

BEST'S COUNTRY RISK REPORT

Uzbekistan

CRT-5

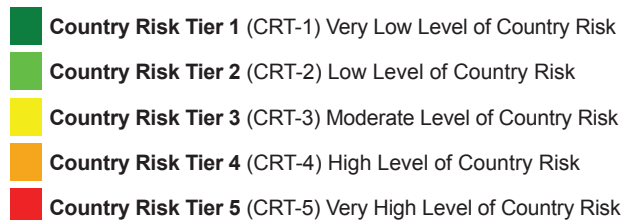
August 22, 2018

Region: Asia

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Uzbekistan, a CRT-5 country, has high levels of economic and political risk and a very high level of financial system risk.
- Uzbekistan's economy is vulnerable to shifts in global demand and price conditions due to its high reliance on exports to fuel economic growth. Gross domestic product (GDP) decelerated to 5.3% in 2017, and is forecast to be between 5.0%-5.5% over the medium term.
- Currency depreciation and price liberalization have led to higher levels of inflation. Inflation rates are projected to be in the double-digits over the next few years, forecast at 19.5% and 12.9% for 2018 and 2019 respectively.
- The countries pictured in the map hold a great deal of the world's economic potential.



Regional Summary: Central Asia

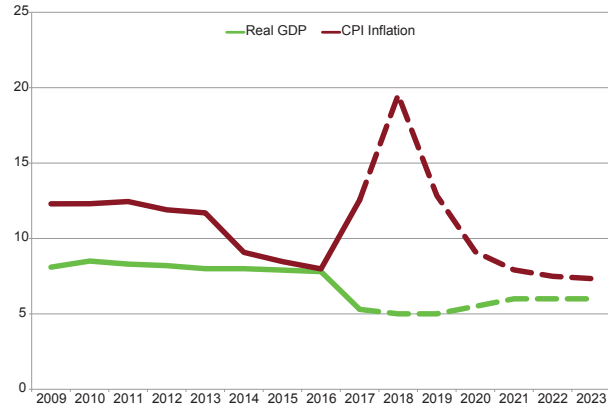
- Economic prospects remain vulnerable due to sanctions against Russia, the region's largest economy, and potential changes in trade policy. Uncertainty surrounding the sanctions, and the potential ripple effects on other countries in the region could lead to slower economic growth, given Russia's importance for trade.
- Political power is highly concentrated. The region suffers from high levels of corruption, a lack of transparency, and regular government interference in the judicial process. A lack of political succession plans in some countries could lead to social unrest and political uncertainty.
- State support of the financial system in recent years has been substantial and will likely remain necessary, to strengthen buffers and facilitate lending growth. Weak banking systems in several countries will continue to lead to higher government debt.
- Additional risks for the region include tightening of global financial conditions, commodity price and exchange volatility, delays in implementing structural reforms, and the potential for trade restrictions.

Vital Statistics 2017		
Nominal GDP	USD bn	47.88
Population	mil	32.1
GDP Per Capita	USD	1,491
Real GDP Growth	%	5.3
Inflation Rate	%	12.5
United Nations Estimates		
Literacy Rate	%	100.0
Urbanization	%	36.6
Dependency Ratio	%	47.7
Life Expectancy	Years	74.0
Median Age	Years	28.6
Insurance Statistics - As of 2016		
Insurance Regulator	Ministry of Finance	
Premiums Written (Life)	USD mil	19
Premiums Written (Non-Life)	USD mil	198
Premiums Growth (2016 - 2017)	%	10.2
Regional Comparison		
		Country Risk Tier
Uzbekistan		CRT-5
Belarus		CRT-5
India		CRT-4
Kazakhstan		CRT-4
Russia		CRT-4
Ukraine		CRT-5

Source: IMF, UN, Swiss Re, Axco and A.M. Best



Economic Growth (%)



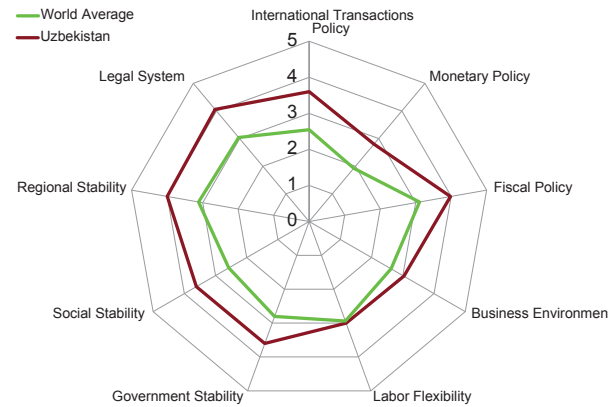
Source: IMF World Economic Outlook and A.M. Best

Economic Risk: High

- The economy relies highly on exports such as cotton, metals, gold, light industrial goods, and natural gas. China and Russia remain Uzbekistan's most important trading partners, although a growing share of trade is conducted with Switzerland, Kazakhstan, South Korea, and Turkey.
- The government has undertaken several reform measures to improve the economy's competitiveness, including devaluing the currency, improving the business climate to attract foreign direct investment, and using government revenue to help modernize existing infrastructure.
- The state is heavily involved in the economy, particularly in the key sectors of cotton, uranium, gold, and gas production. The potential for state interference in business operations is a concern.
- Public debt has grown in recent years. Although Uzbekistan does not have a large fiscal deficit, spending on infrastructure, specifically the Fund for Reconstruction and Development (FRD), was higher than expected.

Political Risk Summary

Score 1 (best) to 5 (worst)

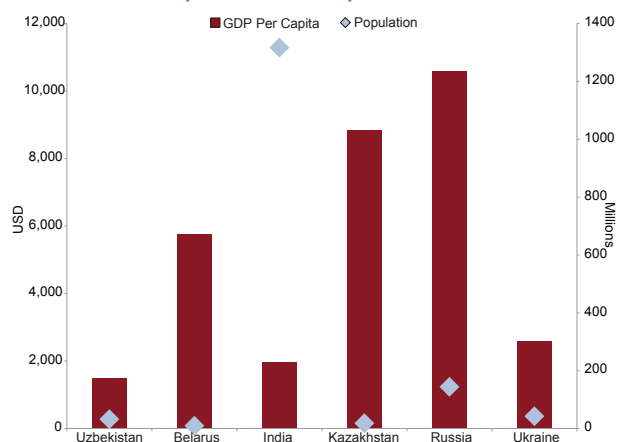


Source: A.M. Best

Political Risk: High

- A presidential election was held in December 2016, following the death of former President Islam Karimov. Shavkat Mirziyoyev, the former prime minister, won the presidency with over 85% of the vote. Karimov had been the head of state since 1990, when Uzbekistan was still a part of the former Soviet Union.
- The transition of power to Mirziyoyev was orderly and shows the relative stability of the political system, but the concentration of power limits transparency and accountability.
- Uzbekistan is an authoritarian state ruled by the elite. The government has been known to suppress civil unrest and exerts significant influence over the legal system.
- Mirziyoyev has focused on implementing business-friendly policy initiatives and has implied he would like to implement additional policies to improve economic and political liberalization.

GDP Per Capita and Population



Source: IMF and A.M. Best

Financial System Risk: Very High

- The insurance industry is regulated by the Ministry of Finance of the Republic of Uzbekistan.
- In the latter part of 2017, the government removed its peg against the USD and allowed the currency to free-float. The Uzbek som dropped almost 50% against the USD following the float, leading to high inflation.
- The IMF has noted that the concentration of credit in state enterprises is a vulnerability that needs to be addressed, to improve financial system stability. It also praised the country's efforts for prudent fiscal policies, which have kept debt levels low, as well as the liberalization of the foreign exchange market.