



Central Bank of Uzbekistan

**BALANCE OF PAYMENTS
AND INTERNATIONAL INVESTMENT
POSITION OF UZBEKISTAN**

for the 1st quarter of 2018

**June 2018
Tashkent**

Introduction¹

Starting from 2018 Central Bank of Uzbekistan (further "Central Bank") compiles and publishes the balance of payments and international investment position of the Republic of Uzbekistan in accordance with the Presidential Decree "On the measures of fundamental improvement of the activities of Central Bank of Uzbekistan" dated January 9, 2018 No UP-5296.

This report is prepared by the Foreign Exchange Regulation and Balance of Payments Department of the Central Bank. The report provides information on the major components of the balance of payments and international investment position for the first quarter of 2018. Calculations are made in line with the requirements and recommendations of the Balance of Payments and International Investment Position Manual, sixth edition (BPM6, IMF, 2009). Besides standard presentation of the balance of payments, the review contains detailed tables and diagrams with analytical commentaries and explanation of methodology of compiling statistics. International investment position is presented as a report which reflects the stocks and flows of assets and liabilities of the country.

The report is published on a quarterly basis by the end of the quarter following the reporting quarter. The review is available in Uzbek, Russian, and English.

Standard and analytical presentations of the balance of payments and international investment position are available on the website of the Central Bank: www.cbu.uz.

Central Bank expresses its gratitude to the ministries, agencies and other entities for their cooperation in provision of data for the balance of payments and international investment position of Uzbekistan for the first quarter of 2018 and hopes for further fruitful cooperation.

¹ The original report is prepared in Russian. Current translation is for informative purposes.

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I. Current account

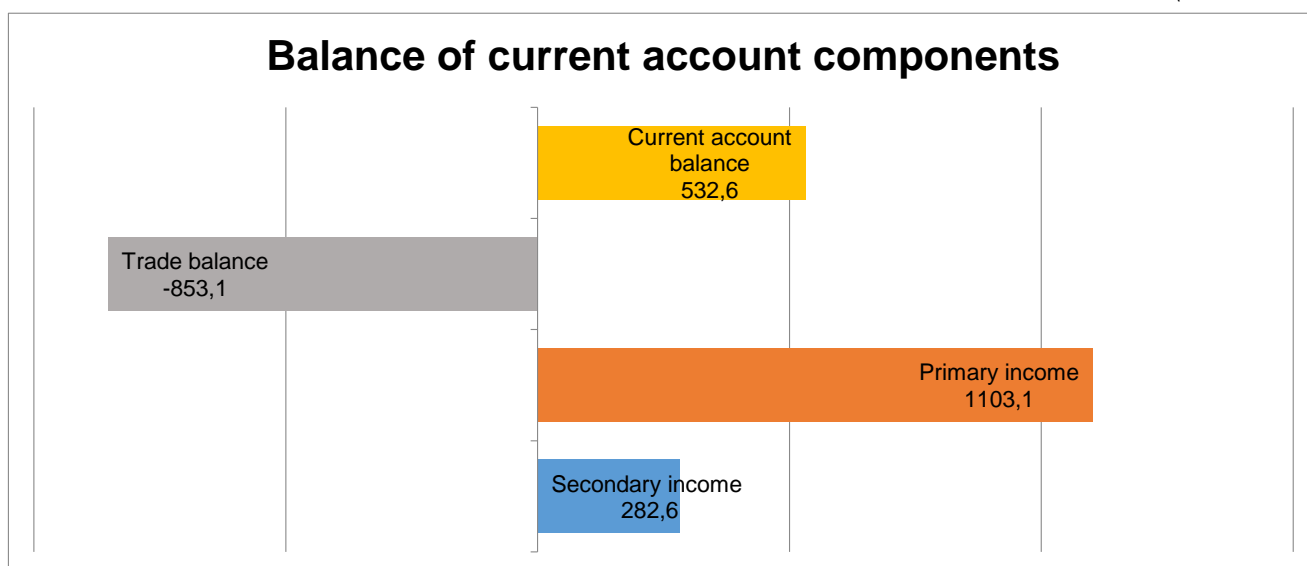
Current account shows flows of goods, services, primary and secondary income between residents and non-residents.

Current account operations were calculated based on the data received from State Customs Committee, State Statistics Committee, Central Bank, Ministry of Finance, State Border Defense Committee, commercial banks, and companies through application of IMF standards and expert opinion.

According to the figures for the first quarter of 2018, the positive balance of the current account amounted to USD 532.6 mln. Figure 1 depicts the balance of components of the current account.

Figure 1

(in USD million)



Goods and services account

This component shows the value of exported and imported goods and services. The negative trade balance (the difference between the value of exported and imported goods and services) is equal to USD 853.1 mln.

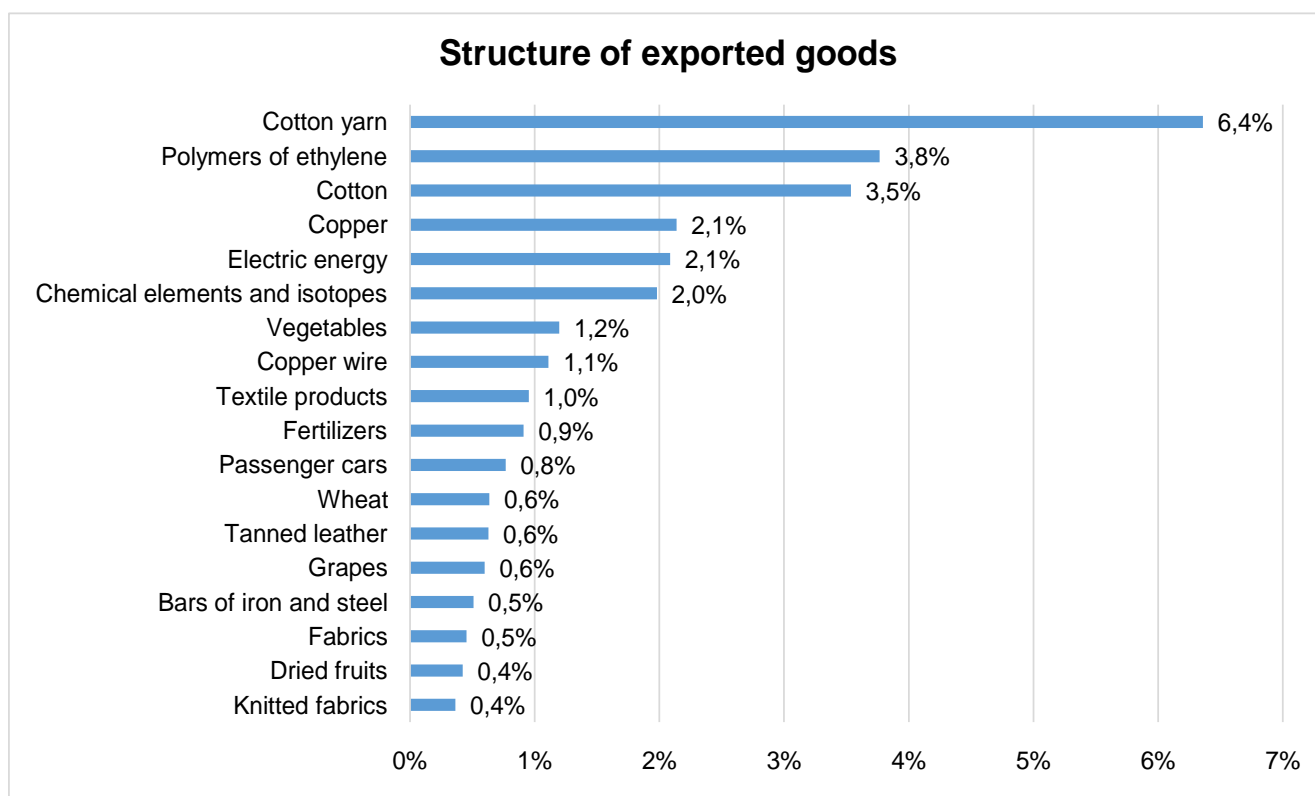
Goods

In the first quarter, the value of exported goods in terms of BOP methodology² was USD 2.9 bln., whereas the value of imports was USD 3.6 bln. The increase in the volume of imports is partly related to the shift of the entrepreneurs from the informal economy to the banking sector as well as enhancement of the companies' production capacity through loans in foreign currency.

The main exported goods were gold – USD 1.3 bln. and natural gas – USD 487.2 mln. Their share in total exports was equal to 61%. Therefore, the price of gold and natural gas in the international market has a substantial impact on the value of country's exports.

The share of other major exported goods is shown in Figure 2³.

Figure 2



The cumulative value of aforementioned exported goods is 90%. Structural analysis of exports shows that substantial share of exports were raw

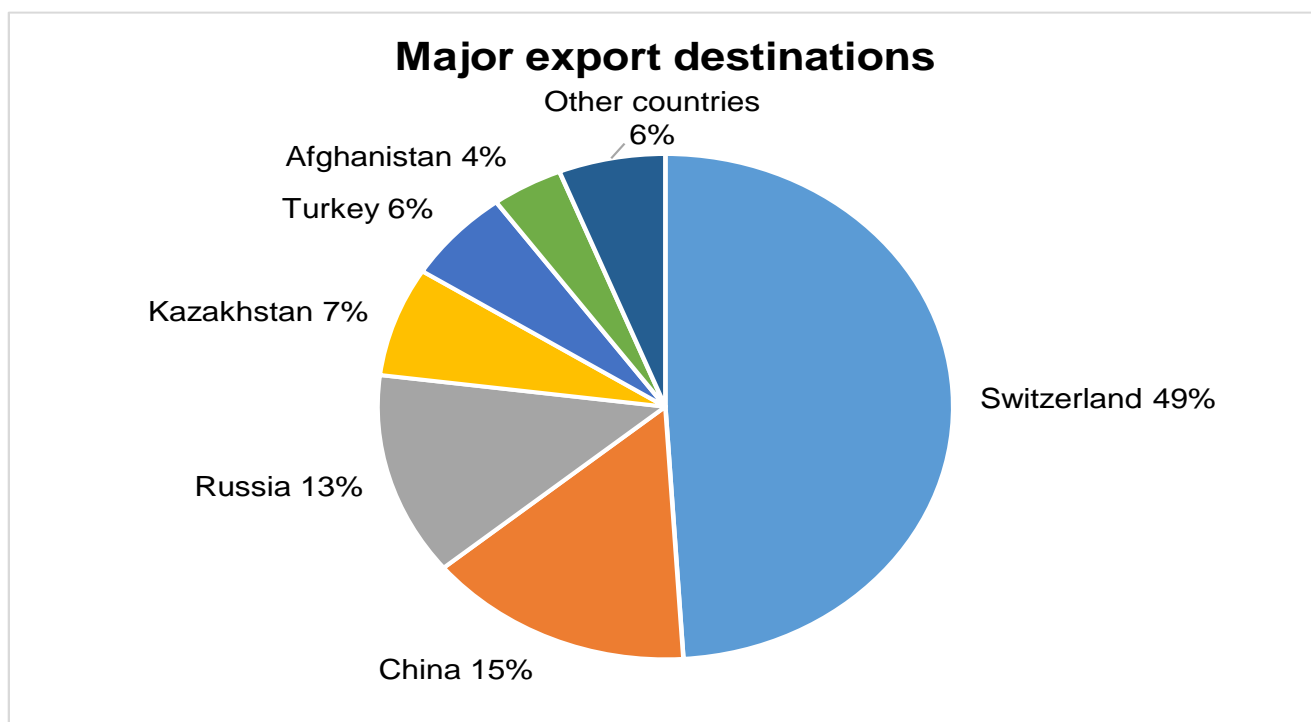
² Exports and imports of goods is shown on the basis of change of ownership between residents and non-residents. Wherein, the value of imported goods is estimated on "Free on board" basis. For this reason, the value of goods is modified in order to show the value of transportation and insurance services separately as import of services from non-residents. This way the methodology used for calculating exports and imports data for balance of payments purposes is different from the methodology used by State Statistics Committee.

³ The figure includes the goods that have at least 1/3 percent share in total value of exported goods.

materials, whereas share of final goods was less than 6% (dried fruits, grapes, vehicles, textiles, vegetables and electric energy).

Export of goods in the first quarter of 2018 was mainly made to Switzerland (gold), China, Russia, Kazakhstan, Turkey and Afghanistan. (Figure 3)

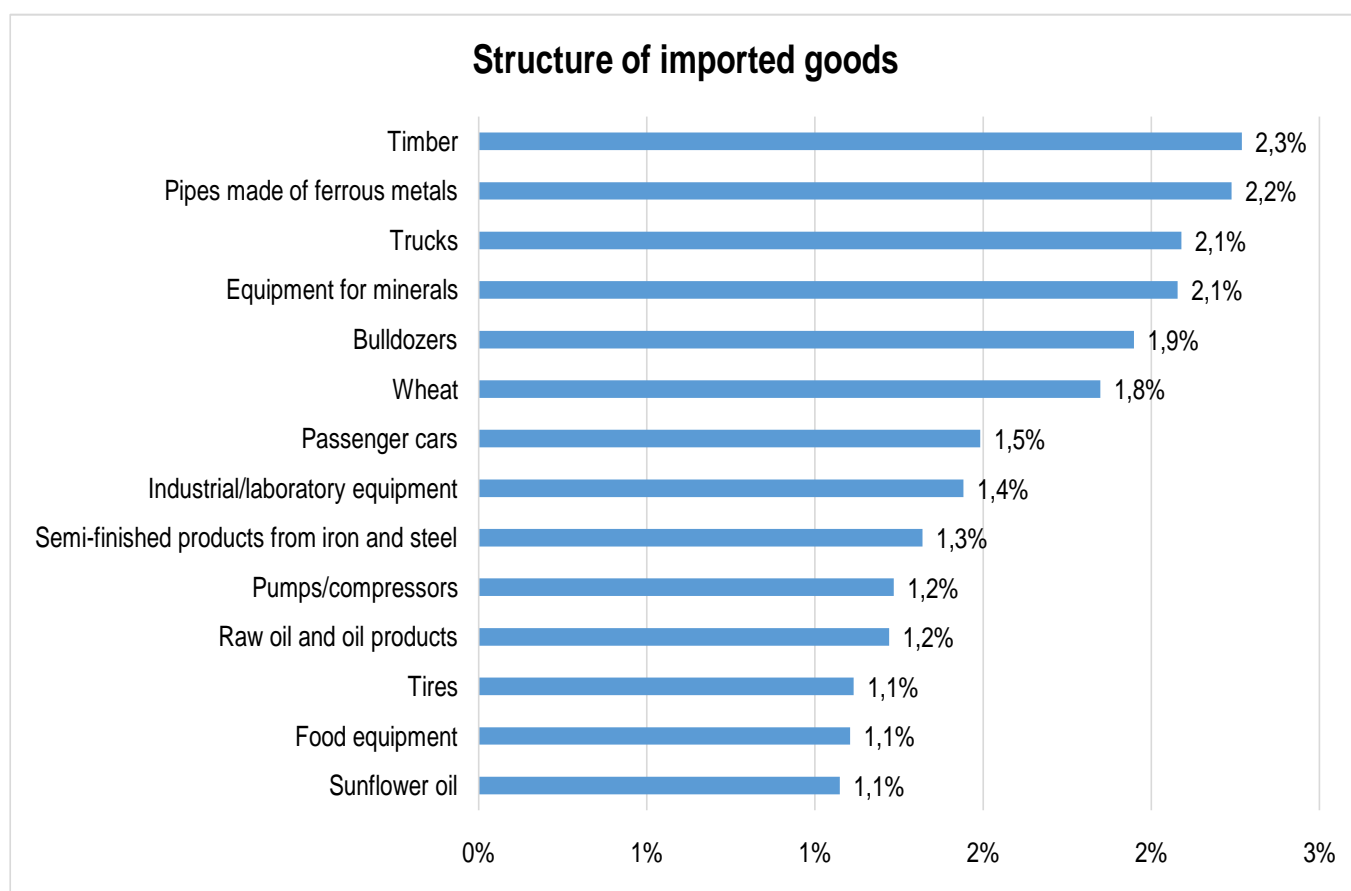
Figure 3



The analysis of imported goods revealed that the main import products were oil and oil products – USD 186.5 mln., medicine – USD 184.7 mln., spare parts and items related transportation means – USD 141.9 mln., sugar and sugar cane – USD 131.6 mln., rolled metal products – USD 120.4 mln., as well as textile equipment – USD 91.7 mln. Cumulative share of these goods in total imports was equal to 24%. The Figure 4 depicts the shares of other goods which amount to comparably greater volume of imports⁴.

⁴ The figure depicts goods that have at least 1 percent share in total value of imported goods.

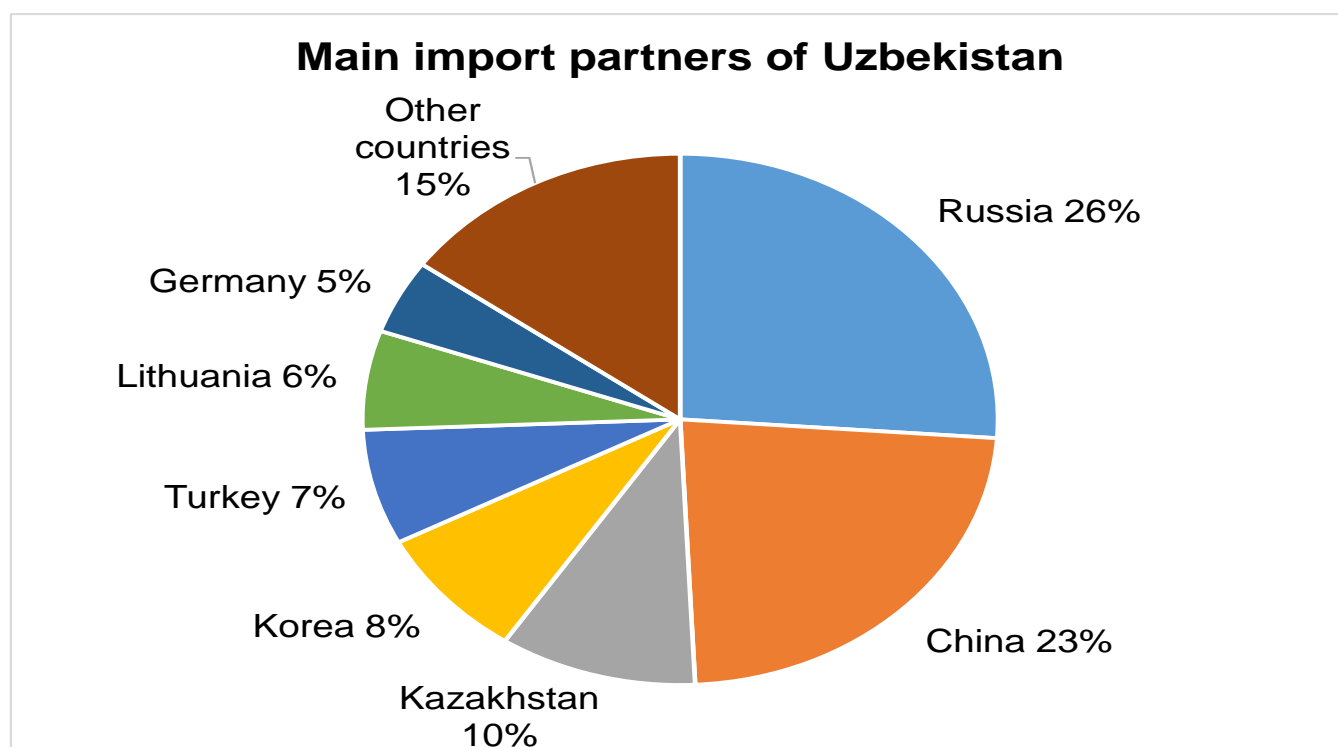
Figure 4



Statistics illustrate that equipment for production purposes prevails in the structure of imports as well as socially significant goods for the population.

Goods were mainly imported from Russia, China, Kazakhstan, the Republic of Korea, Turkey, Lithuania, and Germany (Figure 5).

Figure 5



For the purpose of better reflection of imports according to the balance of payments methodology, Central Bank has carried out the survey to estimate the value of goods imported by individuals from neighboring and near abroad countries⁵. The estimated value of goods imported by individuals was USD 212.5 mln. or 6% of the total value of imports. This figure was calculated based on coefficients derived from the results of the survey of the Central Bank.

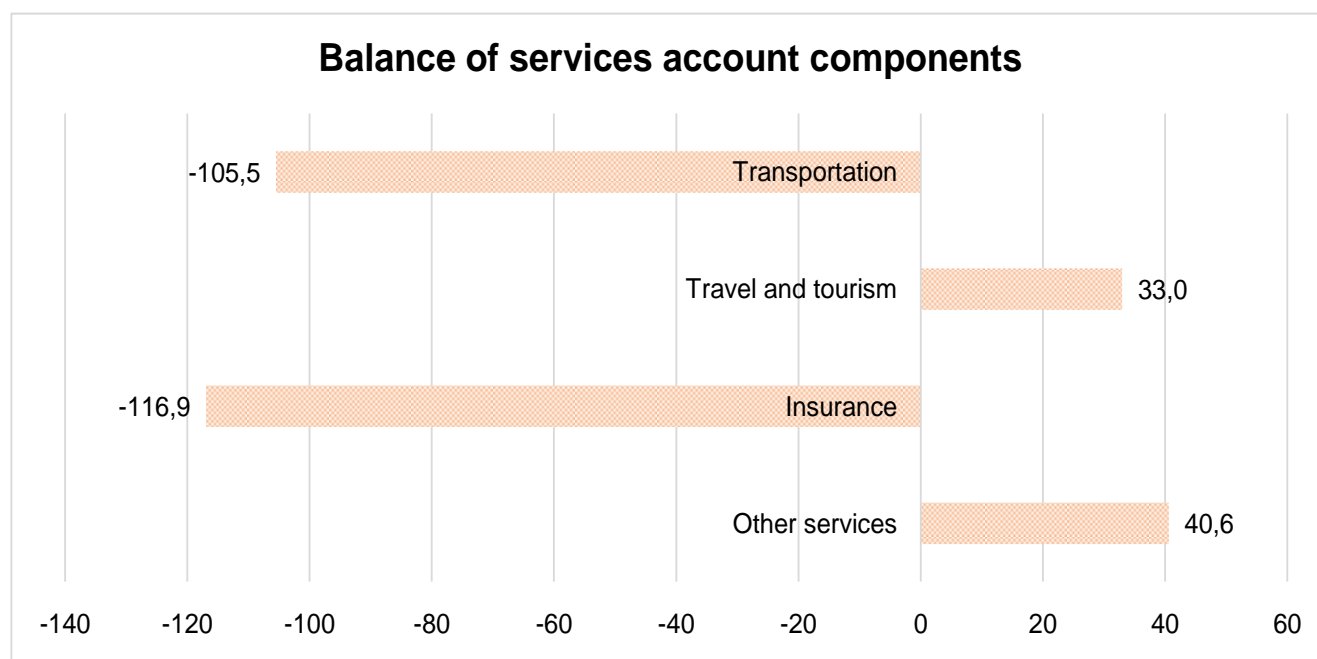
Services

The value of exported services during the first quarter amounted to USD 1.1 bln., while the value of imported services stood at USD 1.2 bln. The Figure 6 reveals the balance of different types of services in the first quarter of 2018.

⁵ The estimation of imports by individuals was made by employing the data gathered from a survey conducted in border crossing points with neighboring countries as well as in international airports in all regions of the country.

Figure 6

(in USD million)



The negative balance of transportation services (by air, rail, road and other) was USD 105.5 mln. due to the correction of the imported goods' value. Moreover, when the correction of the imports' value in accordance with BPM6 is taken into account, the imports of insurance services was USD 118.3 mln, as a result, the negative balance of this type of services equaled USD 116.9 mln.⁶

⁶ The majority of imported goods are delivered under condition, where the consigner pays the cost of transportation and insurance. For this reason, the cost of transportation and insurance services, calculated based on tariffs of Uzbek logistics companies, was equal to 15% of the imported goods' value.

The positive balance of travel account, which includes expenses of short term resident workers abroad, stood at USD 33 mln. In general, the amount expenses of non-residents in Uzbekistan equaled USD 666 mln., which is two times more than for comparable period of the last year. The main reason behind the increase of the non-residents' expenses is the growth of the number of people visiting the country (for business and travel purposes) owing to relaxation of visa regulations.

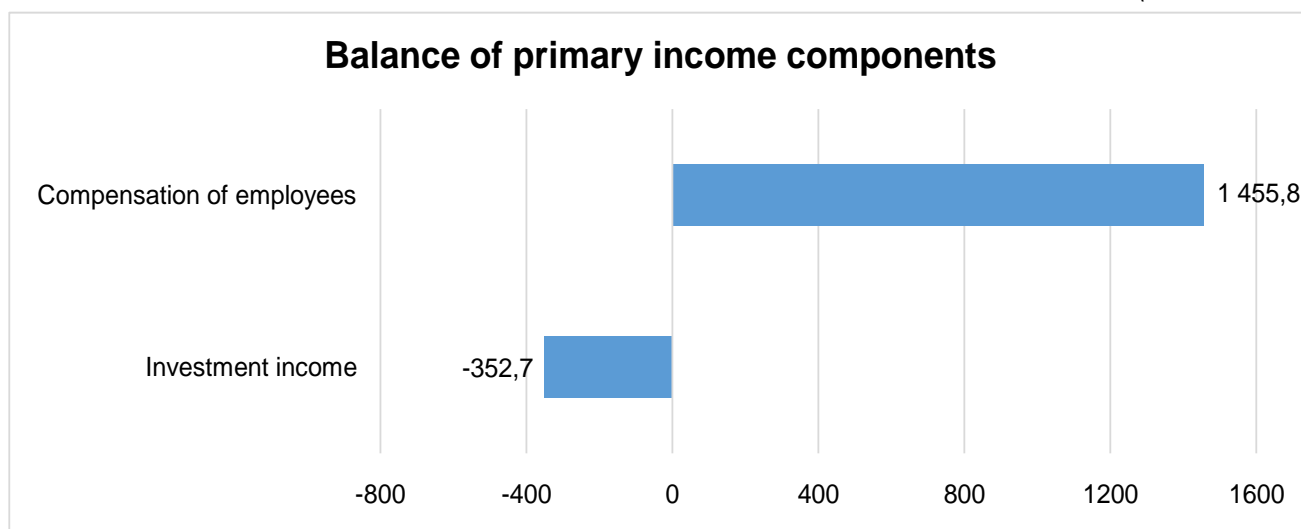
The positive balance of other services (telecommunications, financial, construction and other) amounted to USD 35.4 mln.

Primary income account

Primary income account consists of the income received from production process (e.g. workers' remuneration) and income from investments (e.g. dividends). Estimated sum of the residents' income abroad was USD 1.5 bln.⁷

Investment income of residents was equal to USD 41.1 mln., whereas the non-residents' income was USD 393.8 mln., of which USD 197.1 mln was reinvestment income and USD 136.1 mln. was accrued interest of external debt. Consequently, the negative balance of investment income is USD 352.7 mln. (Figure 7)

Figure 7
(in USD million)



As of the end of the first quarter, the positive balance of primary income is USD 1.1 bln.

⁷ Estimated income of residents abroad were computed by application of coefficients based on information from official sources and the results of the survey conducted by the Central bank in border crossing points and international airports throughout the country.

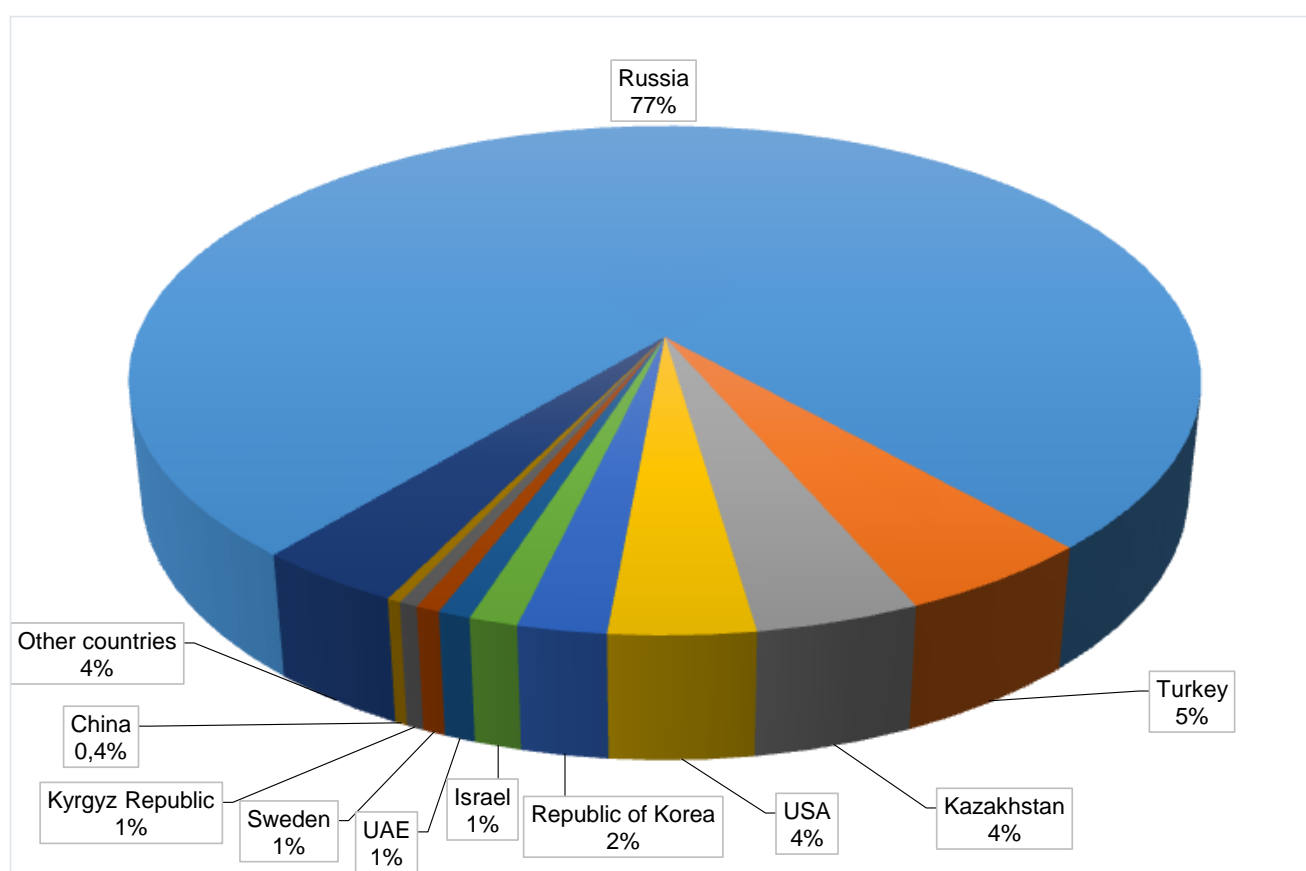
Secondary income account

Secondary income account shows current transfers between residents and non-residents. Current transfers involve provision of goods, services, financial or other assets without receiving a corresponding item of economic value.

The positive balance of secondary income account was equal to USD 282 mln. owing to transfers of individuals from abroad⁸. During the first quarter, the total amount of money transfers to individuals from abroad amounted to USD 949.4 mln. of which USD 481.3 mln. or 50% were classified as transfers. The figure also takes into account the foreign exchange in cash brought by residents to the country. The majority of money transfers were made from Russia (77,2%), Turkey (5,1%), Kazakhstan (4,2%), the USA (3,8%) and the Republic of Korea (2,3%).

Figure 8

The structure of money transfers received by individuals during the first quarter of 2018 (by countries)



⁸ The calculation of secondary income of households is carried out by summing the money transfers and imported foreign currency by residents and subtracting the difference between the income and expenses of short term workers employed abroad.

II. Capital account

Capital account provides information on receivable and payable capital transfers as well as the acquisition and disposal of nonproduced, nonfinancial assets⁹ between residents and non-residents.

Capital account transactions were compiled based on the data provided by Central Bank, Ministry of Finance, State Customs Committee and commercial banks.

The positive balance of capital account is equal to USD 28.8 mln.

⁹ Nonproduced, nonfinancial assets include rights on natural resources; contracts, leases, and licenses which are recognized as economic assets; and marketing assets. Additionally, capital transfers include transfer of ownership of an asset (other than cash or inventories); debt forgiveness and other operations.

III. Financial account and international investment position

Financial account reflects the transactions between residents and non-residents related to financial assets such as receipt and repayment of loans, securities trade, investment operations and others (trade credits; insurance, pension, and standardized guarantee schemes; and other accounts receivable/payable).

International investment position provides information on the assets (claims on non-residents) and liabilities (claims of non-residents) of the country for the beginning and end of the period. Assets and liabilities include direct and portfolio investment, financial derivatives, currency and deposits, loans, trade credit and advances and other accounts receivable/payable and reserve assets.

The change in the stock of assets and liabilities for the beginning and end of the period is explained through operations in the financial account and changes in exchange rates, prices and other changes not included in the financial account.

Financial account transactions were compiled by using data gathered from Central Bank, Ministry of Finance, State Statistics Committee, commercial banks in accordance with IMF standards and application of expert opinion.

By the end of the first quarter of 2018, the assets of residents increased by USD 874 mln., while the liabilities rose by USD 567 mln. As a result, net investment position of Uzbekistan grew by USD 307 mln.

Assets

As of the end of the first quarter, claims on non-residents, including reserve assets, stood at USD 43.7 bln. Investigation of the assets' growth revealed that the major increase in assets falls to "currency and deposits" and "reserve assets" accounts (Table 1).

Table 1

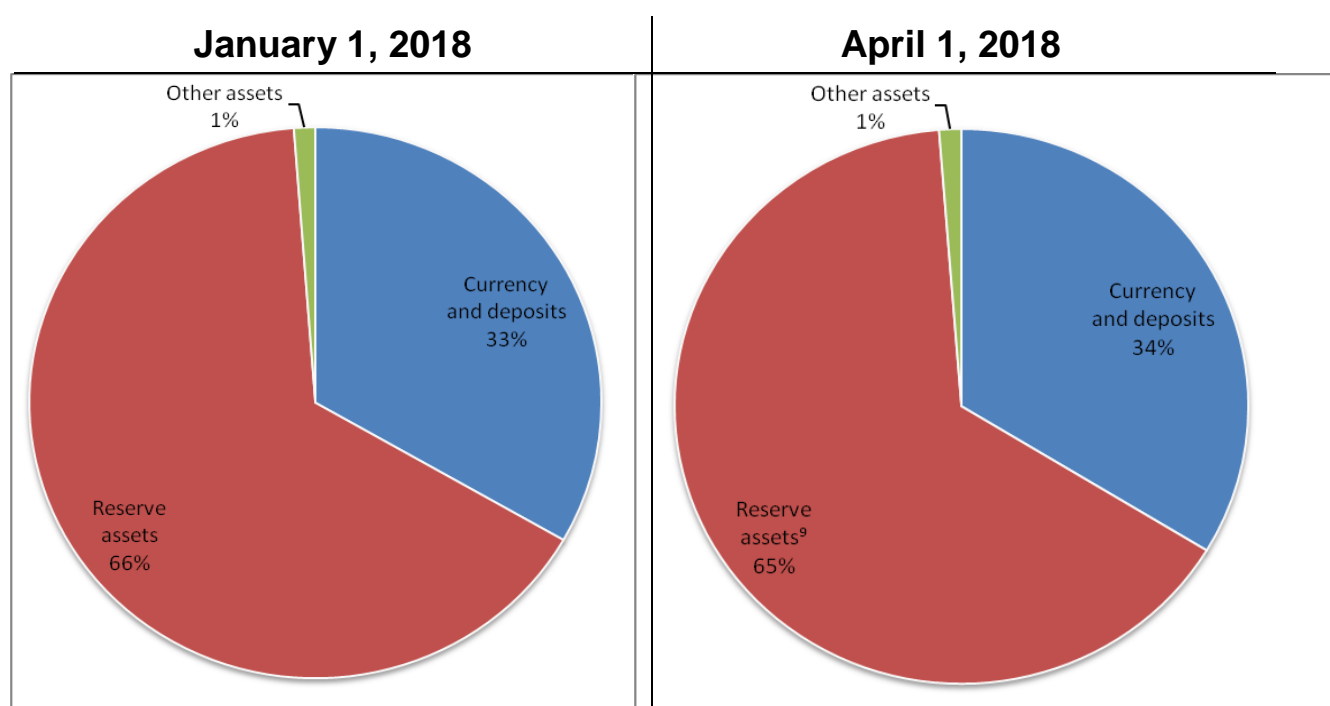
Composition of assets of Uzbekistan

Type of asset	January 1, 2018 (in USD million)	April 1, 2018 (in USD million)	Change (in %)
Total	42 870,3	43 801,2	2,2%
<i>of which</i>			
Reserve assets	28 076,9	28 494,0	1,5%
Currency and deposits	14 276,5	14 758,0	3,4%
Other assets	516,9	549,2	6,2%

Figure 9 depicts the relative shares of major components of assets.

Figure 9

Relative shares of major components of assets



¹⁰ The relative share of reserve assets in total value of assets decreased by the end of the first quarter of 2018 due to increase in "Currency and deposits" account. Nevertheless, the value of reserve assets has increased in comparison to the beginning of the year.

Currency and deposits

Currency and deposits account rose from USD 14.3 bln. to USD 14.7 bln. (growth amount USD 425 mln.)

Analysis of the account in the breakdown of economy sectors shows that assets of the commercial banks decreased from USD 2.9 bln. to USD 2.7 bln. (decrease amount USD 170 mln.) mainly owing to the decrease of foreign exchange in the correspondent accounts of banks from USD 2.3 bln to USD 2.1 bln. The reason behind such decrease is growth of the payments for imports due to the shift of the entrepreneurs from the informal economy to the banking sector.

Thanks to the remittances of residents working abroad, the growth of the population's savings in foreign currency amounted to USD 644.6 mln.¹¹ The remittances are sent to the country through money transfer systems.

The amount of funds kept in foreign accounts of residents increased from USD 364 mln. to USD 400 mln., whereas the funds of non-bank financial institutions in foreign accounts remained without notable changes at USD 10 mln.

Reserve assets

During the first quarter of the current year reserve assets rose from USD 28.1 bln. to USD 28.5 bln. (growth amount USD 417 mln.).

The total amount of currency and deposits included in reserves increased by USD 466.4 mln., where the sales of precious metals contributed USD 384.5 mln. and positive changes in exchange rates supplied another USD 82 mln. The value of reserve assets in the form of gold grew by USD 296.6 mln. thanks to upsurge in gold prices in international markets. Other changes in amount of negative USD 354 mln. are difference between purchase and sale of gold during the first quarter.

Direct and portfolio investments, and loans to non-residents

The remaining components of assets changed slightly. As of the end of quarter 1, 2018 direct investments abroad were USD 173 mln., portfolio investments were USD 1.2 mln., and the outstanding balance of loans provided to non-residents amounted to USD 1.1 mln.

¹¹ The amount of population's savings are calculated based on information about international money transfers by individuals to Uzbekistan, imports and exports of foreign currency in cash by residents and sale of foreign currency by individuals in exchange offices of banks.

Liabilities

After the first quarter of 2018, the amount of liabilities to non-residents was USD 26.1 bln. The components of liabilities with the highest growth were "Direct investment" and "Loans" (*Table 2*).

Table 2.

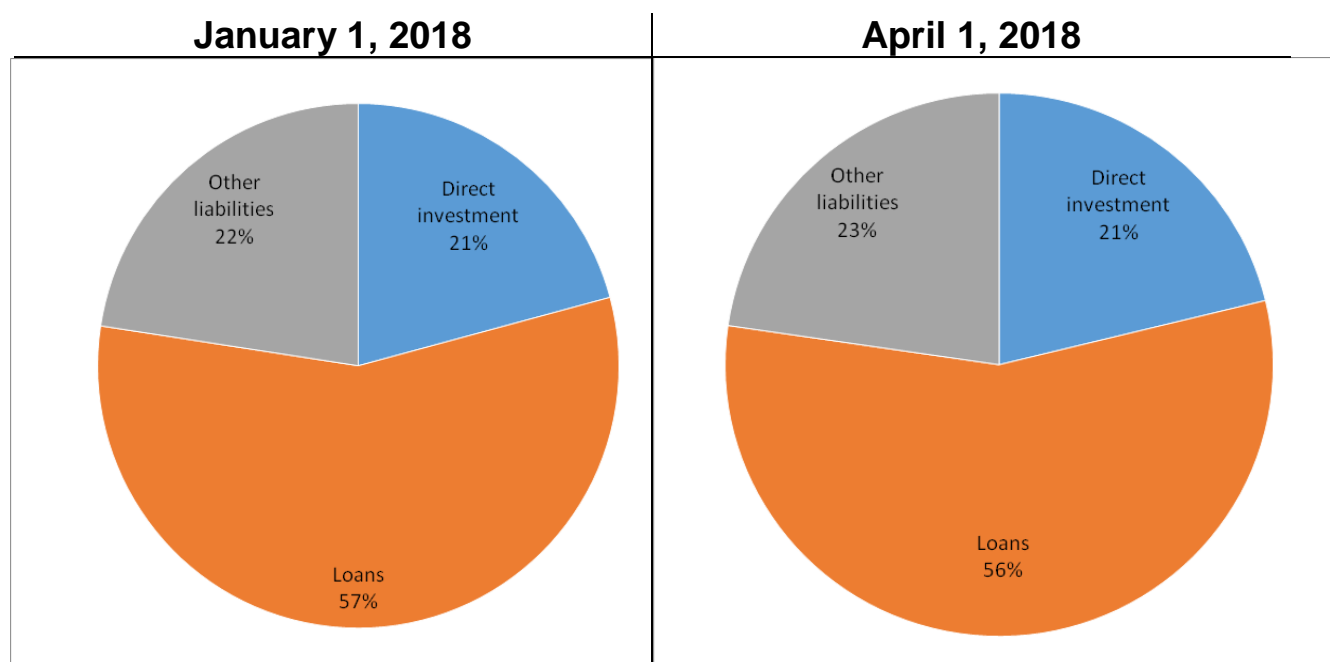
Composition of liabilities of Uzbekistan

Type of liability	January 1, 2018 (in USD million)	April 1, 2018 (in USD million)	Change (in %)
Total	25 551,7	26 118,7	2,2%
<i>of which</i>			
Loans	14 471,5	14 654,8	1,3%
Direct investment	5 314,0	5 536,6	4,2%
Other liabilities	5 766,2	5 927,2	2,8%

Figure 10 depicts the relative shares of major components of liabilities.

Figure 10

Relative shares of major components of liabilities



Direct investment

The amount of direct investment to Uzbekistan rose from USD 4 bln. to USD 4.3 bln.

Moreover, inflow of direct investment from non-residents totaled USD 200 mln., of which USD 197 mln. was in the form of reinvestment of earnings. The USA (28%), China (10%), the UK (10%), British Virgin islands (8%), United Arab Emirates (6%), Russia (6%), Turkey (5%), Malaysia (4%), Switzerland (4%), Germany (4%), Netherlands (4%), Singapore (3%) and the Republic of Korea (2%) are the countries that provide majority of investments (92%).

It should be noted that according to BPM6, loans provided by parent companies are considered as another type of investing in a company, thus, they are classified as investment through debt instruments. Despite the increase in loans (24 mln.) from parent companies, the total amount of debt owed fell due to the reclassification of USD 95 mln. from loan to equity of the direct investment enterprise. Therefore, after the first quarter of 2018, the outstanding balance of loans provided by parent companies decreased from USD 1.3 bln. to USD 1.2 bln.

External debt

In the first quarter, the total amount of external debt, excluding loans from parent companies, rose from USD 14.5 bln. to USD 14.7 bln. External debt consists of government and private sector external debt.

The major growth in external debt is attributable to government sector, where government debt rose by USD 329 mln., this figure also includes impact of exchange rates. Consequently, the outstanding external government debt increased from USD 7.6 bln. to USD 7.9 bln.¹²

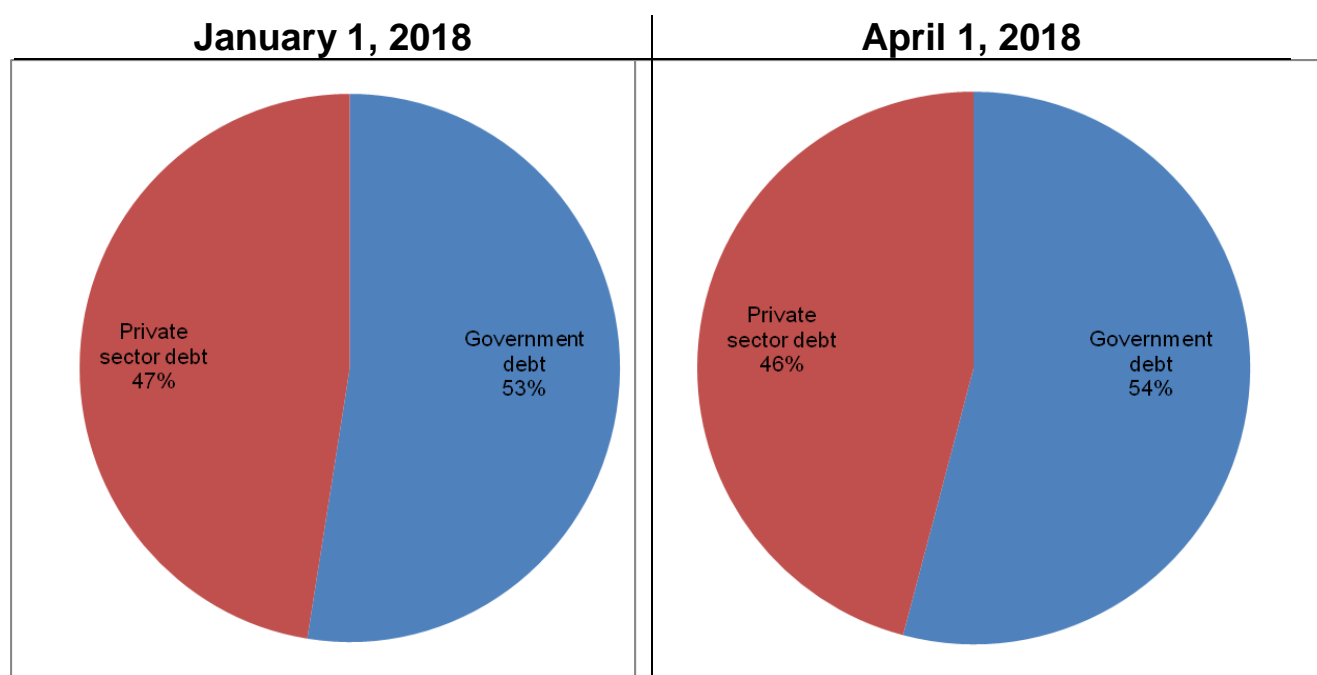
Among the subdivisions of private sector debt, the growth in liabilities was seen in banking sector (USD 70 mln.) and non-banking financial institutions sector (USD 3 mln.).

¹² The analysis of government external debt was carried out by using preliminary data provided by Ministry of Finance.

However, the external debt of private enterprises fell by USD 222 mln. owing to repayment of principal and interest. For that reason, the private sector external debt decreased from USD 6.3 bln. to USD 6 bln.¹³

Figure 11

Relative shares of government and private sector external debt¹⁴



Deposits of non-residents

Deposits of non-residents increased from USD 18 mln. to USD 43 mln. (growth amount USD 25 mln.). Particularly, the deposits of non-resident individuals grew by USD 8 mln. (from USD 13 mln. to USD 21 mln.), whereas the deposits of non-resident enterprises rose by USD 17 mln. (from USD 5 mln. to USD 22 mln.)

Portfolio investment

The growth in the amount portfolio investments, including reinvestment of income in the sum of USD 13.4 mln., was marked from USD 21 mln. to USD 38 mln.

¹³ The amount excludes the value of loans provided by parent companies. According to BPM6, loans provided by parent companies are viewed as another type of investing in an enterprise. Consequently, these loans are classified as investment in debt instruments of direct investment enterprise.

¹⁴ Private sector external debt excludes loans provided by parent companies.

IV. Errors and omissions

Compilation of balance of payments is a result of aggregation of data from different sources, which practically may lead to discrepancies, as a result of independent assessment of the different components of the Balance of Payments.

Net errors and omissions are calculated as difference between net lending (borrowing) from the financial account and net lending (borrowing) from the current and capital accounts.

While it is not possible to give guidelines on an acceptable size of net errors and omissions, it can be assessed (where possible) by compilers in relation to other items, such as GDP, positions data, and gross flows.¹⁵

¹⁵ Paragraph 2.26 of Balance of payments and international investment position manual (IMF, 2009).

V. Final notes

Positive balance from current account in the first quarter of the current year resulted from a positive balance of wages earned by short-term workers and their expenditures during their stay abroad, as well as transfers. This is supported by cross-country money transfer data from countries where short-term workers are primarily employed.

At the same time, significant amounts of foreign exchange, received by residents from abroad are kept by the households in the form of savings. Therefore, decrease in the amount of funds at the correspondent accounts of commercial banks is compensated by the increase in foreign exchange cash savings of households.

External debt of private sector has declined as a result of repayment of principal and interest on the loans in accordance with repayment schedules.

Forecast schedules show that indebtedness of government sector is expected to increase in the medium run. Financing need of long-term investment and socially important projects is the reason for the increase in the indebtedness of government sector.

Indebtedness of the private sector is expected to decrease mostly as a result of repayment of principal and interest. Simultaneously, external debt of the financial sector may raise as a result of attraction of new debt.

VI. Compilation methodology and policy of reviewing data

Balance of payments shows on aggregate basis operations of the country with the rest of the world, resulting from the transfer of ownership for tangible and intangible assets (between residents and non-residents) for the specific period of time. Balance of payments is composed of current account, capital account and financial account.

Balance of payments and international investment position is compiled using common methodology in accordance with the Balance of Payments and International Investment Position Manual (BPM6, IMF, 2009).

Balance of payments statistics applies procedure for historical data revision similar to the one applied in national accounts, which serves to improve quality of statistics taking into account information available and when mistakes in calculations are identified. Considering this, balance of payments and international investment position indicators can be further revised.

Balance of payments of Uzbekistan
(analytical presentation)

in USD million

Accounts	Quarter 1, 2018
I. Current account (excludes reserves and related items)	532,6
Goods, credit (exports)	2 909,3
Goods, debit (imports)	3 613,6
Balance on goods	-704,3
Services, credit (exports)	1 121,3
Services, debit (imports)	1 270,1
Balance on goods and services	-853,1
Primary income, credit	1 498,8
Primary income, debit	395,7
Balance on goods, services, and primary income	250,0
Secondary income, credit	515,9
Secondary income, debit	233,3
II. Capital account (excludes reserves and related items)	28,8
Capital account, credit	28,8
Capital account, debit	0,0
Balance on current and capital account	561,4
III. Financial account (excludes reserves and related items)	77,2
Direct investment, assets	0,1
Equity and investment fund shares	0,1
Debt instruments	0,0
Direct investment, liabilities	225,0
Equity and investment fund shares	200,7
Debt instruments	24,4
Portfolio investment, assets	0,0
Equity and investment fund shares	0,0
Debt instruments	0,0
Portfolio investment, liabilities	13,5
Equity and investment fund shares	13,5
Debt instruments	0,0
Financial derivatives (other than reserves) and employee stock options	0,0
Fin. derivatives and employee stock options, assets	0,0
Fin. derivatives and employee stock options, liabilities	0,0
Other investment, assets	499,3
Other equity	0,0
Debt instruments	499,3
Other investment, liabilities	183,8
Other equity	0,0
Debt instruments	183,8
Reserves and related items	384,5

Reserve assets	384,5
Net credit and loans from the IMF (excluding reserve position)	0,0
Exceptional financing	0,0
Balance on current, capital, and financial account	484,2
IV. Net errors and omissions	-99,7

This report uses standard presentation identified in Balance of Payments and International Investment Position Manual, sixth edition (BPM6).

International investment position of Uzbekistan

in USD million

Indicators	Quarter 1, 2018	
	beginning	ending
Assets	42 870,3	43 801,1
Direct investment	172,5	172,7
Equity and investment fund shares	13,6	13,8
Direct investor in direct investment enterprises	13,6	13,8
Direct investment enterprises in direct investor (reverse investment)	0,0	0,00
Between fellow enterprises	0,0	0,00
Debt instruments	159,0	159,0
Direct investor in direct investment enterprises	3,4	2,8
Direct investment enterprises in direct investor (reverse investment)	0,0	0,0
Between fellow enterprises	155,5	156,1
Portfolio investment	1,2	1,2
Equity and investment fund shares	1,2	1,2
Central Bank	0,0	0,0
Deposit-taking corporations, except the Central Bank	1,2	1,2
General government	0,0	0,0
Other sectors	0,0	0,0
of which: other financial corporations	0,0	0,0
Debt securities	0,0	0,0
Central Bank	0,0	0,0
Deposit-taking corporations, except the Central Bank	0,0	0,0
General government	0,0	0,0
Other sectors	0,0	0,0
of which: other financial corporations	0,0	0,0
Financial derivatives (other than reserves) and employee stock options	0,0	0,0
Other investment	14 619,8	15 133,3
Other equity	0,0	0,0
Debt instruments	14 619,8	15 133,3
Central Bank	66,1	22,5
Deposit-taking corporations, except the Central Bank	2 867,9	2 711,0
General government	0,0	0,0
Other sectors	11 685,8	12 399,8
of which: other financial corporations	10,0	10,0
Reserve assets	28 076,9	28 494,0
Monetary gold	14 034,1	13 976,8
Special drawing rights	378,9	386,9

Reserve position in the fund	0,0	0,0
Other reserve assets	13 663,9	14 130,3
Liabilities	25 551,7	26 118,7
Direct investment	5 314,0	5 536,6
Equity and investment fund shares	4 009,0	4 321,0
Direct investor in direct investment enterprises	4 009,0	4 321,0
Direct investment enterprises in direct investor (reverse investment)	0,0	0,0
Between fellow enterprises	0,0	0,0
Debt instruments	1 304,9	1 215,6
Direct investor in direct investment enterprises	1 231,7	1 141,5
Direct investment enterprises in direct investor (reverse investment)	0,0	0,0
Between fellow enterprises	73,2	74,1
Portfolio investment	20,7	37,7
Equity and investment fund shares	20,7	37,7
Central Bank	0,0	0,0
Deposit-taking corporations, except the Central Bank	2,9	2,9
General government	0,0	0,0
Other sectors	17,8	34,7
of which: other financial corporations	0,5	0,5
Debt securities	0,0	0,0
Central Bank	0,0	0,0
Deposit-taking corporations, except the Central Bank	0,0	0,0
General government	0,0	0,0
Other sectors	0,0	0,0
of which: other financial corporations	0,0	0,0
Financial derivatives (other than reserves) and employee stock options	0,0	0,0
Other investment	20 217,0	20 544,3
Other equity	0,0	0,0
Special drawing rights	0,0	0,0
Other debt instruments	20 217,0	20 544,3
Central Bank	0,0	0,0
Deposit-taking corporations, except the Central Bank	598,8	697,0
General government	7 600,0	7 929,2
Other sectors	12 018,2	11 918,1
of which: other financial corporations	13,5	16,6
Net international investment position	17 318,6	17 682,5

This report uses standard presentation identified in Balance of Payments and International Investment Position Manual, sixth edition (BPM6).

Also see:

1. Balance of Payments and International Investment Position Manual, sixth edition (BPM6, 2009):

<https://www.imf.org/external/russian/pubs/ft/bop/2007/bopman6r.pdf>

2. Analytical presentation of balance of payments and international investment position of Uzbekistan are also available in "Statistics" section of Central Bank's website: <http://cbu.uz>

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