

UZBEKISTAN BUSINESS CLIMATE INDEX Results of the CER Business Survey for January-March 2011

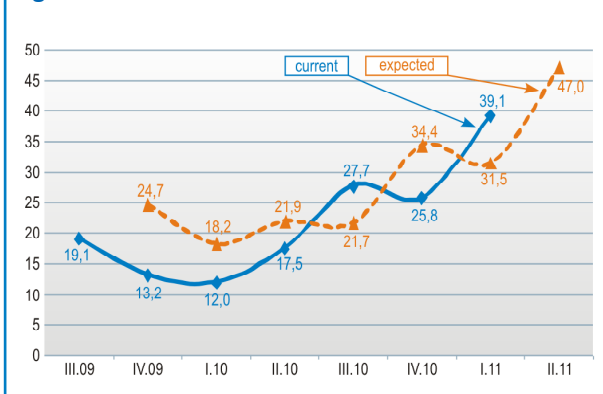
Since mid-2009, the Center for Economic Research and Chamber of Commerce and Industry, with support from UNDP, has been jointly producing a quarterly Business Climate Index of Uzbekistan (BCI). BCI reflects the perceptions of Uzbek entrepreneurs on the current and expected situation with regard to their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

In January-March 2011 the Business Climate Index of Uzbekistan has reached 39.1 (see Pic.1) and is higher than BCI (25.8) for last quarter by 13.3 points. In Q2 2011, it is expected the growth of the BCI of Uzbekistan to reach up to 47.0. This high optimism of enterprises can be explained by favorable measures and incentives which are considered in the State Program of "The Year of Small Business and Private Entrepreneurship".

Higher values of the business climate index are accompanied by higher volumes of profit of enterprises. This is the result of excess consumer demand for produced goods and services. High value of BCI profit gives an opportunity to distribute part of profit to attract new employees and an increase in wages. Particularly, in Q2 2011, it is expected even higher values of BCI employment. For the first hand it can be explained with high values of expected profit. At the other hand, enterprises should follow the requirements of the new regulation for the minimal number of employees and minimum wages for workers from January 2011. According to the new regulations a trade company should have at least two employees and a cafeteria – at least three.

The volume of bank loans has increased outstandingly in comparison with Q4 of 2010. However, it was not enough to improve BCI of bank loans (24.8) which remains lower than consolidated BCI of Uzbekistan (39.1). A lack of financial resources disallows an increase in investment volumes (BCI of investment – 12.5).

Fig. 1. Business Climate Index of Uzbekistan



The main question of the quarter was an evaluation of the quality and access to infrastructure facilities (gas, water, electricity supply and roads). The quality of electricity supply was found the lowest: 244 respondents out of 549 gave "non satisfactory" mark. Similarly non satisfactory result is given to gas supply. Bad conditions in infrastructure may serve as one of the obstacles to expand investment activities of enterprises.

In trade and catering the business climate index has risen twice compared with last quarter's value (see Pic.3). Remarkable growth in demand for services in the trade and catering sector reflected in higher volumes of revenue and profit. It is important to admit the trade and catering sector attracts more foreign investments while this indicator is low in other sectors of economy.

Among regions Kaskhadarya, Djizak and Bukhara are the leaders while Tashkent city and Ferghana show the lowest.

BCI for Q II 2011 will be launched on 15 August 2011
The full version of the research product can be viewed at:
<http://www.cer.uz/en/publications/995>

Legend. Business Climate Index of Uzbekistan is calculated on the base of countrywide business survey of approximately 550 enterprises. The managers evaluate their current activity in comparison with last quarter as "increased", "not changed" or "decreased". Similarly, they will answer as "will increase", "will not change" or "will decrease" regarding their business activity for coming quarter. The BCI for current period is the difference of the percentages of the responses "increased" and "decreased. Consolidated BCI is an arithmetic average of all BCI for 16 indicators.

Fig. 2. Business Climate by indicators

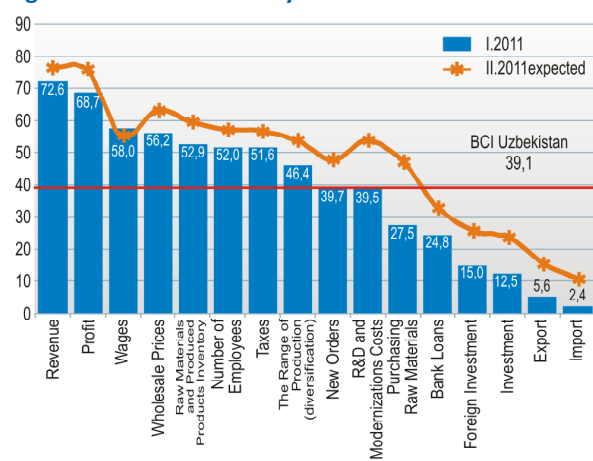


Fig. 3. Business Climate by sectors

