

On the outcomes of social and economic development of the Republic of Uzbekistan in the first half-year 2007

During the first half-year 2007 the measures taken by the government and bodies of the state power in the local places have been aimed at maintaining the implementation of priorities of deepening the economic reforms defined by the President of the Republic of Uzbekistan Islam Karimov at the government's session on February 12, 2007, as well as important purposeful complex and sector-based development programs. As a result, the main macroeconomic indicator growth rates have gained dynamics, which provides for the solid basis of successful implementation of tasks set for this year.

I. Macroeconomic trends

The high economic growth rates, which were achieved in the first quarter this year, have also been preserved in the second quarter. This has allowed to achieve on the outcomes of the first half-year 2007 the GDP growth by 9,7%. The growth of the aggregate demand on the part of economic entities, population and foreign trade partners, as well as the preparedness of economy to satisfy such demand had become the major factor of economic growth. The high growth rates of industrial production (11,6% against the same period last year), assimilation of investments (40,2%), volume of construction works (20,5%), exports (39,0%), retail trade (16,8%), and paid services (25,1%) testify to the aforesaid. The agriculture saw the consistent development, which had provided for the 5,5% of the increase in production of the sector's produce.

The **strict fiscal policy** undertaken in the country had allowed the implementation of the set tasks to maintain the macroeconomic stability owing to the control over the money supply, as well as promoted the effective redistribution of the capital flow in line with demand and supply of the economic entities. These measures allowed to retain the consumer prices index within the scope of forecast parameters – 2,7% (3,5% in the first half of 2006), while at the same time having improved the product supply of the domestic market.

The total capital of commercial banks compare to the first half of 2006 grew by 17,2%. The people's deposits with the banks grew by 37,2%. The total volume of credit investments to the real sector had increased by 5,4%.

The **budget and tax policy** provided for the balancing of profit and expenditure sections of the budget given the simultaneous curbing the tax burden on economic entities. The economic growth, the business legalization had expanded the taxable base. This alongside with measures taken to better the tax administering allowed for the growth of the State budget profits. For over the first half of 2007 the State budget profits had accounted for 53,7% towards the approved annual parameters (47,5% in the first half of 2006). The State budget has been implemented with a surplus of 1,9% towards GDP.

**Major indicators of social and economic
development of the Republic of Uzbekistan**

(in % against the same period last year)

Name of indicators	First half-year 2006	First half-year 2007
Gross domestic product	106,6	109,7
Volume of industrial production	109,7	111,6
Production of consumer goods	120,6	119,0
Gross agricultural product	107,2	105,5
Investments to the main capital	106,9	140,2
Construction works	106,1	120,5
Retail trade	111,6	116,8
Paid services to population	113,3	125,1

II. The structural and investment policy and development of real sector industries

In accordance with the Investment program the main volume of investments has been directed to the manufacturing sphere, namely the oil and gas sector, the sphere of telecommunications and light industry, as well as the construction of industrial manufacturing infrastructure (railroads and motorways, and electricity networks).

Taking into consideration all sources of financing for over the first half of 2007 investments worth UZS 2 631,2 billion (52,2% to the year forecast) has been assimilated. In comparison with the first half of the last year the volume of the assimilated investments grew by 40,2% (6,9% in the first half of 2006).

The stimulating factors of the investment activity have served the curbing of the tax burden, improvement of the investment climate to attract the foreign investors, including the tax and custom privileges to bring in the technological equipment, as well as the systemic measures taken by the government to ease the bureaucratic procedures, improve the administering and constantly monitor the entire investment process.

The positive shifts in the technological and reproduction structure of the capital investments have been observed. 63,9% of the total volume of assimilated investments has been channeled to manufacturing sphere, while 36,1% - to the non-manufacturing sphere. The net share of the production construction had increased

compare to the last year (63,4 % in the first half of 2006). This has been a possible thanks to the accelerated construction of the sites of manufacturing industry.

The new construction has accounted for 35,3% in the total volume of capital investments, and modernization, reconstruction and technological re-equipment – 50,4%.

Out of the total volume of foreign direct investments 46,9% has been channeled to the new construction, while 26,2% - to modernization, reconstruction and technological re-equipment of the production, and other directions (including the geological exploration works, and other) - 26,9%.

In the structure of financing the investment sources the share of the centralized investments in their total volume has accounted for 27,6% and increased several-fold compare to the same period of the last year (27,2%) owing to the accelerated construction and commissioning the high-capacity sites, which are financed from the budget and non-budget funds (professional colleges, academic lyceums, general education schools, rural medical aid posts).

The main increase of investments has been possible thanks to the foreign investments and loans, which had accounted for USD 416,7 million s and grown by 2,2 times compare to the same period of last year, including the foreign direct investments – USD 308,9 million with a rise by 2,4 times. The share of foreign investments in the total volume has accounted for 19,8%, and the foreign direct investments – 14,7%.

The high investment activity of the local economic entities is confirmed by the 29,7% growth of the volume of investing into the economy compare to the same period of last year and their ongoing relatively high share in the total volume of investments (44,5%).

Thanks to the **industrial investments** in the first half of 2007, 155 new big and small industrial productions have been commissioned, including 117 sites - in the second quarter. In particular, in line with the project “Construction of a gas pipeline along Gazli - Saprimay” a 50,5 km-long gas pipeline has been built, in keeping with the projects “The exploration of the difficult-to-develop areas of the North Nishan, Kamashi, Beshkent, Shakarbulok” and “Equipping the area Kokdumalak for the period of experimental and industrial exploitation” 8 holes have been drilled. Besides, the three sites have been commissioned on utilizing the oil gas in Kokdumalak deposit as well as 102 km-long electrical power lines. Thirty sites of the light and textile industry on producing the cotton yarn, fabrics, stockinet, finished knit-work, as well as those on the processing the silk raw, production of shoes, and 55 enterprises of the food processing industry were put into operation. The railroad construction along the route “Tashquzar-Baysun-Kumkurgan” is now being completed. The trains along this new route are expected to start to run in September this year.

In the first half of 2007 the greater volumes of the industrial foreign investments have been directed to the projects in the sphere of heat and energy complex, chemical and petrochemical industry, agriculture, water industry and consumer goods, information systems and telecommunications, municipal spheres, transport, capital construction and construction industry.

The developed and approved mid-term programs on modernization, technical and technological re-equipment of the sites of cotton processing, oil and food industry, construction materials and ferrous metallurgy industry had promoted the investment activity. Within the framework of the aforesaid during the period from 2007 to 2011 140 projects worth UZS 490 billion shall be implemented.

On the sites of the non-production sphere thanks to the timely preparation of the project design estimates, approving the list of the construction sites and advance financing at the expense of the centralized funds the building of vocational colleges, academic lyceums and schools in the first half of 2007 82% of all centralized funds set to these goals have been assimilated (the assimilation accounted for 65% in the first half of 2006). The accelerated assimilation of the limits of capital investments has created favorable conditions to commission much of the sites in line with the set deadlines. In the first half-year 2007 12 sites to accommodate 7,890 pupils in vocational colleges (against those, which accommodated 3,600 pupils that were commissioned in the first half of 2006) and 2 sites to accommodate 1, 440 pupils in academic lyceums (against 990 pupils in first half of 2006) have been commissioned.

Eleven rural medical aid posts with a total capacity of 595 visits, hospitals for 150 beds, 862,3 km-long water-supply (142% towards the annual forecast) and 410,2 km-long gas pipeline networks (89% towards the annual forecast), 3 700,6 sq. m. of housing (54% towards the annual forecast), 37 children’s sports facilities have been put into operation.

According to the approved programs on building, reconstructing and maintaining the general-use motorways of an international and national significance, the road building and repairing activities worth UZS 65 524,4 million, or 100,5% towards the set volume, have been implemented in the first half of 2007. 68,8 km of the repaired general-use motorways of an international and national significance and 4 162,8 running meters-long bridges have been commissioned.

The high investment growth rates have positively impacted the development of the construction works market. The volumes of contractual construction works grew by 20,5% compare to the first half of the last year.

The development of industry and use of production powers. The rise of the domestic demand owing to the implementation of the adopted programs on modernization and technical re-equipment of industry, reduction of the tax burden, strengthening the financial state of enterprises, and increasing their turnover funds and the growth of people’s real income had become the major factor for the growth of industrial production (111,6%) in the first half-year 2007. This has led to the growth of demand of enterprises for investment goods, and the one of the population – for the locally made products, above all, those of the automobile building and complex household technique.

Industrial production output

(in % to the same period of last year)

Name of Indicators	First half-year of	First half-year of
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	2006	2007
Industry, in all including:	109,7	111,6
Electrical energy sphere	107,6	99,4*
Fuel industry	100,1	112,0
Ferrous metallurgy	106,8	110,5
Non-ferrous metallurgy	100,8	98,3
Chemical and petrochemical industry	116,9	120,3
Machinery and metal-working industry	119,8	129,5
Timber, woodworking and pulp and paper industry	118,0	125,3
Construction materials industry	111,8	116,4
Light industry	111,4	112,1
Food industry	129,2	107,9
Other sectors	121,3	124,0

*) – Considering the introduction of the energy-saving programs

The highest rates of growth were observed in the fuel industry (112%), ferrous metallurgy (110,5%), chemical and petrochemical industry (120,3%), machinery and metal processing (129,5%), construction materials industry (116,4%), light industry (112,1%).

Owing to the growth in processing of local and imported raw materials the production of automobile petrol has grown by 106,5%, diesel fuel - 102,5%, mineral fertilizers - 107,2%, automobiles - 130,8%, medicines - 162,9%), and other.

During the first half of 2007 within the framework of implementation of program of acceleration of development of the construction materials industry the enterprises of the sphere have manufactured the products worth UZS 390,4 billion with a growth rate accounting for 116,4%, including “Uzkurilishmateriallari” Joint-Stock Company, which manufactured products worth UZS 303,8, or 119% towards the level of the first half of 2006. The growth in production of cement has been ensured and accounted for 3 148,6 tons (113,3%), slate - 240,6 million nominal tiles (131,2%), which allowed to maintain the high rates of contractual construction

works. 64% of construction materials have been realized via the stock-exchange sales.

On implementing the Localization Program. Within the framework of Localization Program in the first half of 2007 a produce worth UZS 1079,2 billion has been manufactured, which accounts for 66,3% of the annual forecast, or 1,6 times more compared to the same period 2006. Within the framework of 265 projects, which are now implemented at 166 enterprises production worth UZS 1038.3 billion has been realized, of them the exports equaled USD 367.6 million. Calculated effect of import replacement has accounted for USD 863 million, 486 new jobs have been created.

The state of consumer market. For over the first half of 2007 the production of consumer goods grew by 19% compared to the same period last year. Significant growth in production of refrigerators and deep-freezers (3,8 times more), natural packed tea (158,7%), soft drinks (1,7 times more), canned fruits and vegetables (1,6 times more), bread and bakeries (122,5%), rugs and carpets (124%), and other has been ensured.

Implementation of the Program of technical modernization of the light industry enterprises has positively influenced the growth of consumer goods production. The volumes of production have grown in the textile enterprises, which had been realized to the new investors (“Alattex” JV – growth accounted for 187,9%), production has been renewed in “Spenteks-Tashkent-Toytepa” (former “Kabool Textile”), “Daewoo Ferghana Textile”, “Mimatash Textile” foreign enterprise, and other.

The growth of consumer goods production allowed to increase the **retail trade** by 16,8%. The high rates of trade are observed in all regions of the country.

During the implementation of Program of development of services sphere, support of entrepreneurship in the first half-year 2007 the volumes of services have increased by 24,5% compare to the same period last year, of them the paid services to the population have grown by 25,1% (compare to 13,3% in the first half-year 2006). The development of the services sphere has allowed to create about 75 thousand new jobs, and to take the share of this sphere in GDP up to 42,8%. The services rendered in transport, communications and information, financial, banking sphere, hotels, car and other techniques repairs also grew in high rates.

III. Implementation of Privatization program, development of private sector of economy

In the first half-year 281 units of the state assets (enterprises, property sites, packages of shares) have been realized, of which 173 sites were realized at the stock-exchange, auction and tender sales. Earnings from all sources related to the privatization of state property accounted for UZS 50,8 billion or 155% compare to the same period last year.

The implemented measures aimed at ensuring the guarantees of freedom of entrepreneurship, preferences, reducing the number of check-ups, accountancy and illegal interference into the activity of subjects of entrepreneurship, implementation

of the notifying mechanism of state registration, unification of order of product and services certification, gradual expansion of access of small businesses to the credit and raw resources had positively influenced the development of small businesses and private entrepreneurship in the first half of 2007.

The total number of the registered subjects of entrepreneurship has accounted for 415 thousand units, which marks an 8% increase in the figure and the number of operating small enterprises grew by 9,5% compare to the beginning of the year. The share of small businesses in the exports grew from 6,7% up to 12,4%.

In the sphere of small business and private entrepreneurship 244,9 thousand new jobs have been created. As a result, the share of small business in GDP has grown up to 38,1% against 34.1% in the first half-year 2006.

IV. Deepening of economic reforms in agriculture

In the first half-year 2007 the growth of gross product in agriculture accounted for 5,5%. Production of potatoes exceeded the last year's level up to 108,2%, vegetables – 110,2%, melons and gourds- 114,4%, meat – 106,2% milk – 105,8%, and eggs – 109,2%.

On the base of 329 reorganized *shirkat* enterprises more than 25,17 thousand farms have been established and over 604,2 thousand hectares of land has been secured to them. By July 1, 2007 the total number of operating farms accounted for 212,5 thousand with 5, 677 thousand hectares of secured land and 1317,1 thousand employees. The process of reorganization of *shirkats* into farms has almost been finished.

With a view of creating favorable conditions for the farms' activity 83 additional stations to provide combustive-lubrication materials, as well as 94 stations to provide mineral fertilizers, 295 alternative machine and tractor stations, 66 mini banks and 223 associations of water users have been established. In the first half-year of 2007 2, 120 units of agriculture machines have been leased to the farms. The measures aimed at increasing the level of crediting the production of agricultural produce for the state needs grew from 50% to 60% from net cost of the produce.

The active work is being continued on implementing the **Program of stimulation of development the livestock n the private subsidiary, *dekhkan* and farming entities**. In the first half of 2007 9,914 of the well-bred cattle has been sold through the auction sales (110,1% of the task of the first half-year). The micro-loans worth UZS 18,4 billion were allocated to 25,1 thousand families to purchase the cattle, which corresponds to 127,8% of the forecast. 134 trading posts for the sale of the mixed fodder have been established to satisfy the needs of the *dekhkan* and farming entities, which produce the cattle-breeding produce. This stands for the 25 trading posts more than of the forecast task. As a whole, the cattle growth in the first half of 2007 accounted for 430,7 thousand, and the total quantity had reached 7, 206 thousand.

201 agriculture firms and more than 35 thousand specialized **fruit-and-vegetable and vine-growing** farms have been established within the framework of

the Program of cooperation of producers of agriculture products and enterprises on its processing.

V. Development of the foreign economic activity

In the first half of 2007 the foreign trade turnover grew by 26,3% against the same period of last year. The aggregate volume of exports increased by 39%, and the volume of imports – 9,5%. As a result, the positive trade balance accounted for USD 1,656,5 million, or 2,3 times higher of the corresponding period of 2006.

The exports of consumer food products grew by 2,3 times; the chemical products – 1,6 times; the oil and gas products – 2,1 times; ferrous and non-ferrous metals – 1,4 times; machinery and equipment – 1,5 times, and services – 1,2 times.

The increase of imports was exclusively the result of scale of economy's growth, and firstly, of the investment projects and industry. The imports of machinery and equipment has grown by 2,3% and will have a tendency to see a further increase in the upcoming periods this year vis-à-vis the completion of many investment projects. The imports of accessories, raw and materials, which are not produced in the country and exploited for the industrial production with much higher added value, has increased by 27,4%.

VI. Development of social sphere

The high economic growth rates provided for the growth of employment, real incomes and in the whole the living standards of the population. The real earnings of the population grew by 21,3% and the average monthly real salary – 48%.

In line with the **territorial programs of employment**, in all 314,8 thousand jobs were created during the six months of this year, or 114% to the programs parameters. The active policy in the labor market promoted the increase of employment of the population by 3% and reached 10,6 million people.

In the first half of 2007 an additional 96,1 thousand people were busied in the **home-based labor**, which accounts for 31% of the total number of jobs, which have been created during the said period. As a result of offering preferences to the small enterprises, which create the home-based jobs, as well as holding the active awareness campaign with the employers on concluding the home-based labor contracts, 40,2 thousand jobs were created jointly with the small and large industrial enterprises, which accounted for 45% more compare to the same period of 2006.

In the first half of 2007 within the framework of **State program “Year of social protection”** the work on social protection and support of socially vulnerable strata of society has been continued. Almost all tasks of the program, which are envisaged for the first half of the year, have been accomplished, and over UZS 203,5 billion had been assimilated.

With an aim to socially protect the population, 28,5 thousand less well-off and large families received the free cattle.

The Employment promotion fund allocated micro-loans for 7,4 thousand less well-off families worth UZS 5,7 billion. 2,049 jobs were created for the disabled.

The material support has been provided for the 30,8 thousand lonely thanks to the sponsor funds. The average allowance and material support for the needy families has increased up to 33%.

With an aim to further strengthen the material and moral support of young families the commercial banks allocated them the soft loans worth UZS 20,4 billion to launch their own business, purchase housing and consumer goods.

The positive shifts, which have been achieved in the first half of 2007, are the results of implementing the deeply elaborated strategy of economic development of the President of the Republic of Uzbekistan Islam Karimov and will promote for the resolution of the set tasks to maintain the sustainable development of economy, growth of employment and incomes of the population in 2007.

**Ministry of Economy
of the Republic of Uzbekistan**

**State Committee for
Statistics of the Republic of
Uzbekistan**