



Ministry of Finance
of the Republic of Uzbekistan

June, 2021

NEWSLETTER № 22

Ministry of Finance of the Republic of Uzbekistan

Sovereign Eurobonds

- ❖ On 12 July 2021, the Republic of Uzbekistan priced the new Reg S/144A **U.S.\$635 mn** 3.90% (priced at 3.70% back in Nov 2020) 10-year and **SDG UZS 2.5 tn (~U.S.\$235 mn eqv.)**¹ 14.00% 3-year tranches (priced at 14.50% back in Nov 2020) with the final price being in line with the Central Bank policy rate. **(page 16)**

Macroeconomic forecasts

- ❖ European Bank for Reconstruction and Development expects Uzbekistan's GDP to grow by **5.6%** in 2021. At the same time, GDP growth in 2022 will account for 6%, follows from the updated forecast of the EBRD in the report "Regional Economic Prospects" (REP); **(page 19)**
- ❖ World Bank retains its forecast for Uzbekistan's GDP growth in 2021 at **4.8%**. Stronger GDP growth of **5.5%** is projected in 2022 as vaccination efforts accelerate and global disruptions ease further. **(page 19)**

SDG Bond Framework

- ❖ The SDG Bond Framework for the Republic of Uzbekistan was developed in cooperation with **the UNDP** and the Sustainability Structuring Agent. Second party opinion was provided by Sustainalytics and framework was evaluated being credible and impactful as well as aligned with the **Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021**. **(page 18)**

International Rating Agency

- ❖ On 2 July 2021, **Moody's** has raised Uzbekistan's rating outlook to **"positive"** from **"stable"**, and concurrently affirmed the B1 long-term issuer and senior unsecured ratings and the (P)B1 senior unsecured MTN program ratings; **(page 21)**
- ❖ This follows S&P Global Ratings' outlook improvement from "negative" to **"stable"** in June.

Anti-Corruption measures

- ❖ State Programme on control of corruption for 2021-2022 was approved and includes following measures:
 - ✓ establishment of internal control of corruption structures in all state bodies and organisations;
 - ✓ development of the draft law "On the settlement of conflicts of interest";
 - ✓ implementation of transparent admission mechanisms for the public servants through an open competition;
 - ✓ creation of an electronic system for assessing corruption risks in the activities of state bodies;
 - ✓ adoption of the Public servant Code of Ethics, etc. **(page 3)**

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2. Statistics at a glance



Economic Statistics

- ❖ As of July 1, 2021, the inflation rate constituted **10.9% (yoy)** in comparison to 14.2% (yoy) of the same period last year;
- ❖ As of July 1, 2021, official reserve assets of the country reached **U.S.\$ 34.1 bn**, an increase of U.S.\$ 1.8 bn compared to the same period in the previous year;
- ❖ In January-May 2021, the total foreign trade turnover amounted to **U.S.\$ 14.6 bn**, an increase of U.S.\$ 1.7 bn;
- ❖ In January-May 2021, the volume of industrial products equaled **UZS 160.0 tn** (~U.S.\$ 15.2 bn)¹ with a real growth rate of 8.2%(yoy);
- ❖ In January-May 2021, the volume of provided services equaled **UZS 104.3 tn** (~U.S.\$ 9.9 bn)¹ with a real growth rate of 20.9%(yoy);
- ❖ In January-May 2021, the volume of construction amounted to **UZS 37.3 tn** (~U.S.\$ 3.5 bn)¹ with a real growth rate of 0.9%(yoy);
- ❖ As of July 1, 2021 MoF had outstanding treasury bills and bonds equal to **UZS 3.7 tn** (~U.S.\$ 0.4 bn)⁴. In January-June, auctions were conducted and the total volume of issued T-bills and bonds reached **UZS 2.2 tn** (~U.S.\$ 0.2 bn)⁵.

Note 1: Average official exchange rate for January – March 2021, USD/UZS = 10 506
 Note 2: Average official exchange rate for January – May 2021, USD/UZS = 10 514
 Note 3: Debt borrowed on behalf of the Republic of Uzbekistan and under its guarantee
 Note 4: Official exchange rate for 1 June 2021, USD/UZS = 10 568
 Note 5: Average official exchange rate for January – June 2021, USD/UZS = 10 525

Indicators	As of June 1, 2020	As of June 1, 2021
Inflation, % (yoy) ¹	14.2	10.9
Industry statistics, UZS tn	134.5	160.0
Service statistics, UZS tn	79.3	104.3
Construction works, UZS tn	31.6	37.3
Official Reserve Assets, U.S.\$ bn	32.0	35.4
Foreign trade turnover, U.S.\$ bn	12.9	14.6
State domestic debt, U.S.\$ bn ²	2.1	2.2
State external debt, U.S.\$ bn ²	21.1	21.0

¹ As of July 1, 2020 and July 1, 2021







² As of April 1, 2020 and April 1, 2021

Sovereign Eurobonds	Currency	Price ³	YTM ³
UZBEK 4 ¾ 02 20 24	USD	106.19%	2.27%
UZBEK 5 ¾ 02 20 29	USD	111.38%	3.64%
UZBEK 3.7 25 11 30	USD	99.06%	3.82%
UZBEK 3.9 02 20 29	USD	100.18%	3.88%
UZBEK 14 ½ 11 25 23	UZS	102.00%	13.45%

³ As of July 15, 2021

Source: Bloomberg BVAL pricing

Exchange rates as of June 1, 2021

	USD/UZS = 10 568.21	-12.44	↘
	RUB/UZS = 143.98	+0.10	↗
	EUR/UZS = 12 879.48	-14.1	↘
	GBP/UZS = 14 980.44	-27.15	↘
	CNY/UZS = 1 658.64	-3.02	↘
	CHF/UZS = 11 737.24	-30.81	↘

Source: Central Bank of the Republic of Uzbekistan

"State Programme on control of corruption for 2021-2022" passed

(6 July 2021)

- ❖ From 1 September 2021, to introduce a procedure for hiring on the basis of an open competition in state authorities and administrations, state unitary enterprises and institutions, organisations with a state share of more than 50%;
- ❖ By 1 October 2021, to develop proposals on establishing a list of officials and employees of state bodies and organisations that are strictly prohibited from engaging in entrepreneurial activity;
- ❖ From 1 December 2021, it is planned to start publishing an annual rating of the effectiveness of anti-corruption work in all government agencies;
- ❖ By 1 January 2022, it is planned to launch the "Electronic Corruption Risk Assessment System";
- ❖ "State Programme on control of corruption for 2021-2022" was approved by the Presidential Decree №6257 and includes following measures:
 - ✓ establishment of internal control of corruption structures in all state bodies and organisations;
 - ✓ introduction of a system for declaring income and property heads of state bodies and their deputies, and public servants;
 - ✓ establishment of responsibility for illicit enrichment revealed in the process of declaring income and property;
 - ✓ development of the draft law "On the settlement of conflicts of interest";
 - ✓ implementation of transparent admission mechanisms for the public servants through an open competition;
 - ✓ introduction of the "Open electronic register of persons found guilty of corruption crimes";
 - ✓ prohibition of public servants to open and own accounts, keep cash, own real estate and other property outside the territory of the Republic;
 - ✓ implementation of a rating system for assessing the effectiveness of anti-corruption work in state bodies and organisations by the end of each year;
 - ✓ creation of an electronic system for assessing corruption risks in the activities of state bodies;
 - ✓ adoption of the Public servant Code of Ethics.

Additional measures to ensure transparency and improve the efficiency of public procurement passed

(2 July 2021)

- ❖ The Presidential Decree №5171 was adopted in order to protect land property rights in Uzbekistan, determine the economic value of land and turn it into a market asset;
- ❖ According to the Decree, from July 5, 2021:
 - ✓ relevant **corporate customers**:
 - when carrying out public procurement, advertisements on the conduct of procurement procedures and information on the results of public procurement are posted on a special information portal and in the media;
 - if the cost of goods (works, services) is higher than 25,000 basic calculation amount, submit technical specifications and tender documentation for purchases to the State Unitary Enterprise "Center for Comprehensive Expertise of Projects and Import Contracts" under the Ministry of Economic Development and Poverty Reduction for a comprehensive examination;
 - at a meeting of the supervisory board, consider annual and quarterly plans for public procurement, as well as lists of goods (works, services) planned for import, for the feasibility of procurement;
- ❖ The current procedures for the implementation of public procurement directly or without tendering, determined individually in accordance with the Presidential Decision and the Cabinet of Ministers for corporate customers are canceled;
- ❖ The Republican Commission was formed to ensure open and transparent implementation of public procurement. Its working body is the Ministry of Finance;
- ❖ Departmental laws and regulations will be developed and adopted for the preliminary qualification of suppliers, as well as an electronic system for accounting for the movement of commodity-material resources "E-ombor" by automating processes in the warehouse and transport logistics management system.

New edition of the Law “On Freedom of Conscience and Religious Organisations” passed

(5 July 2021)

- ❖ The Law №699 clearly defines the main priorities of ensuring freedom of conscience, the scope of rights and obligations of religious organisations. Additional guarantees for the activities of religious organisations are being strengthened;
- ❖ The law repeals the following:
 - ✓ Restrictions on the prohibition of citizens in public places in “prayer clothes”;
 - ✓ Requirement of religious educators in religious education institutions to obtain the special consent of the central body;
 - ✓ Procedure for submitting notaried documents for registration of a religious organisation;
 - ✓ The current procedures for the implementation of public procurement directly or without tendering, determined individually in accordance with the Decree and the Cabinet of Ministers for corporate customers, are canceled;
 - ✓ The requirement to obtain the consent of makhalla citizens' assembly for establishing a religious organisation is abolished;
- ❖ The Law radically simplifies the procedure for registration of religious organisations:
- ❖ law repeals the following:
 - ✓ The number of initiators for the establishment of a religious organisation will be reduced from 100 to 50;
 - ✓ The right to appeal to the organs of Ministry of Justice within 6 months (in practice 3 months) after the meeting on the establishment of a religious organisation will be strengthened;
 - ✓ The number of submitted documents will be decreased;
 - ✓ Registration services will be introduced in full electronic form;
 - ✓ the 3-month period of consideration of documents submitted for registration of the religious organisation will be set 1 month;
 - ✓ the grounds for refusal of registration will be clearly established.

“National Strategy of the Republic of Uzbekistan on Countering Extremism and Terrorism for 2021-2026” passed

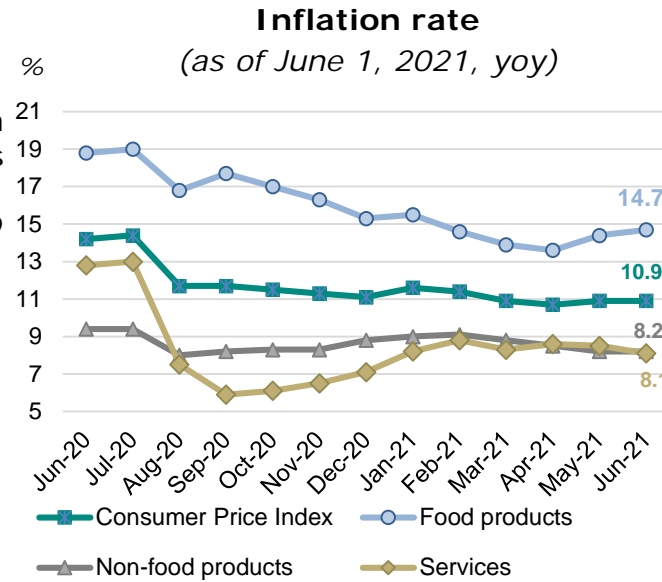
(1 July 2021)

- ❖ “National Strategy of the Republic of Uzbekistan on Countering Extremism and Terrorism for 2021-2026” has been approved by the Presidential Decree №6255. Priority directions of the Strategy are:
 - ✓ propaganda of the ideology of patriotism, traditional values and tolerance in order to prevent the spread of ideas of extremism and terrorism;
 - ✓ preventing the spread of ideas of extremism and terrorism among underage and young people;
 - ✓ protecting the rights of women and strengthening their role in countering extremism and terrorism;
 - ✓ protecting citizens staying abroad for a long time from the influence of ideas of extremism and terrorism;
 - ✓ preventing the use of the Internet for extremist and terrorist purposes;
 - ✓ wide involvement of civil society institutions and the media in countering extremism and terrorism;
 - ✓ improvement of measures of legal prosecution and responsibility for committing extremist and terrorist actions, as well as their financing;
 - ✓ development of international and regional cooperation in this area.

4. Macroeconomic Environment

Inflation rate

Inflation rate settled **10.9% (yoy)** in June, 2021. The consolidated CPI in annual terms for May 2021 was 3.3 points lower than in May last year (14.2%(yoy)), and 2.7 points lower than in May 2019 (13.6%(yoy)).



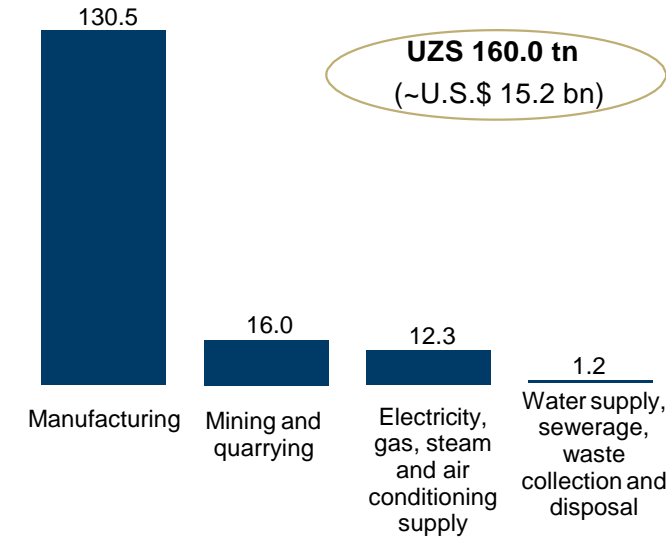
Industry statistics

In **January-May 2021**, the volume of the industrial products amounted to **UZS 160.0 tn** (~U.S.\$ 15.2 bn)¹, the index of physical volume of industrial production in January-May 2021 amounted to 8.2% (yoy)².

In the structure of production manufacturing amounted to UZS 130.5 tn (~U.S.\$ 12.4 bn)¹, mining and quarrying UZS 16.0 tn (~U.S.\$ 1.5 bn)¹ electricity, gas, steam and air conditioning UZS 12.3 tn (~U.S.\$ 1.2 bn)¹ and water supply, sewerage, waste collection and disposal UZS 1.2 tn (~U.S.\$ 0.1 bn)¹.

Industrial output

(January-May 2021, UZS tn)



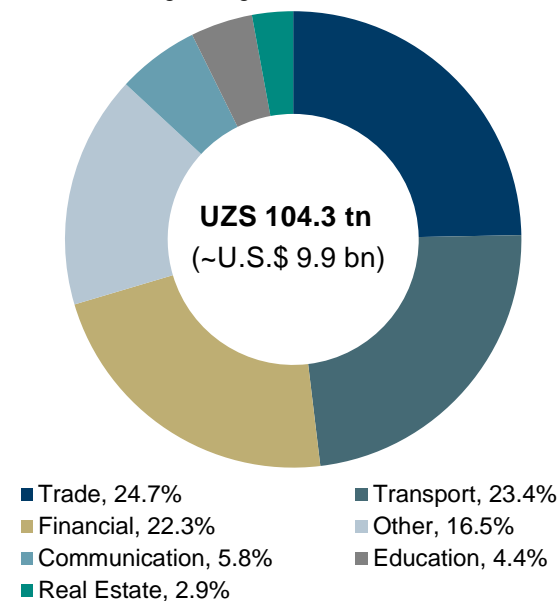
Service statistics

Market services in **January-May 2021** reached **UZS 104.3 tn** (~U.S.\$ 9.9 bn)¹ with a real growth rate of 20.9% (yoy)².

As of June 1, 2021 the largest share of enterprises and organisations operating in the service sector constituted 50.0% of the total number of organisations. In the structure of market services falls on trade services (24.7%), transport (23.4%), financial services (22.3%), communication and information services (5.8%).

Services statistics

(January-May 2021, % in total)



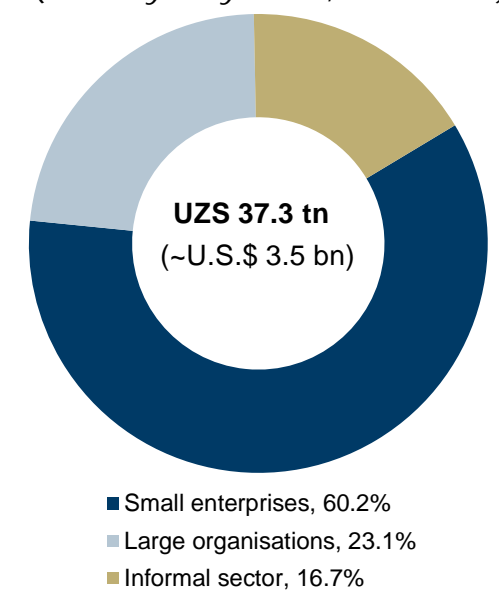
Construction statistics

In **January-May 2021**, the construction works amounted to **UZS 37.3 tn** (~U.S.\$ 3.5 bn)¹ with a real growth rate of 0.9% (yoy)².

As of June 1, 2021, the number of enterprises and organisations in the construction sector amounted to **43.3 thousand units** with thousand units increase compared with the last year.

Construction works

(January-May 2021, % in total)



Note 1: Average official exchange rate for January – May 2021, USD/UZS = 10 514

Note 2: The information provided in service, industry and construction section is preliminary, the growth rates in these sectors are calculated based on comparative price level indices that are relative indicators that characterize the change in the volume of products (goods and services) in the compared periods

Source: State Committee of the Republic of Uzbekistan on Statistics

5. National Accounts Statistics

GDP revision for 2010-2020 in the Republic of Uzbekistan

In order to fully introduce the “**Systems of National Accounts – 2008**” (SNA 2008) into practice and improve the practice of assessing the structural components of gross domestic product (GDP) in accordance with international standards, the State Committee on Statistics has:

1. Altered the methodology for calculating the notional housing rent

- Based on the recommendations of experts from the IMF and the ADB, “*Methodological guidelines for assessing services of owner-occupied dwellings produced by homeowners for their own consumption*” has been developed.
- As a result, nominal GDP for 2020 increased from 580.2 trillion soums to 602.6 trillion soums (by 3.9%). Real GDP growth rates increased from 1.6% to 1.7%, and the share of services of owner-occupied dwelling in GDP - from 1.5% to 5.1%.

Comparative table based on the results of the GDP revision in the Republic of Uzbekistan

Year	Nominal GDP, <i>billion UZS</i>		
	before revision	after revision	<i>difference</i>
2010	74 042.0	78 936.6	4 894.6
2011	96 949.6	103 232.6	6 283.0
2012	120 242.0	127 590.2	7 348.2
2013	144 548.3	153 311.3	8 763.1
2014	177 153.9	186 829.5	9 675.6
2015	210 183.1	221 350.9	11 167.8
2016	242 495.5	255 421.9	12 926.3
2017	302 536.8	317 476.4	14 939.6
2018	406 648.5	424 728.7	18 080.2
2019	510 117.2	529 391.4	19 274.2
2020	580 203.2	602 551.4	22 348.2

2. Ensured consistency between the System of National Accounts and the Balance of Payments in the calculation of GDP by the final use method.

Together with experts from the International Monetary Fund, the methodology for calculating individual components of GDP by the final use method was improved by:

- formation of export and import indicators based on data from the Balance of Payments of the Republic of Uzbekistan, compiled in accordance with *The Sixth Edition of the Balance of Payments and International Investment Position Manual*;
- inclusion of the “travel” component of the BoP in the indicator of household expenditures on final consumption;
- reflecting changes in the official international gold reserves of the Republic of Uzbekistan as part of the indicator of changes in inventories.

As a result of the implementation of improved methodological approaches, the share of household’s final consumption expenditures in GDP increased from 54.5% to 57.2%, changes in inventories - from 0.4% to 2.7%, imports of goods and services - from 36.7% to 37.7%, and the share of exports of goods and services decreased from 26.3% to 24.3%.

In the future, the State Committee on Statistics will continue to work on improving the statistical methodology and implementation new provisions of the 2008 SNA as part of the implementation of the National Strategy for the Development of Statistics of the Republic of Uzbekistan.

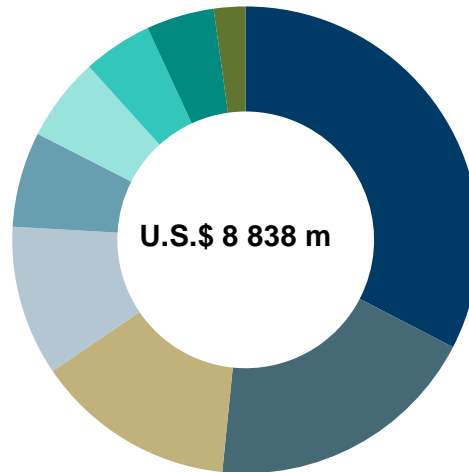
For more details on the results of the revision of national accounts statistics indicators, you can find on the website of the State Committee on Statistics at the link <https://stat.uz/en/official-statistics/national-accounts>.

6. Foreign Trade Turnover

Structure of Imports

(January-May 2021, % in total)

- Machinery and transport equipment, 32.6%
- Manufactured goods, 19.0%
- Chemicals and similar products, 13.9%
- Food and live animals, 10.4%
- Various finished goods, 6.6%
- Services, 5.8%
- Non-food raw materials, 4.8%
- Mineral fuels and similar materials, 4.7%
- Other goods, 2.2%



Foreign Trade Turnover

In January-May 2021, the foreign trade turnover (FTT) constituted **U.S.\$14 573 m**, a decrease by U.S.\$ 1 700 m, compared to the same period last year. Negative balance of foreign trade in the amount of U.S.\$ 3 104 m was recorded.

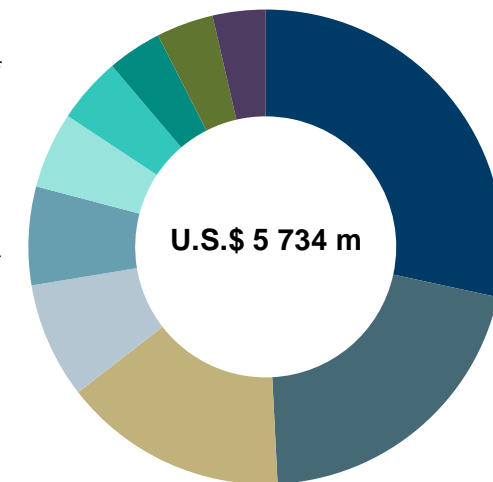
As of June 1, 2021, exports reached **U.S.\$5 734 m**, while the total number of exporting entities amounted to 4 468 units.

Imports amounted to **U.S.\$8 838 m**, the main share of which is occupied by industrial goods (19.0%), food and live animals (10.4%) and services (5.8%).

Structure of Exports

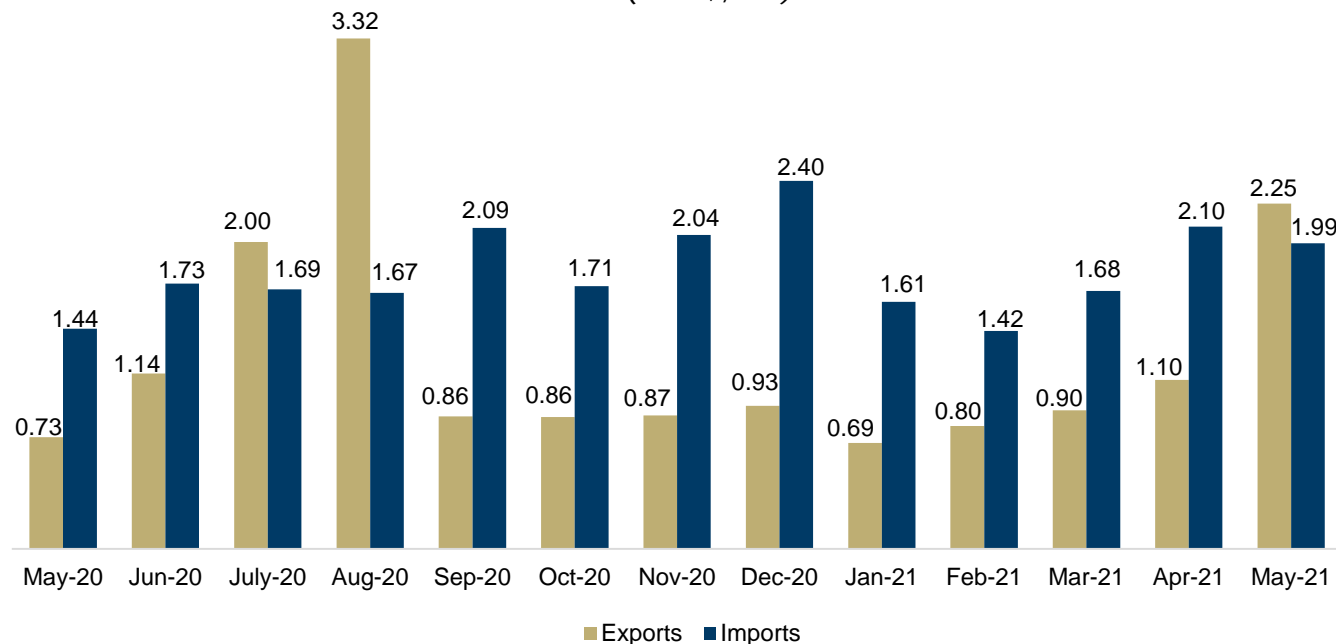
(January-May 2021, % in total)

- Manufactured goods, 28.4%
- Gold, 20.8%
- Services, 15.3%
- Food and live animals, 7.9%
- Chemical products, 6.7%
- Various finished products, 5.2%
- Machinery equipment, 4.5%
- Non-food raw materials, 3.7%
- Mineral fuels, 3.9%
- Other goods, 3.6%



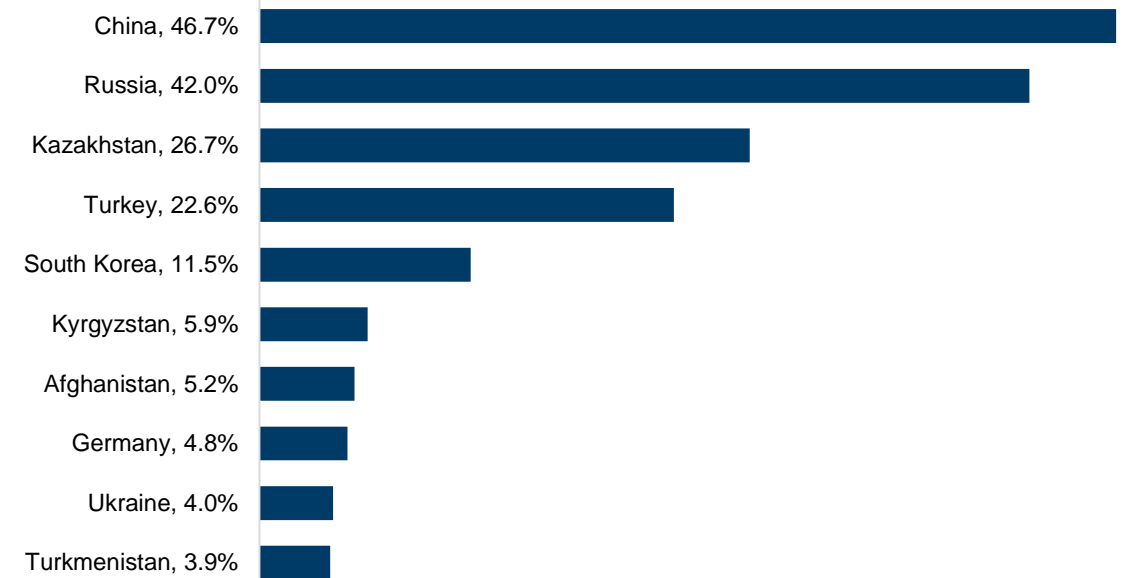
Exports and Imports of goods and services

(U.S.\$, bn)

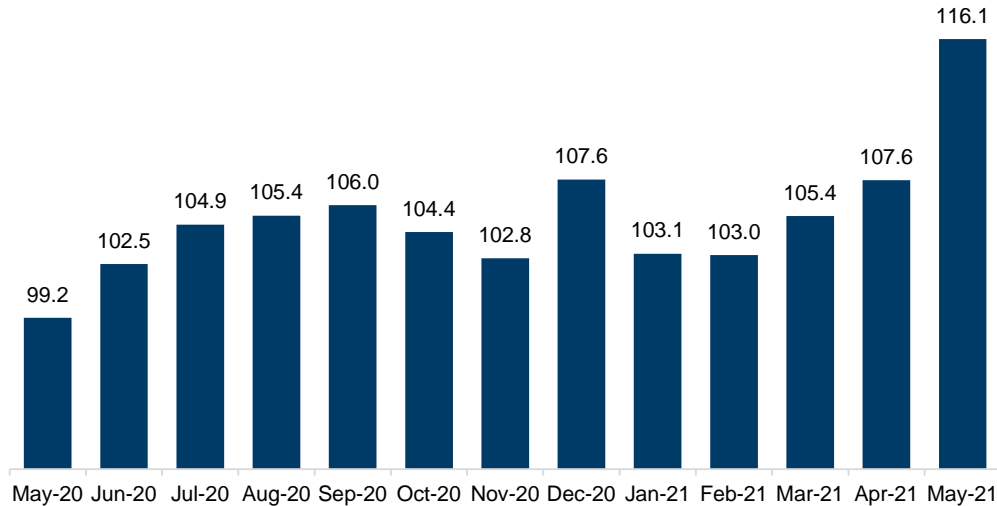


Top 10 countries in foreign trade with Uzbekistan

(January-May 2021, % share in total FTT)



Broad Money (M2)
(to the end of month, UZS tn)



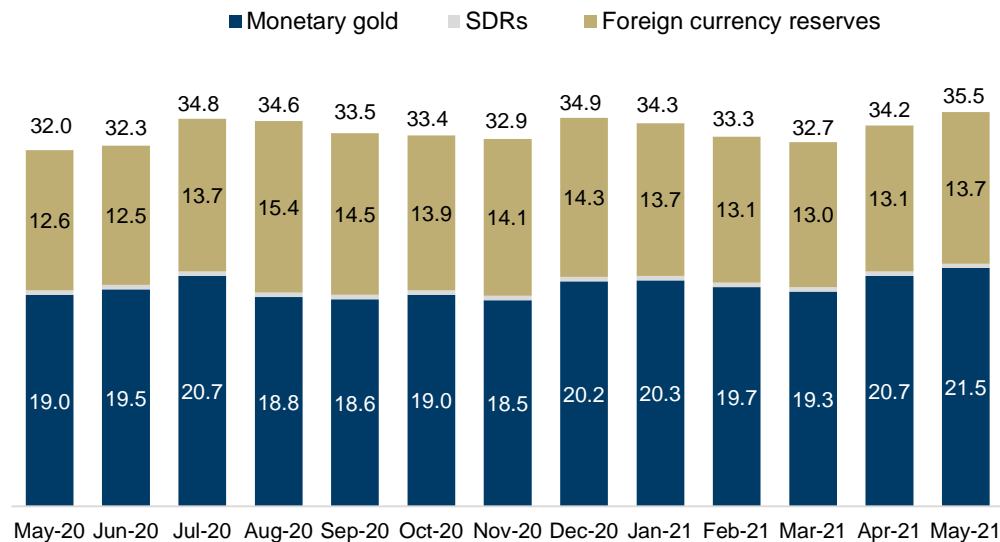
Broad Money (M2)

As of June 1, 2021, broad money constituted **UZS116.1 tn (~U.S.\$ 11.0 bn)⁽¹⁾**, while the growth rate equaled **17.1%** compared to the same period of last year.

The volume of money supply in national currency constituted UZS76.2 tn (~U.S.\$7.2 bn)⁽¹⁾, of which currency in circulation and transferable deposits in national currency amounting to respective UZS 25.3 tn (~U.S.\$2.4 bn)⁽¹⁾ and UZS 25.9 tn (~U.S.\$2.5 bn)⁽¹⁾ and other deposits in national currency UZS25.0 tn (~U.S.\$2.4 bn)⁽¹⁾.

As of June 1, 2021, foreign currency deposits in national currency equivalent reached to UZS 39.9 tn (~U.S.\$3.8 bn)⁽¹⁾.

Official Reserve Assets
(as of June 1, 2021, U.S.\$ bn)



Official Reserve Assets

As of June 1, 2021, official reserve assets constituted **U.S.\$ 35.4 bn** with an increase of **11.0%** in comparison to the previous year.

In the composition of official reserve assets, foreign currency reserves constituted U.S.\$ 13.7 bn, gold U.S.\$ 21.5 bn and SDRs U.S.\$ 0.4 bn.

Liquidity in the banking system

Indicators	June 1, 2020	June 1, 2021
Highly liquid assets (bn UZS)	32 269	60 562
Immediate liquidity ratio (minimum: 25%)	52.0%	78.0%
Liquidity coverage ratio (minimum: 100%)	210.9%	160.8%
Net stable funding ratio (minimum: 100%)	107.6%	113.5%
Ratio of highly liquid assets to total assets (in %)	10.4%	15.9%

Banking system stability indicators

UZS bn

Indicators	5M2020	5M2021
Regulatory Tier 1 capital to RWA	18.17%	15.25%
Regulatory Tier 1 capital	47 981	53 420
Risk-weighted assets	264 031	350 198
Liquid assets to total assets	13.67%	16.45%
Liquid assets	42 342	64 968
Total assets	309 727	395 034
Capital to risk-weighted assets	20.77%	17.42%
Capital at the end of period	54 850	61 019
Risk-weighted assets	264 031	350 198
NPL to total gross loans	2.25%	4.64%
Non-performing loans	5 474	14 007
Total gross loans	243 033	301 949

8. BoP and Budget Statistics

Balance of Payments

U.S.\$, mn

	1Q2020	1Q2021
Current account balance	-880.3	-2121.3
Capital account (excl. reserve assets)	0.2	0.0
Financial account	-1323.6	-766.4
Net Errors and Omissions	-442.8	66.5
Overall Balance	-0.7	1288.4

Balance of Payments

The current account formed with a deficit of **U.S.\$2.1 bn** (U.S.\$880.3 mn for 1Q2020). At the same time, the negative trade balance (goods and services) and primary income (U.S.\$3.2 bn) was partially offset by the positive balance of secondary income (U.S.\$1.2 bn).

In 1Q2021, foreign trade in goods (including trade of precious metals (gold) and adjustments) amounted to U.S.\$6.7 bn (U.S.\$6.9 bn for 1Q2020). Volume of exports and imports amounted to U.S.\$1.9 bn and U.S.\$ 4.7 bn, respectively. Thus, the negative trade balance of goods amounted to U.S.\$ 2.8 bn.

For 1Q2021 the deficit in international trade with services recorded a decrease by 8% compared to 1Q2020 (U.S.\$421 mn).

Deficit balance of primary income for 1Q2021 was equal to U.S.\$38.0 mn.

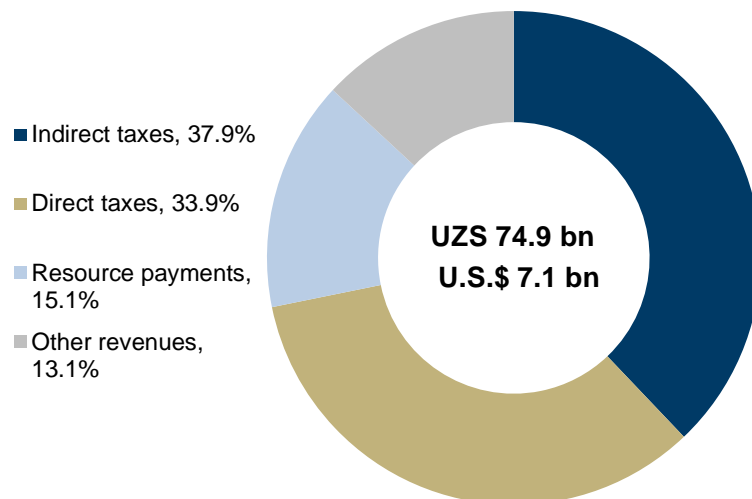
The positive balance of secondary income amounted to U.S.\$1.2 bn (U.S.\$1.0 bn for 1Q2020). The positive balance remains stable mainly due to cross-border remittances of long-term workers.

In 1Q2021, no transactions were carried out (U.S.\$0.2 mn for 1Q2020).

In 1Q2021, the negative balance of the financial account amounted to U.S.\$ 2.1 bn and increased by 36% (U.S.\$1.3 bn in 1Q2020). The main reason to increase the negative balance of financial account is the decrease in the reserve assets by U.S.\$1.3 bn and the increase in liabilities of loans and credits by U.S.\$721.7 mn.

Source: Central Bank of Uzbekistan

State budget revenues¹ (as of July 1, 2021, UZS tn)



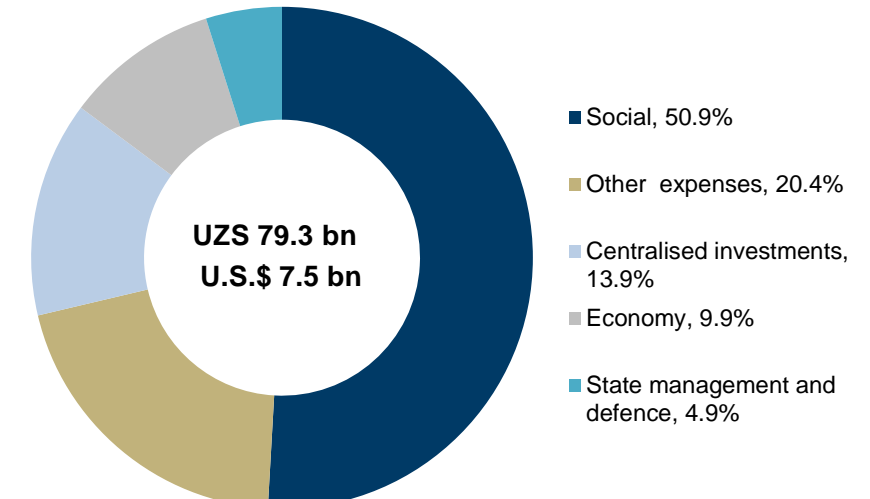
State budget¹

In 1H2021, the State budget revenues amounted to **UZS 74.9 tn** (~U.S.\$ 7.1 bn)² or UZS 16.7 tn (+28.7%) more than in the same period last year.

In 1H2021, revenues under the control of state tax authorities amounted to **UZS 61.4 tn** (~U.S.\$ 5.8 bn)², an increase of **UZS 15.5 tn** (~U.S.\$ 1.5 bn)² compared to the same period last year. In particular, revenues under the control of the Inspectorate for working with Large Taxpayers amounted to **UZS 40.6 tn** (~U.S.\$ 3.9 bn)². In 1H2021, revenues under the control of customs amounted to **UZS 5.2 tn** (~U.S.\$ 0.5 bn)².

In 1H2021, the State budget expenses amounted to **UZS 79.3 tn** (~U.S.\$ 7.5 bn)².

State budget expenses¹ (as of July 1, 2021, UZS tn)



Note 1: Preliminary estimate

Note 2: Average official exchange rate for January – June 2021, USD/UZS = 10 525

Source: Ministry of Finance of the Republic of Uzbekistan

9. Borrowing Statistics

Sources of financing of State external debt¹ (as of April 1, 2021)

	Asian Development Bank - U.S.\$ 5.0 bn
	World Bank - U.S.\$ 3.8 bn
	Export-Import Bank of China – U.S.\$ 2.0 bn
	China Development Bank – U.S.\$ 2.0 bn
	Japan International Cooperation Agency - U.S.\$ 1.9 bn
	International investors - U.S.\$ 1.7 bn
	Islamic Development Bank – U.S.\$ 0.9 bn
	Japanese Bank for International Cooperation - U.S.\$ 0.4 bn
	Economic development and cooperation fund and others - U.S.\$ 1.0 bn
	Other IFIs and foreign government financial organisations - U.S.\$ 2.3 bn
Total State external debt - U.S. \$ 21.0 bn	

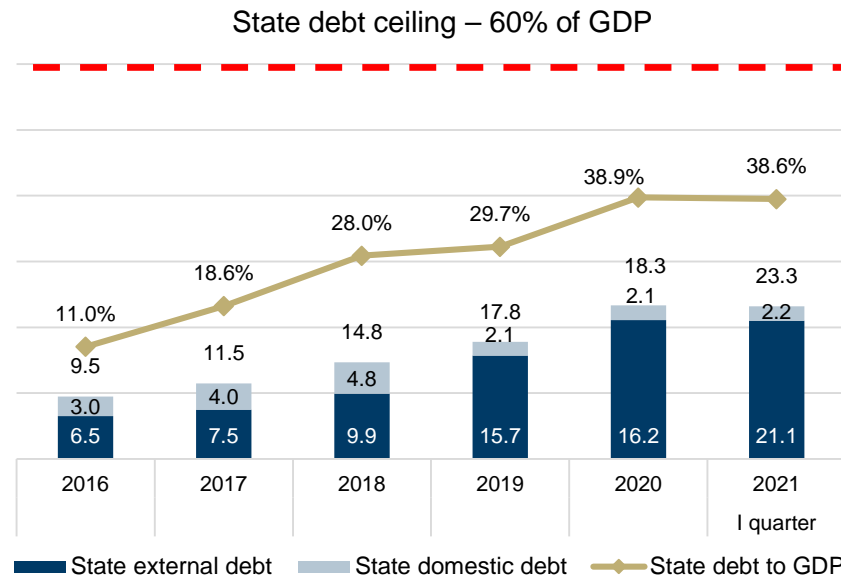
Total State debt

As of April 1, 2021, the State debt² of Uzbekistan amounted to **U.S.\$ 23.2 bn** equivalent or **38.6%** of GDP decreasing by **U.S.\$ 133.7 mn** or **0.2%** ratio to GDP. In particular:


State external debt amounted to **U.S.\$ 21.0 bn** or 35.0% of GDP decreasing by **U.S.\$ 73.6 mn** or 0.1% ratio to GDP;

State domestic debt amounted to **U.S.\$ 2.2 bn** or **3.6%** of GDP decreasing by **U.S.\$ 60.1 mn** or **0.1%** ratio to GDP.

Total State debt (as of January 1, 2021, U.S.\$ bn)³



Use of proceeds of State external debt¹ (as of April 1, 2021)

	Budget support & Financial Sector – U.S.\$ 4.4 bn
	Electric power and - U.S.\$ 3.0 bn
	Energy (oil and gas) - U.S.\$ 2.6 bn
	Transport & Transport Infrastructure – U.S.\$ 2.4 bn
	Agriculture - U.S.\$ 2.3 bn
	Housing & communal services - U.S.\$ 2.0 bn
	Commercial banks - U.S.\$ 1.3 bn
	Chemical industry - U.S.\$ 1.1 bn
	Education & healthcare - U.S.\$ 0.7 bn
	Telecommunications - U.S.\$ 0.2 bn
	Others - U.S.\$ 1.0 bn
Total State external debt - U.S. \$ 21.0 bn	

Note 1: State debt statistics are constantly being improved with the help of IFIs and lending institutions

Note 2: Debt borrowed on behalf of the Republic of Uzbekistan and under its guarantee

Note 3: Debt-to-GDP ratios have been revised reflecting GDP revision for 2010-2020 years

Source: Ministry of Finance of the Republic of Uzbekistan

10. Domestic Treasury Securities

Auction results of Domestic Treasury Securities

As of July 1, 2021 the Ministry of Finance had outstanding treasury bills and bonds amounting to **UZS 3.7 tn** (~U.S.\$ 0.4 bn)¹. In January – June 2021, the total number of 31 auctions conducted reached and the total volume of issuance of T-bills and bonds reached **UZS 2.2 tn** (~U.S.\$ 0.2 bn)². In the long term, Ministry of Finance aims at remaining committed to the development of the domestic government debt market, continuous diversification of debt instruments in terms of both tenor and tranche amount and gradually widening the investor base by working in collaboration with the Central Bank of Uzbekistan.

Type of Government Securities	Date of auction	Maturity date	Announced volume, (UZS bn) ³	Fixed coupon rate	Aggregate amount of bids submitted, (UZS bn) ³	Volume of securities issued, (UZS bn) ³	Weighted average YTM	Outstanding amount, (UZS bn) ³
6-months	26 Dec 2018	26 Jun 2019	200.0	zero-coupon	239.3	197.1	14.15%	Redeemed
12-months	27 Dec 2018	27 Dec 2019	200.0	16%	225.8	200.0	14.22%	Redeemed
3-years	28 Dec 2018	24 Dec 2021	200.0	16%	216.5	200.0	14.87%	200.0
12-months	19 Feb 2019	19 Feb 2020	60.0	15%	122.0	60.0	13.33%	Redeemed
12-months	27 Feb 2019	27 Feb 2020	40.0	15%	82.0	40.0	12.98%	Redeemed
12-months	5 Mar 2019	4 Mar 2020	30.0	15%	30.0	30.0	14.94%	Redeemed
12-months	12 Mar 2019	11 Mar 2020	40.0	15%	109.3	40.0	14.54%	Redeemed
12-months	19 Mar 2019	18 Mar 2020	80.0	15%	140.5	80.0	12.94%	Redeemed
12-months	8 May 2019	7 May 2020	100.0	15%	494.1	100.0	11.02%	Redeemed
12-months	15 May 2019	14 May 2020	100.0	15%	463.9	100.0	10.47%	Redeemed
18-months	22 May 2019	18 Nov 2020	100.0	15%	283.4	100.0	10.04%	Redeemed
18-months	4 Jun 2019	1 Dec 2020	100.0	15%	231.4	100.0	9.82%	Redeemed
2-years	12 Jun 2019	9 Jun 2021	100.0	15%	315.0	100.0	8.93%	Redeemed
2-years	19 Jun 2019	16 Jun 2021	100.0	15%	479.0	100.0	7.73%	Redeemed
3-years	5 Jul 2019	1 Jul 2022	100.0	15%	375.0	100.0	10.11%	100.0
3-years	12 Jul 2019	8 Jul 2022	100.0	15%	176.3	100.0	10.41%	100.0
160-days	17 Jul 2019	24 Dec 2019	200.0	zero-coupon	202.1	200.0	12.72%	Redeemed
160-days	19 Jul 2019	26 Dec 2019	300.0	zero-coupon	435.0	300.0	14.89%	Redeemed

Note 1: Official exchange rate for 1 July 2021, USD/UZS = 10 591

Note 2: Average official exchange rate for January – June 2021, USD/UZS = 10 525

Note 3: Nominal value of each bill and bond is equal to UZS 1.0 m.

All calculations are derived based on the nominal value of the securities issued

Source: Ministry of Finance of the Republic of Uzbekistan

10. Domestic Treasury Securities

Type of Government Securities	Date of auction	Maturity date	Announced volume, (UZS bn) ¹	Coupon rate	Aggregate amount of bids submitted, (UZS bn) ¹	Volume of securities issued, (UZS bn) ¹	Weighted average YTM	Outstanding amount, (UZS bn) ¹
12-months	17 Jan 2020	16 Jan 2021	200.0	16%	628.0	200.0	12.98%	Redeemed
9-months	20 Jan 2020	19 Oct 2020	300.0	zero-coupon	368.0	300.0	14.18%	Redeemed
2-years	20 Jan 2020	17 Jan 2022	200.0	16%	453.2	200.0	14.87%	200.0
12-months	6 Apr 2020	6 Apr 2021	750.0	16%	770.0	750.0	15.97%	Redeemed
12-months	9 Apr 2020	9 Apr 2021	250.0	16%	360.0	250.0	15.95%	Redeemed
12-months	10 Apr 2020	10 Apr 2021	300.0	16%	310.0	300.0	15.97%	Redeemed
18-months	13 Apr 2020	11 Oct 2021	150.0	16%	89.8	89.8	15.97%	89.8
12-months	6 May 2020	4 Nov 2020	500.0	15%	550.0	500.0	14.91%	Redeemed
3-months	8 May 2020	7 Aug 2020	100.0	zero-coupon	241.0	100.0	14.39%	Redeemed
4-months	11 May 2020	8 Sep 2020	100.0	zero-coupon	141.0	100.0	14.39%	Redeemed
130-days	14 May 2020	21 Sep 2020	100.0	zero-coupon	241.5	100.0	14.61%	Redeemed
12-months	28 May 2020	26 Nov 2020	470.0	15%	570.0	470.0	14.93%	Redeemed
150-days	12 Jun 2020	9 Nov 2020	100.0	zero-coupon	261.0	100.0	14.17%	Redeemed
150-days	8 Sep 2020	05 Feb 2021	100.0	zero-coupon	296.0	100.0	14.39%	Redeemed
6-months	17 Sep 2020	18 Mar 2021	300.0	zero-coupon	350.0	300.0	13.90%	Redeemed
150-days	21 Sep 2020	18 Feb 2021	100.0	zero-coupon	104.0	100.0	13.78%	Redeemed
6-months	28 Sep 2020	29 Mar 2021	235.0	zero-coupon	285.0	235.0	13.87%	Redeemed
6-months	8 Oct 2020	8 Apr 2021	235.0	zero-coupon	305.0	235.0	13.77%	Redeemed
6-months	9 Oct 2020	9 Apr 2021	300.0	zero-coupon	397.0	300.0	13.92%	Redeemed
9-months	20 Oct 2020	20 Jul 2021	300.0	zero-coupon	97.2	97.2	13.92%	97.2
18-months	18 Nov 2020	18 May 2022	100.0	14%	138.0	100.0	13.56%	100.0
18-months	1 Dec 2020	31 May 2022	100.0	14%	97.0	97.0	13.81%	97.0
12-months	2 Feb 2021	1 Feb 2022	200.0	zero-coupon	483.7	200.0	12.51%	200.0
3-months	9 Feb 2021	11 May 2021	50.0	zero-coupon	165.0	50.0	11.67%	Redeemed
6-months	9 Feb 2021	10 Aug 2021	50.0	zero-coupon	180.5	50.0	11.42%	50.0
6-months	16 Feb 2021	17 Aug 2021	50.0	zero-coupon	220.0	50.0	12.13%	50.0
6-months	23 Feb 2021	24 Aug 2021	50.0	zero-coupon	156.5	50.0	12.42%	50.0
2-years	23 Feb 2021	23 Feb 2023	200.0	14%	229.6	200.0	13.35%	200.0

Note 1: Nominal value of each bill and bond is equal to UZS 1.0 m.
All calculations are derived based on the nominal value of the securities issued

Source: Ministry of Finance of the Republic of Uzbekistan

10. Domestic Treasury Securities

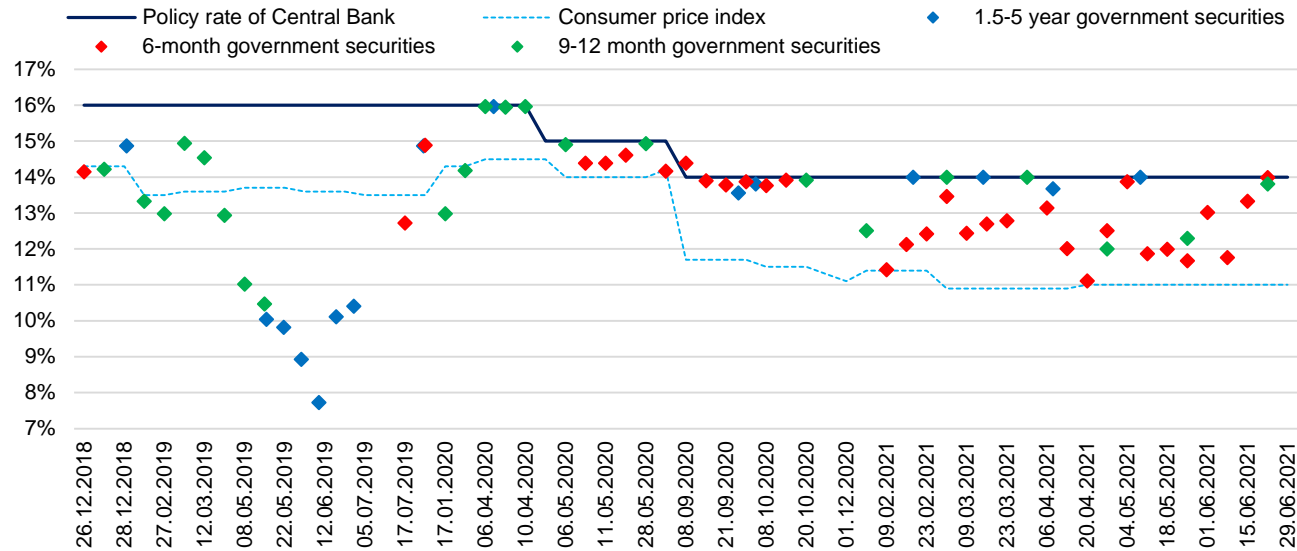
Type of Government Securities	Date of auction	Maturity date	Announced volume, (UZS bn) ¹	Coupon rate	Aggregate amount of bids submitted, (UZS bn) ¹	Volume of securities issued, (UZS bn) ¹	Weighted average YTM	Outstanding amount, (UZS bn) ¹
12-months	2 Mar 2021	31 Aug 2021	50.0	zero-coupon	111.9	50.0	13.46%	50.0
6-months	2 Mar 2021	1 Mar 2022	200.0	zero-coupon	213.7	200.0	14.00%	200.0
6-months	9 Mar 2021	7 Sep 2021	50.0	zero-coupon	235.3	50.0	12.44%	50.0
6-months	16 Mar 2021	14 Sep 2021	30.0	zero-coupon	85.6	30.0	12.70%	30.0
6-months	23 Mar 2021	21 Sep 2021	30.0	zero-coupon	42.3	30.0	12.79%	30.0
12-months	30 Mar 2021	29 Mar 2022	200.0	zero-coupon	162.4	122.6	14.00%	122.6
3-years	30 Mar 2021	31 Mar 2024	100.0	14%	10.0	10.0	14.00%	10.0
6-months	6 Apr 2021	5 Oct 2021	30.0	zero-coupon	108.5	30.0	13.14%	30.0
6-months	13 Apr 2021	12 Oct 2021	50.0	zero-coupon	287.2	50.0	12.01%	50.0
6-months	20 Apr 2021	19 Oct 2021	50.0	zero-coupon	261.1	50.0	11.11%	50.0
5-years	27 Apr 2021	30 Apr 2026	100.0	14%	166.0	100.0	12.65%	100.0
12-months	27 Apr 2021	26 Apr 2022	200.0	zero-coupon	497.2	200.0	12.00%	200.0
6-months	27 Apr 2021	26 Oct 2021	50.0	zero-coupon	160.1	50.0	12.37%	50.0
6-months	4 May 2021	2 Nov 2021	50.0	zero-coupon	87.1	50.0	12.69%	50.0
6-months	11 May 2021	9 Nov 2021	50.0	zero-coupon	342.7	10.0	11.87%	10.0
6-months	18 May 2021	16 Nov 2021	30.0	zero-coupon	86.4	30.0	11.90%	30.0
6-months	25 May 2021	23 Nov 2021	30.0	zero-coupon	85.0	30.0	11.67%	30.0
12-months	25 May 2021	24 May 2022	200.0	zero-coupon	433.5	200.0	12.15%	200.0
2-years	25 May 2021	25 May 2023	200.0	14%	343.9	200.0	13.14%	200.0
6-months	1 June 2021	30 Nov 2021	30.0	zero-coupon	65.3	15.3	13.80%	15.3
6-months	8 June 2021	7 Dec 2021	30.0	zero-coupon	106.5	30.0	11.90%	30.0
6-months	15 June 2021	14 Dec 2021	30.0	zero-coupon	11.3	11.3	13.99%	11.3
6-months	22 June 2021	21 Dec 2021	30.0	zero-coupon	5.3	5.3	13.99%	5.3
12-months	22 June 2021	21 June 2022	300.0	zero-coupon	40.9	40.9	14.00%	40.9
3-years	29 June 2021	30 June 2024	300.0	14%	45.5	45.5	14.00%	45.5

Note 1: Nominal value of each bill and bond is equal to UZS 1.0 m.
All calculations are derived based on the nominal value of the securities issued

Source: Ministry of Finance of the Republic of Uzbekistan

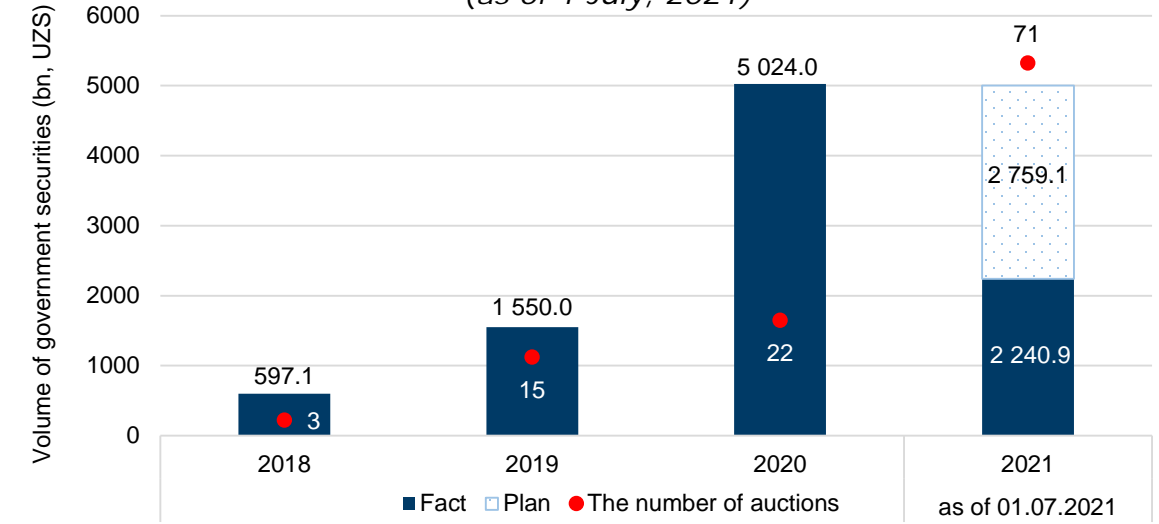
10. Domestic Treasury Securities

Yield of government securities issued in 2018-2021

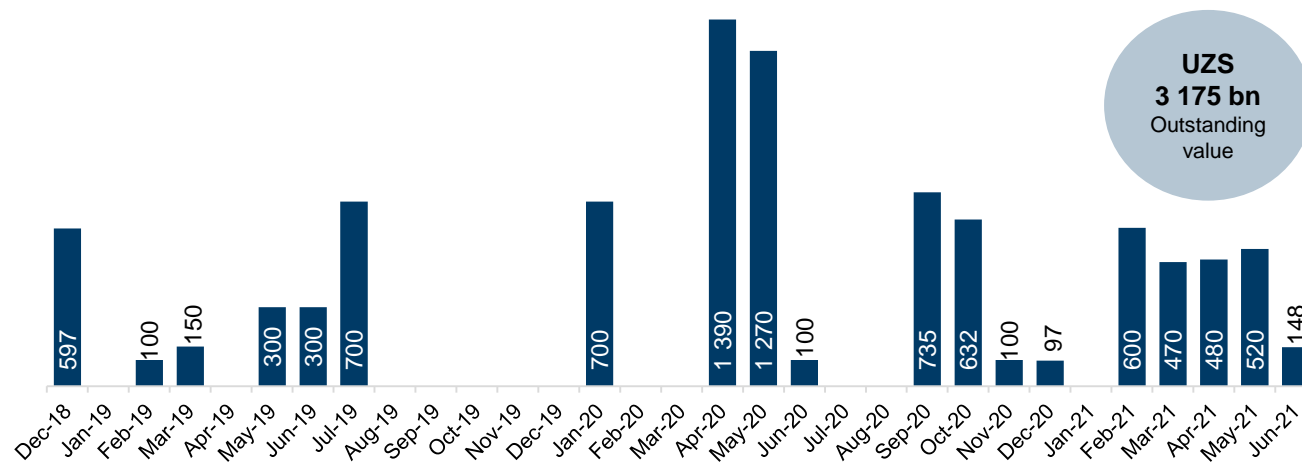


Information on conducted auctions and placed government securities in 2018-2021

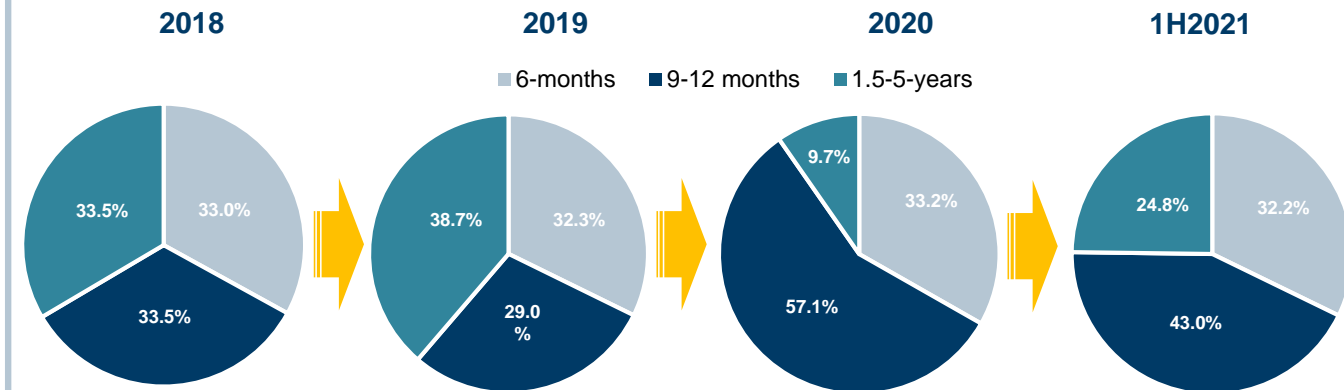
(as of 1 July, 2021)



Domestic issuance volume dynamics (UZS, bn)



Treasury bills and bonds by maturity (% of total issuance)

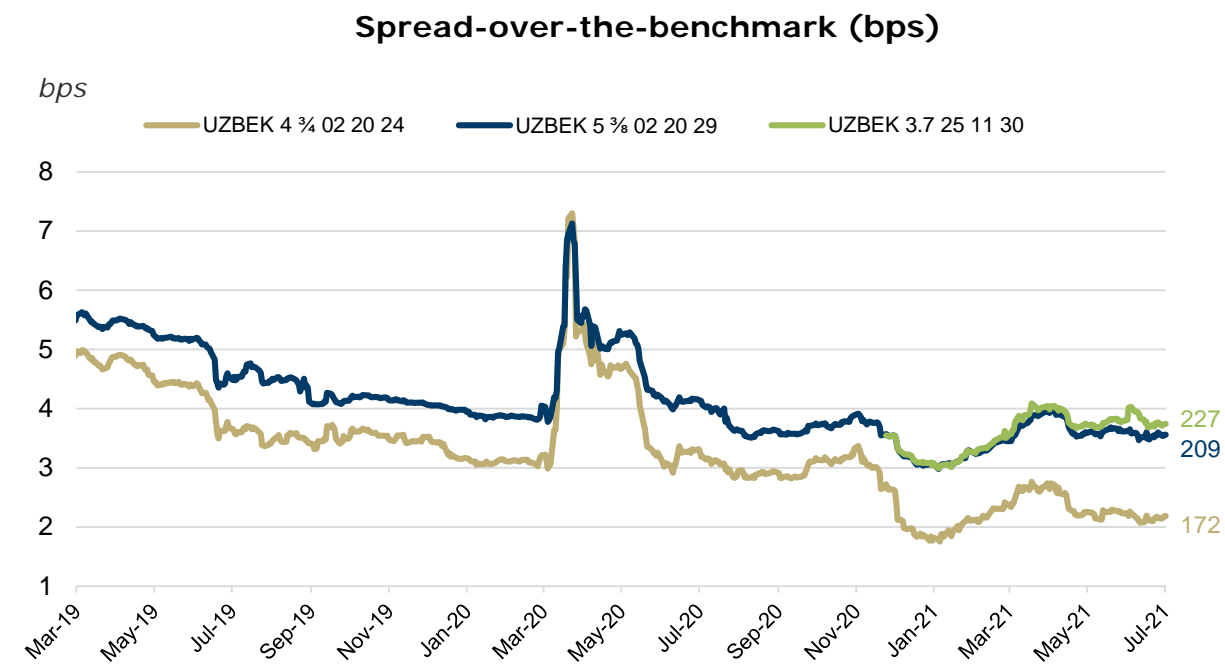
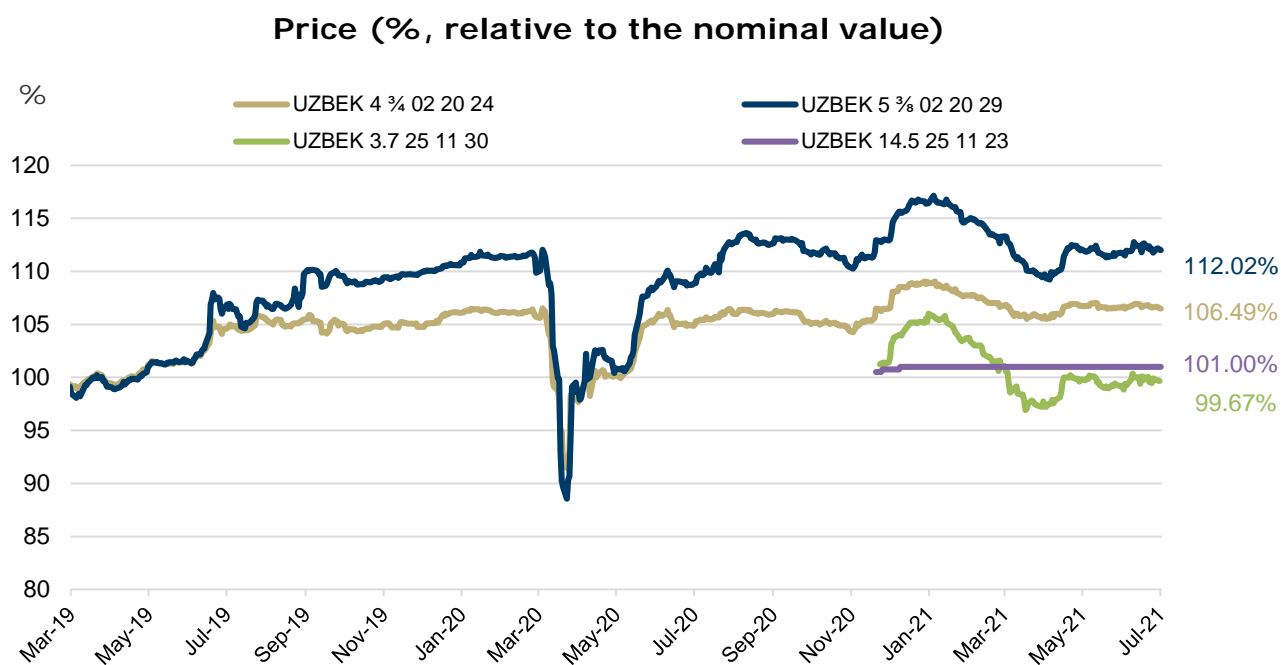
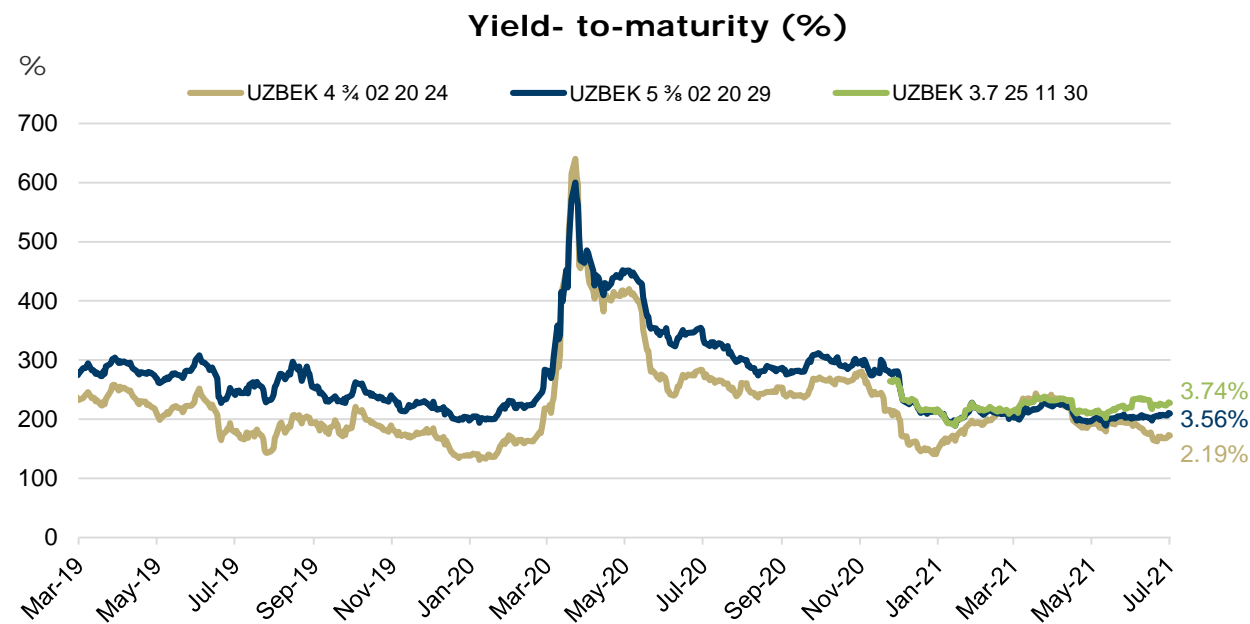


Note 1: Nominal value of each bill and bond is equal to UZS 1.0 m.
All calculations are derived based on the nominal value of the securities issued

Source: Ministry of Finance of the Republic of Uzbekistan

11. Sovereign Eurobonds

Settlement Date	Issuer	S&P	Fitch	Coupon(%)	Volume	Maturity
20 Feb 2019	Uzbekistan	BB-	BB-	4.750	U.S.\$ 500 m	20 Feb 2024
20 Feb 2019	Uzbekistan	BB-	BB-	5.375	U.S.\$ 500 m	20 Feb 2029
25 Nov 2020	Uzbekistan	BB-	BB-	3.700	U.S.\$ 555 m	25 Nov 2030
25 Nov 2020	Uzbekistan	BB-	BB-	14.500	UZS 2.0 tn (~U.S.\$ 192.5 m) ¹	25 Nov 2023



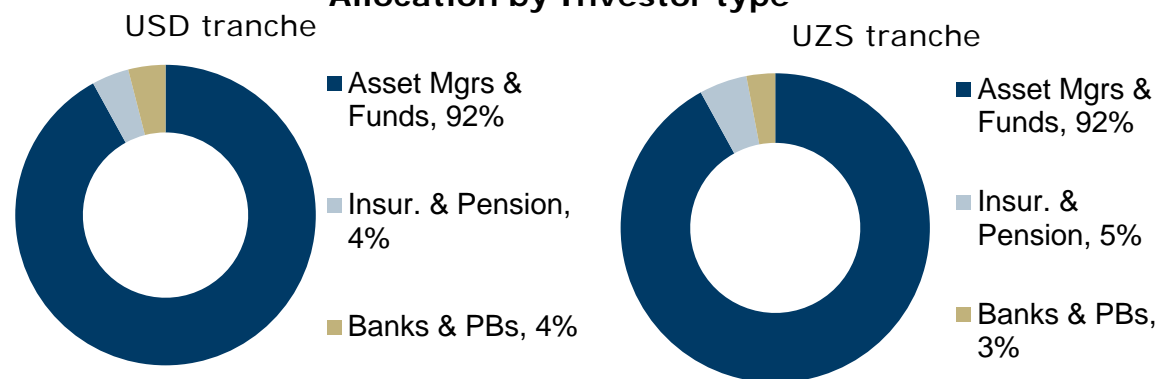
Note 1: Official exchange rate for 19 November 2020, USD/UZS = 10 391

Source: Bloomberg Terminal

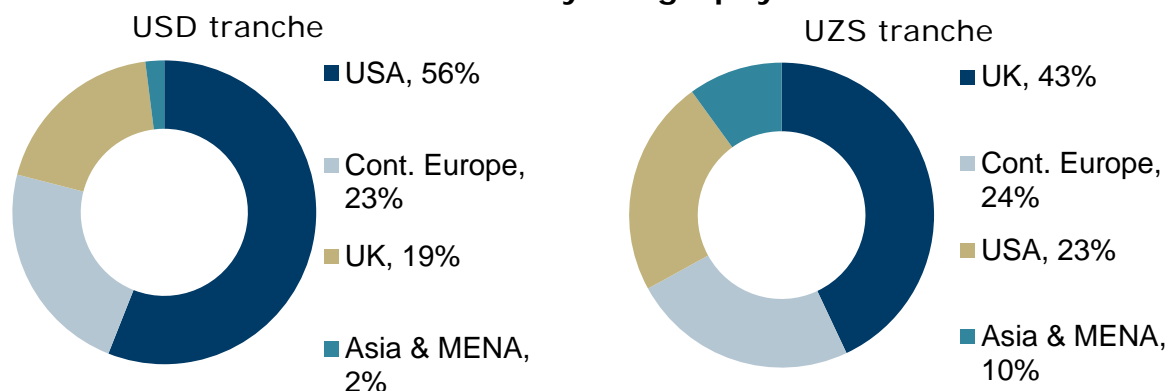
New dual tranche Sovereign Eurobonds - Transaction overview

- ✓ On 12 July 2021, the Republic of Uzbekistan priced the new Reg S/144A **U.S.\$635 mn 3.90% 10-year** and **SDG UZ\$2.5 tn (~U.S.\$235 mn eqv.)¹ 14.00% 3-year** tranches;
- ✓ First ever **SDG labelled issuance** (designed to show close alignment with the United Nations Sustainable Development Goals) by a CEEMA issuer;
- ✓ **News achievements in the UZ\$ market** – compared to its inaugural UZ\$ issuance in November 2020, the Republic **increased** the new issue **size by 25%** and at the same time **lowered** the 3-year coupon **by 50bps**;
- ✓ The first-ever ESG bond issuance by a sovereign from the CIS region;
- ✓ **Significant yield tightening (47.5bps for USD and 50bps for UZ\$ tranches)** on the back of **orderbook oversubscription (3.5x for USD and ca. 1.5x for UZ\$ tranches)**.

Allocation by Investor type



Allocation by Geography



Note 1: Official exchange rate for 12 July 2021, USD/UZ\$ = 10 621

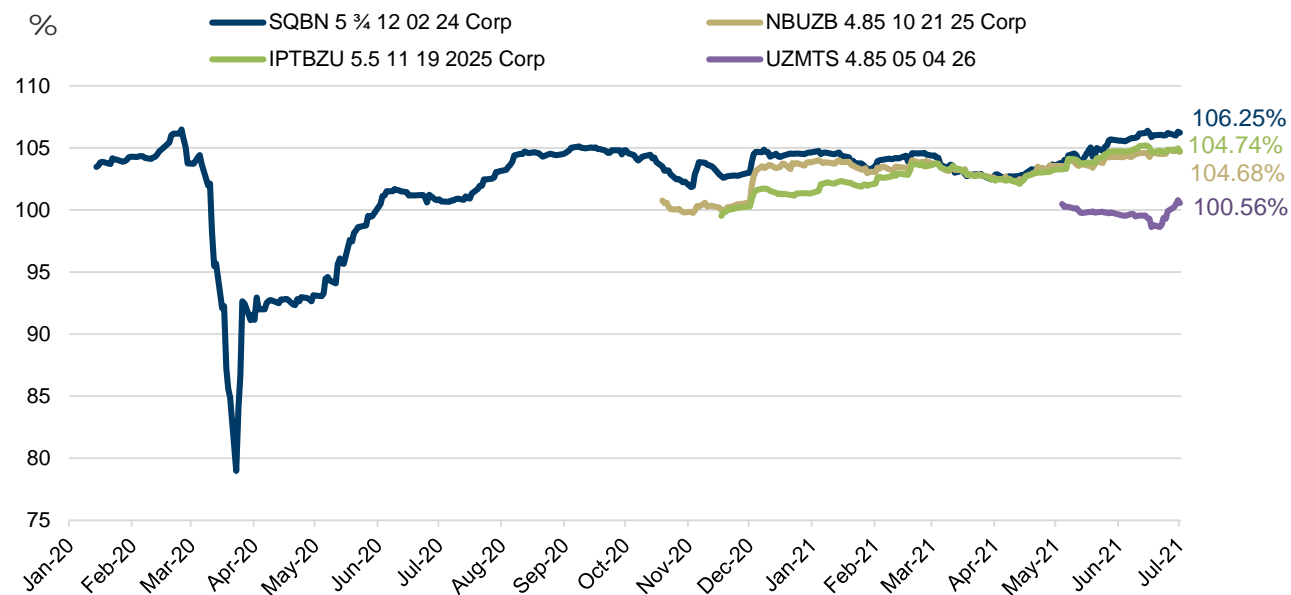
Key new issue terms

Issuer:	The Republic of Uzbekistan	
Issue ratings:	BB- (S&P) / BB- (Fitch)	
Documentation:	GMTN programme of the Issuer	
Status:	Senior unsecured notes	
Format:	Regulation S / Rule 144A	
Pricing date:	12 July 2021	
Settlement date:	19 July 2021	
Overall size:	ca. U.S.\$ 870 mm	
Denomination currency:	US Dollars (USD)	Uzbek Soum (UZ\$)
Tranche size:	U.S. \$ 635,000,000	UZ\$ 2,500,000,000,000 (~U.S.\$235 mn eqv.)¹
Tranche maturity:	10.25 years (19 October 2031)	3 years (19 July 2024)
Re-offer yield / Coupon:	3.90% (fixed p.a., payable s/a)	14.00% (fixed p.a., payable s/a)
Re-offer price:	99.986%	100.0%
Benchmark:	UST 1.625% due May-2031	N/A
Spread to benchmark:	254.1 bps	N/A
Use of proceeds:	General budgetary purposes	Finance and/or re-finance eligible SDG expenditures as outlined in the Republic's SDG Bond Framework
SPO provider:	N/A	Sustainalytics
Settlement currency:	USD (all cash flows under both tranches are in US Dollars, including at settlement and for payment of coupons and principal)	
Governing law / Listing:	English / London Stock Exchange	
Clearing systems:	Euro clear / Clear stream / DTC	
Joint lead managers & bookrunners	Citi, J.P. Morgan, Gazprombank & MUFG	

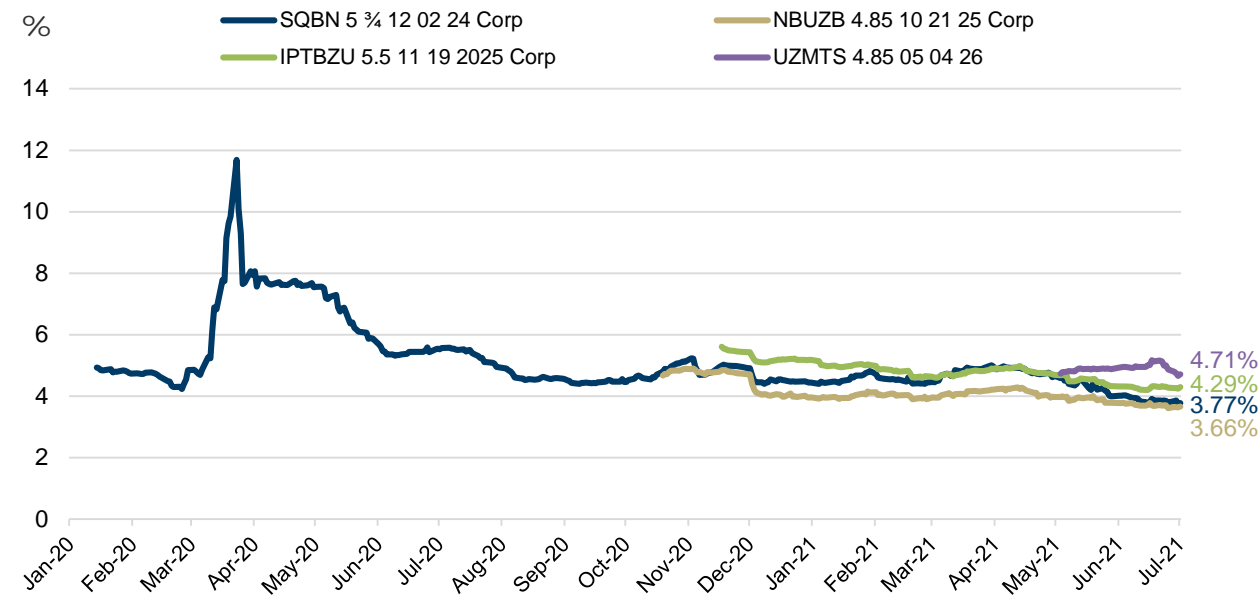
Source: Ministry of Finance of the Republic of Uzbekistan

12. Uzbek corporate Eurobonds

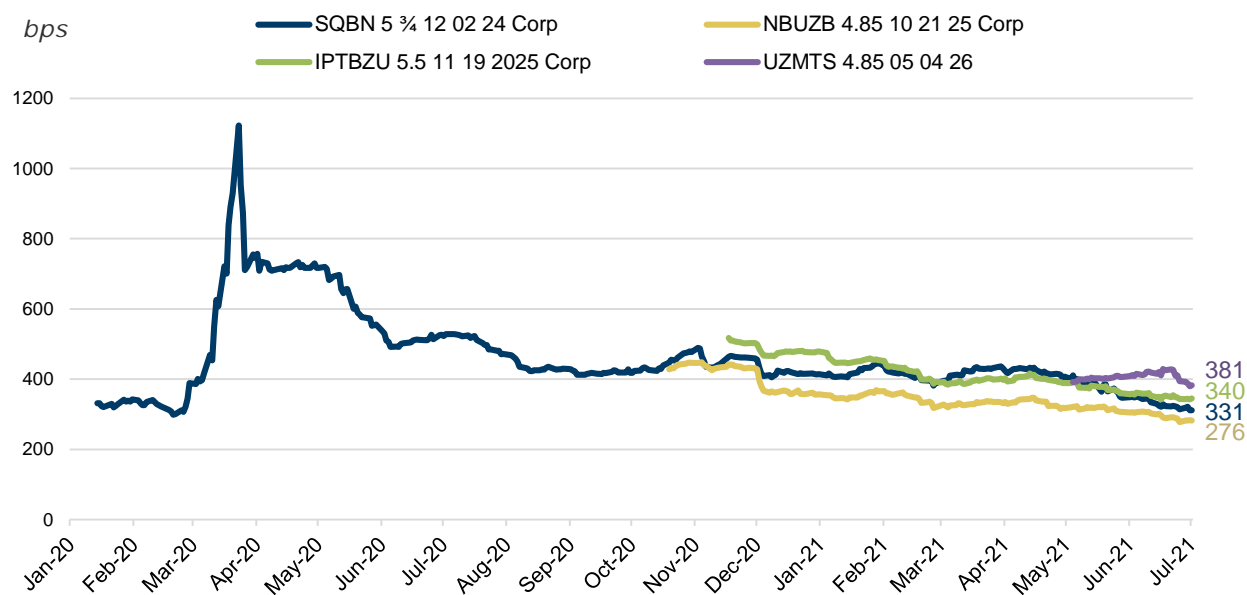
Price (% , relative to the nominal value)



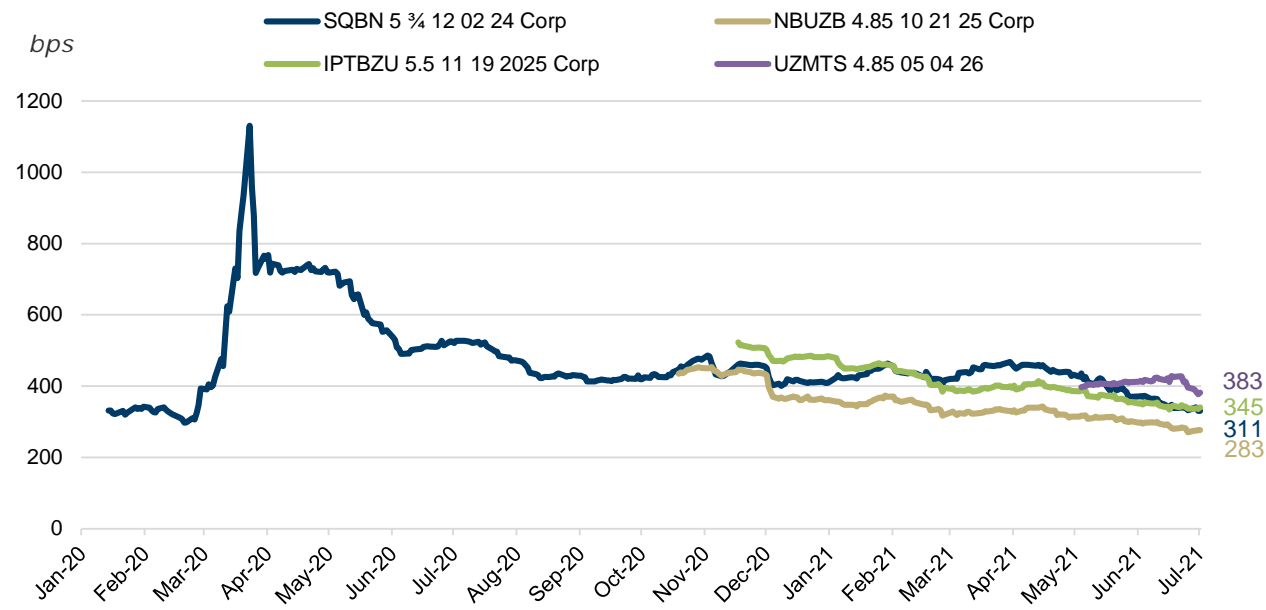
Yield- to-maturity (%)



Spread-over-the-benchmark (bps)



Z-Spread (bps)





Republic of Uzbekistan SDG BOND FRAMEWORK

July 2021

The program of SDG bonds of the Republic of Uzbekistan has been developed

The SDG Bond Framework for the Republic of Uzbekistan (further as the "Program") was developed in cooperation with the UNDP and the Sustainability Structuring Agent investment bank Citigroup Global Markets Limited in order to create a framework for the issuance of Eurobonds aimed to finance SDG aligned projects and achieving SDGs adopted by Uzbekistan.

For reference: Resolution №841 of the Cabinet of Ministers of the Republic of Uzbekistan dated October 20, 2018 "On measures to implement national goals and objectives in the field of sustainable development for the period up to 2030" on achieving the UN Sustainable Development Goals until 2030 was adopted.

On March 24 of this year, the Ministry of Finance and the United Nations Development Program signed a Memorandum of Understanding on monitoring projects financed from funds received from transactions of sovereign international bonds in national currency placed in November 2020, assessing their impact on development and developing a SDG bond program.

This program was developed in accordance with the principles of green bonds (*Green Bond Principles*), the principles of social bonds (*Social Bond Principles*) and the guidelines on sustainability bonds (*Sustainability Bond Guidelines*) published by the International Capital Markets Association (*ICMA*) in June 2021.

The SDG bond program provides for the identification of priority areas and goals for financing Uzbekistan's achievement of the Sustainable Development Goals until 2030, the selection, financing and refinancing of projects related to environmental, social and sustainable development, based on established criteria, monitoring their implementation.

The program also provides for the "preparation and publication of reports" "allocation of funds and the impact of projects on the sustainable development goals of Uzbekistan".

The "Distribution of Funds" report contains information on the distribution of funds received from the placement of SDG bonds for projects selected based on established criteria, and is approved by an independent organization.

The report "The impact of projects on the sustainable development goals of Uzbekistan" is information on the assessment of the impact of implemented projects on the environment and environmental protection, infrastructure and socio-economic development of the republic and is published annually until the bonds are repaid.

It should be noted that the main goal of developing the SDG bond program is to increase transparency and accountability, along with creating the basis for issuing SDG bonds in the current and upcoming years and ensuring that Uzbekistan achieves the "Sustainable Development Goals" until 2030.

According to SDG Bond framework, Uzbekistan will finance or re-finance public expenditures intended to contribute to the achievement of one or more of the following objectives:

1. Access to Education;
2. Sustainable Water Supply and Waste-Water Management and Flood Defense Systems;
3. Access to Essential Health Services;
4. Delivery of Essential and Clean Transportation Services;
5. Pollution Prevention and Control;
6. Sustainable Management of Living Natural Resources and Land Use;
7. Clean and Efficient Energy Production and Consumption.

For more details on the results of the revision of national accounts statistics indicators, you can find on the website of the Ministry of Finance at the link https://www.mf.uz/media/file_en/dmo/SDG_Bond_Framework.pdf

4 June 2021



World Bank's forecast for Central Asia and Uzbekistan

"In Central Asia, growth is forecast to **recover to 3.7% in 2021 and 4.3% in 2022— well below historical averages**. The economy is expected to be supported by a modest rise in commodity prices, relaxation of OPEC+ production cuts (Kazakhstan), and firming FDI as the subregion deepens its global and regional integration. In Uzbekistan, growth should continue to benefit from the implementation of an ambitious reform agenda, which progressed last year despite formidable headwinds from the pandemic. However, the rebound in Central Asia has been dampened by rising policy uncertainty, particularly in the Kyrgyz Republic, following political tensions and social unrest. Geopolitical tensions have also increased in Central Asia amid conflict over a border dispute between the Kyrgyz Republic and Tajikistan."

In 2020, Uzbekistan was one of only three economies in the Europe and Central Asia (ECA) region that **maintained positive economic growth**. Despite the severe impact of the COVID-19 crisis, reforms implemented in the early phase of the transition to a market economy supported growth in 2020.

World Bank retains its forecast for Uzbekistan's GDP growth in 2021 at 4.8%. However, this forecast is subject to uncertainty surrounding the global recovery and the potential pace of the country's COVID-19 vaccination campaign.

Stronger GDP growth of 5.5% is projected in 2022 as vaccination efforts accelerate and global disruptions ease further.

In addition, the current account deficit is projected to widen to 5.5% of GDP in 2021 as capital imports for large investment projects recover.

Uzbekistan's public debt is projected to reach 42% of GDP in 2021 and stabilize at about 45% over the medium term. As conditions for households and firms improve, a gradual withdrawal of anti-crisis measures will reduce the deficit over the medium term.

Real GDP Growth	Annual estimates and forecasts (% change)					
Central Asia	2018	2019	2020e	2021f	2022f	2023f
Kazakhstan	4.1	4.5	-2.6	3.2	3.7	4.8
Kyrgyz Republic	3.8	4.6	-8.6	3.8	4.3	4.5
Tajikistan	7.6	7.4	4.5	5.3	5.6	6.0
Uzbekistan	5.4	5.8	1.6	4.8	5.5	5.8

Source: <https://www.worldbank.org>



EBRD's forecast for Uzbekistan's GDP

The EBRD on the other hand has forecasted Uzbekistan's GDP to grow by 5.6% in 2021 and 6% in 2022. Real GDP increased by 3 per cent year-on-year in 1Q2021 (compared to 4.6% a year ago).

The "Regional Economic Prospects" report for June 2021, notes that real GDP increased by 3% yoy in 1Q2021 (compared to 4.6% a year ago). Growth was recorded in all main sectors: services, industry, construction and agriculture. A surge in remittances (up 34% yoy in U.S.\$ terms in the first four months) stimulated private consumption and growth in retail trade (up 2.8% yoy).

However, investment activity has not yet recovered, with fixed investment down by 3.5% yoy in 1Q2021. Exports contracted by around 20% yoy in January-April 2021, primarily as exports of gold were brought to a halt. Imports were up by 7% yoy.

Inflation is slowing down (10.9% in May 2021 versus 14% a year earlier) thanks to lower growth in food prices. The policy rate has been kept unchanged since September 2020 at 14%. Public debt rose from 30.8% of GDP at end 2019 to 40.1% in March 2021.

Fiscal policy will continue to support the economy in 2021 with the consolidated fiscal deficit targeted at 5.5% of GDP. Ambitious market reforms, including privatization and improved governance of state-owned enterprises, continue to advance despite the crisis. GDP growth is projected to ratchet up to 5.6% in 2021 and 6% in 2022 as private consumption and investment are expected to rebound.

	Actual		Forecasts (REP June 2021)		Revision since Sep'20	Change in GDP, 2019-21
Central Asia	2019	2020	2021	2022	2021	2021
Kazakhstan	4.5	-2.6	3.6	3.8	0.6	0.9
Kyrgyz Republic	4.5	-8.6	6.6	4.6	3.6	-2.6
Mongolia	5.1	-5.3	6.3	6.0	1.3	0.6
Tajikistan	7.5	4.5	6.5	6.0	3.5	11.3
Turkmenistan	6.3	5.9	4.6	3.5	3.6	10.8
Uzbekistan	5.6	1.6	5.6	6.0	1.1	7.3

Source: <https://www.ebrd.com>

June 2021

21 June 2021

15 June 2021

J.P.Morgan

"J. P. Morgan" has published an analytical report "The Rise of Uzbekistan as the Sun"

On June 21, 2021, the investment bank "J.P.Morgan" published an analytical report **"Uzbekistan: Soum'er Solstice"** (*"Sunrise of Uzbekistan as the Sun"*), dedicated to the Republic of Uzbekistan.

According to him, over the past 20 years, Uzbekistan has become one of the few countries that have been able to achieve high and stable growth rates among the countries of Central Asia, Eastern Europe, the Middle East and Africa (CEEMEA). In particular, over the past decade, the Republic's economy has grown by an average of 6% per year, thereby winning the "interest" of many countries.

An ambitious reform plan will ensure the same or even higher economic growth in the future as in recent years. According to J.P.Morgan, in recent years, Uzbekistan has achieved the pace of reforms that will contribute to increasing the country's economic growth potential. At the same time, Uzbekistan is on the verge of such reforms as the liberalisation of markets, the reduction of the state's share in the economy through large-scale privatisation. The support of international financial institutions is widely used in this.

Focusing on the reform of state-owned enterprises, J.P.Morgan argues that **privatisation brings economic benefits, but it is not immune from risks.** An example is the experience of the CIS in the 1990s. In this regard, the importance of how the Government of Uzbekistan privatises state-owned enterprises is emphasised.

According to the report, Uzbekistan in 2020, despite the economic crisis, was able to ensure growth of 1.6 percent. At the same time, **the economy of Uzbekistan will grow by 8.1 percent in 2021, by 6.3 percent in 2022** ("The forecast of J. P. Morgan is higher than the forecasts of the IMF and other international financial organisations").

"J.P.Morgan noted that Uzbekistan **uses fiscal policy as the main tool for managing the economy.** The government adopted a conservative fiscal policy in 2020 (the total fiscal deficit was 4.4% of GDP instead of the previously projected 7% of GDP).

The report notes that although the public debt will grow rapidly after 2016, the budget legislation has established the highest level of public debt (60 percent of GDP), and **the probability that the public debt will reach 60 percent.**

J.P.Morgan notes that the prices of Uzbekistan's **sovereign international bonds reflect an improvement in the macroeconomic situation.** In particular, the ongoing structural reforms have a positive effect on the "appetite" of investors.

Source: <https://www.jpmorgan.com>



Uzbekistan expands range of instruments

The sovereign raised \$2.5trn (US\$234.3m) through a July 2024 note and US\$635m through an October 2031 bond.

The proceeds of the som deal, which will be payable in US dollars, will be used to finance eligible SDG expenditures.

"The amount raised through the som issue is a fraction of the budget spent for SDG," said Odilbek Isakov, deputy minister of finance, Uzbekistan. "But we wanted to start from a lower amount as we need to build capacity in project selection, evaluation, monitoring and reporting."

"Investors are happy with our progress but understand that we are coming from a low base as per some governance rankings such as Worldwide Governance Indicators or the Corruption Perception Index, and it will take time to improve that because it is not only about facts but also perceptions which take a longer time to change."

Even so, those perceptions didn't hinder the trade. Indeed the main debating point on the som-denominated SDG tranche was the choice of tenor, with Uzbekistan exploring three and five-year options.

A banker familiar with the matter said that accounts had expressed a preference for a three-year note, while there was also a disparity between investor and issuer expectations over the cost of extending from three to five years.

"The central bank has a target to bring inflation down from 11.1% last year to 5% in 2023," said Isakov. "In the most likely scenario, if inflation behaves like the central bank is predicting, then rates will come down under 10% so we therefore want to make sure that we stick for now to the shorter end of the curve."

The banker said that there was no need to generate extra demand in a dollar issue from Uzbekistan by adding the SDG element, but that it was a helpful mechanism to stimulate additional interest in a local currency offering.

"We like the local SDG bond but the long 10-year doesn't jump out as cheap to us," said an investor. "The local bond offers 14% yield with inflation around 11%. The currency is pretty stable, with a peg, so you earn the carry and it's not that correlated with overall EMFX."

"Uzbekistan is seen by the global investor community as an emerging economic leader in Central Asia," said the banker. "It's a big country, a big market, with lots of opportunities. Moreover the som is very stable, so over the short to medium-term local currency bonds offer enticing returns."

Source: <https://www.ifre.com>

MOODY'S

02 July 2021

Moody's affirms Uzbekistan's B1 rating, revised outlook to positive

On July 2, 2021, Moody's changed the Government of Uzbekistan's rating outlook to **positive** from **stable** and concurrently affirmed the B1 long-term issuer and senior unsecured ratings and the (P)B1 senior unsecured MTN program ratings.

For information: Currently, outlooks of only 12 countries around the world have assessed as positive by international rating agencies.

The outlook change to positive reflects demonstrated improvements to institutional capacity and policy effectiveness that, if continued, will support a higher rating.

1. The outlook change to positive reflects demonstrated improvements to institutional capacity and policy effectiveness that, if continued, will support a higher rating.

According to the Moody's investors service, gradual progress with key structural reforms including improvements to the monetary policy framework and adoption of a medium-term fiscal strategy will limit the growth of government debt. Further progress in reforms that further open the economy and financial sector to more competition and spur productivity in sectors such as textiles would point to stronger creditworthiness.

2. Demonstrated economic reforms signals ongoing improving institutional strength.

According to the agency, since 2017, a series of foundational reforms to remove price controls on key goods and liberalize foreign exchange transactions have already enhanced productivity and competitiveness. In turn, it will bolster economic growth and reduce inflation expectations over time.

The authorities have sustained these reform efforts through the Covid-19 pandemic, demonstrated most recently with the passage of a budget management law that sets a public debt ceiling of 60% of GDP.

3. Solid growth potential to be fully realised if wide-ranging public sector reforms are achieved.

Moody's expects GDP growth to rebound to 5.5% in 2021 and 6.3% in 2022 as government-backed construction and public investment projects accelerate following the pandemic, while domestic private consumption is likely to recover only gradually amid recent increases in coronavirus cases.

Source: <https://www.moody's.com>



Preliminary assessment of Uzbekistan's risk profile was prepared by the PRS Group

Preliminary assessment of Uzbekistan's risk profile was prepared by the PRS Group for further inclusion it into the International Country Risk Guide alongside the 140 countries contained in the index.

Source: <https://www.prsgroup.com>

June 2021

JSC Almalyk Mining And Metallurgical Combine for the first time has been assigned a credit rating at B+



JSC "Almalyk MMC" for the first time has been assigned a credit rating at **"B+"** with a **"stable"** outlook by the **S&P Global Ratings** agency.

JSC "Almalyk MMC" is one of the leading enterprises in Uzbekistan, the second taxpayer in the country. It accounts for the entire volume of copper mined in the country, 90% of silver and 20% of gold.

International recognition and high appraisal of the rating agency is the result of large-scale transformations carried out in the country to increase the competitiveness of large enterprises of the mining and metallurgical industry, their investment attractiveness, and the introduction of modern corporate governance methods.

Source: <https://www.agmk.uz>

19 June 2021



The National Bank of Uzbekistan has won the traditional Cbonds Awards CIS

The experience of NBU in conducting operations in the capital market was recognized by the Cbonds group of international companies, which specializes in financial markets and is an information agency, and the bank won the "Cbonds Awards CIS" in the nomination "The best transaction of the primary placement".

Source: <https://www.nbu.uz>

24 June 2021



23-24 June 2021

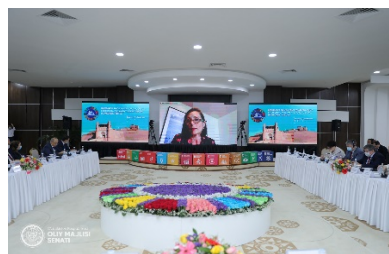
The International Forum on “Interparliamentary global cooperation in the implementation of Sustainable Development Goals” was held

On June 23-24, 2021, the International Forum on “**Interparliamentary global cooperation in the implementation of Sustainable Development Goals**” was held in Bukhara. During the two days, there were discussed the achieved results, existing problems and effective ways to solve them, as well as the tasks for the future.



Chairperson of the Senate of the Oliy Majlis of the Republic of Uzbekistan – T.Narbaeva emphasized the extreme importance of global interparliamentary cooperation in achieving the SDGs.

It was noted that the implementation of the SDGs in Uzbekistan coincided with large-scale reforms within the framework of **the national Action Strategy for 2017-2021**.



Within the framework of the Forum, **the Bukhara Declaration was adopted**, aimed at short, medium and long-term solutions to ensure a more inclusive, open and transparent implementation of the global agenda for sustainable development.

At the forum, Deputy Finance Minister of the Republic of Uzbekistan – O.Isakov mentioned the following tasks:

- according to the results of the assessment of the compatibility of development strategies and programs developed in 2016-2020 with the SDGs, **105 of the national targets until 2030** are covered by the SDG, which is **84%** of the total national targets;
- in 2020, the proceeds of the first Sovereign Eurobonds denominated in national currency with the status of “**Development Finance Institutions**” (DFIs) will be allocated to development projects aimed at achieving the Sustainable Development Goals;
- in 2019-2020, more than **70% of the state budget expenditures** were spent on achieving the SDGs.

Source: <https://www.senat.uz>

Uzbekistan upgraded in the Trafficking in Persons (TIP) Report 2021 published by U.S. Department of State

The United States welcomes the upgrade of Uzbekistan’s ranking in the annual Trafficking in Persons (TIP) Report from *Tier 2 Watch List* to *Tier Two*.

The government demonstrated overall increasing efforts compared to the previous reporting period, considering the impact of the COVID-19 pandemic on its anti-trafficking capacity; therefore, Uzbekistan was upgraded to Tier 2. These efforts included passing a new anti-trafficking law outlining improved victim protection protocols; amending the criminal code to explicitly criminalise child forced labor in the first offense; identifying more victims than in prior years; investigating, prosecuting, convicting, and sentencing significantly more traffickers than the previous reporting period, constituting the first quantitative enforcement increase in six years.

Source: <https://www.state.gov>

9 July 2021

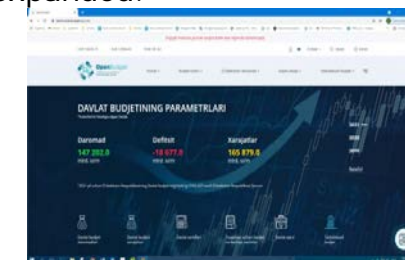


Launch of “Open Budget” information portal

On June 9, 2021, launch of “**Open Budget**” information portal of the **Republic of Uzbekistan** was held at the Ministry of Finance. The Portal temporarily works in a test mode at <https://openbudget.uz>.

This year, within the framework of the joint project of the UNDP and the Ministry of Finance “Financing sustainable development in Uzbekistan”, the design of the portal was revised, as well as its functionality was significantly expanded.

The portal provides an opportunity to receive information about the execution of local budgets, including expenditures of budget organisations and extra-budgetary revenues and expenditures. Even though, visitors can track online and download information about the salary of employees of budget organisations.

Source: <https://openbudget.uz>



Ministry of Finance of the Republic of Uzbekistan

Debt Management Office

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