

Avesta Research

UZBEKISTAN DAILY

Business update

17 November 2005

Main economic events

- Monetary policy for 9 months of 2005**
 The government tries to apply the moderately tight monetary policy to regulate the inflation.
- State budget: outflows and inflows**
 In 2006 it is anticipated that the State budget inflows will amount 3,992.2b UZS, outflows – 4,263.3b UZS.
- Additional 2 credit unions were registered**
 CB RU board of directors granted corresponding license to credit unions “In’om” (Djizak region) and “Kesh” (Karshi city) to carry out their operations.
- UzDaewooAuto takes on additional 1 thousand employees**
 In 2006 UzdaewooAuto output will increase up to 130,000 units.
- Production of coal for 10 months increased by 10.3%**
 As predicted, the production of coal in 2005 will make up 3m tons, in particular 2.92m tons of brown coal and 80,000 tons of coal.

Official exchange rate of the CB RU to major world currencies (UZS)

	15.11.2005	08.11.2005	Chg./%
1 USD	1161.46	1158.28	+0.27 ↑
1 EUR	1363.79	1368.86	-0.37 ↓
1 GBP	2023.26	2027.34	-0.20 ↓
10 JPY	98.50	98.35	-0.15 ↑
1 RUR	40.22	40.56	-0.84 ↓

Key interest rates in national currency as of 17.11.2005 (in % per annum)

Refinancing rate of CB RU	16.00
UZIBOR (12 months)	17.50
AWACRI	23.18
CBCAP (UZS)	181.96
CBCAP (USD)	153.80

Corporate Bond Coupon Rates

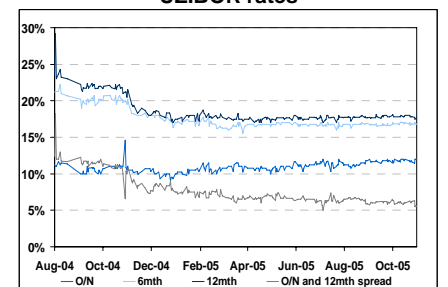


Main macroeconomic Indicators of Uzbekistan, 2002-2005.

Indicators	2002	2003	2004	2004 1st Q	2005 1st Q
GDP, trillion sums	7.45	9.84	12.2	2.1	2.5
Real GDP growth, %	4.0	4.4	7.7	4,8	4,8
State budget execution, % to GDP (-def./+prof.)	-0.8	-0.4	-0.4	4.0	1.9
Foreign trade turnover, billion USD	5.7	6.7	8.7	2.1	2.3
Inflation (CPI), %	-	3.8	3.7	1.1	2.2

Source: State Statistics Committee, Avesta Research

UZIBOR rates



Sources: Avesta Research, Central Bank of RU, Uzbekistan Banking Association

Today

Coupon payments on CB are not expected

Upcoming events calendar

19 November: Start of 4th coupon payment on the 1st CB issue of «ELsut Cotton Production» is expected.

19 November: Start of 4th coupon payment on the 1st CB issue of OJSC HC «Uzplodoovoshvinprom-holding» is expected.

21 November: Start of 8th coupon payment on the 2nd CB issue of JV LLC «ANAT» is expected.

23-25 November: 4 international exhibitions «FoodExpo Uzbekistan 2005», «FoodTek Uzbekistan 2005», «Pack Tek Uzbekistan 2005» and «AgriTek Uzbekistan 2005» will be held in the hotel “Intercontinental”.

Monetary policy for 9 months of 2005

Moderately tight monetary policy applied by CB RU for 9 months allowed, on one hand, to keep the inflation level mostly within forecasted range (3.1%), on the other hand, to provide adequate monetary servicing of interaccounts of economic subjects, and timely payments of salaries, pensions, allowances and student scholarships, as reported by newspaper *"Bankovskie vedomosti"*. Stable functioning of currency market and stable exchange rate are still the main priorities of CB RU monetary policy. Inflows from cash revenue for August-September increased by 25% (comparing to past months) including trade revenue (+28%). In January-September the amount of population deposits in commercial banks moved up by 21.3%.

Comment: Tight monetary policy from one side and government measures on regulating the cash turnover from the other side will favor the growth of macroeconomic indicators and increasing the investment attractiveness of Uzbekistan.

State budget: outflows and inflows

The project of the State Budget for 2006 was developed, as reported by *"Bankovskiy vedomosti"*. In particular, the growth of GDP will make up 7.2%, yearly inflation level will not exceed 6-8%, industry production is to rise by 9%, agriculture – by 5.2%, and volume of capital investments – by 7.5%. Increase in growth rate and farther strengthening the macroeconomic stability will result in improvement of financial state of enterprises, growth of real income, and consequent growth of tax base. This will allow to cut the tax rates and to create favouring conditions for taxpayers without cutting the expense budget articles. In 2006 it is anticipated that State Budget inflows will amount 3,992.2b UZS, outflows – 4263.3b UZS, budget deficit – 271.1b UZS or 1.5% of projected GDP. 395b UZS will be directed for centralized investments.

Comment: Settled pace and expectations of macroeconomic growth will promote the doubling of GDP by 2015, that will affect positively the image and investment attractiveness of Uzbekistan.

Additional 2 credit unions were registered

CB RU board of directors granted corresponding license to credit unions "In'om" (Djizak region) and "Kesh" (Karshi city) to carry out their operations, as stated in *"Bankovskiy vedomosti"*. Statutory fund of "In'om", formed only out of monetary funds, makes up 10.9m UZS, "Kesh" – 10.8m UZS. The main activity of two CUs is directed to improvement of economic and social welfare of their members through providing with financial resources, and attraction of their means to deposit. At present 23 CUs operate in Uzbekistan.

UzDaewooAuto takes on additional 1 thousand employees

In 2006 UzDaewooAuto is going to create about 1,000 working places thanks to the increase in output up to 130,000 units, as reported by *IA «REGNUM»* referencing to the executive director Israilidjan Akhmedjanov. According to him, for past 2 years more than 1,000 additional working places had been created. This is the result of increase in production of improved modification cars. Till the end of 2005 Uzbek car manufactures plan to put out 105,000 cars, meeting international requirements. "At present at "UzDaewooAuto" 4,200 workers are employed, mainly local youth, passed the retraining at similar enterprises and training units in developed countries of the world". Delivery geography was expanded to Azerbaijan and Belarus. If the current growth pace continues, then in 2009 the millionth car will be assembled.

Comment: This year the share of foreign partner was redeemed completely. At present increase in the production of domestic cars is observed. However, it is due to the increase in demand at Russian market. The partial sale of company shares to large foreign investor can be expected, to increase the competitiveness at Asian and Eastern Europe markets.

Production of coal for 10 months increased by 10.3%

OJSC "Uzbekugol", monopoly in coal production, in January-October increased production by 10.3% (comparing to the same period in 2004) to 2.487m tons, as reported at website of "Kazkommertsbank" referencing to State Statistics Committee RU. Brown coal production made up 2.428m tons (+10.1%), coal – 59,000 tons (+18.0%). Increase in production is due to introduction into exploitation open-pit-mine "Angren". As predicted, the production of coal in 2005 will make up 3m tons, in particular 2.92m tons of brown coal and 80,000 tons of coal. Angren coal-field is the largest one, explored reserves make up 1.9b tons, including 1.85b tons of brown coal. Forecasted reserves make up more than 5b tons. According to expert estimations, demand for solid fuel in Uzbekistan amounts 4m tons. Main consumers are enterprises of SJSC "Uzbekenergo" (3Mt).

Comment: Government has recently declared the sale of 4 regional enterprises on energy distribution. This is evidence of liberalization of relationships in this sphere. In this relation, similar actions towards coal enterprises, that will promote their effectiveness.

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