

Development of The Tourism Industry Before and After The Covid Pandemic

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Abstract: This article examines the development of the tourism industry in Uzbekistan before and after the pandemic. A detailed analysis of the development of tourism for many years before the pandemic was made. It is widely known that many travel companies, their owners, managers and employees found themselves in a very difficult situation. The authors tried to analyze and give their forecasts, as well as recommendations for the further development of the tourism industry.

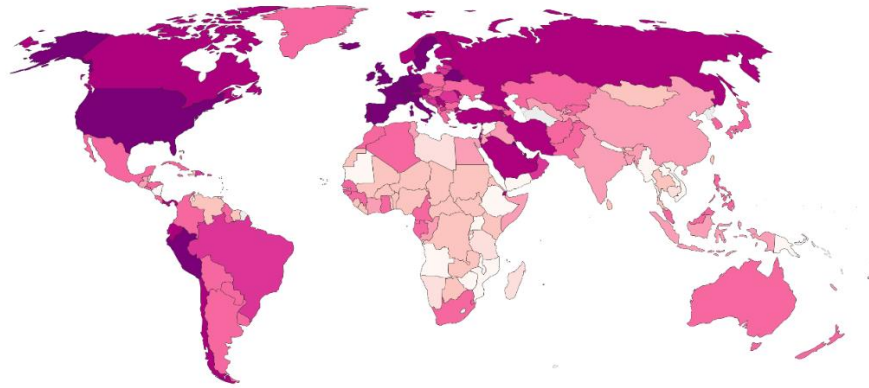
1 Introduction

Prerequisites for further social and economic development of Uzbekistan: realities of black swan of the world economy

Recently, integration processes in the world economy have been constantly accompanied by deintegration factors (increase in number of "hot spots", sanctions, spread of various diseases, etc.). At the end of December 2019, an outbreak of coronavirus COVID-2019 was recorded in Wuhan, China, which makes the world dramatically change its attitude to implemented socio-economic policy. According to the World Health Organization, the epidemic of the new coronavirus COVID-19 that started in China has now acquired the status of a pandemic. The number of cases of this virus is growing day by day. Further events develop rapidly: on January 15, the number of officially confirmed cases of infection did not exceed 50 people, and only 1 person died, by January 26 the number of infected people exceeded a thousand, total number of infected people with coronavirus in the world by morning of May 18 exceeded 4.7 million people. The pandemic has spread to 188 countries. This is evidenced by data from Johns Hopkins University project, published on the website. According to the project, 4,713,769 people are infected in the world. The number of infected people increased by 77.9 thousand people per day. More than 315,000 patients died and more than 1.7 million people recovered during the pandemic. The countries most affected by SARS-CoV-2 are the USA (1.48 million infected) and Russia (281.7 thousand). Great Britain (244.9 thousand) took the third place in the ranking by the number of infected people. Brazil (241 thousand) moved up to the fourth place, followed by Spain (230.6 thousand). The United States registered the highest number of victims of infection - 89,562 people, while in European countries, anti-rating leaders have a mortality rate exceeding 10%.

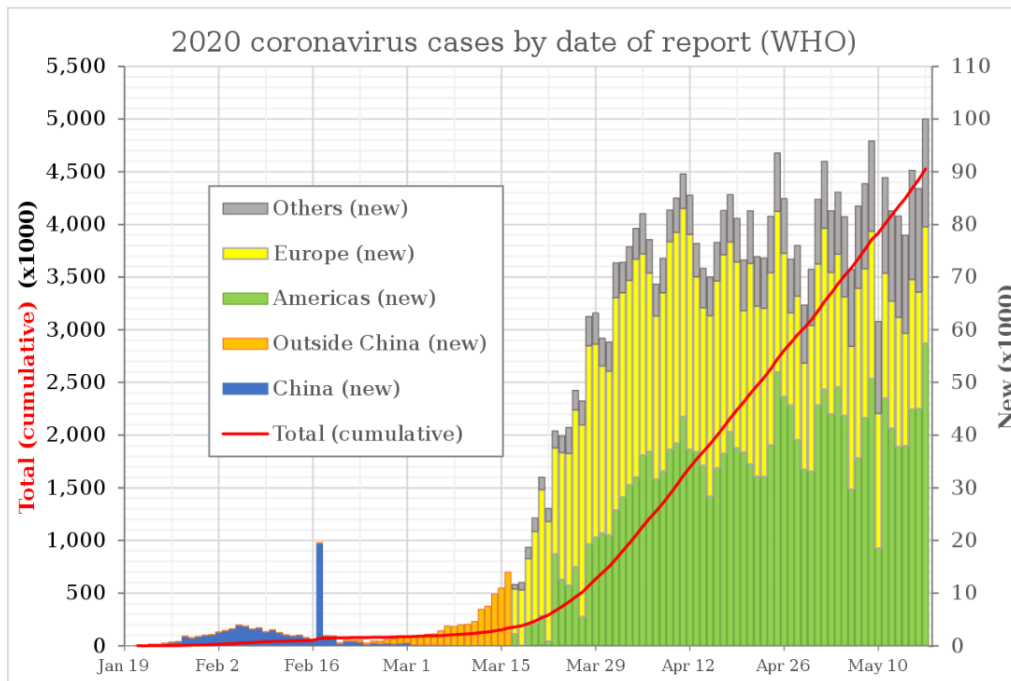
Total confirmed COVID-19 cases per million people, May 12, 2020

The number of confirmed cases is lower than the number of total cases. The main reason for this is limited testing.



Source: European CDC – Situation Update Worldwide – Last updated 12th May, 11:15 (London time) OurWorldInData.org/coronavirus • CC BY

Picture 1. Geographic spread of COVID-2019 (as of May 18, 2020)



Picture 2. Dynamics of COVID-2019 (as of May 18, 2020)

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Table 1. World countries (TOP 20) on number of infected people with COVID-2019 (as of May 18, 2020)

Country	Identified cases, total	Recovered, total	Died, total
USA	1486757	272265	89562
Russia	281752	67373	2631
Great Britain	244995	1058	34716
Brazil	241080	94122	16118
Spain	230698	146446	27563
Italy	225435	125176	31908
France	179693	61327	28111
Germany	176369	154011	7962
Turkey	149435	109962	4140
Iran	120198	94464	6988
India	95698	36795	3025
Peru	92273	28621	2648
China	84054	79306	4638
Canada	78332	38563	5903
Belgium	55280	14630	9052
Saudi Arabia	54752	25722	312
Mexico	49219	33329	5177
Netherlands	44195	167	5699
Chile	43781	19213	450
Pakistan	40151	11341	873

To date, it is known that this epidemic is seriously affecting the economies and businesses of many countries around the world. Many world and national think tanks have called the coronavirus a new "black swan" (a global phenomenon with significant consequences) of the world economy.

The economic damage associated with epidemics is already estimated by Bloomberg at \$5 trillion. The world seems to be drawn into the deepest recession of peace time since the 1930s. According to the WTO, fall in the volume of world trade this year could be more than 30%. The U.S. Federal Reserve reported that industrial production in the country fell by 5.4% in March compared to previous month and by 5.5% compared to the same period last year. As a result, the decline was the strongest since January 1946.

The global impact of the Coronavirus epidemic poses a serious threat to all aspects of the world - economic, social, development and many other areas. Nearly 90% of global economic activity has been affected in one form or another by the Coronavirus pandemic. Transnational trade links and supply chains have been disrupted, consumer demand has declined and millions of people have been left unemployed. These are the realities of present day.

According to the World Trade Organization (WTO) the decline in world trade this year could be more than 30% due to the Coronavirus COVID-19 pandemic. "World trade is expected to decline by 13-32% in 2020 as the COVID-19 pandemic disrupts normal economic activity and life around the world," stated in the WTO. The organization's experts predict that this year's decline could exceed the reduction in trade observed during the 2008-2009 global financial crisis.

The UN has assessed the situation and defined the conditions for a successful emergence from the crisis. The UN presented a report on the state of the world economy in mid-2020. The document also includes a forecast until 2021.

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This year, United Nation's economists predict a 3.2% contraction in the world economy. About \$8.5 trillion in revenue is expected to be lost in the world over the next two years due to the COVID-19 pandemic. That is the sharpest decline since Great Depression of the 1930s.

According to the World Economic Situation and Prospects Report, developed countries are expected to experience negative economic growth, with decline in GDP by 5%. These losses will be partially offset only in 2021, when the economy will reach a moderate growth rate of 3.4%. For developing countries, economic contraction this year is projected to average 0.7 per cent. And world trade is expected to decline by almost 15% in 2020. This is due to the sharp decline in world demand and disruptions to global supply chains.

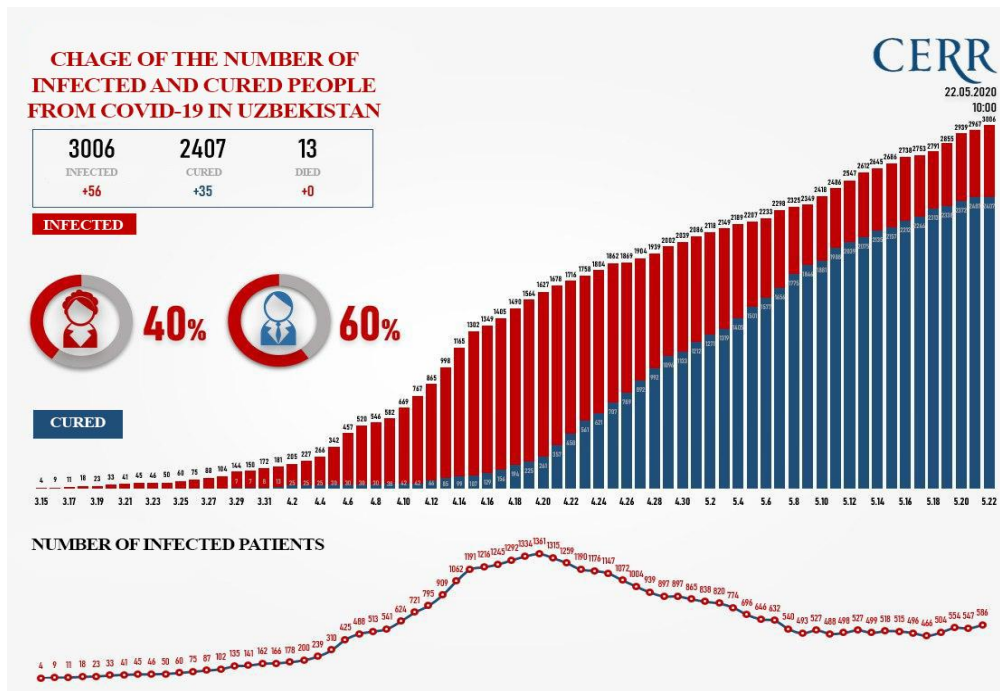
The pandemic is to become a reason of over 34 million people to go below the poverty line in 2020, with African countries accounting for more than half of the increase. And the long-term forecast shows that by 2030, the number of people living in extreme poverty will increase by another 130 million. People in low-wage, low-skill jobs have been particularly hard hit by the pandemic, while more skilled workers have been less affected. As a result, according to the UN, the income gap between poor and rich people and countries will widen globally.

Some experts think that the crisis caused by the coronavirus plunges the world economy into a recession with historic unemployment rates. According to their forecasts, more than 195 million people (full-time) may lose their jobs only in the second quarter of this year. Moody's analysts think that the global unemployment rate could reach 10.1% in December 2020 and 10.6% in March 2021 under a pessimistic scenario. In the baseline scenario, Moody's expects unemployment rate at 6.5% in late 2020 and 6.7% in March 2021.

Pandemic COVID-19 led to a crisis in employment and living standards. Small and medium enterprises, agricultural workers, self-employed, wage earners, refugees and migrant workers have been hit by the crisis most of all. Tourism and cultural industries, as well as service sector have also been hit hard.

However, the UN believes that the severe consequences of this recession can be overcome by taking international cooperation to a new level.

Uzbekistan has responded very dynamically to this dangerous challenge. Preventive control measures limiting the possibility of the virus entering the country have been taken (they have been described in the previous issue of the journal). Thanks to these measures, the first coronavirus infected was detected at the airport on 15 March. As early as March 19, the Presidential Decree "On priority measures to mitigate the negative impact of the coronavirus pandemic and global crisis phenomena on economic sectors" was issued. This decree was followed by a number of government resolutions, as well as Presidential Decree "On additional measures to support the population, economic sectors and business enterprises during the coronavirus pandemic" adopted on April 3, 2020.



Picture 3. Dynamics of COVID-2019 in Uzbekistan (as of May 18, 2020)

As of 18 May 2020, the number of cases of coronavirus infection in Uzbekistan was 2,791; 2,314 citizens have fully recovered; 475 patients are being treated, of whom 6 people are in serious condition. 13 deaths have been recorded (0.5%).

Impact of global crisis caused by coronavirus pandemic on socio-economic development of the Republic of Uzbekistan

Unprecedented measures have been taken worldwide to control the spread of coronavirus infection, including limitation of movement of people and closing businesses. As a result, the largest economies are experiencing a sharp decline in production and consumption, disruption of global production chains and trade relations, falling commodity prices in global financial markets and deteriorating conditions.

These factors also affect the economy of Uzbekistan, which is part of the global economic system, which in turn requires adoption of effective preventive measures to mitigate the negative consequences of this situation. At the same time, special attention is paid to support and ensure the sustainability of rapidly developing sectors of economy, such as tourism, transport, pharmaceuticals and textiles.

President of the Republic of Uzbekistan Shavkat Mirziyoyev, in his address to people, pointed out that the coronavirus pandemic, as in all countries of the world, will naturally have a negative impact on economy of Uzbekistan.

The President noted that due to a sharp drop in world oil prices (from \$60 to almost \$30 per barrel), revenues from export of the gas of Uzbekistan may decline. Devaluation of national currencies of major foreign trade partners of Uzbekistan may reduce foreign exchange earnings in the Republic.

Although it is impossible to accurately predict the social and economic damage caused by global (COVID-19) coronavirus pandemic, economists agree that this will have a negative

impact on the world economy and living standards. The economic damage caused by coronavirus pandemic is largely due to a decline in demand, i.e. the inability of consumers to purchase affordable goods and services. These losses are particularly evident in the service sectors, which have been severely affected, such as airlines and tourism industry, hotel and restaurant industries and recreational and cultural activities. The same negative effects apply to other industries [1].

Five areas of activity came under the risk due to coronavirus pandemic with representatives at risk of losing their jobs. Thus, air carriers, construction workers, mechanical engineers, catering and tourism workers may be left without sources of income [2]. In 2020, the Central Bank of Uzbekistan also expects a slowdown in gross domestic product (GDP) growth rates to 1.5-2.5% amid the coronavirus pandemic [3].

Export markets in Uzbekistan. In foreign trade turnover of Uzbekistan, which grew by 25.2 percent in 2019 and made up USD 42.2 billion, the largest share was taken by: China - 18.1%, Russia - 15.7%, Kazakhstan - 8.0%, the Republic of Korea - 6.5%, Turkey - 6.0%, Germany - 2.3% and Kyrgyzstan - 2.0%.

Exports also increased by 28.0% to \$17.9 billion, the main trading partners in steel exports are: China - 14.0%, Russia - 14.0%, Kazakhstan - 8.0%, Turkey - 6.7%, Kyrgyzstan - 3.8%, Afghanistan - 3.4% and Tajikistan - 1.9%.

In 2019, the turnover with the EAEU countries increased by 15.6% to 11.16 billion dollars or 26.5% of total turnover, while exports to the EAEU countries also increased by 15.1% to 4.65 billion dollars or 26.1% of total exports.

Considering that the trade turnover with the CIS countries amounted to 14.57 billion US dollars (34.6% of the total), and exports of 6.36 billion USD (35.6% of the total), share of the EAEU countries in the trade turnover with the CIS countries is 76.6%, and for imports 73.1%.

In general, there is a trend of growth both in total trade turnover and exports to the EAEU countries, with the most important indicator of profitability of trade and economic ties with the EAEU countries being the volume of Uzbekistan's exports to these countries, which tends to grow. Participation of Uzbekistan in the EAEU as a way to effectively integrate into value chains.

The need for active interaction. In world trade, the World Trade Organization (WTO) sets common rules to maximize liberalization and reduce barriers to mutual trade among member countries. At the same time, individual WTO member countries go further and create economic associations that ensure complete freedom of trade without any barriers, such as the European Union, MERCOSUR in Latin America, ASEAN in Asia, the Gulf Cooperation Council for the Arab States of the Persian Gulf, the Eurasian Economic Union in the CIS space, etc., are examples of such economic associations.[3]

Uzbekistan has been a member of the CIS Free Trade Area Treaty since 2013 (Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Ukraine, Russia and Moldova are also included). At the same time, Uzbekistan has acceded to the Treaty with a number of exceptions to protect the domestic market (in particular, Uzbekistan does not grant national treatment in trade to other parties of the Treaty, as well as retains the procedure for resolving contentious issues through bilateral negotiations).

The exemptions will expire at the end of 2020 or from the date of Uzbekistan's accession to the WTO (whichever comes first), after which all provisions of the CIS FTA Treaty will also apply to Uzbekistan. Thus, from the beginning of 2021 under the CIS FTA Treaty Uzbekistan will find itself in a tougher competitive environment with trade partners under the CIS FTA. At the same time, it should be noted that all countries of the CIS FTA are members of the WTO

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(except for Belarus, which plans to join the WTO this year), and five of them (Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia) are also members of the EAEU.

In this connection, participation of Uzbekistan in the WTO, as well as closer cooperation with the EAEU, may contribute to expanding opportunities for exporting domestically produced finished goods to foreign markets. At the same time, expanding access of domestic goods to the markets of the EAEC countries and opening up the domestic market for manufacturers of the association countries will help accelerate the adaptation of domestic business to work in a more competitive environment.

Retail services. The COVID-19 epidemic has also had an impact on the retail trade around the world. Goods from China, according to the Central Bank of the Republic of Uzbekistan, occupy a significant place in the country's consumer basket, and a decrease in imports puts pressure on prices.

As countries around the world fall under quarantine and consumers around the world begin to avoid contact with people, retailers in Uzbekistan as well as around the world are trying to adapt and find a way out. They recognize that global response to new COVID-19 virus will have a tangible impact on their business as the world situation changes every day.

However, while some retailers experience declines in demand for certain products, others are facing an unprecedented surge in demand. In particular, food retailers are faced with a significant lack of products that are in the highest demand.

Many retailers are now analyzing their overall financial stability in various scenarios and, if necessary, are engaging lenders to refinance their loans or to amend financial conditions that may be affected. But at the same time, in our opinion, the spread of this virus brings not only problems, but also certain opportunities. Under quarantine conditions, people all over the world have turned to online ordering services. The coronavirus epidemic can change industries and behavior patterns not only for companies around the world, but also for consumers. Online shopping has the potential to become a long-term phenomenon.

For example, the number of online orders in the sphere of services of Uzbekistan has increased several times. Service LeBazar (online store) had to hire new people, as the number of requests for placing orders increased several times, and the demand for food delivery in the marketplace Express 24 increased by 500%. The Makro retail chain also launched an online food delivery service during the quarantine period. All deliveries are delivered taking into account the sanitary and hygienic requirements.

The tourism industry. The extent of the damage caused by global tourism COVID-19 is reflected in a new World Tourism Organization (UNWTO) report on travel restrictions. According to the report, published at a time of severe disruption to the sector, since January 2020 almost all global routes have been restricted for travel, including a total travel ban. As of 6 April 2020, 96% of the world's tourist destinations had imposed severe travel restrictions in response to the pandemic. People do not travel in the world of tourism. So far, about 3 billion people are in isolation. Around 75 million jobs have been lost in world tourism industry.

This pandemic will certainly affect tourism industry of Uzbekistan. It is also possible to reduce the number of foreign tourists and revenues from their services. All this will have an impact on gross domestic product and exports. About 45,000-50,000 bookings only in Uzbekistan have been cancelled. This is a very bad indicator. The question of how travel agencies should now cover their needs have to be answered. Another complicated question is how to get out of this situation after the pandemic. In addition, at the initiative of the State Committee for Tourism Development of the Republic of Uzbekistan, significant work is underway in our country to develop the sector, as well as to turn it into a locomotive for other sectors of the economy. Chairman of the Committee A. Abdukhakimov noted that

online-tourism.uz has been launched, which makes virtual tourism possible in country, as well as assists in developing of start-up projects in tourism after the quarantine period, including innovative business ideas, especially for young people and their tourists.

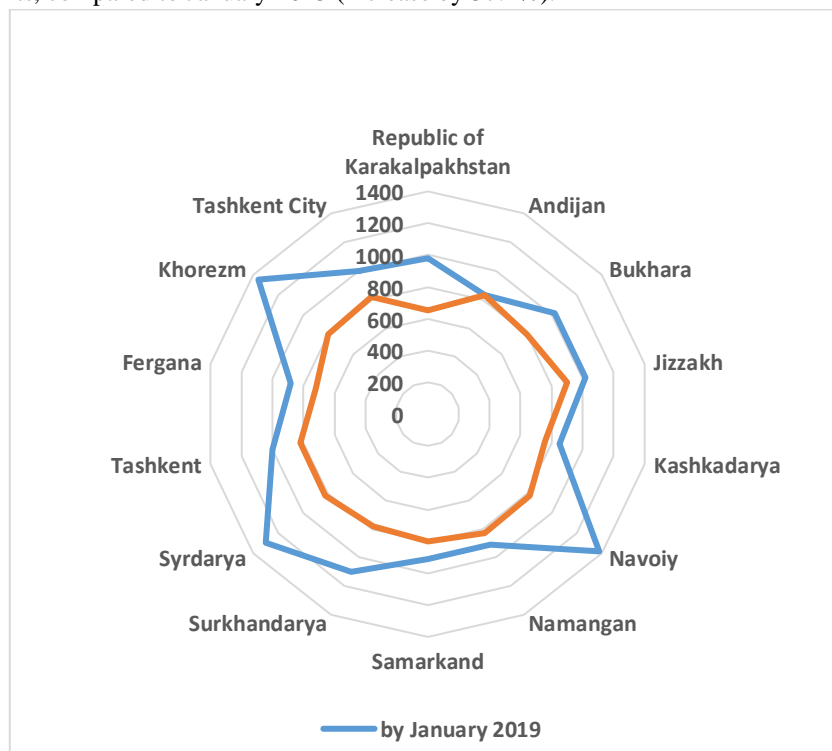
Purchasing Managers' Index in Uzbekistan. In April, 2020 Purchasing Managers' Index observed negative changes, not only in comparison with the previous month, but also with the same month of the previous year. The main reason for the index decline is the introduction of quarantine in all regions of the country in late March, 2020.

In April, 2020 Purchasing Managers' Index (PMI), calculated by the Center for Economic Research and Reform, was compiled:

859 points, compared to March 2020 (14.1% decrease);

963 points, compared to April 2019 (a 3.7% increase);

372 points, compared to January 2015 (increase by 37.2%).



Picture 4. PMI in April, 2020 decreased by 14,1%, compared to previous month

Significant changes were observed in the components of the PMI.

Purchasing Managers' Index in April 2020 fell sharply by 14.1% to 859 points compared to the previous month, due to changes in the following components:

- a 29.3% drop in the number of transactions in business entities' bank accounts;
- growth in the component of operating economic entities by 8.7%;
- decrease in the intensity of raw materials procurement at the commodity exchange by 8.7%;
- a 75.0% reduction in the trademark component.

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Operations with bank accounts. The number of interbank payment transactions in April 2020 amounted to 3767.5 thousand and decreased by 1563.4 thousand transactions (29.3%) as compared to March 2020. There is also a decline by 39.8% compared to the same period last year. Compared with the base period (January 2015), this component of the PMI decreased by 13.4%.

In all regions, the number of banking transactions has decreased. In April, 2020 the number of banking transactions between legal entities, compared to the previous month, decreased in all 14 regions. The most significant decline was observed in Bukhara (36.1%), Tashkent (33.8%), Navoi (33.2%) regions and the Republic of Karakalpakstan (35.9%).

Activity at commodity and raw materials exchange. In April, 2020 the PMI exchange component was 0.913, there can be noticed decline of 8.7% compared to the previous month. The decrease in the component is due to a decrease in the average number of transactions, as well as in the physical volume of goods purchased in each transaction.

As expected, the global crisis and the impact of the quarantine imposed on the coronavirus pandemic countrywide since March, 24, 2020 had a significant impact on this component. As of April, the Republic Commodity Exchange had 5,1027 transactions, down 7,334 transactions (12.6%) from March this year (5,8361). Total turnover of the commodity exchange in April, 2020 made up 2992.0 billion UZS, which is 7.4% less than in the previous month.

Activity of economic entities. Component of operating business entities made up 1,0883 in April 2020, which is 8.8% less than in the previous month. The number of operating business entities in April, 2020 increased by 4973 units as compared to March 2020 (451870 units) and amounted to 456833 units. The number of large enterprises increased by 738 units.

During the period under review, the number of small enterprises increased from 352,167 to 355,701 (an increase of 3534 units). The number of farms increased from 97292 to 97983 units (an increase of 691 units). The number of operating large enterprises was 3,149, an increase of 738 units as compared to March 2020.

Measures to mitigate the impact of Covid-19: experience of Uzbekistan

After identifying cases of coronavirus infection in Uzbekistan (the first one was detected on March 15) and the danger of further spread of the infection, Presidential Decree No. PD-5969 "About first-priority measures for mitigation of negative impact on industries of economy of coronavirus pandemic and the global crisis phenomena" was adopted on March 19, 2020. According to the document, an Anti-Crisis Fund in the amount of 10 trillion UZS was established to finance measures to combat the spread of infection, support entrepreneurship and employment. The Republican Anti-crisis Commission has also been established with the task to promptly address the emerging issues and develop additional measures to ensure uninterrupted operation of industries and sectors of the economy, as well as social support to population in the period of combating the spread of coronavirus infection and other global risks.

With the global pandemic of COVID-19, a crisis situation has begun in the world economy, which has prompted countries to take measures to support their national economies. At the same time, our Government is taking urgent measures to mitigate the negative impact of this crisis on the economy. Adopted Presidential Decree [4] indicates a number of measures aimed at strengthening social protection of population, ensuring stable functioning of economic sectors and supporting certain economic entities. In particular, a list of imported goods exempt from excise taxes and customs fee was approved. Tax regulation for certain sectors of economy in the direction of reduction, cancellation or instalment payments for a period from April 1 to December 31, 2020, credit and financial prerogatives for entrepreneurs and other preferences have been approved.

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In current situation of the global coronavirus epidemic, Uzbekistan is taking all possible measures to ensure the stable functioning of industries.

Under the current circumstances, the State is taking a number of measures, primarily aimed at ensuring the stable functioning of industries:

- prevention of further spread of infection among the population;
- medical prevention and provision of medical assistance;
- mitigating negative effects on the country's economy and productive activities.

Priority measures

Already on March 19, 2020, the first package of measures was adopted in country, aimed at ensuring macroeconomic stability, effective social support of the population in the period of counteraction to the spread of coronavirus infection and other global risks, preventing a sharp decline in income of the population.

Among the measures implemented, the key is the creation of a special Anti-Crisis Fund with the resources of 10 trillion UZSs, the functions of which are [5]:

- (a) Funding activities to combat the spread of coronavirus infection;
- (b) Support for entrepreneurship and employment;
- (c) Expanding social support of population;
- (d) Ensuring the sustainable functioning of economic sectors.

On April 27, 2020 President Shavkat Mirziyoyev signed Decree No. PD-5986 "On additional measures to support the population and businesses during the coronavirus pandemic." [6] Under this normative act, additional relaxations were introduced for entrepreneurs, in particular for micro-firms, small enterprises and individual entrepreneurs, whose activities were negatively affected by the consequences of the pandemic, and an interest-free tax extension was granted until December 31 (earlier until October 1).

Individuals are entitled to an interest-free postponement of income tax received from renting accommodation to individuals and non-residential premises to entrepreneurs who suspended their activities during the spread of the coronavirus pandemic. The amount of the provided deferral on payment of income tax on individuals is subject to payment in equal shares until April 1, 2021.

The total amount of tax incentives provided to businesses under the adopted Presidential Decrees is approximately 3.7 trillion UZS, including tax benefits for personal income tax, fixed tax for individual entrepreneurs and social tax - about 41 billion UZS.

For more than 20 thousand entrepreneurs the procedure for applying higher rates of property tax and land tax, as well as other penalties has been abolished. As a result of this measure, the total amount of preferences for business will amount to about 1.8 trillion UZS.

Entrepreneurs have been provided with deferred tax payments in the amount of 1.3 trillion UZS, which will eventually reach budget in full amount (in 2021). They have been prematurely returned the amount of VAT in the amount of 414 billion UZS that they had paid earlier, which could have been returned after July 1 as planned.

Suspension of transport passenger traffic with foreign countries. Since March 16 Uzbekistan has closed air and road communication with all foreign countries. Three days have been set aside to address the issue of closing railway communication.

Charter flights are organized for Uzbek people abroad. Those who decided to return home are placed in a two-week quarantine. Special flights are also organized for foreigners who need to leave Uzbekistan.

The period of validity of the visa of foreign citizens staying in Uzbekistan is automatically extended until April 10, 2020. Also, citizens of countries that have the right to enter the country

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without visa for a specified period of time (in case of violation of the established term) are exceptionally allowed to leave the country until April 10 of the current year.

According to the decision of the special commission, in case of returning of air tickets and railway tickets purchased for tourism, including domestic destinations that fall within the quarantine period, measures will be taken to fully return funds to the buyer without penalty or delay. In accordance with the decision of a special commission, the Ministry of Transport will take measures for the return of tickets and full refund to the buyer or transfer to another date without penalty.

Cancellation of mass events. All mass events are canceled, including sports, cultural (including concerts) and others. Celebration of Navruz and related mass events have been canceled. Citizens are advised to abstain from visiting public places.

The Government has recommended religious institutions to restrict holding mass events. Restrictions do not apply wedding events. They will be held according to the regulations previously approved by a joint decision of both houses of parliament. During the quarantine period, employers may transfer workers, especially pregnant women, the elderly, people with disabilities and chronically ill people, with their consent, to remote work, flexible working hours or to work at home.

Early vacation in all educational institutions. On March 16, early vacation began in preschool, secondary and higher educational institutions.

The regional city administrations have organized free transport for students to return to their areas. A total of 80,000 students have been sent to their places of permanent residence. In addition, students living in the regions are given 50% discounts on transport services.

Turning point

From April 20 to April 24, a series of conference calls were held in country under the chairmanship of President Shavkat Mirziyoyev, at which the issues of developing construction and industrial sectors, ensuring employment and preventing a decline in income were discussed, on the example of Samarkand and Namangan regions, ensuring the stability of textile industry, mitigating the impact of the pandemic on the industry, ensuring employment and resumption of economic activities in Ferghana and Kashkadarya regions. Based on the decisions taken and tasks set at these meetings, we can say that Uzbekistan has reached a turning point in its fight against the coronavirus pandemic and is entering a new phase [7].

According to experts, at a new stage of the country's development, the priority tasks are to gradually, prudently and cautiously withdraw from quarantine measures in order not to provoke new outbreaks of the virus, as well as to restore economic activity previously contained within the quarantine measures.

According to the decision of the Republican Anti-Crisis Commission, activity of following enterprises and people is allowed from April 25:

- points of commercial banks at various sites;
- markets of construction materials;
- chain stores of large manufacturers intended for selling their own products;
- craftsmen who make and sale products created by them;
- business entities engaged in dry cleaning, cultivation and sale of seeds and seedlings, sale of automotive parts;
- organizations providing service for automobiles, agricultural and construction machinery;
- notary offices and insurance companies;
- it has been allowed to resume suspended investment projects and work on construction of social sphere objects.

At the meeting on April 20, the Head of State instructed the Special Republican Commission to gradually ease quarantine restrictions in regions, districts and towns where coronavirus cases have not been identified or where the epidemiological situation is improving. It is planned to permit all types of construction work, provided that the quarantine regulations are fully observed.

Visions for the future: economic recovery of Uzbekistan after the pandemic

How long will it take to recover from quarantine? International studies have also shown that after the quarantine period, it will take on average 3-12 months for an economy, including the most affected industries, to recover.

In particular, it was found that economic activity is recovering faster in the electrical and light industries, the construction materials industry, construction works, financial and medical services (the average recovery period is 2-3 months).

At the same time, economic activity is recovering relatively slower in the following spheres:

- tourism - 5-10 months (H1N1 influenza pandemic in Mexico in 2013 - 5 months, MERS epidemic in South Korea - 6 months, SARS epidemic in Hong Kong and China in 2003 - 5 months and 10 months, respectively);
- services and retail trade - 4-6 months;
- passenger transportation - 3-7 months, including air transport - 5 months (SARS epidemic in Asia in 2003).

Relatively slow recovery in these industries is due to relatively late lifting of quarantine restrictions and the need for some time for population to adapt to post-pandemic conditions. Overall, international studies show that a key factor for minimizing the negative economic impact of a pandemic (epidemic) and ensuring a faster recovery is the elimination of the pandemic (epidemic) as soon as possible through timely and stringent (aggressive) quarantine measures against the spread of the virus.

Uzbekistan in confronting the pandemic

The experts explained that once the restrictions are lifted and the operation of business entities is restored, most of the forced losses in budget revenues will be compensated.

Economic Consequences

Thus, according to the World Bank experts, the spread of coronavirus COVID-19 is a significant blow to the country and its transition to a market economy (Table 2). They forecast that in 2020 economic growth in the country will be significantly reduced as a result of a significant reduction in foreign trade and large-scale domestic economic shocks.[8]

Table 2. Dynamics of main macro-indicators of economic development of the Republic of Uzbekistan according to the basic scenario

Macroindicators (2017-2019 – fact; 2020-2022 - forecast), in %	2017r.	2018r.	2019r.	2020r.	2021r.	2022r.
<i>Real GDP growth rates, in constant market prices</i>	4,5	5,4	5,6	1,6	6,5	5,5
-Private conUZSption	1,3	3,8	5,4	0,4	6,1	5,4
-Public conUZSption	6,1	3,7	5,5	6,5	5,2	4,6
- Gross fixed capital investment	7,1	18,1	33,8	3,1	10,4	10,0

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- Export of goods and services	1,3	10,7	10,9	1,2	6,7	10,1
- Import of goods and services	2,2	26,8	47,3	3,2	11,2	14,2
- Agriculture	1,2	0,3	2,5	2,6	2,8	3,4
- Industry	5,4	11,5	8,9	2,1	5,2	5,8
-Services	6,3	5,2	5,5	0,6	9,7	6,6
Inflation (private consumption deflator)	13,9	17,5	15,2	15,8	14,8	12,0
Balance of current account, % to GDP	2,5	-7,1	-4,2	-8,5	-5,3	-2,6
Fiscal balance, % to GDP	-1,9	-2,1	-3,9	-5,6	-4,7	-2,5
Debt, % to GDP	20,2	20,6	29,0	32,1	33,1	33,0
Total fiscal balance, % to GDP	-1,8	-1,7	-3,5	-5,1	-4,3	-2,2

World Bank Group. Fighting COVID-19. Spring 2020.

Source: Europe and Central Asia Economic Update, Spring 2020: Fighting COVID-19 <https://openknowledge.worldbank.org/handle/10986/33476>. Real GDP growth rates are expected to decrease from 5.6% in 2019 to 1.6% in 2020. In future, economic activity is expected to recover and GDP growth is expected to reach 6.5% in 2021 and 5.5% in 2022.

The growth rate of industrial output will decrease from 8.9% in 2019 to 2.1% in 2020, and the service sector will decrease from 5.5% to 0.6% in the same period. A large-scale decline in production in the real sector of the economy will inevitably have an impact on public finances.

According to the forecasts of the World Bank experts, the current account deficit will increase from 4.2% to 8.5%, public debt - from 29.0% to 32.1%, and the total fiscal balance - from 3.5% to 5.1%. In future, starting from 2021, if the negative effects of COVID-19 are overcome, the dynamics of macro indicators will improve.

The estimates of domestic experts confirm these negative forecasts of the World Bank for 2020. Thus, according to Deputy Prime Minister - Minister of Economic Development and Poverty Reduction Jamshid Kuchkarov, Uzbekistan's GDP growth in the first quarter was 4.1-4.4%, which is lower than the same period last year by 0.9-1.2% (5.3% - in January-March, 2019). The budget deficit in 2020 was forecasted at the level of 2.7 percent, but taking into account the current situation, this indicator may grow by 2 percentage points [9].

Looking at the effects of introduction of restrictions (quarantine) on the State Budget of the country it can be noted that there are different types of effects:

- firstly, the budget suffers direct losses from the implementation of measures aimed at controlling the spread of infection (identification of infected people, treatment of patients, organization of these procedures), transfers and subsidies to support individual sectors of the economy, business and population;
- second, the government has introduced tax benefits for hotel business, small business, individual entrepreneurs and individuals;
- thirdly, taxpayers have reduced payments for taxes and fees, due to the decline in production (provision of services), suspension of operations and other reasons (reduced demand, lack of raw materials and components, lack of qualified personnel);

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- fourth, payments to the budget from VAT and customs fees, excise taxes on imported products decreased due to both the reduction of demand in the domestic market, introduction of restrictions for importers, and problems with producers and suppliers of these products.

The digital economy is the focus of attention in the fight against the pandemic in Uzbekistan.

The Ministry of Information Technology and Communications Development was designated as the authorized body for the development of digital economy and e-government, as well as for organization and management of IT parks, by a Presidential Decree dated April 28, 2020 "Measures to implement the digital economy and e-government". In particular, the decree specifies financial sources of new projects: 104 projects for 1.3 trillion UZS in total are planned to be implemented within e-government, 87 projects for 5.3 trillion UZS in the real sector of economy, 35 projects for 15.1 trillion UZS in telecommunications, 18 projects on IT-parks and 24 projects in agricultural sector.

Stability of state budget. During the fourth plenary session, the country's parliament approved the Law of the Republic of Uzbekistan "On introducing amendments and additions to the Law of the Republic of Uzbekistan "On the State Budget of the Republic of Uzbekistan for 2020" [10]. The Law was developed on the basis of Presidential Decree "On priority measures to mitigate the negative impact on the economy of the coronavirus pandemic and global crisis phenomena." and Resolution of the President "About measures for ensuring stability of the government budget of the Republic of Uzbekistan and timely financing of priority actions in the period of coronavirus pandemic".

The adoption of the Resolution is aimed at ensuring the stability of the State budget during the coronavirus pandemic and at optimizing spending in accordance with priority areas. In this connection, appropriate changes were made to the limits of budget allocations.

On the basis of a Resolution, appropriate measures have been defined to reduce expenditures from national and local budgets, legal basis for the implementation of which is enshrined in the Resolution. The transfers provided to local budgets in connection with the establishment of funding from local budgets for subsidies for legal assistance provided by lawyers, covering the cost of electricity consumed by farms and non-governmental pre-school educational organizations are being increased.

Vision for three phases of the pandemic.

According to BCG experts, the Coronavirus outbreak occurred at a time when humanity was widely aware of climate issues and at height of globalization. And the new virus is forcing humanity to rethink the globalization process [11].

Although scientific publications about coronavirus appear daily, there is still not enough reliable, indisputable scientific evidence about the new virus. The examples of China (Wuhan) and Hong Kong show that a second wave of COVID-19 may also occur. Researchers do not yet have conclusive data on how the immunity is formed in coronavirus patients and how long it will last. According to predictions of analysts, the appearance of the drug to prevent coronavirus can be expected only in 12-18 months.

On average, between 15 and 30% of infections may be asymptomatic. This means that the mortality rate from coronavirus cannot yet be reliably calculated, because in most countries COVID-19 is only tested when there is a clear clinical picture of the disease. BCG's research is based on the theory of three stages of pandemic. The first step is to identify all cases of infection as quickly as possible and to separate the infected from the healthy ones. As a result, countries are forced to limit social contact, which leads to reduced business activity and socio-economic decline. BCG analysts estimate that measures that have been implemented in different countries

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to reduce the spread of infection have shown varying degrees of effectiveness. For example, limitation of international traffic was the most productive (37%), while limitation of public transportation and domestic travel was assessed as the least effective (11%).

According to BCG experts, in the second phase of the pandemic, many countries will look for common ways to defeat the infection and then they will restart their own economies. In the third and final phase, which is not yet in place today, the disease will be controlled through vaccines, public immunity, or adapted treatment options. When that happens, there will be a strong economic recovery and business recovery.

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