



REPORT SUMMARY

During the first month of 2022, Metito won the first-ever private-public partnership (PPP) in water management to build a wastewater plant. Then, the first 10-year government bonds were issued at the Republican Currency Exchange. Finally, for the first

time since 2014, Russia regained the position of Uzbekistan's leading trading partner. More on Russia, USM Holding now owns 25% of shares in Kapitalbank and 98.6% in Uzbekistan's second-largest cement plant, Ahangarancement. The company's senior management pledged to reinvest the plant's profits in Uzbekistan.

As for the banking sector, issued mortgages increased by USD 64mn from 2020 to 2021, which contributed to a 14.5% surge in real estate deals during the same period. Consequently, such growth rates were parallel to price increases of 5,1% in the final quarter of 2021.

Regarding the political economy, the government is continuing with privatizations of state properties and firms. In particular, the government privatized a business centre in central Tashkent, the largest shopping complex for electronics, and a recreational area. Additionally, plans were announced to eliminate monopoly in over 20 types of activities, including the supply of liquefied gas. Concerning gas, the government ended gas exports to China and abandoned price increases in the domestic market. On the domestic market, proposals were made to build alternative energy projects with a total capacity of 3,600 MW and expand the capacities of three thermal power plants (TPP) by 2,264 MW.

MONTHLY HIGHLIGHTS

"This agency (Strategic Development Agency) has created the basis for expanding investment and export potential. Therefore, it is necessary to develop a road map for the strategic development of regions and industries, to involve qualified specialists and advisers from abroad in this process."

The President of Uzbekistan, Shavkat Mirziyoyev

"Gas exports have been completely stopped and all gas volumes are being directed to domestic consumers within the country."

Ministry of Energy of the Republic of Uzbekistan

"The Namangan PPP braces the path of taking a much bolder approach to financing capital-intensive large infrastructural projects able to address growing water needs."

Managing Director of Metito, Rami Ghandour

"All the profit that will be generated here (Ahangarancement) will remain in Uzbekistan and will be directed to the socio-economic development of the republic. We see great potential in this."

General Manager of Akkermann Cement, Konstantin Morozov

"Implementing all these innovative automatic systems, Uzbekistan will become a leading country in the natural gas industry."

CEO of Terranova, Alessandro Vistoli



IMPORTANT NEWS PUBLICATIONS AND ARTICES

MANUFACTURING AND CONSTRUCTION

Metito Wins a Contract to Build Wastewater Plant in Uzbekistan

A Middle Eastern water and alternative energy management solutions provider, Metito, secured a Public-Private Partnership (PPP) project to build a wastewater plant in Uzbekistan. Metito will be responsible for launching a wastewater plant worth USD 100mn with a capacity of 100,000 cu m/day in the Namangan region.

Source: [Zawya](#)

USM Holdings Buys Ahangarancement

Russia's Akkermann Cement CA, a company that is part of USM Holdings, acquires 98,6% of shares from the Ahangarancement plant. Being in Tashkent, the plant is the second in size and possesses the capacity to produce 2,180,000 tons of cement per year.

Source: [Kun.uz](#)

Textile, Leather, and Footwear Industries Receive Benefits

Subsidies and favourable loans will be available for processing, production, and export of finished products with high added value by textile, clothing, and knitwear enterprises. For example, enterprises producing dyed fabric along with mixed and dyed fabric products can receive subsidies in the amount of 10% of the cost of production equipment purchased, but not exceeding the equivalent of USD 500 thousand. Equally important, previous tax and customs benefits for leather and footwear enterprises were extended until 2026.

Source: [Kun.uz \(1\)](#); [Kun.uz\(2\)](#); [UzDaily](#); [Eminetra](#)

BANKING AND FINANCE

Overview of Mortgages and Real Estate in 2021

According to the Central Bank, banks issued mortgages worth USD 904mn to over 59 thousand individuals, which is an increase of USD 64mn from the preceding year. Consequently, 14.5% more real estate deals were recorded relative to 2020. This was explained by the increase in the availability of mortgages, the continuation of the affordable housing programs, and relative stabilization of the exchange rate. The largest increases in real estate deals were observed in the provinces of Namangan (42%), Bukhara (38%), and Andijan (34%). With that in mind, increases in deals were in parallel to price hikes, where in the last quarter of 2021, real estate prices rose by 5,1% nationwide and 4,2% in Tashkent.

Source: [UzDaily](#); [Kun.uz](#)

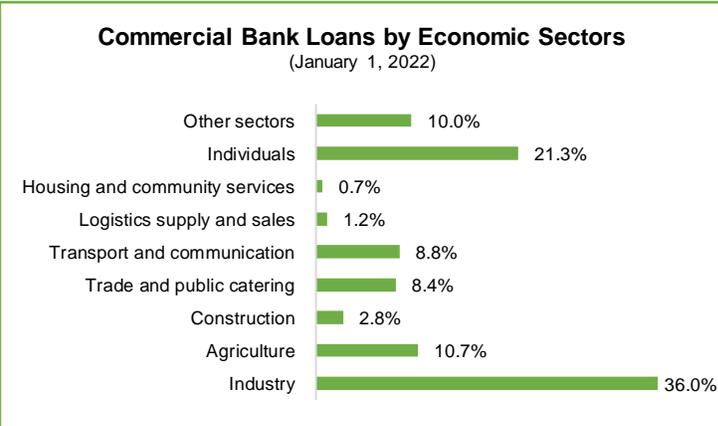
USM Reacquired Shares of Kapitalbank

Telecominvest, a company under USM Holdings, buys another 8.33% of shares and accumulates 25% of shares in Kapitalbank.

Source: [Kun.uz](#)

Dividends Received from Shares to Be Exempt from Tax and UzAuto Motors Enters Stock Exchange

Until the end of 2024, individuals, both resident and non-resident, are exempted from income tax on dividends from shares, while non-resident legal entities pay a rate of 5% on



Source: [Cbu.uz](#)

Uzbekistan Places First Ever Government Bonds with a Maturity of 10 Years

The 10-year bonds were issued at the Republican Currency Exchange and amounted to USD 925.717 in volume. The weighted average coupon payment is 15% per annum. Moreover, the government issued 5-year bonds amounting to about USD 16mn in volume and a yield of 14.5% per annum.

Source: [Gazeta.uz](#)

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Industries with the Largest Participation of Foreign Capital

Nationwide, 13,289 enterprises possess foreign capital, where 5,988 are joint ventures and 7,301 are foreign enterprises. Currently, the manufacturing sector leads with 4,076 enterprises that have foreign capital, followed by trade, and construction sectors.

Source: Kun.uz

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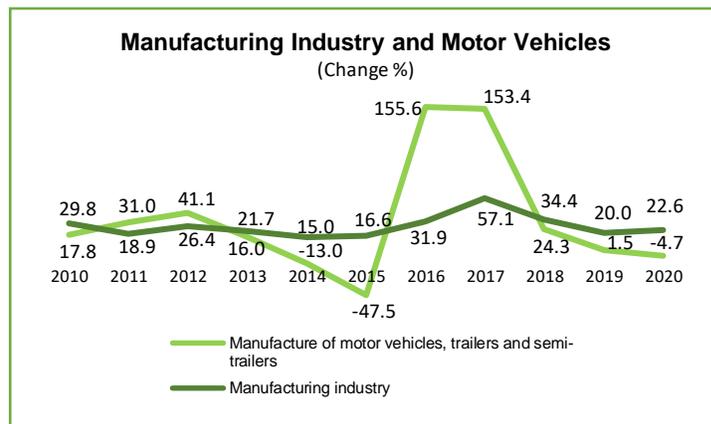
Source: [Kun.uz \(1\)](http://Kun.uz); [Kun.uz \(2\)](http://Kun.uz)

TRANSPORTATION AND LOGISTICS

The President Instructs to Speed Up Privatization and Prepare Uzavtosanoat for Privatization

The government intends to continue the process of privatization by selling non-core, inefficient, and unused assets through open auctions. In particular, the plan was to sell 33 thousand land plots and auction another 25 thousand before July of this year. In addition, 266 enterprises in the transport, energy, and automotive industries are to be auctioned. Specifically, the President highlighted the need to privatize Uzavtosanoat, which is a company that controls automobile manufacturing, localization, and auto components enterprises.

Source: Kun.uz



Source: Stat.uz

AGRICULTURE AND MINING

Uzbek Scientists Have Created a New Kind of Soft Wheat

Scientists from the Institute of Genetics and Experimental Biology of the Academy of Sciences have developed and presented a type of soft wheat, named "Pakhlavon", which is said to be more resistant to irrigation water deficiencies, soil salinity, and rust diseases. Furthermore, 280 tons of seeds were sown and will be harvested this year.

Source: Kun.uz

The State Statistics Committee Presents Prices for Several Food Products

Food Product	Price Range (UZS)
Beef	45,000 to 68,000 per kg
Lamb	54,000 to 80,000 per kg
Potato	3,000 to 8,000 per kg
Onion	1,500 to 4,000 per kg
Carrot	1,000 to 4,500 per kg
Eggs	7,000 to 14,000 per 10
Rice	5,000 to 17,500 per kg
Sunflower Oil	14,000 to 24,000 per litre
Sugar	7,500 to 10,500 per kg

Source: Kun.uz

TRADE AND INVESTMENT

Russia Reclaims Top Trading Partner Position from China

For the first time since 2014, Russia became the leading trading partner with bilateral trade of USD 7.5b, which

The President Presents National and Sectorial Plan for Investments in 2022

The government announced plans to attract more than USD 9.5bn in foreign direct investments (FDI), initiate 282 national

exceeded the USD 7.4bn with China. Furthermore, Uzbekistan runs trade deficits with both countries of USD 3.4bn and USD 2.4bn, respectively. With that in mind, experts believe that Russia's position is a temporary outcome of the rise in transportation costs from China due to the COVID-19 pandemic.

Source: [Eurasianet](#); [Stat.uz](#)

UAE's Company Purchases a Business Centre in Tashkent

Upon winning the tender, Quadro IH DMCC acquired Poytaht business centre for about USD 15m and plans to invest another USD 6mn for renovation purposes. Previously, the company won a tender to buy a hotel in Tashkent, Ichan Kal'a, for about USD 6.8mn.

Source: [Gazeta.uz](#)

Top 10 Trading Partners for 2021 (USD million)

	FTT - 7 517,0 EXPORT - 2 058,9 IMPORT - 5 458,1		FTT - 952,6 EXPORT - 791,1 IMPORT - 161,5
	FTT - 7 440,9 EXPORT - 2 518,8 IMPORT - 4 922,1		FTT - 881,9 EXPORT - 191,3 IMPORT - 690,6
	FTT - 3 910,5 EXPORT - 1 171,1 IMPORT - 2 738,4		FTT - 762,7 EXPORT - 70,4 IMPORT - 692,3
	FTT - 3 388,2 EXPORT - 1 690,1 IMPORT - 1 698,3		FTT - 704,0 EXPORT - 231,6 IMPORT - 472,4
	FTT - 1 889,5 EXPORT - 51,8 IMPORT - 1 837,7		FTT - 655,6 EXPORT - 649,4 IMPORT - 6,2

Source: [Stat.uz](#)

and over 9,000 regional projects, and increase exports to USD 14 bn. Furthermore, the President emphasized the need to establish continuous monitoring of investment projects, assist the initiator, and ensure timely launches. With that in mind, the fields of tourism, medicine, and engineering were said to retain low levels of investments, and consequently, the need to attract additional investments was stressed.

Source: [Kun.uz](#)

Trade Turnover, Exports, and Imports by Provinces for the 11 Months of 2021

Province	Trade Turnover (USD)	Exports (USD)	Imports (USD)
Tashkent City	14,7bn	3.5bn	11,2bn
Tashkent	4,8bn	1.8bn	3bn
Andijan	2,7bn	780,1mn	1,9bn
Ferghana	1,7bn	746,4mn	938,6mn
Samarkand	1,7bn	477,2mn	1,2bn
Navoi	1,1bn	467,6mn	615,9mn
Namangan	984,7mn	447,4mn	537,3mn
Bukhara	855,1mn	288mn	567,1mn
Sirdarya	612,2mn	215,2mn	397,1mn
Karakalpakstan	589,2mn	370,8mn	218,5mn
Kashkadarya	472,9mn	240,2mn	308mn
Khorezm	472,9mn	214mn	258,9mn
Djizakh	463,7mn	179,6mn	285,1mn
Surkhandarya	389mn	204,2mn	185,5mn

Source: [Stat.uz](#)

TOURISM AND IT

Hotels and Other Service Businesses Receive Significant Privileges

In line with the Presidential decree "On Additional Measures to Develop the Service Sector", taxes will be reduced for

Recreational Area "Beldersay" Sold to Ulkan Mulk

Upon a public auction, Ulkan Mulk acquired "Beldersay" for almost USD 9.9mn. Located in the Tashkent region, the 46-

various types of activities for extended periods. From 2022 to 2027, estate taxes for hotels are reduced by 90%. In addition, from 2022 to 2025, service businesses in tourist zones are to pay a turnover tax rate of 1%. The decree also entails privileges to businesses in the retail trade, catering, transportation, repair and maintenance of vehicles, computer services, repairs of household appliances, agricultural and veterinary services, as well as services in entertainment centres.

Source: Gazeta.uz

hectare recreational area includes a hotel for 78 people, 16 cottages, pools, tennis courts, and other faculties.

Source: Gazeta.uz; Kun.uz

RETAIL AND WHOLESALE

Shopping Complex "Malika" Sold to Premium Prime Service

Upon a public auction, Premium Prime Service acquired "Malika" for almost USD 11.5mn. The 4,14-hectare complex is the Tashkent city's main market for the sale of household appliances and electronics. Furthermore, the company agreed to allocate over USD 9mn for renovations works.

Source: Gazeta.uz; Kun.uz



Source: Stat.uz

ENERGY AND CLIMATE

Italian Pietro Fiorentini Will Help to Deploy 4 million Smart Gas Meters

Hudugazta'minot, an Uzbek state-owned company, will use the USD 264mn loan from Intesa Sanpaolo and SACE to modernize and digitize the energy system. Pietro Fiorentini, an Italian firm specializing in natural gas supply chain products and solutions, stated: "that smart meters have reduced the loss of 'blue' fuel, the emissions of harmful gases into the atmosphere, and gas combustion by 7.3 million cubic meters in the Tashkent region in 2021 alone".

Source: Smart Energy

An Overview of Projects for Building Photoelectric Power Plants (PVPs) and Wind Power Plants (WPPs)

In 2021, Uzbekistan's oil production increased by 2.9% relative to the previous year and reached 774 thousand tons. Given the global rise in oil prices and the eventual exhaustion of oil reserves, the government is directing more investments towards the production of alternative energies. In the first quarter of this year, a PVP with a capacity of 100 MW will be launched in the Samarkand province. Moreover, the government will sign agreements to build 8 PVPs with a total capacity of 1900 MW and 2 WPPs with a total capacity of 1700 MW across various provinces. In January-November 2021, Uzbekistan produced 63.27 billion kWh of electricity, which is

Uzbekistan is Considering Eliminating the Monopoly in Over 20 Types of Activities

The draft presidential decree "On the Development Strategy of New Uzbekistan for 2022-2026" intends to eliminate monopolies in over 25 types of activities. Specifically, the decree entails the abolition of exclusive rights and privatization of companies with state shares. This year, 14 types of activities will be affected, including the supply of liquefied gas and certification services. From 2023 to 2025, 11 types of activities, such as the storage of petroleum products, provision of services in rail transportation, operation of the airport and railway complexes, and more.

Source: Kun.uz

Uzbekistan Resumes Energy Supplies to Afghanistan

Currently, Afghanistan only generates 22% of its annual usage of 1,600 megawatts. Therefore, the country relies heavily on imports of power from the neighbouring countries, primarily from Tajikistan and Uzbekistan. In January, supplies from Uzbekistan were shortly disrupted due to technical problems in a power station. Previously, the sides signed a contract for a supply of 2bn kWh of electricity for USD 100mn in 2022.

Source: Kun.uz; The Diplomat

9% more compared to the previous year. The aim of PVP and WPP projects is to both diversify energy sources and further increase the energy supply to meet the growing demand, which is expected to double by 2030.

Source: [Kun.uz \(1\)](#); [Kun.uz \(2\)](#); [Kun.uz \(3\)](#); [Menafn](#)

Uzbekistan Ends Gas Exports to China, Abandons Price Increases at Home

In 2020, the Uzbek government announced plans to end gas exports by 2025. However, the government decided to stop its over 4 bcm of natural gas exports to China and sell to the domestic market instead. Contrary to the government's pledge from last year, in January the government has not increased prices for utilities, including natural gas and electricity. With that in mind, the Central Bank announced that the government is currently considering various options for liberalizing energy prices.

Source: [Eurasianet](#); [Kun.uz](#)

A Thermal Power Plant Began Supplying Electricity to the Country's Unified Energy System

A thermal power plant (TPP), built by the Turkish Aksa Enerji for USD 150mn, began supplies to the unified energy system. The TPP has a capacity of 240 MW and operates using efficient technology to save 290 million cubic meters of natural gas per year.

Source: [UzDaily](#)

The Capacities of the Navoi, Talimarjan, and Tashkent Thermal Power Plants Will Be Expanded

In line with a Presidential decree, the government will invest USD 1.84bn into building new combined-cycle plants and two gas turbine units at the Navoi, Talimarjan, and Tashkent TPPs. In total, the capacity of three TPPs will be expanded by 2,264 MW and as a result, 18bn kWh of electricity will be generated annually. Furthermore, the installations will allow to save up to 2.4bn cubic meters of natural gas in a year and create 700 new jobs.

Source: [Kun.uz](#)

HEALTHCARE AND R&D

Pharmaceutical Sector Will Receive Benefits

In line with a Presidential decree, significant regulatory changes and financial incentives will be introduced in the pharmaceutical sector to improve the provision of high-quality products for domestic production. For example, customs duties are exempted for imports of technological and laboratory equipment, components and spare parts for them, raw materials, and so on. Furthermore, 75% of the expenses of domestic manufacturers for the registration of products in foreign countries are covered by the Fund for Support and Development of the Pharmaceutical Industry. Click on the links below to see the full list of reforms and other relevant changes in the industry.

Source: [UzDaily](#); [Mondaq](#)

Scientists Developed a Device for Disinfecting Drinking Water

The portable device for disinfecting drinking waterworks though the effect of electrolysis of metal ions in water to destroy a wide range of pathogenic microorganisms. The device is said to be useful in conditions where there is a risk of contamination of water and the disinfected water is safe for consumption for 12 months.

Source: [UzDaily](#)

SHOLARLY AND MARKET PUBLICATIONS

Outlook: 2022 Uzbekistan

[Intellinews](#)

Uzbekistan Reforms: Status, Outlook and Risks

[Fitch Ratings](#)

Fitch Ratings Sees Reform Progress, Risks Across Sectors in Uzbekistan

[Fitch Ratings](#)

MACROECONOMIC TRENDS (Jan-Dec 2021 to Jan-Dec 2020)

GROSS DOMESTIC PRODUCT	107,4% ▲
INDUSTRY	108,7% ▲
AGRICULTURE, FORESTRY, AND FISHING	104,0% ▲
INVESTMENTS IN FIXED CAPITAL	105,2% ▲
CONSTRUCTION	106,8% ▲
CARGO TURNOVER	110,0% ▲
PASSENGER TURNOVER	109,5% ▲
RETAIL TRADE	112,0% ▲
SERVICES	119,2% ▲



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