FITCH: UZBEKISTAN'S REAL GDP GROWTH TO HOLD UP AT 6%

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Uzbekistans real GDP growth is expected to hold up at about 6 percent in 2016 and 2017 despite lower commodity prices and lower demand from the countrys main export markets, Fitch Ratings said in its 2017 Outlook: CIS and Georgian Banks report.

Uzbek economy remains vulnerable to external shocks, as exports are commodity-driven and concentrated on a few countries, and external finances are heavily supported by remittances, according to the report.

However, Fitch says that on the positive side, Uzbekistan has significant foreign exchange reserves (estimated at $24 billion, or 36 percent of GDP, at end-2015), which should provide flexibility in case of economic stress.

Foreign currency lending is about half of system loans, although positively most borrowers have foreign-currency revenues, while the sectors currency position is balanced by foreign-currency-denominated funding, mostly provided by the state and/or state-controlled corporates and international financial institutions, said Fitch Ratings analysts.

The report said that the official exchange rate depreciation in Uzbekistan has been moderate (14 percent in 2015, 7 percent in the first nine months of 2016), but the currency has fallen much further on unofficial markets, increasing the risk of a sharper adjustment.

Bank lending growth in the country accelerated in 2016 after some moderation in 2015, according to Fitch.

Lending was supported by the state investments into the economy through state-owned banks and the state-controlled investment fund, said the report.

Fitch Ratings analysts say that the capitalization of the baking sector in Uzbekistan has been broadly adequate (sector average equity/assets ratio of 11.6 percent and equity/loans ratio of 17.6 percent at end-3Q16), supported by regular capital injections from the state.

However, this should be viewed in the context of rapid loan growth and high borrower and industry concentrations, said the report.

Fitch expects liquidity to remain broadly comfortable, given generally solid liquidity buffers and the comfortable sector loans/deposits (including state dedicated funds) ratio (96 percent at end-2015).

Uzbek banks ratings are sensitive primarily to a strengthening or weakening of the sovereign credit profile. Downward pressure on banks Viability Ratings could arise from deterioration in asset quality if this is not offset by equity injections, said the report.

Kaynak/Source: