
Government to Stimulate the Nonfood Consumer Market

The President of Uzbekistan has issued a presidential decree titled “On additional measures to stimulate the expansion of domestic manufacturing of nonfood consumer goods”.

The latest decree is a follow-up to the earlier decree “On additional measures to expand the production of consumer foods and to saturate the domestic market” issued two days earlier, and incorporates a series of tax breaks and other benefits to manufacturers of certain kinds of nonfood consumer goods. The decree offers economic incentives to the manufacturers mainly in the form of temporary holidays from paying the unified tax, income tax, property tax, and customs duties until 2012, but mandates all manufacturers to reinvest the cash saved from these tax breaks in capital projects to modernize and expand production, or face penalties.

The decree is intended to help increase production, expand the variety of consumer goods and their quality, and thus lead to greater price and output stability in the consumer market, which is still significantly dependent on imports. The secondary, but still important intended consequence of the new presidential decree is to create new jobs, and stimulate the growth of the small businesses sector, which generates about 45% of the country’s GDP, and employs 74% of the labor force. Sensitivity of the small businesses sector to economic fluctuations and incentive packages should help to achieve some of the primary goals of the new decree in the midterm. The decree foresees the emergence of new manufacturing capacities by new businesses readily taking advantage of the benefits contained in the decree, and resulting in a possible flooding of the market with new goods. This in turn may help to avoid any possible future price shocks, and put a downward pressure on inflation.

The decree goes further by recommending to all commercial banks to open special credit lines, and expand leasing operations to nonfood consumer good manufacturers for purchase of equipment, and raw materials at an annual interest rate of no greater than the base interest rate of 14% set by the central bank of Uzbekistan.

Government bodies and agencies are instructed by the new decree to improve business climate in the nonfood consumer goods manufacturing sector, and to allocate land and manufacturing facilities for newly forming enterprises.

Temporary tax breaks and customs duty benefits are applicable to the manufacturers of the following group of products: finished cotton fabrics (excluding chintz, and sateen), finished mixed fabrics, finished silk fabrics (excluding atlas), footwear and materials used in the manufacturing of footwear, ready-made garments, headwear (excluding national), hosiery, textile accessories, metal accessories, plastic accessories, leather accessories, toiletry and cosmetic products, metallic dishware and kitchen appliances, electric light appliances, furniture fittings.

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