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S&P Global Ratings maintained Uzbekistan's credit rating at "BB-" level with a negative forecast

International rating Agency "S&P Global Ratings" (the "Agency") has published a regular report on the sovereign credit rating of the Republic of Uzbekistan. According to the report, the rating of Uzbekistan is "BB-".

However, the forecast rating has been changed from "stable" to "negative". This rating is due to the negative impact of the coronavirus pandemic on the country's economy and a significant increase in external public debt. The risks associated directly with public debt are still low, despite the high growth rate of external public debt.

Moreover, it is noted that USD 11,4 billion or 67% of the external public debt comes from funds raised on behalf of the government or under a state guarantee to finance investment projects and programs of state-owned enterprises.

The Agency noted the following factors that will have a positive impact on the international sovereign credit rating of Uzbekistan in the future:

- ▶ the slowdown of external debt growth in the medium term;
- ▶ improving the potential and sustainability of the growth of the economy of Uzbekistan as a result of integration into the global economy and reforming state-owned enterprises, diversification of state budget revenues and export structure.

At the same time, an improvement in the forecast for the credit rating may be due to maintaining government debt at a safe level for macroeconomic stability and tight control over the growth of external debt.

Besides, a draft Law on Public Debt to improve the legislative framework for the effective management of public debt is being developed. Technical support is provided by the US Treasury. Together with the World Bank and the International Monetary Fund, a "Strategy for the Government Debt Management of the Republic of Uzbekistan for 2020-2022" has been prepared, which will be updated annually.

As part of this strategy, efforts are being made to diversify government debt by covering the budget deficit through the issuance of government securities in the domestic market. In particular, its volume increased from UZS 600 billion in 2018 to UZS 1,6 trillion in 2019, and since the beginning of 2020, government bonds worth UZS 3,4 trillion have been issued.

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