

## Uzbekistan: Entrepreneurs Assess Business Climate

Since mid 2009 Center for Economic Research and Chamber of Commerce and Industry, with support from UNDP, have been jointly producing a quarterly Business Climate Index of Uzbekistan (BCI). BCI reflects the perceptions of Uzbek entrepreneurs on the current and expected situation with regard to their business.

552 entrepreneurs representing all 14 regions of the country (40 per each region and 32 from Tashkent city) and five sectors (industry, agriculture, construction, transport and communications, trade and catering) are participated in the survey.

The average index for the six surveys conducted through Q3 2009 – Q4 2010 is rather high (19.2). That in fact corresponds the overall growth rate of the Uzbek economy (the average nominal GDP growth for this period was 16.2%). The level of “optimism” (difference between the expected and actual BCI) is equaled to 4.9. This was particularly true for the Q4 2010 when the expected BCI was at the level of 34.4 and while the actual grew up to 25.8.

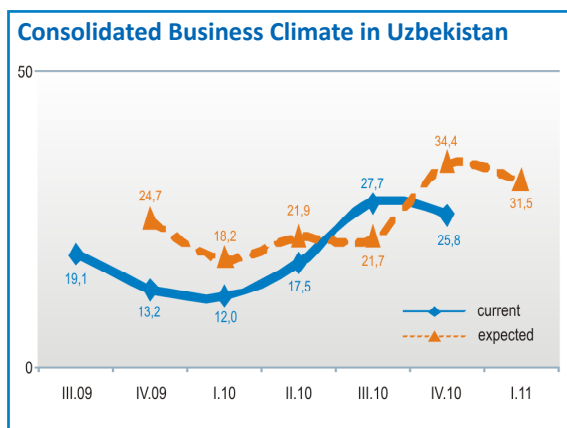
The expectations of business from Q1 2011 are even more optimistic. BCI is projected at the level of 31.5 (5.7 points higher than in the previous quarter).

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As seen from the analysis of BCI, entrepreneurs are confident in a steadily growing demand for their products and services. Three components of the index with the highest level are associated with increasing revenues, profit, and production orders.

Increases of wages have some seasonal fluctuations, though still with a generally positive trend. In most of enterprises (236) wages were growing, only 28 enterprises reported on the lowered wages. Interestingly, in Q1 2011 the index for wages grows even higher (41.3).

Meanwhile, investment activities remain low. Interviewed entrepreneurs mainly refer to ‘investment climate’ and ‘limited financial opportunities’. Another major concern is related to poor involvement of national business in external trade and access to foreign investment.



Comparatively high transaction costs of external trade remain as one of major challenges for business. At the same time consumption capacity of local markets are far from being exhausted.

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In 2010 real sector received over 7.3 bln. USD as credits from banks. The overall volume of credits last year increased by 35%. Meanwhile the component of the index related to access to credits remains extremely low. Generally positive trend at the macro level has not been so far fully reflected somehow at the micro-level.

Credits from banks constitute less than 10% of the overall turnover capital in the 60% of the interviewed enterprises. Furthermore

increased revenues do not result in increased investment. The bulk of the revenues go to taxes, salaries, and procurement of materials for production. The prices for the latter tend to increase rapidly particularly through last quarters.

Government announced 2011 as a year of small business and plans to undertake measures guaranteeing access of SMEs both to finance and markets.

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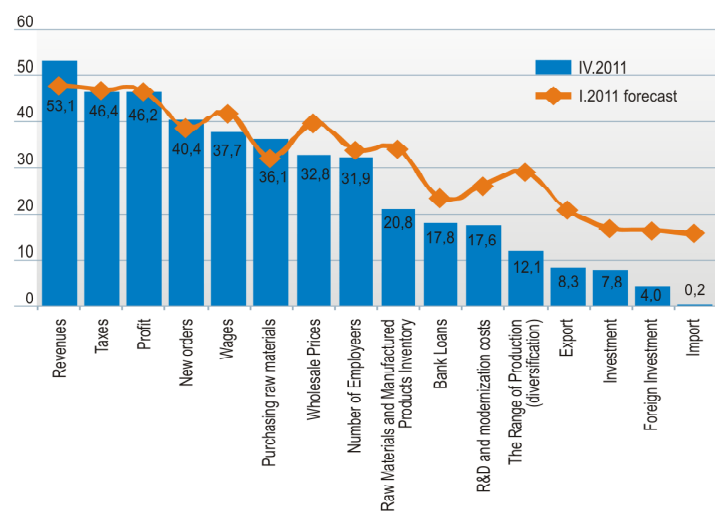
Among regions, Navoi, Surkhandarya and Bukhara show the highest levels of optimism and confidence, while Tashkent has the lowest.

BCI for Q1 2011 will be launched on 15 May 2011

The full version of the research product can be viewed at:

<http://www.cer.uz/en/publications/974>

### Business Climate by indicators



### Business Climate by sectors

