UZBEKISTAN

Table 1	2023
Population, million	36.4
GDP, current US$ billion	101.6
GDP per capita, current US$	2788.9
International poverty rate ($2.15)[a]	2.3
Lower middle-income poverty rate ($3.65)[a]	5.0
Upper middle-income poverty rate ($6.85)[a]	17.3
Gini index[a]	31.2
School enrollment, primary (% gross)[b]	94.3
Life expectancy at birth, years[b]	71.7
Total GHG emissions (mtCO2e)	201.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ WDI for School enrollment (2023); Life expectancy (2022).

The economy is projected to grow by 6 percent in 2024. Fiscal consolidation is expected to continue in the medium term, based on adjusting energy prices to cost-recovery levels and reductions in tax benefits. The medium-term outlook remains positive since ongoing ambitious reforms are expected to stimulate private sector-led growth and job creation.

Key conditions and challenges

Uzbekistan implemented bold reforms in recent years, liberalizing its economy and improving prospects for private sector development. Uzbekistan's reform program, together with significant fiscal support, placed it on a relatively high growth path, with an average real GDP growth per capita of 3.4 percent over the last five years—above average for lower middle-income countries. Nevertheless, job creation has lagged with just 1.1 percent average growth over the last five years. But it needs to accelerate as population growth averaged 2 percent over the last five years and with a projected yearly net increase of 250,000 in the working-age population. To achieve sustainable, job-rich economic growth Uzbekistan needs to continue its reforms program to reduce state-owned enterprise dominance in the economy, liberalize key economic sectors (e.g., telecoms and raw materials), and minimize the trade barriers caused by regulatory inefficiency and gaps in public infrastructure. Faster job creation and productivity growth also will require increased labor force skills.

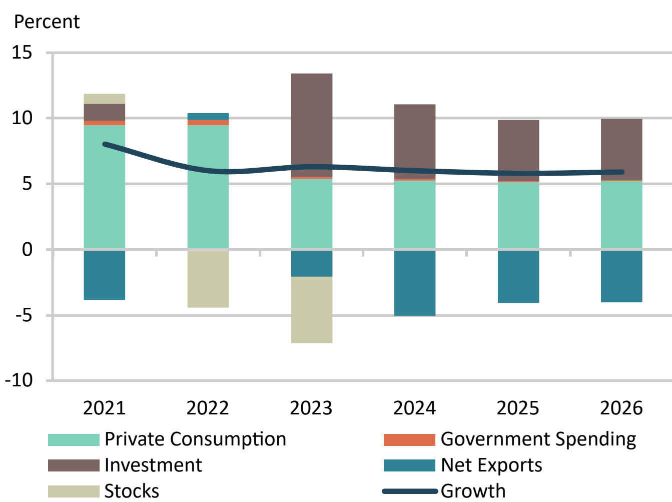
Recent developments

Real GDP grew by 6.4 percent year-on-year (y-o-y) in the first half (H1) of 2024 compared to 6.2 percent in H1 2023, led by investment and private consumption. Real consumption growth accelerated to 6.8 percent in H1, led by wage and remittances growth, while real investment increased by 36.6 percent, with FDI accounting for 29 percent of this investment. Investment growth was driven by spending on machinery, equipment, inventory, and construction, including solar and wind power plants, chemical and metallurgical complexes, rail investments, and construction of Asian Games facilities. Exports (in nominal U.S. dollar value) increased moderately in H1 2024, by 5.5 percent compared to 24.7 percent a year earlier led by services, food, and chemicals exports, while exports of gold, textiles, and machinery decreased moderately. Imports expanded by 11 percent in H1 2024, led by rising natural gas imports, machinery and equipment, and intermediate industrial goods. Overall, in H1 2024, Uzbekistan registered a current account surplus of 1 percent of GDP, as remittance inflows surged to 14 percent of GDP, compared to 13 percent of GDP in 2023, offsetting the H1 trade deficit of 13 percent of GDP.

Between January and August 2024, the sum depreciated by 1.8 percent against the U.S. dollar due to the flow-on impact of ruble depreciation. By August 31, 2024, international reserves reached US$39.2bn, rising by US$6.5bn from August 2023 and representing 9 months of import cover.

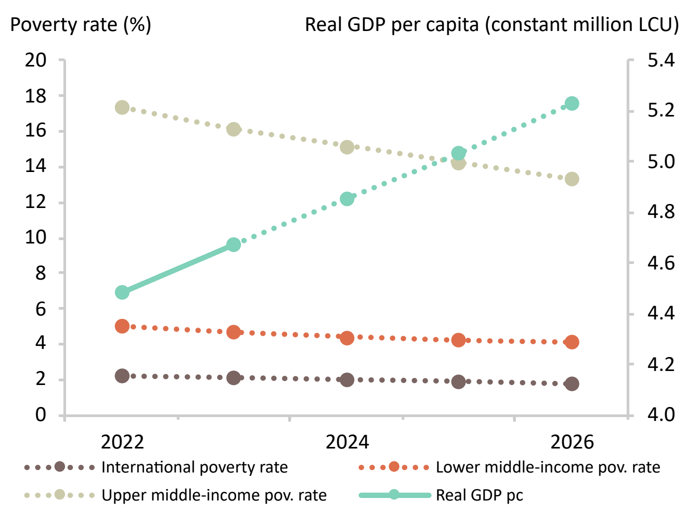
In H1 2024, as a share of GDP, budget revenue was 30 percent, while expenditure was 35.9 percent resulting in a budget deficit of 5.9 percent—higher than 5.7 percent in H1 2023.

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



Source: World Bank staff calculations based on official data.

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



Source: World Bank. Notes: see Table 2.

Headline inflation peaked in June 2024 at 10.6 percent, largely due to energy tariff increases, but has since slowed to 10.5 percent in July and August, with food inflation decelerating to a record low of 2.9 percent in July, prompting the central bank to cut interest rates by 50bps to 13.5 percent in July. Compensation measures (including a cash transfer of US$21 equivalent to low-income households) are expected to mitigate the negative impacts of tariff increases on the poor.

Real credit growth, y-o-y, was 18 percent in July 2024, down from 26 percent in July 2023, as the central bank's new regulations tightened bank underwriting standards in higher-risk segments (e.g., car loans; subsidized lending to family businesses). The banking sector remains adequately capitalized, with a capital ratio of 17.1 percent in July 2024, higher than 16.4 percent a year earlier, and above the required 13 percent. Non-Performing Loans increased to 4.1 percent in July 2024 from 3.6 percent in July 2023.

Average real wage growth of 7.2 percent in 2023 contributed to a reduction in poverty from 17.3 percent in 2022 to 16.9 percent in 2023 (applying the UMIC poverty line of US$6.85/day). However, poverty reduction was less than it could have been because income growth has been skewed in favor of the wealthier segments of the population, especially in urban areas, resulting in an increase in income inequality in 2023.

Outlook

Growth is projected at 6.0 percent in 2024, moderating slightly to 5.8 percent in 2025. Consumption growth in 2024 is expected to remain strong as average real wages increase and remittance inflows remain high. Import growth should accelerate in 2024 and continue buoyancy in the medium term to support Uzbekistan's economic modernization. Supported by high remittances, the current account deficit is projected to narrow in 2024 compared to 2023.

The overall fiscal deficit is expected to reduce to 3.7 percent of GDP in 2024 due to higher-than-expected nominal GDP in 2024 and fiscal consolidation measures, notably reduced energy subsidies and on lending to SOEs, and higher revenue collection. Fiscal consolidation is expected to continue in the medium term, with the budget deficit decreasing to 3.0 percent of GDP by 2025, as the government reduced tax expenditures and anticipated privatization proceeds support revenues.

Headline inflation is expected to decline to 9 percent in 2025 and gradually approach the inflation target of 5 percent in 2027.

The government is expected to adhere to its debt limits, with public debt decreasing to 35.9 percent of GDP in 2024 and 34.6 percent of GDP in 2025. Higher remittances and real growth in private consumption will lead to further poverty reduction, with the UMIC poverty rate projected to decrease to 15.2 percent in 2024.

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

TABLE 2 Uzbekistan / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	8.0	6.0	6.3	6.0	5.8	5.9
Private consumption	11.9	11.5	6.2	6.1	5.9	6.0
Government consumption	3.1	3.5	1.4	0.9	1.0	1.0
Gross fixed capital investment	3.1	-0.3	21.5	13.5	10.4	9.9
Exports, goods and services	13.4	24.6	7.7	5.5	9.4	11.7
Imports, goods and services	23.4	13.5	11.5	18.2	16.1	16.0
Real GDP growth, at constant factor prices	8.0	6.0	6.3	6.0	5.8	5.9
Agriculture	4.0	3.6	4.1	4.0	3.9	4.0
Industry	8.1	5.6	6.2	6.5	6.5	6.6
Services	10.3	7.5	7.5	6.7	6.3	6.4
Inflation (consumer price index)	10.8	11.4	10.0	10.9	9.1	7.8
Current account balance (% of GDP)	-7.0	-3.5	-7.7	-4.6	-6.3	-6.2
Net foreign direct investment inflow (% of GDP)	3.3	3.2	2.4	3.2	3.5	4.0
Fiscal balance (% of GDP)	-6.0	-4.0	-5.5	-3.7	-3.0	-3.0
Revenues (% of GDP)	25.9	30.8	29.2	29.2	29.2	29.7
Debt (% of GDP)	34.8	32.5	35.3	35.9	34.6	34.2
Primary balance (% of GDP)	-5.6	-3.6	-4.7	-2.6	-1.8	-1.8
International poverty rate ($2.15 in 2017 PPP)[a,b]	..	2.3	2.1	2.0	1.9	1.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	..	5.0	4.7	4.4	4.2	4.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	..	17.3	16.1	15.2	14.2	13.3
GHG emissions growth (mtCO2e)	6.3	3.2	3.6	3.7	3.7	3.8
Energy related GHG emissions (% of total)	61.9	62.1	62.4	62.7	62.9	63.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on ECAPOV harmonization, using 2022-HBS. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2022) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.