

UZBEKISTAN

Table 1 **2023**

Population, million	36.2
GDP, current US\$ billion	90.9
GDP per capita, current US\$	2510.1
International poverty rate (\$2.15) ^a	2.3
Lower middle-income poverty rate (\$3.65) ^a	5.0
Upper middle-income poverty rate (\$6.85) ^a	17.3
Gini index ^a	31.2
School enrollment, primary (% gross) ^b	94.2
Life expectancy at birth, years ^b	70.9
Total GHG emissions (mtCO2e)	198.1

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2022), 2017 PPPs.

b/ Most recent WDI value (2021).

The economy grew by 6 percent in 2023 amid broad based expansion and fiscal stimulus. The government is expected to consolidate fiscal spending in 2024 following an increase in the fiscal deficit in 2023. Robust real wage growth has contributed to poverty reduction in 2023. The medium-term outlook is positive as ambitious and ongoing structural reform is expected to improve the business environment in key sectors and stimulate private sector-led investment and growth. Steady economic growth is expected to result in a reduction in poverty.

Key conditions and challenges

Uzbekistan has implemented sweeping reforms in recent years that have liberalized parts of the economy and improved prospects for private sector development. In 2023, the authorities established an independent energy regulator, began energy tariff reform, restructured the state-owned enterprise (SOE) rail operator, privatized a large chemical plant and a bank, and unbundled the leading chemical SOE to promote competition. They also established the National Agency for Social Protection, approved strong new legislation to combat gender-based violence, and expanded access to free legal aid. Uzbekistan also took a green transition path by introducing more ambitious environmental targets, a new pollution control system, and a national green taxonomy. With high population growth and a large amount of youth entering the workforce each year, economic growth will need to support strong job creation. To do so, Uzbekistan needs to continue its reforms program to open up markets and boost competition, notably by reducing dominance of SOEs in the economy, strengthening land rights, liberalizing the telecommunications sector and raw materials trade, and reducing high trade costs. Faster job creation and productivity growth will also require increasing labor force skills.

Recent developments

Real GDP grew by 6 percent in 2023, led by investment, private consumption, and exports. Faster investment growth was facilitated by credit growth to SOEs and private sector. Real credit (loans to SOEs and private sector) grew by 11.6 percent between 2022 and 2023, up from 5.1 percent between 2021 and 2022.

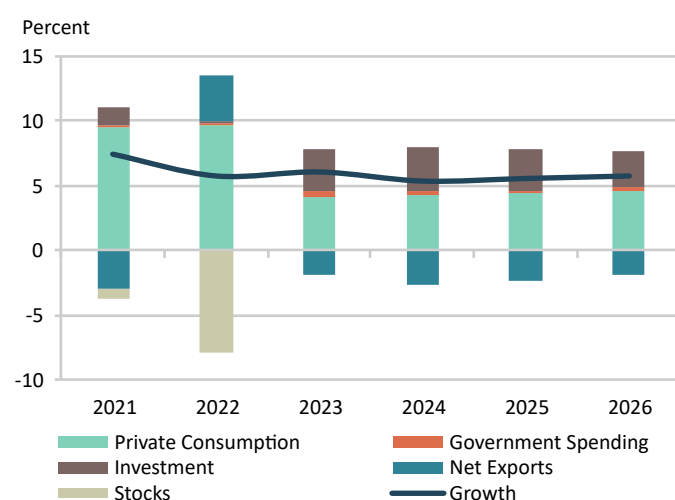
Consumer price inflation fell to its lowest level in seven years, dropping to 8.8 percent yoy in December 2023, compared to 12.3 percent in 2022. This was driven by sustained, tight monetary policy, as well as a VAT tax rate cut and lower international food and energy prices.

In 2023, the Uzbek som depreciated by 9 percent against the US dollar (USD), in part due to a flow on effect of the depreciation of the Russian ruble (a close trading currency) against the USD.

The current account deficit deteriorated as import growth accelerated and remittances declined in 2023 (the latter was related to the ruble's depreciation). Uzbekistan's gas exports dropped by half, and amid rising domestic gas needs, Uzbekistan began importing gas from Russia in 2023 for the first time.

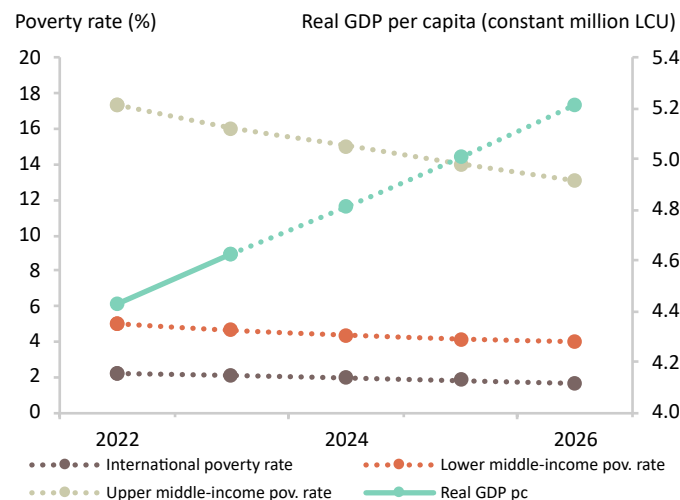
The fiscal deficit expanded from 4.1 percent in 2022 to 5.8 percent of GDP in 2023 due to emergency spending on energy infrastructure and fuel during the cold winter, higher spending on salaries and social benefits, energy subsidies, and subsidized lending to SOEs via state-owned banks. Foreign reserves remained ample

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



Source: World Bank staff calculations based on official data.

FIGURE 2 Uzbekistan / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

at \$34.6 billion by December 2023, more than 8 months of prospective imports. Robust real wage growth contributed to reducing poverty from 5.0 percent in 2022 to 4.5 percent in 2023, measured at the lower-middle income poverty line (USD 3.65/day, 2017 PPP). The unemployment rate has dropped to 8.1 percent in 2023, down from 8.9 percent in 2022. Average real wages in 2023 increased by 7.8 percent not only due to growing demand but also because of skills shortages in the labor market. As a result, wage growth was higher among the more skilled (and wealthier) workers than among the poor, resulting in higher income inequality.

Outlook

GDP growth is projected at 5.3 percent in 2024 given the expected fiscal consolidation and slower export growth prospects to Russia and China, Uzbekistan's key trading partners. Growth will be supported

mainly by the continued implementation of structural reforms, notably SOEs' restructuring and privatization, and high energy sector investment.

Inflation is expected to increase in 2024 due to relatively sharp increases in domestic energy prices because of the energy tariff reforms (accompanied by social protection measures). This will be partially offset by a continued tight monetary stance while the central bank completes its transition to full inflation targeting. Inflation is expected to decelerate to 8 percent in the medium term, higher than the CBU target of 5 percent. Import growth is expected to moderate in 2024 but remains buoyant as imports support both economic modernization and growing consumption.

Remittances in 2024 are projected to decline mainly due to an expected reduction in the number of labor migrants to Russia. With decreasing remittances and strong imports, the current account deficit will widen slightly but remain sustainable as Uzbekistan's transformation process brings in foreign savings to

finance the deficit. This economic outlook is expected to reduce poverty moderately to 4.3 percent in 2024.

The fiscal deficit is expected to fall to 4.2 percent of GDP in 2024 and towards 3 percent of GDP by 2026 as large, untargeted energy subsidies and ineffective incentives to SOEs are withdrawn, and thanks to growing budget revenues amid privatization proceeds. The government is expected to adhere to its debt limits (60 percent of GDP for total Public and Publicly Guaranteed debt), with public debt slightly increasing to 36.5 percent of GDP in 2024 and then gradually declining to 34.4 percent of GDP by 2026.

Risks to outlook are tilted to the downside. External risks include possible deterioration of growth in key trading partners, notably China and Russia, and further tightening of external financial conditions. Domestic risks stem from the growing contingent liabilities from SOEs, PPPs, and state-owned banks. Upside risks include higher global gold 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)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	7.4	5.7	6.0	5.3	5.5	5.7
Private consumption	11.6	11.3	4.6	4.9	5.0	5.2
Government consumption	3.1	3.6	6.2	3.9	1.7	4.2
Gross fixed capital investment	2.9	0.2	7.6	7.8	7.3	6.2
Exports, goods and services	13.3	27.9	23.4	10.1	11.2	12.3
Imports, goods and services	19.9	9.1	24.9	15.1	14.1	13.6
Real GDP growth, at constant factor prices	7.4	5.7	6.0	5.3	5.5	5.7
Agriculture	4.0	3.6	4.1	3.7	3.9	3.8
Industry	7.9	5.5	6.3	5.6	6.5	7.1
Services	9.1	6.9	6.8	6.0	5.7	5.8
Inflation (consumer price index)	10.8	11.4	10.0	11.0	9.9	8.2
Current account balance (% of GDP)	-7.0	-0.8	-4.7	-5.0	-4.5	-4.3
Net foreign direct investment inflow (% of GDP)	3.3	3.1	6.0	3.6	3.8	4.0
Fiscal balance (% of GDP)	-6.0	-4.1	-5.8	-4.2	-3.6	-3.0
Revenues (% of GDP)	25.9	30.5	28.8	28.9	29.2	29.4
Debt (% of GDP)	36.6	34.0	36.1	36.5	35.3	34.4
Primary balance (% of GDP)	-5.7	-3.7	-5.3	-3.6	-3.0	-2.4
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	..	2.3	2.1	2.0	1.8	1.7
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	..	5.0	4.6	4.4	4.2	4.0
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	..	17.3	16.0	15.0	14.0	13.1
GHG emissions growth (mtCO₂e)	3.9	1.6	2.0	1.6	1.9	2.0
Energy related GHG emissions (% of total)	60.8	60.7	60.7	60.4	60.1	59.8

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

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2022-HBS. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2022) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.