984	853	832
Commercial	0	0	8,837	9,604	0	10,380	0	0	0	5,446
Memorandum items										
GDP	302,537	406,649	511,838	641,525	601,604	698,465	803,136	902,252	1,007,713	1,121,453

Sources: Country authorities; and IMF staff estimates.

1/ As adopted by Parliament.

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

3/ The numbers in the pre-COVID column give IMF staff projections as of January 2020. They differ from those in the government budget.

Table 4b. Uzbekistan: General Government, 2017–2025
(percent of GDP)

	2017	2018	2019	2020	2020	2021	2022	2023	2024	2025
			Est.	Pre-COV 3/	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Consolidated budget revenues	24.9	28.7	28.6	25.6	25.2	25.4	25.4	25.5	25.7	25.8
Tax revenues	15.2	17.4	19.1	18.2	18.5	19.1	19.2	19.5	19.7	20.0
Taxes on incomes and profits	4.3	4.2	6.2	6.9	6.4	6.3	6.6	6.9	7.3	7.6
Taxes on property	1.1	1.0	0.9	0.8	0.7	0.7	0.7	0.7	0.7	0.7
Taxes on goods and services	9.1	11.7	11.6	10.1	11.1	11.7	11.6	11.6	11.4	11.4
Value added tax	4.9	6.9	6.6	6.3	6.8	7.3	7.3	7.4	7.4	7.4
Excises	2.5	2.4	2.0	1.9	2.0	2.0	2.0	2.0	1.9	1.9
Mining tax	1.1	2.1	2.9	1.9	2.3	2.3	2.2	2.2	2.1	2.1
Taxes on international trade	0.7	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Other revenues	2.4	4.0	4.6	3.5	2.7	2.7	2.6	2.5	2.5	2.5
Funds	7.3	7.2	4.9	3.9	3.9	3.7	3.6	3.5	3.4	3.4
Social security contributions	5.9	5.9	4.8	3.7	3.7	3.6	3.6	3.5	3.4	3.4
Other	1.4	0.4	0.1	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Consolidated budget expenditures	26.3	29.8	31.2	25.3	28.6	26.7	26.2	26.2	26.2	26.4
Socio-cultural expenditure	9.2	10.9	10.8	8.9	10.6	9.3	9.2	9.2	9.2	9.3
Social safety net	5.5	5.1	5.2	5.1	5.2	5.2	5.1	5.1	5.1	5.1
Economy	1.7	1.9	2.6	2.2	2.6	2.3	2.2	2.3	2.3	2.3
Public administration	0.9	1.0	1.2	1.0	1.0	1.1	1.0	1.0	1.0	1.1
Public investment	1.1	1.3	4.0	2.1	2.8	2.6	2.6	2.6	2.6	2.6
Interest expenditure	0.0	0.1	0.2	0.2	0.1	0.3	0.3	0.3	0.3	0.2
Other	4.6	8.2	4.5	4.8	5.5	5.5	5.4	5.4	5.4	5.5
Consolidated budget balance 1/	-1.4	-1.1	-2.6	0.3	-3.5	-1.3	-0.8	-0.6	-0.5	-0.6
Externally financed expenditure	0.5	1.0	1.3	2.2	2.1	2.2	2.0	1.8	1.6	1.5
Overall budget balance	-1.9	-2.1	-3.9	-1.9	-5.6	-3.5	-2.8	-2.4	-2.1	-2.0
<i>Adjustments to revenues</i>	-0.2	-0.9	-0.4	-0.3	-0.3	-0.2	-0.1	-0.1	-0.1	-0.1
Adjusted revenues 2/	24.7	27.8	28.2	25.3	24.9	25.2	25.2	25.4	25.5	25.7
<i>Adjustments to Expenditures</i>	-2.8	-3.7	-3.0	0.4	0.3	0.3	0.2	0.2	0.2	0.1
Adjusted expenditures 2/	23.4	26.0	28.2	25.8	28.9	27.0	26.4	26.4	26.3	26.5
Adjusted fiscal balance	1.3	1.7	0.0	-0.4	-4.1	-1.8	-1.2	-1.0	-0.8	-0.8
Policy-based lending operations	3.1	4.0	3.9	1.5	1.5	1.8	1.6	1.4	1.3	1.2
Overall fiscal balance	-1.9	-2.1	-3.9	-1.9	-5.6	-3.5	-2.8	-2.4	-2.1	-2.0
Statistical Discrepancy	-10.3	-2.7	-0.2		0.0	0.0	0.0	0.0	0.0	0.0
Financing	-8.4	-0.6	3.7		5.6	3.5	2.8	2.4	2.1	2.0
Domestic	-9.8	-4.3	-2.3		0.8	-0.2	1.5	1.3	1.6	1.1
Domestic banking system	-9.9	-4.5	-2.5		0.6	-0.3	1.4	1.2	1.5	1.0
Deposits at the central bank	-1.3	1.1	1.2		2.5	-0.1	0.5	0.4	0.5	0.3
Deposit money banks	-8.6	-5.6	-3.7		-2.0	-0.2	1.0	0.8	1.0	0.7
Treasury bills & bonds	0.0	0.1	0.1		0.2	0.1	0.0	0.1	0.1	0.1
Privatization proceeds	0.1	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0
External	1.4	3.7	6.0		4.8	3.7	1.3	1.2	0.5	0.9
Multilateral	0.9	3.4	3.1		4.4	1.9	1.1	0.9	0.4	0.3
<i>of which: IMF</i>	...	...	...		0.6	...	...	...	...	...
Bilateral	0.4	0.4	1.2		0.4	0.3	0.3	0.2	0.1	0.1
Commercial	0.0	0.0	1.7		0.0	1.5	0.0	0.0	0.0	0.5

Sources: Country authorities; and IMF staff estimates.

1/ As adopted by Parliament.

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

3/ The numbers in the pre-COVID column give IMF staff projections as of January 2020. They differ from those in the government budget.

Table 5. Uzbekistan: Central Bank Survey, 2017–2025
(billions of som)

	2017	2018	2019	2020	2020	2021	2022	2023	2024	2025
			Est.	Pre-COV	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Gross international reserves (in billions of US dollars)	28.1	27.1	29.2	32.1	27.7	27.3	26.6	26.8	27.1	28.1
Official exchange rate (sum/U.S. dollar, eop)	8,120	8,340	9,516	9,691	10,254	10,506	10,687	10,742	10,866	10,918
Net foreign assets	223,194	222,757	273,987	307,276	276,884	278,540	276,617	280,163	285,922	300,511
Foreign Assets	227,988	225,848	277,493	310,847	284,508	286,352	284,563	288,150	294,001	308,683
o/w FRD	99,859	96,138	104,204	106,116	112,275	115,044	117,019	117,620	118,981	120,359
Foreign liabilities	4,794	3,091	3,506	3,571	7,623	7,811	7,945	7,986	8,079	8,172
Net domestic assets 1/	-188,054	-188,274	-233,380	-256,377	-233,825	-228,052	-218,104	-213,671	-209,590	-212,678
Net domestic credit	-118,320	-116,971	-123,058	-139,009	-113,919	-118,976	-116,587	-116,086	-115,701	-115,567
Government, net	-120,550	-118,937	-126,203	-142,910	-119,586	-123,030	-121,224	-121,276	-121,478	-122,000
Of which: FRD	-99,859	-96,138	-104,204	-106,116	-112,275	-115,044	-117,019	-117,620	-118,981	-120,359
Local government	0	0	0	0	0	0	0	0	0	0
Public nonfinancial corporations	58	73	163	163	163	163	163	163	163	163
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	2,172	1,893	2,982	3,738	5,505	3,891	4,474	5,027	5,614	6,270
Other items, net	-69,734	-71,303	-110,321	-117,368	-119,906	-109,075	-101,518	-97,585	-93,889	-97,111
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. derivatives	0	0	0	0	0	0	0	0	0	0
Shares and other equity	-70,392	-72,174	-111,601	-113,650	-120,246	-123,211	-125,326	-125,969	-127,428	-128,903
Other items (net)	659	871	1,280	-3,718	339	14,135	23,808	28,385	33,539	31,792
Reserve money	35,140	34,483	40,607	50,899	43,059	50,489	58,513	66,492	76,332	87,833
Currency in circulation	20,063	23,122	26,310	33,579	28,652	34,152	39,854	45,509	52,969	61,762
Deposits of commercial banks	14,907	11,108	14,005	17,028	14,115	16,045	18,367	20,692	23,072	25,779
Other deposits	171	253	292	292	292	292	292	292	292	292
Growth rates										
Reserve money	44.9	-1.9	17.8	25.3	6.0	17.3	15.9	13.6	14.8	15.1
Net foreign assets	165.3	-0.2	23.0	1.2	1.1	0.6	-0.7	1.3	2.1	5.1
Net domestic assets	214.2	0.1	24.0	-3.0	0.2	-2.5	-4.4	-2.0	-1.9	1.5
Net credit to government	124.5	-1.3	6.1	-10.6	-5.2	2.9	-1.5	0.0	0.2	0.4
Nominal GDP	24.8	34.4	25.9	25.4	17.5	16.1	15.0	12.3	11.7	11.3
Money multiplier (in levels)	2.0	2.3	2.2	2.3	2.5	2.5	2.6	2.7	2.8	2.8

Sources: Uzbekistan authorities and IMF staff estimates and projections.

1/ Monetary statistics were revised by CBU in early 2020.

Table 6. Uzbekistan: Monetary Survey, 2017–2025
(billions of som)

	2017	2018	2019	2020	2020	2021	2022	2023	2024	2025
			Est.	Pre-COV	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets (in billions of U.S. dollars)	30.9	29.2	31.3	34.2	29.9	29.4	28.6	28.6	28.7	29.5
Official exchange rate (sum/U.S. dollar, eop)	8,120	8,340	9,516	9,691	10,254	10,506	10,687	10,742	10,866	10,918
Net foreign assets	218,431	206,162	232,009	253,168	231,977	217,990	216,364	218,662	221,728	232,678
Foreign assets	250,593	243,861	297,565	331,288	306,135	308,512	306,035	307,584	311,487	324,173
o/w FRD	99,859	96,138	104,204	106,116	112,275	115,044	117,019	117,620	118,981	120,359
Foreign liabilities	32,162	37,699	65,557	78,120	74,157	90,523	89,672	88,922	89,759	91,495
Net domestic assets 1/	-147,615	-125,997	-140,743	-136,688	-125,465	-92,099	-63,333	-36,323	-9,497	14,783
Net domestic credit	-54,238	-18,184	36,647	64,750	75,095	107,602	142,652	178,868	216,007	259,190
Government, net	-165,648	-186,742	-172,011	-203,020	-178,585	-183,872	-174,851	-167,905	-157,984	-150,947
Of which: Fund for Reconstruction and Development	-138,129	-143,285	-112,638	-114,706	-121,363	-124,356	-126,490	-127,140	-128,612	-130,101
Of which: T-bills	0	594	1,254	1,572	2,533	2,933	3,067	3,567	4,233	4,983
Local government	0	0	0	0	0	0	0	0	0	0
Nonfinancial public corporations	60,449	70,792	53,466	68,590	64,991	74,651	81,276	88,739	95,670	104,890
Private sector	50,129	96,747	153,767	197,395	187,015	214,880	233,993	255,523	275,517	302,115
Other financial corporations	832	1,020	1,424	1,785	1,674	1,943	2,234	2,510	2,803	3,131
Other items, net	-93,378	-107,813	-180,789	-203,869	-203,869	-217,507	-224,686	-246,268	-262,591	-284,744
Deposits excl. from broad money	-78	-154	-221	-277	-260	-302	-347	-390	-436	-487
Other securities than shares excl. from broad money	-190	-10	-35	-43	-41	-47	-54	-61	-68	-76
Loans	-1,170	-5,179	-12,257	-15,364	-13,830	-16,057	-18,463	-20,742	-23,166	-25,874
Fin. derivatives	0	0	0	0	0	0	0	0	0	0
Insurance technical reserves	-2,407	-3,401	-3,901	-4,890	-4,585	-5,323	-6,121	-6,876	-7,680	-8,578
Shares and other equity	-91,069	-98,753	-162,632	-177,617	-182,625	-192,621	-205,397	-216,170	-228,435	-242,012
Others	1,536	-316	1,656	-3,246	782	14,649	24,399	29,048	34,281	32,620
Broad Money	70,816	80,165	91,266	116,480	106,513	125,890	153,031	182,340	212,231	247,461
Currency outside banks	19,449	22,164	24,246	30,944	27,693	31,473	36,727	41,938	48,813	56,916
Demand deposits	14,450	17,290	19,717	25,164	23,011	27,197	33,060	39,392	45,850	53,461
Quasi-money	36,917	40,710	47,303	60,372	55,206	65,249	79,316	94,507	109,999	128,259
<i>Memorandum items:</i>										
FRD (in billions of U.S. dollars)	17.0	17.2	11.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8
FRD in reserves at CBU	12.3	11.5	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9
FRD Loans to banks	4.7	5.7	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Deposits in Broad Money (Billions of sum)	51,367	58,001	67,020	85,536	78,216	92,446	112,376	133,899	155,849	181,720
In domestic currency	25,668	32,732	38,540	49,187	44,978	53,161	64,622	76,998	89,621	104,498
In foreign currency	25,699	25,269	28,480	36,348	33,238	39,285	47,754	56,900	66,228	77,222
Growth Rates										
Broad money	41.0	13.2	13.8	27.6	16.7	18.2	21.6	19.2	16.4	16.6
Net foreign assets	163.4	-5.6	12.5	-3.8	0.0	-6.0	-0.7	1.1	1.4	4.9
Net domestic assets	351.4	-14.6	11.7	-24.2	-10.9	-26.6	-31.2	-42.6	-73.9	-255.7
Domestic bank credit to government	127.6	12.7	-7.9	0.6	3.8	3.0	-4.9	-4.0	-5.9	-4.5
Domestic credit to rest of economy	103.8	51.3	23.8	28.3	21.6	14.9	8.9	9.2	7.8	9.7
Domestic credit to rest of economy (adjusting for FRD-loan transfers) 2/	103.8	51.3	48.1	28.3	21.6	14.9	8.9	9.2	7.8	9.7
Domestic credit to the private sector	67.0	93.0	58.9	28.4	21.6	14.9	8.9	9.2	7.8	9.7
Memorandum Items										
Velocity (in levels) 3/	4.3	5.1	5.6	5.5	5.6	5.5	5.2	4.9	4.7	4.5
Ratio of currency outside banks to deposits (in percent)	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Ratio of currency outside banks to broad money (in percent)	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Credit to the economy (percent of GDP)	36.8	41.5	40.8	41.7	42.2	41.7	39.5	38.4	37.1	36.6
Credit to the private sector (percent of GDP)	16.6	23.8	30.0	30.8	31.1	30.8	29.1	28.3	27.3	26.9

Sources: Uzbekistan authorities and IMF staff estimates and projections.

1/ Monetary statistics were revised by CBU in early 2020.

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

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

Table 7. Uzbekistan: Financial Sector Indicators, 2015-present

	2015	2016	2017	2018	2019
Capital adequacy					
Regulatory capital to risk-weighted assets	14.7	14.7	18.8	15.6	23.5
Regulatory tier 1 capital to risk-weighted assets	12.5	12.5	16.5	14.3	19.6
Capital to total assets	11.3	10.7	12.4	12.4	18.7
Net open position in foreign exchange to capital	16.3	11.9	13.5	2.1	11.6
Asset quality					
Non-performing loans to total gross loans	1.5	0.7	1.2	1.3	1.5
Non-performing loans net of provisions to capital	4.2	2.2	2.9	4.3	2.7
Profitability					
Interest margin to gross income	39.9	39.5	32.5	48.4	50.7
Non-interest expenses to gross income	65.9	64.8	59.3	54.4	49.5
Return on assets	2.0	2.0	1.9	2.0	2.2
Return on equity	17.5	17.9	17.1	16.2	16.7
Liquidity					
Liquid assets to total assets (Liquid asset ratio)	23.7	25.4	23.6	13.6	13.9
Liquid assets to short-term liabilities	43.6	48.4	55.7	41.2	40.3

Sources: Country authorities; and IMF staff estimates.

Table 8. Uzbekistan: External Financing Requirements, 2017–2022
(millions of US dollars)

	2017	2018	2019	2020	2021	2022
			Est.	Proj.	Proj.	Proj.
I. GROSS EXTERNAL FINANCING REQUIREMENT	-33	5,266	5,220	8,464	7,608	7,469
<i>(in percent of GDP)</i>	<i>-0.1</i>	<i>10.5</i>	<i>9.0</i>	<i>13.9</i>	<i>11.3</i>	<i>9.9</i>
Current account deficit (+ = deficit)	-1,476	3,594	3,246	5,859	5,302	4,849
<i>(in percent of GDP)</i>	<i>-2.5</i>	<i>7.1</i>	<i>5.6</i>	<i>9.6</i>	<i>7.9</i>	<i>6.4</i>
Amortization (+ = repayments)	1,443	1,672	1,974	2,605	2,305	2,620
<i>(in percent of GDP)</i>	<i>2.5</i>	<i>3.3</i>	<i>3.4</i>	<i>4.3</i>	<i>3.4</i>	<i>3.5</i>
Public sector	348	401	452	564	823	906
Banks	195	193	266	532	555	831
Nonbanks	900	1,078	1,255	1,510	927	882
II. SOURCES OF FINANCING	-33	5,266	5,220	8,464	7,608	7,469
<i>(in percent of GDP)</i>	<i>-0.1</i>	<i>10.5</i>	<i>9.0</i>	<i>13.9</i>	<i>11.3</i>	<i>9.9</i>
Capital account, net	100	143	254	183	202	227
Foreign direct investment (net)	1,788	623	2,284	750	2,151	2,271
New borrowing	2,278	3,667	9,053	6,076	6,667	6,454
Public sector	1,267	2,788	6,165	4,601	4,000	4,000
Loans	1,267	2,788	5,165	4,601	3,000	4,000
o/w New IFI financing (excl. IMF)	...	...	...	1,300	50	...
Sovereign bonds	0	0	1,000	0	1,000	0
Banks	296	588	2,106	500	1,938	606
Loans	296	588	1,806	500	1,038	606
Eurobonds (state banks)	0	0	300	0	900	0
Nonbanks	715	291	782	600	728	1,847
IMF: budget support	...	...	...	375	...	...
Trade credit, other capital, errors & omissions	-4,628	-791	-4,845	-1,004	-1,219	-1,303
Trade credit	-149	-372	-933	-340	-365	-381
Other capital	-2,076	-895	-453	-664	-854	-922
Errors and omissions	-2,403	476	-3,459	0	0	0
Use of Reserves	428	1,624	-1,526	2,459	-193	-181
III. FINANCING GAP (+ = additional financing needed)	0	0	0	0	0	0
Valuation adjustment for reserves	1,904	567	667	1,047	-685	-808
Including IMF and New IFI Financing						
Change in Reserves (+ = increase)	1,476	-1,057	2,193	-1,412	-492	-627
Gross official reserves	28,077	27,082	29,160	27,747	27,255	26,628
Gross official reserves excl. FRD	15,779	15,554	18,210	16,797	16,305	15,678
<i>in months of Imports of goods and services</i>	<i>8.1</i>	<i>7.0</i>	<i>9.0</i>	<i>7.0</i>	<i>6.1</i>	<i>5.4</i>
<i>in percent of GDP</i>	<i>27</i>	<i>31</i>	<i>31</i>	<i>28</i>	<i>24</i>	<i>21</i>
Excluding IMF and New IFI Financing						
Change in Reserves (+ = increase)	1,476	-1,057	2,193	-3,087	-492	-627
Gross official reserves	28,077	27,082	29,160	26,072	25,580	24,953
Gross official reserves excl. FRD	15,779	15,554	18,210	15,122	14,630	14,003
<i>in months of Imports of goods and services</i>	<i>8.1</i>	<i>7.0</i>	<i>9.0</i>	<i>6.3</i>	<i>5.5</i>	<i>4.8</i>
<i>in percent of GDP</i>	<i>27</i>	<i>31</i>	<i>31</i>	<i>25</i>	<i>22</i>	<i>18</i>
<i>Memorandum:</i>						
Financing gap before use of reserves and new IFI financing	...	...	...	4,133	-143	...
Nominal GDP	58,147	50,378	57,921	60,861	67,290	75,792

Sources: Country authorities; and IMF staff estimates.

Table 9. Uzbekistan: Projected Payments and Capacity to Repay the Fund 1/
(In millions of SDRs)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Obligations from Existing Drawings															
Charges															
SDR Assessments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Obligations from Prospective Drawings															
Principal															
Total	0.0	0.0	0.0	45.9	91.8	55.1	18.4	18.4	18.4	18.4	9.2	0.0	0.0	0.0	0.0
Rapid Credit Facility	0.0	0.0	0.0	0.0	0.0	9.2	18.4	18.4	18.4	18.4	9.2	0.0	0.0	0.0	0.0
Emergency Assistance	0.0	0.0	0.0	45.9	91.8	45.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Charges															
Total	1.8	1.9	1.9	1.9	1.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GRA Charges	0.9	1.9	1.9	1.9	1.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GRA Service Charges	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations	1.8	1.9	1.9	47.8	92.9	55.3	18.4	18.4	18.4	18.4	9.2	0.0	0.0	0.0	0.0
(in percent of quota)	0.3	0.4	0.4	8.7	16.9	10.0	3.3	3.3	3.3	3.3	1.7	0.0	0.0	0.0	0.0
Cumulative obligations (Existing and Prospective Drawings)															
Principal															
Total	0.0	0.0	0.0	45.9	91.8	55.1	18.4	18.4	18.4	18.4	9.2	0.0	0.0	0.0	0.0
Rapid Credit Facility	0.0	0.0	0.0	0.0	0.0	9.2	18.4	18.4	18.4	18.4	9.2	0.0	0.0	0.0	0.0
Emergency Assistance	0.0	0.0	0.0	45.9	91.8	45.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Charges															
Total Interest/Charges	1.8	1.9	1.9	1.9	1.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GRA Charges	0.9	1.9	1.9	1.9	1.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GRA Service Charges	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SDR Assessments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations	1.8	1.9	1.9	47.8	92.9	55.3	18.4	18.4	18.4	18.4	9.2	0.0	0.0	0.0	0.0
(in percent of quota)	0.3	0.4	0.4	8.7	16.9	10.0	3.3	3.3	3.3	3.3	1.7	0.0	0.0	0.0	0.0
Credit outstanding to the Fund (end of period)	275.6	275.6	275.6	229.7	137.9	82.9	64.4	46.0	27.6	9.2	0.0	0.0	0.0	0.0	0.0
Rapid Credit Facility	92.1	92.1	92.1	92.1	92.1	82.9	64.4	46.0	27.6	9.2	0.0	0.0	0.0	0.0	0.0
Emergency Assistance	183.6	183.6	183.6	137.7	45.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:															
Credit outstanding to the Fund in percent of:															
Exports of goods and services	2.5	2.1	1.8	1.4	0.7	0.4	0.3	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
External public debt	1.4	1.2	1.1	0.8	0.5	0.3	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Gross official reserves	1.4	1.4	1.4	1.1	0.7	0.4	0.3	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
GDP	0.6	0.6	0.5	0.4	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Quota	50.0	50.0	50.0	41.7	25.0	15.0	11.7	8.4	5.0	1.7	0.0	0.0	0.0	0.0	0.0
Obligations to the Fund in percent of:															
Exports of goods and services	0.0	0.0	0.0	0.3	0.5	0.3	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
External public debt	0.0	0.0	0.0	0.2	0.3	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross official reserves	0.0	0.0	0.0	0.2	0.5	0.3	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
GDP	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Quota	0.3	0.4	0.4	8.7	16.9	10.0	3.3	3.3	3.3	3.3	1.7	0.0	0.0	0.0	0.0
Quota	551.2	551.2	551.2	551.2	551.2	551.2	551.2	551.2	551.2	551.2	551.2	551.2	551.2	551.2	551.2

Source: IMF staff estimates.

1/ Includes a disbursement of 16.7 percent of quota under the RCF and a purchase of 33.3 percent of quota under the RFI.

Attachment I. Letter of Intent

May 11, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Ms. Georgieva,

1. The COVID-19 outbreak is having a significant impact on Uzbekistan. Aside from the effect on people's health, livelihoods, and social lives, it has weakened economic activity and raised unemployment. With a loss in trading partner demand and in domestic consumption, we currently project 2020 real growth at 1.5–2.0 percent down 3.6–4.1 percentage points from 2019. The tourism, catering, and retail sectors are expected to be particularly hard hit. Given the decline in demand, we expected end-2020 consumer inflation to fall by one percentage point compared to our previous forecast to the range of 11–12.5 percent. However, uncertainty regarding the depth and length of the crisis, might create additional risks to the outlook.

2. As in other countries around the world, the COVID-19 crisis has impacted our external position. The current account deficit is projected to be about 9.5 – 9.8 percent of GDP in 2020 as exports decline due to weaker demand from trading partners and lower prices for most commodities. The tourism and transportation sectors will also be impacted. Weaker exports will be partially offset by import compression and higher projected price of gold. Remittances are expected to decline due to weaker growth, depreciation of currencies in host countries, and the closure of borders. On the financial account, multilateral and bilateral financing is expected to remain strong, but we project a decline in direct investment inflows. While foreign exchange inflows were strong early in 2020, the reduction in exports and remittances and a depreciation of trading partner currencies contributed to a depreciation of the sum by about 6.7 percent since the beginning of the year. We expect country's international reserves to decline by about US\$ 1.4 billion in 2020.

3. The crisis is also affecting Uzbekistan's 2020 State budget. Lower economic activity and profits are causing a shortfall in tax and other revenues. Consolidated revenues are projected to be UZS 7.6 trillion lower than projected in the 2020 budget. On the expenditure side, we estimate the additional cost of addressing the COVID-19 crisis will be UZS 15 trillion (about US\$ 1.5 billion or 2.5 percent of GDP). This includes additional spending on healthcare, financial aid to the unemployed and poor, and financial assistance to affected firms and households. Despite a reprioritization of expenditures, we project the consolidated budget deficit will increase by 3 percentage points to 3.5 percent of GDP.

4. To address immediate external financing needs, the Government of Uzbekistan requests emergency financing assistance from the IMF in the amount of SDR 275.6 million, comprising a

disbursement of SDR 92.05 million (16.7 percent of quota or about US\$ 125 million) under the Rapid Credit Facility (RCF) and a purchase of SDR 183.55 million (33.3 percent of quota or about US\$ 250 million) under the Rapid Financing Instrument (RFI). IMF support will assist Uzbekistan in dealing with the global pandemic together with support from other development partners, including the World Bank, the Asian Development Bank, and bilateral partners.

5. In particular, the disbursement under the RCF and purchase under the RFI will help address projected fiscal and balance-of-payments financing needs in 2020. These funds will be held in a Ministry of Finance account at the Central Bank of Uzbekistan pending use for direct budget financing. To this end, a Memorandum of Understanding (MoU) will be signed between the central bank and the government to specify the conditions of this operation, following IMF's policy and guidance.

6. Our economic policies are aimed at dealing with the COVID-19 crisis, while continuing reforms and maintaining sustainable fiscal and external positions over the medium-term. Fiscal policy will have the main role in mitigating the COVID-19 impact, while monetary policy will be directed at safeguarding price and financial stability. In the near-term, we will accommodate an increase in the fiscal deficit and reallocate expenditures towards healthcare, social protection, and support for affected firms and households. In this regard, the government has implemented a series of important measures. Tax payments for enterprises and individuals have been postponed to a later date and tax rates have been reduced for hardest affected sectors of economy. Moreover, all customs and taxes have been temporarily suspended for imported essential commodities. We are providing increased loan subsidies to business enterprises through the Fund for Entrepreneurial Development. And we have established an Anti-Crisis Fund of UZS 10 trillion (about US\$ 1 billion) under the Ministry of Finance to finance additional anti-crisis measures. This includes expenditures for healthcare, medicine, and medical products; social support for the poor and vulnerable; support for firms in sectors (e.g. tourism, hospitality, and transportation) that are most affected by COVID-19; and public works to support the economy.

Fiscal policy. Over the medium-term, we aim to limit the fiscal deficit to 2 percent of GDP, and cap annual public and publicly guaranteed borrowing based on Fiscal and Debt Sustainability analysis reports to maintain sustainable public and external debt. We aim to continue reforms of the tax and public financial management systems. This includes eliminating tax privileges, boosting taxpayer compliance, improving fiscal risk analysis, and strengthening oversight of public entities. The parliament has already approved the revised budget, including the costs of COVID-19 measures.

Monetary and exchange rate policies. CBU policies remain focused on price and financial stability. Monetary policy is aimed at steering inflation toward our inflation target of 5 percent by 2023. In this regard, on April 15 we lowered the policy rate to 15 percent in line with the downward revision to inflation outlook. The CBU also plans to continue providing domestic liquidity to the banking system and recommended banks consider providing deferrals on loan repayments on a case-by-case basis for households and firms in affected sectors. Regarding exchange rates, the Central Bank of Uzbekistan ensures that the exchange rate will adjust in line

with fundamentals according to demand and supply in the foreign exchange market. Intervention will be limited to offsetting annual purchases of domestic gold and preventing disorderly market conditions.

Structural reforms. Uzbekistan will continue major economic reforms. These include creating a tax regulatory system that promotes the private sector, further liberalizing prices and trade, implementing inflation targeting, restructuring the banking system to mobilize domestic saving and follow market principles, and improving the operations and governance of state enterprises.

7. As part of Uzbekistan's five priorities for development, we aim to improve governance and public management. The government is also committed to combating corruption and improving the efficiency of its anti-corruption efforts, including by increasing the accountability and transparency of government. To ensure transparent and effective use of resources deployed for COVID-19 shocks, we will: (i) appropriate COVID-19 emergency measures through the Anti-Crisis Fund; (ii) publish reports of COVID-19 related expenditures on a monthly basis on the Ministry of Finance website (www.mf.uz); (iii) publish on the Ministry of Finance website (www.mf.uz) COVID-19 related signed public procurement contracts and related documents, including the names of companies awarded those contracts and ex-post validation of delivery and will continue to improve our procurement framework expeditiously in line with international best practice, including by publishing information on beneficial owners; and (iv) ensure the Financial Control Department of the Ministry of Finance includes all COVID-19 related expenditures in its forthcoming inspections. The Chamber of Accounts will conduct an ex-post audit of COVID-19 expenditures and related procurement processes to ensure funds are spent in accordance with their purpose and procurement regulations and will publish the audit report no later than six months after the end of the fiscal year as part of the regular audit of the 2020 State Budget Report.

8. In line with the IMF safeguards policy, we commit to undergo a safeguards assessment of the central bank and will authorize the CBU's external auditors to hold discussions with Fund staff and give access to the central bank's most recent audit reports. This will allow us to continue strengthening CBU's governance, a process that accelerated with the new central bank law in 2019. We do not intend to introduce measures or policies that would exacerbate balance of payments difficulties or that are inconsistent with the IMF's Articles of Agreement. In particular, we will not introduce new or intensify existing restrictions on the making of payments and transfers for current international transactions, trade restrictions for balance of payments purposes, multiple currency practices, or enter into bilateral payments agreements inconsistent with Article VIII.

9. The COVID-19 crisis presents significant challenges. We are determined to address them and appreciate the support from the international community. We look forward to early approval of IMF financial assistance which will help our effort to promote strong economic growth, create good jobs, and reduce poverty. We reaffirm our intention to remain engaged with the IMF, including through continued policy discussions and technical assistance. We authorize the IMF to publish this letter and the staff report for request of disbursement under the RCF and purchase under the RFI.

Sincerely,

/s/

Jamshid Kuchkarov

Deputy Prime Minister

Minister of Economic Development and Poverty Reduction

/s/

Timur Ishmetov
Minister of Finance

/s/

Mamarizo Nurmuratov
Chairman of the Central Bank of Uzbekistan



REPUBLIC OF UZBEKISTAN

May 12, 2020

REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND RAPID FINANCING INSTRUMENT—DEBT SUSTAINABILITY ANALYSIS¹

Approved By
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Prepared by the International Monetary Fund and the International Development Association

Based on the Joint Bank-Fund Low-Income Country Debt Sustainability Analysis (LIC-DSA), Uzbekistan has a low-risk of external and overall debt distress, which is unchanged from the previous DSA of May 2019, with debt burden indicators below relevant thresholds in the baseline and under most stress scenarios. The debt sustainability analysis suggests that the most significant risks could result from worse-than-expected external flows (mostly lower remittances) and significantly lower exports. The risks have increased relative to the 2019 DSA as result of the COVID-19 pandemic and the increase in government guarantees for state-owned enterprises (SOEs) in 2019. The COVID-19 outbreak exacerbates the risk of weaker exports and remittances, higher primary deficits, and also the risk of the government having to pay for SOEs' nonguaranteed debt service in case of a prolonged slowdown.

Over the medium term, the public debt-to-GDP ratio is expected to increase moderately, while the total external debt-to-GDP ratio is expected to decline moderately. In addition, foreign exchange reserve buffers and low rollover risk—due to the long-term maturity of debt—mitigate potential distress concerns. In the aftermath of the COVID-19 outbreak, the government should carefully manage external borrowing to maintain Uzbekistan's strong external position.

¹ This joint World Bank/IMF Debt Sustainability Analysis (DSA) has been prepared in the context of the 2020 request for emergency financing from the IMF. The macro framework underlying this DSA is the same as that included in the staff report of the 2020 RCF and RFI request which reflects recent global and domestic developments. The current macroeconomic framework reflects currently available information. However, updates with respect to the economic impact and policy response to the COVID-19 crisis are rapidly evolving and risks are tilted to the downside.

Uzbekistan: Joint Bank-Fund Debt Sustainability Analysis 1/	
Risk of External Debt Distress	Low 2/
Overall Risk of Debt Distress	Low
Granularity in the Risk Rating	Not applicable
Application of Judgment	No
Macroeconomic projections	<p>The revisions present a deterioration in 2020 and a gradual recovery afterwards.</p> <p>i) In the near term, real GDP growth is projected to slowdown compared to the last DSA due to the COVID-19 outbreak (1.5 percent in 2020 compared to 6 percent in the 2019-DSA). Long-term growth was revised to 5 percent compared to 6 percent in the previous DSA.</p> <p>ii) The overall fiscal deficit is projected to increase in 2020 (5½ percent of GDP compared to 1¾ percent of GDP in the 2019-DSA) and over the medium term it is projected to converge to around 2 percent of GDP close to the values in the previous DSA.</p> <p>iii) The current account deficit is expected to reach 9½ percent of GDP (versus 4½ percent of GDP in the 2019-DSA) in 2020. Over the medium term, the current account deficit is expected to converge to 4¼ percent of GDP as in the previous DSA.</p>
Financial Strategy	In 2020, the additional fiscal needs will be financed with IFI funding. 3/ Bilateral and multilateral funding will continue having a key role in the near and medium terms, but foreign and domestic commercial borrowing will gradually increase.
Stress test	<p>The DSA shows that debt ratios are robust to a wide range of adverse shocks. In the 2020-baseline most of the macro variables are already 1 standard deviation below the previous period, suggesting the stress test is performed over a "stress" baseline. This is a more rigorous stress test than in normal conditions.</p> <p>However risks are higher in the current DSA and they are reflected in a single short-lived (1 year) breach of PV of PPG external debt-to-exports in 2022 under the most extreme stress test (exports shock). The breach reaches 5 percentage points.</p>
Realism tools flagged	The tool flags the hike in public debt in 2019, which was attributed to large unanticipated issuance of SOE-guarantees. 4/ This risk is mitigated as the authorities have set a cap on new commitments on PPG external debt.

Mechanical risk rating under the external DSA	Low
Mechanical risk rating under the public DSA	Low
<p>1/ Debt coverage is the same as the 2019 DSA, which includes central government, state and local governments, extra-budgetary funds, social security, and SOEs' guaranteed debt. Non-guaranteed debt of SOEs is not covered in the DSA due to data limitations. Non-guaranteed debt of SOEs accounts for about 7 percent of GDP. The authorities are working to improve statistics with technical support from the IMF.</p> <p>2/ Uzbekistan's Composite Indicator score is 3.21 based on October 2109 WEO and CPIA 2018 and its debt carrying capacity is strong as in the 2019 DSA.</p> <p>3/ Including World Bank budget support. The World Bank is supporting the Government's response to the COVID crisis through emergency project (\$95 million) and budget financing (up to \$700 million) to increase health and social spending, and through the reprioritization within existing approved projects to support the economic recovery once the virus has been contained.</p> <p>4/ This was driven by a large investment specific project and faster reforms that accelerated IFIs disbursements.</p>	

Table 1. Uzbekistan: External Debt Sustainability Framework, Baseline Scenario, 2020-40
(In percent of GDP, unless otherwise indicated)

	Actual	Projections								Average 8/	
	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	43.5	46.3	47.6	47.2	46.9	45.9	44.8	40.7	37.9	21.8	44.4
<i>of which: public and publicly guaranteed (PPG)</i>	<i>29.0</i>	<i>34.1</i>	<i>34.9</i>	<i>35.0</i>	<i>34.9</i>	<i>34.1</i>	<i>33.5</i>	<i>29.4</i>	<i>26.7</i>	<i>11.9</i>	<i>32.8</i>
Change in external debt	9.2	2.8	1.3	-0.4	-0.4	-0.9	-1.1	-0.4	-0.2		
Identified net debt-creating flows	-2.8	7.8	1.8	0.9	0.6	-0.2	-0.6	-0.3	-0.1	-3.1	0.7
Non-interest current account deficit	4.4	8.0	6.3	4.7	3.9	3.1	2.6	2.8	2.9	-1.4	3.8
Deficit in balance of goods and services	16.5	14.9	16.0	14.3	13.5	12.3	11.4	11.4	11.4	5.5	12.7
Exports	29.3	25.0	27.0	27.9	28.2	29.0	29.5	29.5	29.5		
Imports	45.9	39.9	43.0	42.1	41.7	41.2	41.0	41.0	41.0		
Net current transfers (negative = inflow)	-9.4	-5.6	-7.4	-7.2	-7.1	-6.8	-6.5	-6.5	-6.5	-4.1	-6.6
<i>of which: official</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>		
Other current account flows (negative = net inflow)	-2.7	-1.2	-2.3	-2.3	-2.4	-2.4	-2.3	-2.2	-2.1	-2.9	-2.2
Net FDI (negative = inflow)	-3.9	-1.2	-3.2	-3.0	-2.7	-2.6	-2.6	-2.6	-2.6	-2.0	-2.6
Endogenous debt dynamics 2/	-3.2	1.0	-1.3	-0.9	-0.7	-0.7	-0.7	-0.4	-0.4		
Contribution from nominal interest rate	1.2	1.6	1.6	1.7	1.7	1.7	1.6	1.5	1.4		
Contribution from real GDP growth	-1.7	-0.6	-2.9	-2.5	-2.3	-2.3	-2.3	-1.9	-1.8		
Contribution from price and exchange rate changes	-2.8	—	—	—	—	—	—	—	—		
Residual 3/ 4/	12.0	-5.0	-0.4	-1.3	-0.9	-0.8	-0.5	-0.1	-0.1	6.2	-1.0
<i>of which: exceptional financing</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>		
Sustainability indicators											
PV of PPG external debt-to-GDP ratio	24.7	29.5	30.9	30.9	30.8	29.9	29.5	25.5	23.0		
PV of PPG external debt-to-exports ratio	84.1	117.8	114.4	110.7	109.3	103.3	100.0	86.4	78.0		
PPG debt service-to-exports ratio	4.5	6.8	8.0	7.9	7.8	9.7	7.4	9.0	8.3		
PPG debt service-to-revenue ratio	4.6	6.9	8.6	8.7	8.7	11.0	8.4	10.3	9.5		
Gross external financing need (Million of U.S. dollars)	3,642	8,551	6,009	5,839	5,991	6,447	5,958	9,926	19,289		
Key macroeconomic assumptions											
Real GDP growth (in percent)	5.6	1.5	7.0	6.0	5.5	5.5	5.5	5.1	5.0	6.6	5.2
GDP deflator in US dollar terms (change in percent)	8.9	3.5	3.3	6.3	5.3	5.0	4.6	2.4	1.9	-1.6	4.0
Effective interest rate (percent) 4/	4.2	3.8	3.8	3.9	3.9	3.9	3.9	4.0	3.9	2.6	3.9
Growth of exports of G&S (US dollar terms, in percent)	20.2	-10.4	19.3	16.3	12.3	14.0	12.4	7.6	7.0	4.2	9.8
Growth of imports of G&S (US dollar terms, in percent)	13.3	-8.6	19.2	10.4	9.8	9.6	9.6	7.6	7.0	9.7	8.5
Grant element of new public sector borrowing (in percent)	...	20.2	15.0	19.0	19.0	17.3	17.3	15.7	16.4	...	17.2
Government revenues (excluding grants, in percent of GDP)	28.2	24.9	25.2	25.2	25.4	25.5	25.7	25.7	25.7	28.1	25.5
Aid flows (in Million of US dollars) 5/	0.0	610.0	350.0	357.0	357.0	455.0	455.0	0.0	0.0		
Grant-equivalent financing (in percent of GDP) 6/	...	1.7	0.9	1.0	0.9	0.7	0.7	0.5	0.5	...	0.8
Grant-equivalent financing (in percent of external financing) 6/	...	20.2	15.0	19.0	19.0	17.3	17.3	15.7	16.4	...	17.2
Nominal GDP (Million of US dollars)	57,921	60,861	67,290	75,792	84,211	93,274	102,960	156,152	308,015		
Nominal dollar GDP growth	15.0	5.1	10.6	12.6	11.1	10.8	10.4	7.6	7.0	5.0	9.5
Memorandum items:											
PV of external debt 7/	39.1	41.6	43.6	43.1	42.8	41.7	40.8	36.8	34.3		
In percent of exports	133.4	166.5	161.6	154.6	151.8	144.0	138.2	124.6	116.2		
Total external debt service-to-exports ratio	20.0	29.0	21.6	21.4	20.8	22.1	19.4	21.0	20.3		
PV of PPG external debt (in Million of US dollars)	14,296	17,938	20,776	23,387	25,944	27,928	30,396	39,814	70,904		
(PVt-PVt-1)/GDPt-1 (in percent)		6.3	4.7	3.9	3.4	2.4	2.6	1.4	1.3		
Non-interest current account deficit that stabilizes debt ratio	-4.8	5.2	5.0	5.1	4.3	4.0	3.8	3.1	3.1		

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - p(1+g) + \epsilon\alpha(1+r)] / (1+g+p+g)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate; p = growth rate of GDP deflator in U.S. dollar terms.

3/ ϵ = nominal appreciation of the local currency, and α = share of local currency-denominated external debt in total external debt.

4/ 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.

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

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

7/ 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).

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

9/ 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.

10/ Residual in 2019 is a result of large errors and omissions, 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.

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

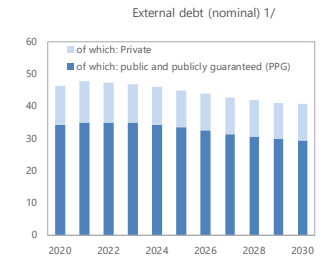
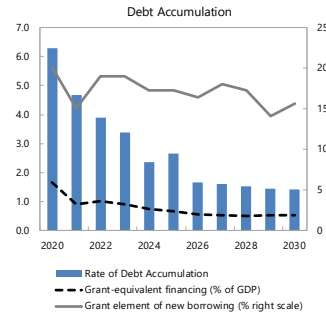
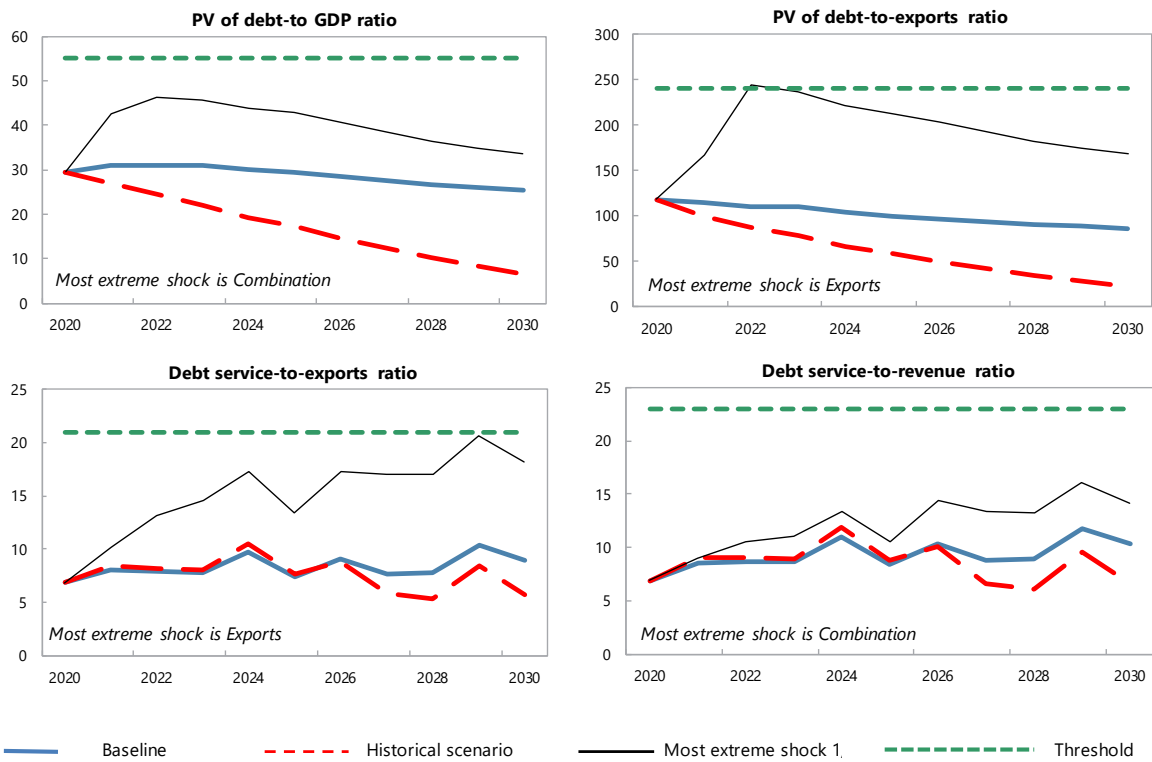


Figure 1. Uzbekistan: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2020-30
(In percent)



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	3.1%	3.1%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	18	18
Avg. grace period	4	4

* 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 2030. 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 extreme 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, 2020-40
(In percent of GDP, unless otherwise indicated)

	Actual		Projections							Average 6/	
	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	29.3	34.5	35.3	35.4	35.3	34.6	33.9	34.5	38.6	12.0	34.4
of which: external debt	29.0	34.1	34.9	35.0	34.9	34.1	33.5	29.4	26.7	11.9	32.8
Change in public sector debt	8.8	5.3	0.7	0.2	-0.1	-0.7	-0.7	0.5	0.4		
Identified debt-creating flows	8.9	5.3	0.9	0.2	-0.1	-0.7	-0.7	0.5	0.4	1.5	0.5
Primary deficit	3.7	5.5	3.3	2.5	2.2	1.9	1.8	1.8	1.8	-1.2	2.4
Revenue and grants	28.2	24.9	25.2	25.2	25.4	25.5	25.7	25.7	25.7	28.2	25.5
of which: grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Primary (noninterest) expenditure	32.0	30.4	28.5	27.8	27.6	27.4	27.5	27.5	27.5	27.0	27.9
Automatic debt dynamics	-1.3	-1.6	-3.1	-3.0	-2.7	-2.3	-2.3	-1.1	-1.3		
Contribution from interest rate/growth differential	-0.8	0.2	-1.8	-1.6	-1.4	-1.4	-1.4	-1.2	-1.4		
of which: contribution from average real interest rate	0.3	0.7	0.5	0.4	0.4	0.4	0.4	0.4	0.4		
of which: contribution from real GDP growth	-1.1	-0.4	-2.3	-2.0	-1.8	-1.8	-1.8	-1.6	-1.8		
Contribution from real exchange rate depreciation	-0.5	...	...	...	...	...	...	...	...
Other identified debt-creating flows	6.5	1.4	0.7	0.7	0.4	-0.3	-0.1	-0.1	-0.1	2.7	0.2
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)	6.5	1.4	0.7	0.7	0.4	-0.3	-0.1	-0.1	0.0		
Residual	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.0
Sustainability indicators											
PV of public debt-to-GDP ratio 2/	26.8	31.0	31.6	31.6	31.3	30.6	30.0	31.0	35.4		
PV of public debt-to-revenue and grants ratio	95.0	124.6	125.2	125.0	123.3	119.8	116.6	120.5	137.5		
Debt service-to-revenue and grants ratio 3/	5.2	7.9	9.8	9.8	10.0	12.3	9.9	20.4	37.9		
Gross financing need 4/	11.6	8.8	6.4	5.7	5.1	4.7	4.2	6.9	11.5		
Key macroeconomic and fiscal assumptions											
Real GDP growth (in percent)	5.6	1.5	7.0	6.0	5.5	5.5	5.5	5.1	5.0	6.6	5.2
Average nominal interest rate on external debt (in percent)	3.1	3.1	3.2	3.3	3.3	3.3	3.2	3.2	3.1	2.0	3.2
Average real interest rate on domestic debt (in percent)	-2.7	0.2	6.0	3.3	2.3	1.9	1.3	1.3	1.3	-2.7	1.9
Real exchange rate depreciation (in percent, + indicates depreciation)	-2.6	...	...	...	...	...	...	...	...	8.8	...
Inflation rate (GDP deflator, in percent)	19.2	15.8	8.5	8.5	6.5	5.9	5.5	5.5	5.5	16.7	7.1
Growth of real primary spending (deflated by GDP deflator, in percent)	13.2	-3.6	0.5	3.2	4.7	4.8	6.0	5.1	5.0	9.3	3.8
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-5.1	0.2	2.6	2.3	2.3	2.6	2.4	1.3	1.4	-4.4	1.9
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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 stabilize 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.

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

Public sector debt 1/

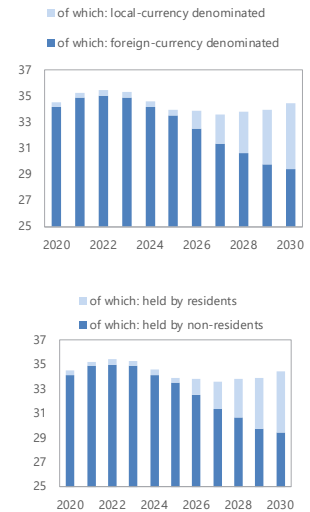
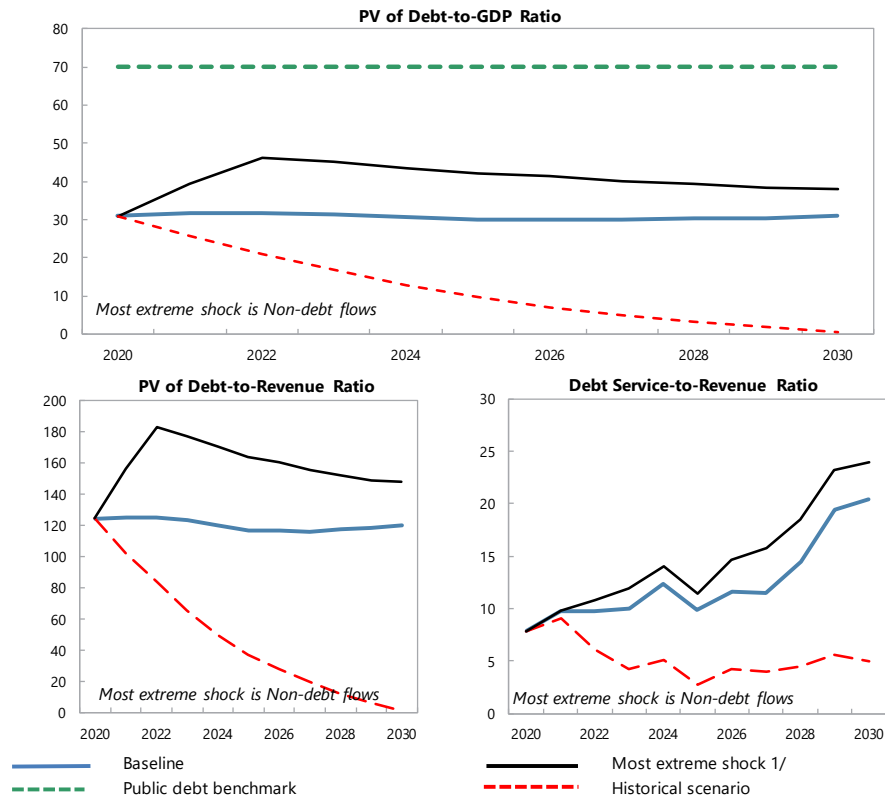


Figure 2. Uzbekistan: Indicators of Public Debt, 2020-30
(In percent)



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	10%	10%
Domestic short-term	12%	12%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	3.1%	3.1%
Avg. maturity (incl. grace period)	18	18
Avg. grace period	4	4
Domestic MLT debt		
Avg. real interest rate on new borrowing	1.3%	1.3%
Avg. maturity (incl. grace period)	2	2
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	0.9%	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 2030. 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 extreme 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 PPG External Debt, 2020-30
 (In percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	29	31	31	31	30	30	28	27	27	26	25
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	29	27	24	22	19	17	15	12	10	8	6
B. Bound Tests											
B1. Real GDP growth	29	32	32	32	31	30	29	28	28	27	26
B2. Primary balance	29	33	38	38	37	36	35	33	32	31	31
B3. Exports	29	36	45	44	42	41	39	37	35	34	32
B4. Other flows 3/	29	39	45	44	43	42	40	37	36	34	33
B5. Depreciation	29	39	34	34	33	33	32	31	31	30	30
B6. Combination of B1-B5	29	42	46	46	44	43	41	38	36	35	33
C. Tailored Tests											
C1. Combined contingent liabilities	29	39	39	39	38	37	36	35	34	33	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	29	34	34	34	33	33	32	31	30	29	28
Threshold	55	55	55	55	55	55	55	55	55	55	55
PV of debt-to-exports ratio											
Baseline	118	114	111	109	103	100	96	93	90	88	86
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	118	99	88	78	66	59	50	42	34	28	22
B. Bound Tests											
B1. Real GDP growth	118	114	111	109	103	100	96	93	90	88	86
B2. Primary balance	118	123	135	134	127	122	117	113	109	106	103
B3. Exports	118	167	245	237	222	213	203	192	183	175	168
B4. Other flows 3/	118	143	163	158	148	141	134	127	120	115	110
B5. Depreciation	118	114	97	97	92	89	86	84	82	81	80
B6. Combination of B1-B5	118	181	159	218	204	195	185	175	166	159	153
C. Tailored Tests											
C1. Combined contingent liabilities	118	144	140	140	132	127	122	117	114	111	108
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	118	114	111	110	104	100	96	93	90	88	86
Threshold	240	240	240	240	240	240	240	240	240	240	240
Debt service-to-exports ratio											
Baseline	7	8	8	8	10	7	9	8	8	10	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	7	8	8	8	10	8	9	6	5	8	6
B. Bound Tests											
B1. Real GDP growth	7	8	8	8	10	7	9	8	8	10	9
B2. Primary balance	7	8	9	9	11	9	11	9	10	12	11
B3. Exports	7	10	13	15	17	13	17	17	17	21	18
B4. Other flows 3/	7	8	9	10	11	9	12	11	11	14	12
B5. Depreciation	7	8	8	7	9	7	9	7	7	9	8
B6. Combination of B1-B5	7	10	13	13	16	12	17	16	16	19	17
C. Tailored Tests											
C1. Combined contingent liabilities	7	8	9	9	11	8	10	8	9	11	10
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	7	8	8	8	12	8	9	8	8	10	9
Threshold	21	21	21	21	21	21	21	21	21	21	21
Debt service-to-revenue ratio											
Baseline	7	9	9	9	11	8	10	9	9	12	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	7	9	9	9	12	9	10	7	6	10	7
B. Bound Tests											
B1. Real GDP growth	7	9	9	9	11	9	11	9	9	12	11
B2. Primary balance	7	9	9	10	12	10	12	11	11	14	12
B3. Exports	7	9	10	11	13	10	13	13	13	15	14
B4. Other flows 3/	7	9	10	11	13	10	13	13	13	16	14
B5. Depreciation	7	11	11	10	13	10	13	10	10	14	12
B6. Combination of B1-B5	7	9	11	11	13	11	14	13	13	16	14
C. Tailored Tests											
C1. Combined contingent liabilities	7	9	10	10	12	9	11	10	10	13	11
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	7	9	9	9	14	9	11	9	9	12	10
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, 2020-30
(In percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	31	32	32	31	31	30	30	30	30	30	31
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	31	26	21	17	13	10	7	5	3	2	0
B. Bound Tests											
B1. Real GDP growth	31	33	34	34	34	34	34	35	36	36	38
B2. Primary balance	31	35	40	39	38	37	36	36	36	36	36
B3. Exports	31	36	45	43	42	41	40	39	38	38	37
B4. Other flows 3/	31	39	46	45	44	42	41	40	39	38	38
B5. Depreciation	31	38	35	33	30	28	26	24	23	22	21
B6. Combination of B1-B5	31	32	34	33	32	31	31	30	30	30	30
C. Tailored Tests											
C1. Combined contingent liabilities	31	42	41	40	39	38	38	37	37	37	38
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	31	32	32	31	31	30	30	30	30	30	31
Public debt benchmark	70	70	70	70	70	70	70	70	70	70	70
PV of Debt-to-Revenue Ratio											
Baseline	125	125	125	123	120	117	117	116	118	118	120
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	125	102	84	66	50	37	28	19	13	7	2
B. Bound Tests											
B1. Real GDP growth	125	130	133	134	133	132	134	135	139	141	146
B2. Primary balance	125	138	157	153	147	142	141	140	140	140	141
B3. Exports	125	144	176	171	165	159	156	151	149	146	145
B4. Other flows 3/	125	156	183	177	171	164	161	155	153	149	148
B5. Depreciation	125	150	139	129	118	108	101	95	91	86	83
B6. Combination of B1-B5	125	128	135	131	126	121	120	117	117	116	116
C. Tailored Tests											
C1. Combined contingent liabilities	125	167	163	159	153	148	146	145	145	145	146
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	125	125	125	124	120	117	117	116	117	118	120
Debt Service-to-Revenue Ratio											
Baseline	8	10	10	10	12	10	12	12	14	19	20
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	8	9	6	4	5	3	4	4	5	6	5
B. Bound Tests											
B1. Real GDP growth	8	10	10	11	14	11	13	13	17	22	23
B2. Primary balance	8	10	12	15	16	12	14	14	17	22	23
B3. Exports	8	10	10	12	14	11	14	15	18	23	24
B4. Other flows 3/	8	10	11	12	14	11	15	16	18	23	24
B5. Depreciation	8	11	12	11	14	12	13	12	15	20	20
B6. Combination of B1-B5	8	10	11	12	14	12	13	13	15	20	21
C. Tailored Tests											
C1. Combined contingent liabilities	8	10	17	16	15	12	13	13	16	21	22
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	10	10	15	10	12	12	14	19	20

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

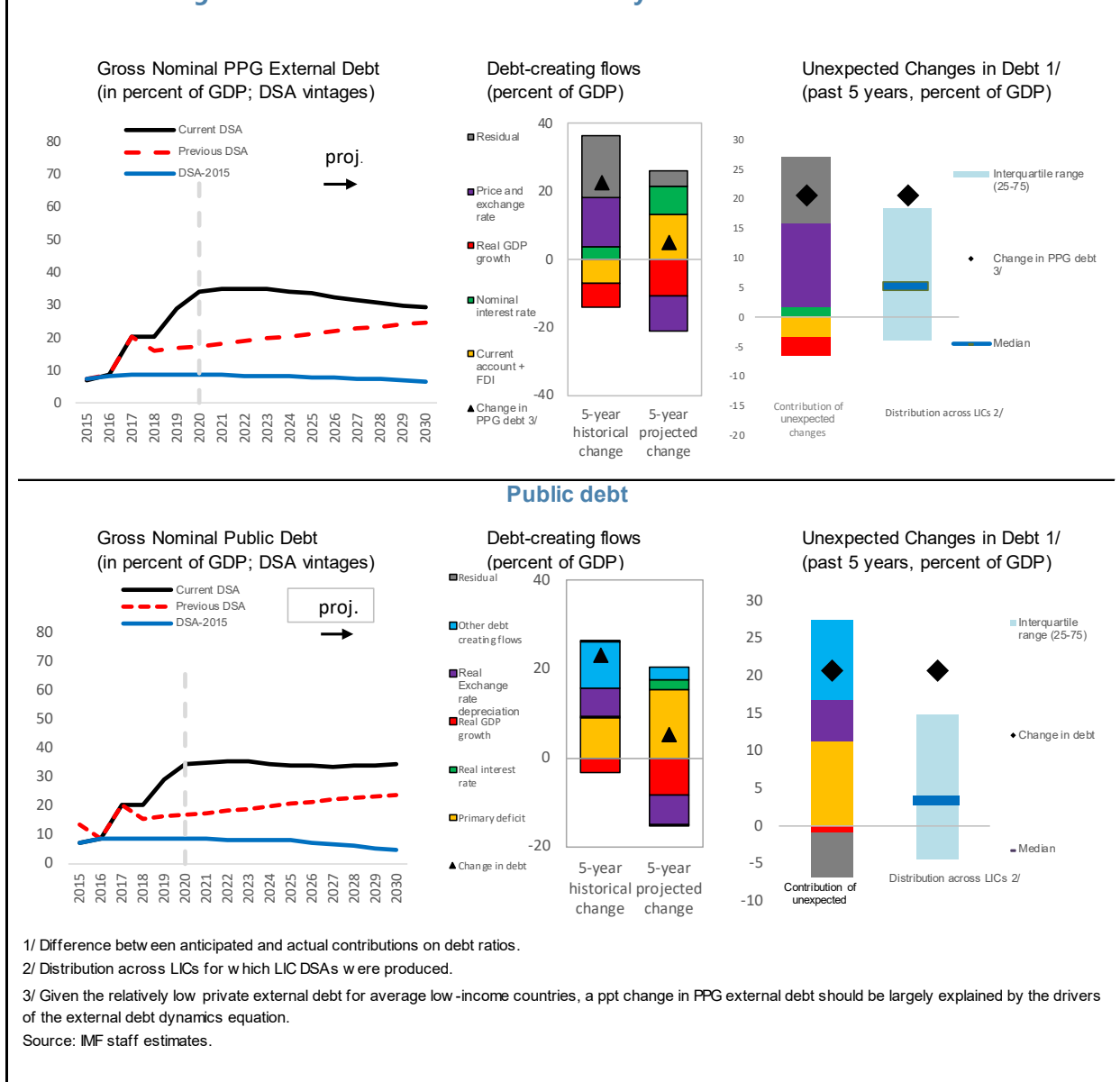
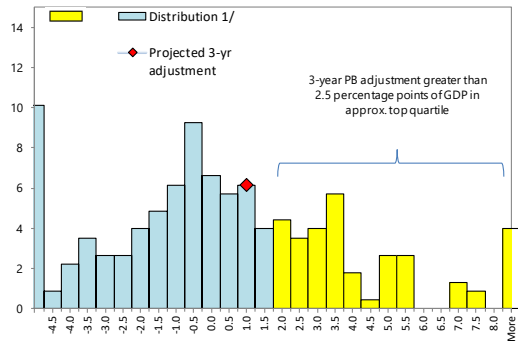


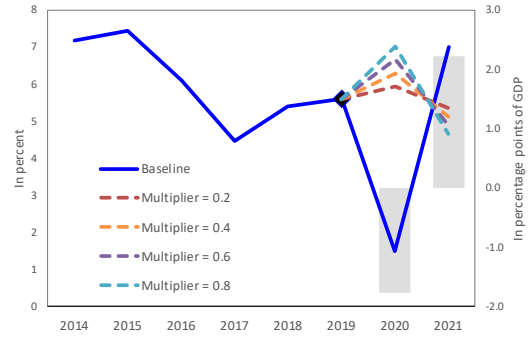
Figure 4. Uzbekistan: Realism Tools

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



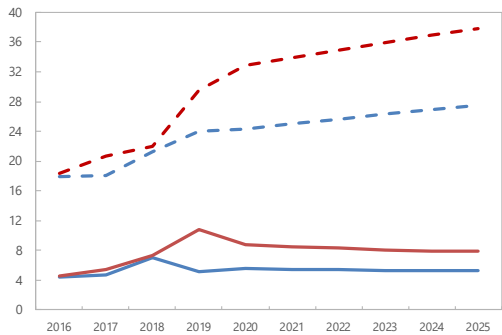
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



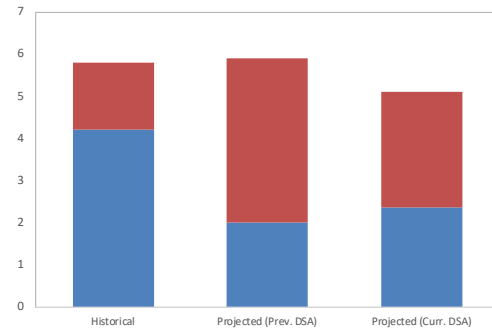
1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



— Gov. Invest. - Prev. DSA — Gov. Invest. - Curr. DSA
- - - Priv. Invest. - Prev. DSA - - - Priv. Invest. - Curr. DSA

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



■ Contribution of other factors
■ Contribution of government capital

Source: IMF staff estimates.

Statement by Paul Inderbinen on Republic of Uzbekistan
May 18, 2020

On behalf of our Uzbek authorities, we would like to thank the country team for their hard work and proactive engagement during these extraordinary times. We also thank the Board and management for their continued support and prompt response to the request for a disbursement under the RCF and RFI. Fund emergency financing will support the authorities' policy response to the pandemic and help mitigate its impact on Uzbekistan's people and economy.

Since launching fundamental reforms in 2017, the authorities have made significant progress in implementing market reforms, strengthening institutions, and improving international and regional cooperation. The primary objective of the reforms is to accelerate the transition to a modern, market-based economy, while preserving macroeconomic stability and lifting living standards. Cooperation with the IMF intensified significantly over this time, and the authorities truly recognize the Fund as a trusted advisor. Despite the challenges posed by the pandemic, the authorities remain strongly committed to prudent macroeconomic policies and deep structural reforms.

Ongoing structural reforms

During the last few years, the authorities have attained a number of successes in strengthening the macroeconomic framework.

Fiscal policy

For the first time, the State Budget for 2020 was adopted as a law, in accordance with international best practice. The State Budget Law has increased accountability of public bodies at all levels, strengthened transparency of spending, enhanced the role of local authorities in the budgetary processes, and set limits on external government borrowing. In cooperation with the IMF and other IFIs, the Ministry of Finance (MOF) has developed the Strategy for Further Improvement of Public Financial Management System, which has been submitted to the Government for review. The strategy is a comprehensive document for all reforms of the budget system, including improving transparency of public finances, developing a strategic approach to fiscal policy, managing fiscal risks, and strengthening fiscal responsibility and accountability. Since 2018, the MOF has been publishing an annual Budget for Citizens. The publication increases transparency and awareness of public finances and contributes to the dialogue between the general public and policymakers. It provides information on the projected fiscal revenues and expenditures, as well as medium-term targets in an accessible way. The MOF has also launched the Open Budget web site, a data platform that provides information on budget execution and allows citizens to determine the spending purposes for part of local budgets.

In 2019, the authorities initiated a large-scale tax reform to improve tax policy and administration. Over a short period of time, almost all aspects of the tax system were reviewed and improved. The

reform reduced the tax burden on firms and labor, substantially expanded the VAT net, and removed many tax and customs exemptions.

In order to improve public debt management, keep sustainable debt levels, and ensure effective use of borrowed funds, the MOF, in cooperation with the World Bank and the IMF, has developed a Medium-Term Public Debt Management Strategy, has been improving the debt management IT system, and has regularly been publishing public debt statistics. As a result of this, the authorities have begun including an external public debt contractual amount limit (at \$4 billion in 2020, which will be reviewed in the context of Covid-19) and an external public debt disbursement limit, which will be repaid by the state budget (at \$1.5 billion) in the fiscal year 2020. These limits are reviewed and included in the State Budget Law annually, based on updated Medium-Term Public Debt Management Strategy.

Monetary, exchange rate, and financial sector policies

In 2019, four key laws—On Banks and Banking Activities, On Central Bank, On Foreign Exchange Regulation, and On Payments and Payment Systems—were completely revised and promulgated, benefiting from Fund recommendations. The Central Bank of Uzbekistan (CBU) has announced a transition to inflation targeting with the objective of reaching 5 percent y-o-y inflation in 2023. To this end, the CBU has been modernizing the monetary policy operational framework, strengthening analytical and forecasting capacity, and deploying new instruments. Since the beginning of 2020, the CBU has introduced a key policy rate, an interest rate corridor, and several short-term monetary instruments for liquidity management, in accordance with IMF recommendations. The CBU's key rate has set the floor for rates of concessional loans, which were driving rapid credit growth in previous years. New instruments have allowed the CBU to successfully manage liquidity in the banking system and have improved monetary policy transmission through the interest rate channel. Since the FX market liberalization in 2017, the flexible exchange rate has been serving as a shock absorber. CBU interventions in the FX market are limited to sterilization of domestic gold purchases and smoothing excessive volatility.

The CBU has benefitted extensively from MCM technical assistance (TA) and has requested new TA on development of the FX market, the monetary policy operational framework, capital flow management, and also FSSR.

Compilation and dissemination of economic statistics has improved substantially after joining the IMF's e-GDDS in 2018 and posting a national summary data page. Over the last three years, with Fund TA, the CBU has made substantial progress in the collection, processing, and dissemination of external sector statistics. In February 2020, Uzbekistan's country page was added to the IMF International Financial Statistics, which marked an important step towards improving statistics and reducing data gaps for Uzbekistan. The authorities have also started preparation for subscription to SDDS.

To address structural problems that impede development of the banking system, including high state ownership, the authorities have accelerated reforms in this area. On May 12, 2020, the President of Uzbekistan signed the decree that (i) includes the Reform Strategy of the Banking System for 2020–25, developed by the MOF and CBU in cooperation with the World Bank; (ii) sets a number of quantitative targets and benchmarks for the Reform Strategy implementation; (iii) authorizes a gradual privatization and institutional transformation of six state-owned banks in consultation with IFIs, and consolidation of some banks; and (iv) schedules FSAP assessment no later than 2024.

Impact of Covid-19

The first Covid-19 case in Uzbekistan was registered on March 15, 2020. The authorities immediately took swift measures to limit the spread of infections by closing schools and universities, cancelling public gatherings, suspending all international passenger flights, closing road links with bordering countries, and quarantining all people entering the country. In line with WHO guidelines, a country-wide quarantine and self-isolation regime was imposed with enhanced physical distancing and sanitation protocols. Testing was rapidly ramped up, and a number of hospitals and quarantine facilities were quickly constructed across the country. Given the moderation in the rate of new infections in early May, the authorities started to gradually ease lockdown restrictions and introduced three quarantine levels for all regions depending on the epidemiological situation.

The pandemic has been taking a heavy toll on the economy. Growth is projected to slow down to 1.5–2.0 percent in 2020, after 5.6 percent in 2019. Weaker external and domestic economic activity is depressing exports, fiscal revenues, and remittances. The current account deficit will widen to 9.5–9.8 percent of GDP in 2020 as a result of weaker external demand and lower commodity prices. To accommodate additional spending on healthcare, social support and financial assistance to affected firms and households, the consolidated budget deficit will expand to 3.5 percent of GDP. Since March 2020, against the background of currency depreciations in the main trading partners and lower commodity prices, FX inflows both from exports and remittances have decreased significantly. The sum depreciated in nominal terms against the US dollar by about 6.7 percent since the beginning of the year.

Policy response

To mitigate the negative impact of the pandemic, the authorities established a high-level Republican Anti-Crisis Commission and a UZS 10 trillion (about \$1 billion) Anti-Crisis Fund under the Ministry of Finance. Anti-Crisis Fund resources are allocated for containment measures, the expansion of social protection, support to businesses and key sectors of the economy. The authorities have increased compensation for health workers on the frontline, extended support to low-income families, initiated public works to support employment, and introduced measures to support the most affected firms. Total fiscal expenditure for addressing the Covid-19 crisis is estimated to amount to UZS 15 trillion (about \$1.5 billion, or 2.5 percent of GDP).

Social support

The authorities have automatically extended for 6 months benefits for families with children, childcare benefits and financial assistance, which were due to expire in March–June, 2020. Overall, the number of low-income families receiving financial assistance has increased from 596,000 to 789,000. A daily pay bonus in the amount of 6 percent of monthly salaries has been introduced for health workers involved in the fight against the coronavirus. Also, frontline health workers who are engaged in Covid-related facilities are being granted higher compensation. Employees of public educational, sports and cultural institutions that have suspended their activities have been receiving salaries in a timely manner. To prevent a rapid increase in consumer prices, customs duties and excise rates on imports of essential food and hygiene products were lowered to zero. Food delivery has been provided to needy families, single elderly people, people with disabilities and other parts of the vulnerable population.

Support to businesses

The social tax rate for small businesses and farms has been reduced from 12 percent to 1 percent from May through July, 2020. Small businesses and individual entrepreneurs have been exempted from paying land and property taxes over the next three months. Companies in the tourism and hospitality sectors have been exempted from paying land and property taxes and have become subject to the reduced social tax rate of 1 percent through end-2020. Local authorities have been empowered to grant a 6-month grace period on the payment of taxes on property and land, and on water tariffs for businesses. The water tariff for irrigation of farmland has been reduced by 50 percent in 2020. The VAT payers with monthly turnover less than UZS 1 billion (about \$100 thousand) have been allowed to pay the tax on a quarterly basis. Until October 1, 2020, commercial banks have given deferrals on loan repayments to companies, individual entrepreneurs and households that experience financial difficulties. The authorities have been providing interest subsidies on investment loans.

Supporting financial and price stability

The CBU has taken comprehensive measures to ensure financial stability and maintain adequate liquidity of commercial banks. To that end, it has been providing short-term liquidity through repo and swap operations of up to UZS 1 trillion (about \$100 million) on a monthly basis, provided additional liquidity to banks in the amount of UZS 2.6 trillion (about \$260 million) through easing reserve requirements, and introduced a special facility to provide liquidity to banks for up to 3 years in the amount of up to UZS 2 trillion (about \$200 million).

Given weaker demand, the CBU has revised downward its end-2020 inflation forecast from 12–13.5 percent to 11–12.5 percent. Taking into account lower projected inflation, on April 15, 2020, the CBU reduced the key rate by 100 basis points to 15 percent. The CBU remains committed to its price stability mandate and will continue to take a data-dependent approach to interest rate decisions.

Conclusion

Over the last years, Uzbekistan has initiated wide-ranging reforms to create conditions for strong private sector-led growth, job creation, and poverty alleviation. The pandemic has shifted the authorities' focus to softening the blow on people and the economy. While the authorities are currently directing all their efforts to the fight against Covid-19, they reiterate their commitment to maintain macroeconomic stability and persevere with economic reforms. As stated in the LOI, the authorities are committed to ensure transparent and effective use of Covid-related emergency financing. The authorities of Uzbekistan value the strong relations with the Fund and they look forward to continued policy dialogue.