

UZBEKISTAN

Table 1 **2022**

Population, million	35.6
GDP, current US\$ billion	80.4
GDP per capita, current US\$	2255.6
School enrollment, primary (% gross) ^a	98.1
Life expectancy at birth, years ^a	70.9
Total GHG emissions (mtCO ₂ e)	174.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2021).

The economy is expected to grow by 5.5 percent in 2023. Fiscal consolidation is expected to continue gradually in the medium term, given the need to cushion the impact of external shocks and to restructure energy prices by bringing them to cost-recovery levels. The medium-term outlook remains positive as ambitious ongoing reforms are expected to stimulate private sector-led growth and job creation.

Key conditions and challenges

Uzbekistan has implemented an ambitious set of reforms in recent years. However, the Government recognizes that persistently stimulating private sector-led growth and job creation requires more reform: specifically, opening key sectors of the economy to competition, including factor markets and key services, and reducing the market dominance of SOEs. Further strengthening the regulatory environment and reducing high trade and transit costs would also encourage private sector growth.

In order to spur the transition towards low-carbon growth and renewable energy, the Government plans to strengthen energy sector regulation, gradually remove large and untargeted energy subsidies, and accelerate policy action on climate change.

Recent developments

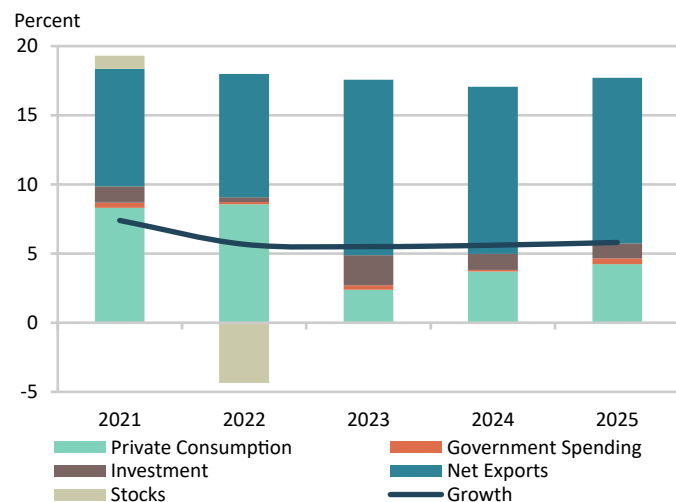
Real GDP grew by 5.6 percent in H1 2023, led by exports, remittances, and consumption. Total exports and non-gold exports increased by 16 percent and 12.5 percent, respectively, in H1 2023 (in USD value, led by fruit and vegetables, cars, and ferrous metals), while exports of gas, textiles, and chemicals decreased. Exports to Russia grew

by 5.5 percent, compared to 44 percent in 2022. Services exports, mainly in transport and tourism, increased by 16 percent due to higher tourist arrivals (93 percent from Tajikistan, Kazakhstan, Kyrgyz Republic, and Russia). In response to higher domestic demand, imports expanded by 17 percent in H1 in machinery, equipment, fuels, and intermediary industrial goods. The trade deficit of 18.4 percent of GDP was partly offset by net remittance inflows of 12.1 percent of GDP in H1 2023 compared to 16.7 percent of GDP in H1 2022 (but still above the historical average of 8 percent of GDP). Thus, the current account deficit widened to 6.3 percent of GDP in H1, up from 1.4 percent of GDP in H1 2022. On the supply-side, higher growth in agriculture (3.8 percent) and industry (5.6 percent) was offset by slower growth in construction (4.8 percent) and services (6.4 percent). Between January and August 2023, the UZS depreciated by 6.9 percent against the USD, in part due to the flow-on impact of the depreciation of the RUB.

By the end of June 2023, international reserves decreased by USD 2 billion to reach USD 33.7 billion, or 9 months of import cover. This was due to the depreciation of both the UZS and RUB, leading to lower inflows of foreign currency from trade and remittances, given Russia's position as a major trading partner and Uzbek migrant destination.

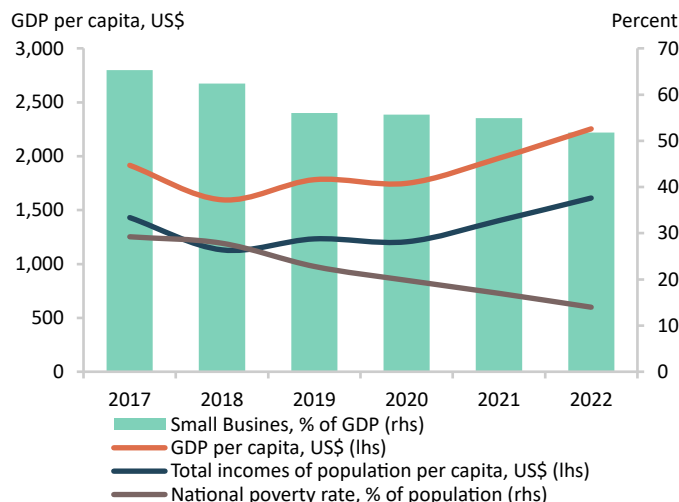
The fiscal deficit widened to 5.7 percent in H1 2023 from 4.1 percent of GDP in H1 2022 due to increased spending (e.g., emergency energy spending in the early 2023

FIGURE 1 Uzbekistan / Real GDP growth and contributions to real GDP growth



Sources: Uzbekistan official statistics and World Bank staff calculations.

FIGURE 2 Uzbekistan / Poverty, GDP per capita, and small business development



Source: Uzbekistan official statistics.

Note: The national poverty line is more ambitious (67 percent higher) than the lower-middle-income country poverty line.

energy crisis) and lower than expected revenues from excise duties.

Lower global commodity prices drove CPI inflation to 9 percent in July 2023, down from 10.7 percent in July 2022.

The Central Bank of Uzbekistan (CBU) began monetary easing by cutting the policy rate by 100 bps to 14 percent in March 2023, down from 17 percent in March 2022.

Credit growth slowed to 18 percent in June 2023, down from 36 percent in 2022, as capital buffers declined, and banks enacted more cautious lending policies following Russia's invasion of Ukraine. However, the banking sector remained resilient and adequately capitalized, with a CAR of 16.4 percent in June 2023, higher than the required 13 percent. NPLs declined to 3.3 percent in June 2023, down from 4.8 percent in June 2022. The poverty rate fell to 14 percent in 2022, down from 17 percent in 2021 (using the national poverty line), primarily due to

higher remittance inflows, although the expected H2 2023 drop in remittances may stall this progress.

Outlook

Growth is expected to remain close to 5.5 percent in 2023 and accelerate gradually in the medium term. Consumption growth in 2023 is expected to fall as the remittances from Russia continue to decrease. Import growth is expected to accelerate in 2023 and grow fast in the medium-term to support Uzbekistan's economic modernization, and with decreasing remittances, the current account deficit will widen. The fiscal deficit is expected to widen to 5 percent of GDP in 2023 as a result of persistently high energy tariffs, higher expenditure on education, public sector wages, pension and allowances, and lower revenue collections.

Budget consolidation is expected to begin in the medium term, with the budget deficit falling to 4 percent of GDP in 2024 and 3.6 percent in 2025 due to reduced tax benefits and energy subsidies, and increased privatization proceeds. The Government is expected to adhere to its debt limits, with public debt increasing to 36 percent of GDP in 2023 and peaking at 36.6 percent in 2024.

Despite expanded social protection programs, slower growth in remittances and private consumption could limit expected progress in poverty reduction. The national poverty rate is projected to fall marginally to 13.9 percent in 2023.

Downside risks to this outlook include a deterioration in Russia's economic performance, higher external inflationary pressures, and tighter-than-expected global financial conditions. Upside risks include higher global gold, natural gas, and copper prices and stronger productivity growth due to ongoing structural reforms.

TABLE 2 Uzbekistan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	2.0	7.4	5.7	5.5	5.6	5.8
Private consumption	0.2	11.6	11.4	3.0	4.8	5.5
Government consumption	1.4	3.1	1.3	3.0	1.0	4.0
Gross fixed capital investment	-4.4	2.9	0.9	2.5	3.0	3.2
Exports, goods and services	-20.0	13.3	27.9	28.1	20.1	16.6
Imports, goods and services	-15.0	19.9	10.1	19.2	17.8	16.5
Real GDP growth, at constant factor prices	2.0	7.4	5.7	5.5	5.6	5.8
Agriculture	2.9	4.0	3.6	3.5	3.7	3.9
Industry	2.5	7.9	5.5	5.7	5.6	6.5
Services	1.2	9.1	7.0	6.4	6.6	6.4
Inflation (consumer price index)	12.9	10.8	11.4	10.2	10.0	9.9
Current account balance (% of GDP)	-5.0	-7.0	-0.8	-4.1	-4.5	-4.6
Net foreign direct investment inflow (% of GDP)	2.9	3.3	3.1	3.0	3.0	3.0
Fiscal balance (% of GDP)	-4.4	-6.0	-4.1	-5.0	-4.0	-3.6
Revenues (% of GDP)	25.5	25.9	30.9	29.7	29.6	29.5
Debt (% of GDP)	37.4	36.6	34.9	36.0	36.6	34.6
Primary balance (% of GDP)	-4.1	-5.7	-3.7	-4.4	-3.4	-3.0
GHG emissions growth (mtCO₂e)	-1.8	-1.1	-3.2	-2.5	-2.3	-2.5
Energy related GHG emissions (% of total)	60.1	59.4	58.1	56.9	55.8	54.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.