

**Ministry of Finance** of the Republic of Uzbekistan

# NEWSLETTER Nº 15

September, 2020

Ministry of Finance of the Republic of Uzbekistan



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- Asian Development Bank forecasts Uzbekistan's GDP growth at 0.5% in 2020. They also expect a strong rebound of GDP in 2021 to 6.5%; (page 11)
- The World Bank forecasts Uzbekistan's GDP growth rate increase from 0.4% to 0.8%;
- According to statement issued by IMF virtual staff visit to Uzbekistan during Aug-Sep 2020, growth is expected to pick up to about 5.0% in 2021, provided the pandemic gradually abates in 2021. They forecast 0.7% growth in 2020; (page 11)
- \* The Guarantee Fund for servicing external public debt is established under the Treasury of the Ministry of Finance of the Republic of Uzbekistan; (page 3)
- ADB approved a USD 200 m policy-based loan to strengthen power sector of Uzbekistan by improving its financial sustainability and ensuring adequate investment in critical infrastructure;
- The French Development Agency (AFD) is to provide EUR 56 m to support hydro-energy projects in Uzbekistan;
- EBRD has approved financing of "Thermal Power Stations" JSC in the amount of EUR 88.6 m;
- From 1 October, 2020, VAT exemptions were lifted across a number of products and the excise tax rate on tobacco products increased by 7%;
- \* The draft law "On the Anti-Corruption Agency of the Republic of Uzbekistan" was submitted for public discussion;
- Uzbekistan improved its position on Worldwide Governance Indicators across all sectors 3 positions in "Control of corruption" and "Rule of law", 2 positions in "Regulatory guality".

### Content

### 2. Statistics at a glance



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<b>Economic Statistics</b>	Indicators	As of Sep 1, 2019	As of Sep 1, 2020		
Inflation rate in September, 2020 was at 11.7% (yoy) in comparison to 16.0% (yoy) in September,	Inflation, % (yoy) <sup>(1)</sup>	16.0	11.7		
2019;	Industry statistics, UZS tn	204.1	223.6		
As of September 1, 2020, official reserve assets reached to U.S.\$ 34.6 bn, an increase of	Service statistics, UZS tn	117.5	135.0		
U.S.\$ 6.2 bn compared to the same period last year;	Construction works, UZS tn	44.4	55.5		
	Official Reserve Assets, U.S.\$ bn	28.4	34.6		
As of 8M2020 the gold in the amount of <b>U.S.\$ 5.8 bn</b> has been exported, including U.S.\$ 2.5 bn in	Foreign trade turnover, U.S.\$ bn	28.1	24.5		
August, 2020;	Broad money, UZS tn	92.4	105.4		
In Jan-Aug 2020, the total foreign trade turnover amounted to U.S.\$ 24.5 bn;	Domestic debt, U.S.\$ bn <sup>(2)</sup>	5.6	2.1		
	External debt, U.S.\$ bn <sup>(2)</sup>	13.1	17.3		
The volume of industrial production in Jan-Aug 2020 reached to UZS 223.6 tn (~U.S.\$ 22.6 bn);	<sup>(1)</sup> As of October 1, 2019 and October 1, 2020				
The volume of market services provided in Jan-Aug 2020 reached to UZS 135.0 tn (~U.S.\$13.6 bn);	<sup>(2)</sup> As of July 1, 2019 and July 1, 2020				
• The volume of market services provided in Jan-Aug 2020 reached to $023$ 133.0 th (~0.3.\$13.0 bit),	Sovereign Eurobonds	Price	YTM		
The volume of volume of construction work in Jan-Aug 2020 reached to UZS 55.5 tn (~U.S.\$5.6bn);	5-year tranche <sup>(3)</sup>	105.694%	2.964%		
* The share of the highly liquid eccets in liquid eccets constituted <b>70.20</b> ()	10-year tranche <sup>(3)</sup>	112.403%	3.643%		
The share of the highly liquid assets in liquid assets constituted 79.2%;					
As of September 1, 2020 broad money amounted to UZS 105.4 tn (U.S.\$ 10.7 bn);	<sup>(3)</sup> As of October 1, 2020				
	Exchange rates as of Se	eptember 1	, 2020		
The proportion of non-performing loans to total gross loans constituted 2.55% according to 8M2020	_	-	12423		

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 gures;	Į

- As of July 1, 2020, total PPG debt amounted to U.S.\$ 19.4 bn (34.0% of GDP), of which, external PPG debt - U.S.\$ 17.3 bn (30.3% of GDP) and domestic PPG - U.S.\$ 2.1 bn (3.7% of GDP);
- As of October 1, USD 500 m due 2024 and USD 500 m due 2029 Notes traded at 105.694% and 112.403% relative to the nominal value with the yields falling to 2.964% and 3.643%, respectively.

#### **USD/UZS** = 10 262.87 +16.16~ **RUB/UZS** = 137.31 -3.34 S **EUR/UZS** = 12 105.06 -28.07 S **GBP/UZS** = 13 431.02 +24.22~ **CNY/UZS** = 1 483.52 ~ +9.19 S **CHF/UZS** = 11 259.32 C3 -13.19

29 September 2020

### <u>Cabinet of Ministers Decree Nº573 «On formation of the public debt servicing Guarantee Fund under the Treasury of the Ministry of Finance of the Republic of Uzbekistan» was adopted</u>

- The Guarantee Fund for public debt servicing has been established under Treasury of the MoF which is not a legal entity;
- The resolution approved the Regulation on the procedures for the formation and usage of the funds of the Guarantee Fund for servicing public debt under the Treasury of the Ministry of Finance of the Republic of Uzbekistan, including:
  - ✓ determination of the sources forming the Guarantee Fund as well as directions of their use;
  - repayment of projects and programs financed by public debt at the expense of the Guarantee Fund on the condition that debtors or refinancing banks fail to repay the loans in full and timely manner, providing the later reimbursement;
  - rocedure for repayment of debts at the expense of the Guarantee Fund and recovery of debts from the debtor at the expense of the Guarantee Fund;
  - effective management of the Guarantee Fund's unused funds through temporary placement to deposits, sales and purchases of foreign currency, and investments in highly liquid securities;
- In case of failure in repaying the loans in full and timely manner by borrowing organisations or refinancing banks on projects and programs financed by public debt, the debt is repaid primarily from the Guarantee Fund, and in case of insufficiency of the Guarantee Fund from the State Budget of the Republic of Uzbekistan;
- Debts, accrued fines and penalties covered by the Guarantee Fund and the State Budget of the Republic of Uzbekistan shall be returned to the Guarantee Fund or the State Budget of the Republic of Uzbekistan by the debtor organizations or refinancing banks, respectively.
- Borrowing organisations or refinancing banks for projects and programs financed by public debt:
  - to include in the business plan or cost estimates, which are formed annually for the next financial year, the costs associated with debt repayments;
  - ✓ to identify additional sources of income in order to repay debts on time.

### 4. Macroeconomic Environment

In



Industrial output

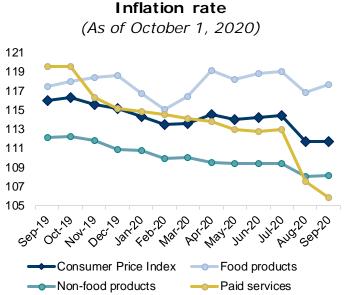
(as of September 1, 2020, UZS tn)

#### Inflation rate

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Inflation rate in September 2020 was at **11.7% (yoy)** in comparison to 16.0% 121 (yoy) in September, 2019. 119

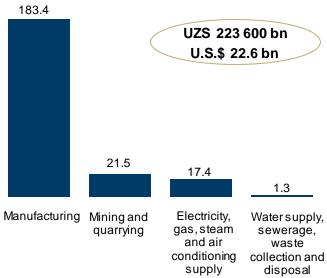
The average monthly CPI growth in 117 January-September 2020 amounted to 115 **0.7%** against 0.1% in the same period 113 2019.



### Industry statistics January – August 2020, the

volume of the industrial products constituted **UZS 223.6 tn**, the index of physical volume of industrial production compared to the same period 2019 was 94.8%.

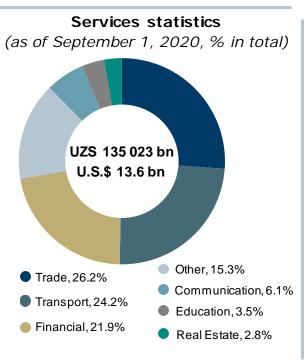
In the structure of production, the largest share falls on manufacturing industry (82.0%).



### Service statistics

The volume of market services provided in January – August 2020 reached UZS 135.0 tn, and the nominal volume increased by UZS 11.9 tn. In comparable terms, compared with the same period last year, the growth rate was 0.1%.

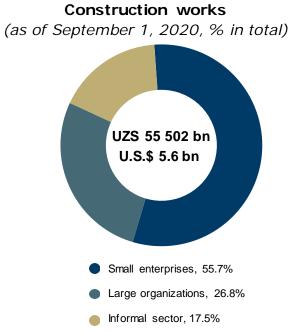
The number of enterprises operating in service sector constituted **41.8 thousand units.** The share of enterprises and organisations engaged in the service sector reached 65.2%, industry – 17.6\%, construction – 8.8\%, and agriculture, forestry and fisheries – 8.4%.



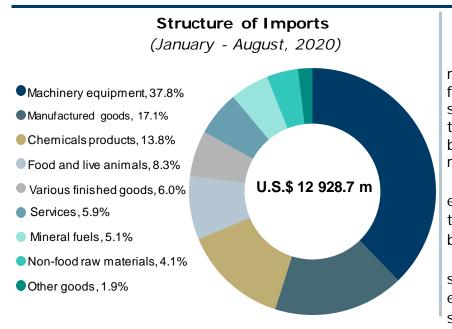
### **Construction statistics**

In January – August 2020, the volume of construction work in country amounted to UZS 55.5 tn and the growth in relation to the corresponding period of 2019 reached 6.5%.

As of September 1, 2020, the number of enterprises and organisations in the construction sector amounted to **39.5 thousand units** and, compared with the same period last year, it increased by 4.2 thousand units.



### 5. Foreign Trade Turnover



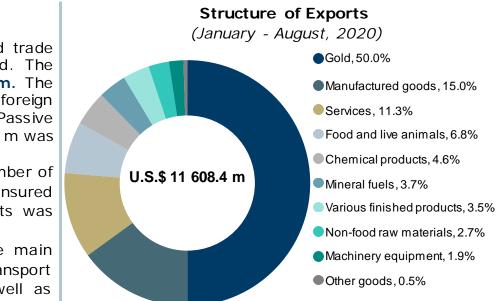
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#### Foreign Trade Turnover

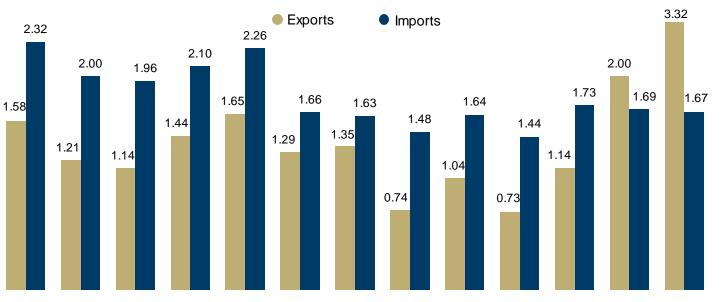
In January-August 2020 Uzbekistan conducted trade relations with more than 160 countries of the world. The foreign trade turnover constituted U.S.\$ 24 537.2 m. The share of neighboring countries in the total volume of foreign trade constituted more than one thirds (29.9%). Passive balance of foreign trade in the amount of U.S.\$ 1,320.3 m was recorded.

Exports reached **U.S.\$ 11 608.4 m**, the total number of exporting entities amounted to 5,140 units, and this ensured that the volume of exports excluding special exports was brought up to U.S.\$ 5 804.0 m.

Imports amounted to **U.S.\$ 12 928.7 m**, the main share of which is occupied by machinery and transport equipment (37.8%), industrial goods (17.1%), as well as services (5.9%).

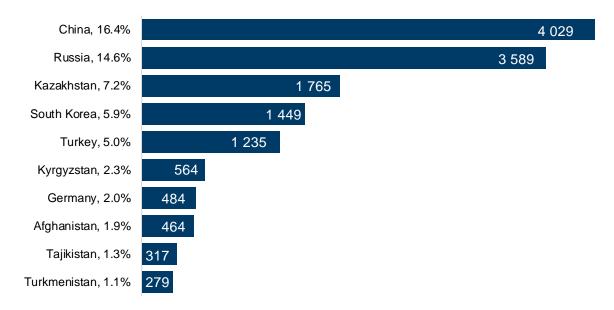


Exports and Imports of goods and services (U.S.\$ bn)



Top 10 countries in foreign trade with Uzbekistan

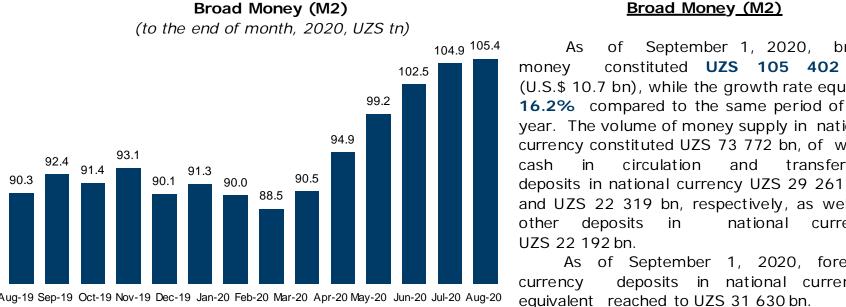
(as of September 1, 2020, U.S.\$ m, % share in total FTT)



Aug-19 Sep-19 Oct-19 Nov-19 Dec-19 Jan-20 Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20

### 6. Monetary Policy and Banking Sector

Ministry of Finance of the Republic of Uzbekistan



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Aug-19 Sep-19 Oct-19 Nov-19 Dec-19 Jan-20 Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20

#### Broad Money (M2)

the same period of last year.

U.S.\$ 2.5 bn in August, 2020.

currency

deposits in national currency

official

As of September 1, 2020, foreign

**Official Reserve Assets** 

reserve assets constituted U.S.\$ 34 617 m

with the growth rate of **17.8%** in comparison to

U.S.\$ 5.8 bn has been exported, including

As of 8M2020 the gold in the amount of

As of September 1, 2020,

### Liquidity in the banking system

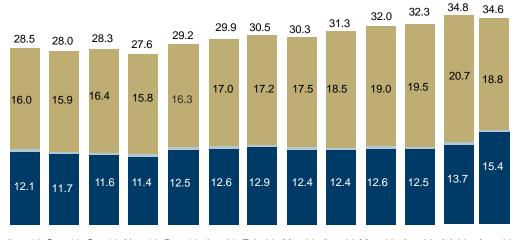
As of September 1, 2020, broad	Indicators	Jan 1, 2020	Sep 1, 2020
money constituted <b>UZS 105 402 bn</b> (U.S.\$ 10.7 bn), while the growth rate equaled	Highly liquid assets (bn UZS)	30 874	33 747
<b>16.2%</b> compared to the same period of last year. The volume of money supply in national	Immediate liquidity ratio (minimum: 25%)	47.8%	62.5%
currency constituted UZS 73 772 bn, of which	Liquidity coverage ratio (minimum: 100%)	208.5%	189.2%
	Net stable funding ratio (minimum: 100%)	112.8%	108.6%
other deposits in national currency UZS 22 192 bn.	Ratio of highly liquid assets to total assets (in %)	11.3%	10.5%

Banking system stability indicators

UZS D
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Indicators	2019	8M2020
Regulatory Tier 1 capital to RWA	19.57%	16.65%
Regulatory Tier 1 capital	43 659	48 126
Risk weighted assets	223041	289 117
Liquid assets to total assets	13.89%	12.92%
Liquid assets	37 887	42 601
Total assets	272727	329 621
Capital to risk-weighted assets	23.52%	19.38%
Capital at the end of period	52 467	56 020
Risk-weighted assets	223041	289 117
NPL to total gross loans	1.48%	2.55%
Non-performing loans	3 169	6 509
Total gross loans	214 344	255 688

### **Official Reserve Assets** (as of September 1, 2020, U.S.\$ bn)

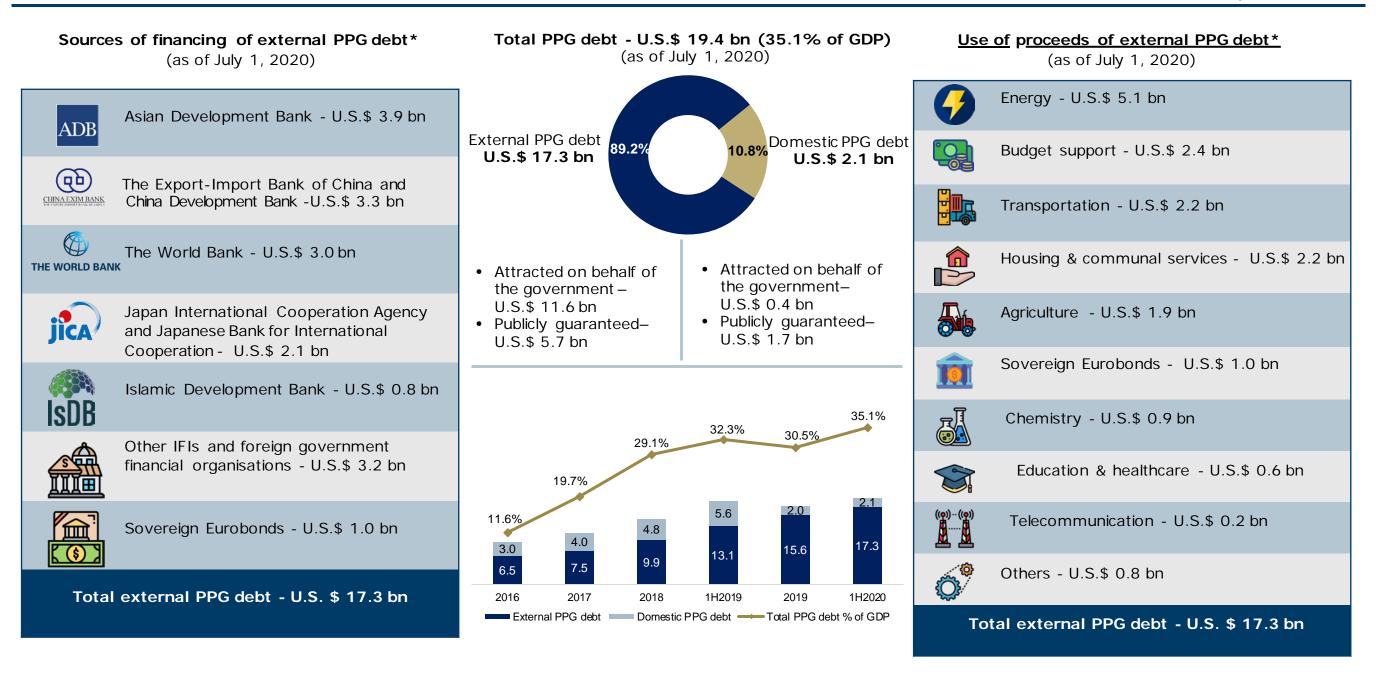


Aug-19 Sep-19 Oct-19 Nov-19 Dec-19 Jan-20 Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20

Foreign currency reserves SDRs Monetary gold

Note: Average official exchange rate for January-August 2020, USD/UZS = 9 894

# 7. Borrowing Statistics





#### **Domestic Treasury Securities**

As of September 1, 2020 Ministry of Finance had an outstanding treasury bills and bonds amounting **UZS 4 159.8 bn** at various rates and tenors. Secondary market trades in government bonds and bills are gradually rising depending on fluctuations in the banking system's liquidity. In 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 investor base by working in collaboration with the CBU.

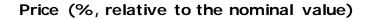
Date of auction	Maturity date	Amount, (thousand)	Fixed coupon rate	Orderbook, (UZS bn)	Total nominal value of securities placed issued, (UZS bn)	Weighted average annual yield	Total nominal value of securities placed to auction, (UZS bn)
28 Dec 2018	24 Dec 2021	200.0	16%	216.5	204.9	14.87%	200.0
22 May 2019	18 Nov 2020	100.0	15%	283.4	106.5	10.04%	100.0
4 Jun 2019	1 Dec 2020	100.0	15%	231.4	106.8	9.82%	100.0
12 Jun 2019	9 Jun 2021	100.0	15%	315.0	110.3	8.93%	100.0
19 Jun 2019	16 Jun 2021	100.0	15%	479.0	112.6	7.73%	100.0
5 Jul 2019	1 Jul 2022	100.0	15%	375.0	111.2	10.11%	100.0
12 Jul 2019	8 Jul 2022	100.0	15%	176.3	110.5	10.41%	100.0
17 Jan 2020	16 Jan 2021	200.0	16%	628.0	205.3	12.98%	200.0
20 Jan 2020	19 Oct 2020	300.0	zero-coupon	368.0	271.2	14.18%	300.0
20 Jan 2020	17 Jan 2022	200.0	16%	453.2	203.5	14.87%	200.0
6 Apr 2020	6 Apr 2021	750.0	16%	770.0	750.2	15.97%	750.0
9 Apr 2020	9 Apr 2021	250.0	16%	360.0	250.1	15.95%	250.0
10 Apr 2020	10 Apr 2021	300.0	16%	310.0	300.1	15.97%	300.0
13 Apr 2020	11 Nov 2021	150.0	16%	89.8	89.8	15.97%	89.8
6 May 2020	6 May 2021	500.0	15%	550.0	500.4	14.91%	500.0
11 May 2020	8 Sep 2020	100.0	zero-coupon	141.0	95.5	14.39%	100.0
14 May 2020	21 Sep 2020	100.0	zero-coupon	241.5	95.1	14.61%	100.0
28 May 2020	28 May 2021	470.0	15%	570.0	470.3	14.93%	470.0
12 Jun 2020	9 Nov 2020	100.0	zero-coupon	261.0	94.5	14.17%	100.0
Total as of 01.09.202	20	4 220.0		6 819.1	4 188.8		4 159.8

### 8. Sovereign Eurobonds



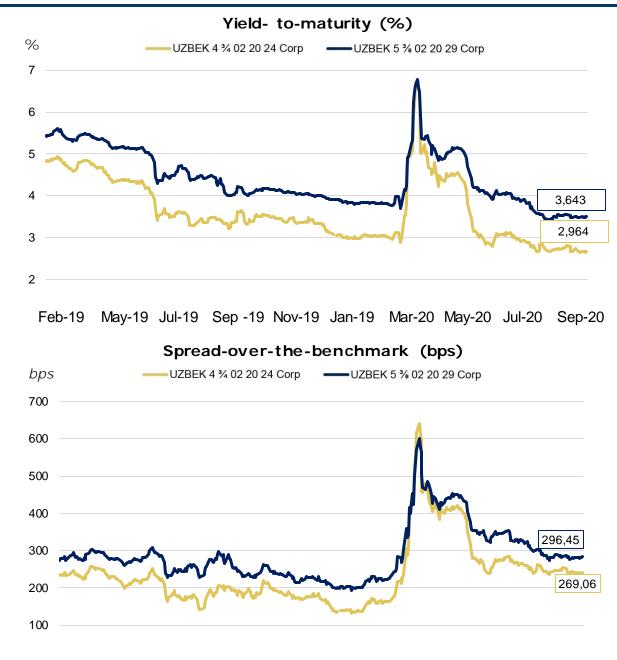
Issue Date	Issuer	S&P	Fitch	Currency	Coupon(%)	Volume(m)	Maturity
20 Feb 2019	Uzbekistan	BB-	BB-	USD	4.750	500	20 Feb 2024
20 Feb 2019	Uzbekistan	BB-	BB-	USD	5.375	500	20 Feb 2029

Apparently, starting in April, whilst all indicators remained below their pre-crisis level, global markets had been engaged in a meaningful recovery. It reflected in the prices of 5Y and 10Y sovereign Uzbek Eurobonds that started to trade at premium starting from April. The upward trend in the prices continued throughout the 2Q2020 and in July the prices reached pre-covid indicators. As of October 1, the prices of 5-year and 10-year sovereign international bonds of the Republic of Uzbekistan in the secondary market reached 105.694% and 112.403%, relative to the nominal value, and the yields accounted for 2.964% and 3.643%.





Feb-19 May-19 Jul-19 Sep -19 Nov-19 Jan-19 Mar-20 May-20 Jul-20 Sep-20



Feb-19 May-19 Jul-19 Sep -19 Nov-19 Jan-19 Mar-20 May-20 Jul-20 Sep-20

# 9. International Ratings and Indices



25 September 2020

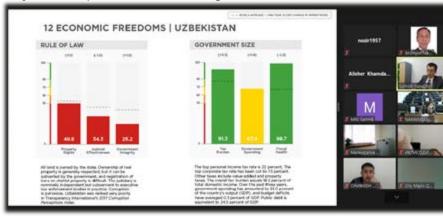
18 September 2020

### The webinar on international ratings and indices

The last webinar was organized on September 18 by the Ministry of Finance of the Republic of Uzbekistan. The webinar was held on the topics of "Doing Business Index" (World Bank), "Economic Freedom Index" (Heritage Foundation), and "Competitive Industrial Performance Index" (UNIDO).

During the webinar, the specialist of the Ministry of economic development and poverty reduction responsible for these ratings introduced the participants to the main concepts, methodologies of the ratings and indices, and their significance in increasing the authority of the Republic of Uzbekistan in the international arena, its achievements and issues aimed at solving existing problems.

7 trainings have been conducted on 24 priority international ratings and indices so far defined by the decree of the President of the Republic of Uzbekistan No. PD-6003 dated June 2, 2020. About 70 responsible bodies of local authorities responsible for work with international ratings and indices and representatives of the chambers of the Oliy Majlis took part in the trainings.





### WORLDWIDE GOVERNANCE INDICATORS

#### Uzbekistan improved its position on Worldwide Governance Indicators across all sectors

In September 2020, World bank published report on Worldwide Governance Indicators for 2019.

In accordance with the publication, six independent indicators reflecting the quality and effectiveness of governance in 214 countries has been evaluated based on 33 independent sources of data.

Recent reforms, carrying out in the fight against corruption and ensuring the rule of law in society, have led the country's rankings increase by **3 positions** in "Control of corruption" and "Rule of law", **2 positions** in "Regulatory quality" and so on.

No.	Indicators		Score		Rank		
		2018	2019	Change	2018	2019	Change
1	Political stability and absence of violence/terrorism	-0.29	-0.27	+0.02	136	135	+1
2	Government Effectiveness	-0.55	-0.51	+0.04	139	138	+1
3	Voice and Accountability	-1.62	-1.61	+0.01	191	190	+1
4	Regulatory Quality	-1.09	-0.99	+0.10	184	182	+2
5	Rule of Law	-1.07	-1.05	+0.02	182	179	+3
6	Control of Corruption	-1.07	-1.05	+0.02	182	179	+3

### 10. Expert's Opinion

01 October 2020



#### Regional Economic Prospects in the EBRD Regions: Uzbekistan

Economic growth in Uzbekistan slowed down but remained positive at 0.2 per cent year-on year in the first half of 2020, led by growth in agriculture and construction.

The government imposed the first round of lockdown measures from mid-March until May 2020 and the second round from 10 July until 17 August 2020, gradually easing restrictions since then. As a result, unemployment surged to 13.2 percent in January-July 2020 from 9.1 per cent a year earlier, and real incomes declined by 1.7 per cent. Given sluggish demand conditions, inflation moderated from 16.5 percent yearon-year in August 2019 to 11.7 percent in August 2020, prompting the monetary authorities to lower the refinancing rate from 15 percent to 14 percent per annum.

In April 2020, the government established an Anti-Crisis Fund (of around 1.5 percent of GDP) in to strengthen the health care system and support vulnerable workers and affected businesses. The country faces strong external pressures.

Overall, real GDP is forecast to contract by 2.0 percent in 2020. A recovery of 4.5 percent is expected in 2021, driven by a rebound in exports and domestic demand. A key risk is a possible failure of this rebound to materialize because of a prolonged social distancing.

15 September 2020

### ADB ASIAN DEVELOPMENT BANK

### Uzbekistan Economic Growth in 2020 to Slow Further, Rebound in 2021

In an update to its flagship annual economic publication, Asian Development Outlook (ADO) 2020, ADB forecasts Uzbekistan's GDP growth at 0.5% in 2020, down from the 1.5% forecast in June. However, GDP is expected to rebound strongly to 6.5% in 2021, consistent with ADB's projection earlier this year.

"While our report estimates reduced growth this year, it is expected to rebound in 2021 with anticipated recovery in services and industry," said ADB Country Director for Uzbekistan Cindy Malvicini. "We continue to stand by the people of Uzbekistan, helping to mitigate the adverse health, social, and economic impacts of the disease, so that the country can overcome the pandemic and the economy can recover as quickly as possible."

The bank's forecasts for inflation remain unchanged at 13% in 2020 and 10% in 2021. Pandemic-related disruptions raised food price inflation in the first 7 months of 2020, while inflation for other goods and services in the same period slowed. Meanwhile, depreciation of the Uzbek sum year on year against the US dollar rose from 2.5% in the first half of 2019 to 6.7% this year.

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region.



#### **INTERNATIONAL MONETARY FUND**

#### IMF Staff Concludes Virtual Visit to Uzbekistan

An IMF mission, led by Mr. Ron van Rooden, conducted a virtual staff visit to Uzbekistan to discuss economic developments and policies. At the end of the mission, Mr. van Rooden issued the following statement:

"Uzbekistan, like most other countries, has been hit hard by the COVID-19 pandemic, adversely affecting its people and economy.

"The authorities' efforts to mitigate the economic impact of the crisis have mainly consisted of fiscal measures, with sizable additional spending on health care and social assistance, and support for small businesses, including tax relief. The Central Bank of Uzbekistan (CBU) has lowered its policy rate from 16 to 14 percent and provided ample liquidity to the banking system, while encouraging banks.

"Inflation, although still high at just over 11 percent, has gradually come down and with a relatively tight monetary policy stance is expected to decline further in the period ahead toward the CBU's inflation targets.

"As containment measures are being eased, economic activity has started to pick up. Provided the pandemic gradually abates in 2021, growth is expected to pick up to about 5 percent in 2021.

"The IMF stands ready to continue to support Uzbekistan in these efforts with policy advice, technical assistance, and financial assistance if needed."



# Ministry of Finance of the Republic of Uzbekistan Debt Management Office Contact us

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