

# **Belarus economic trends in the regional economic context**

**Dimitri Gvindadze**

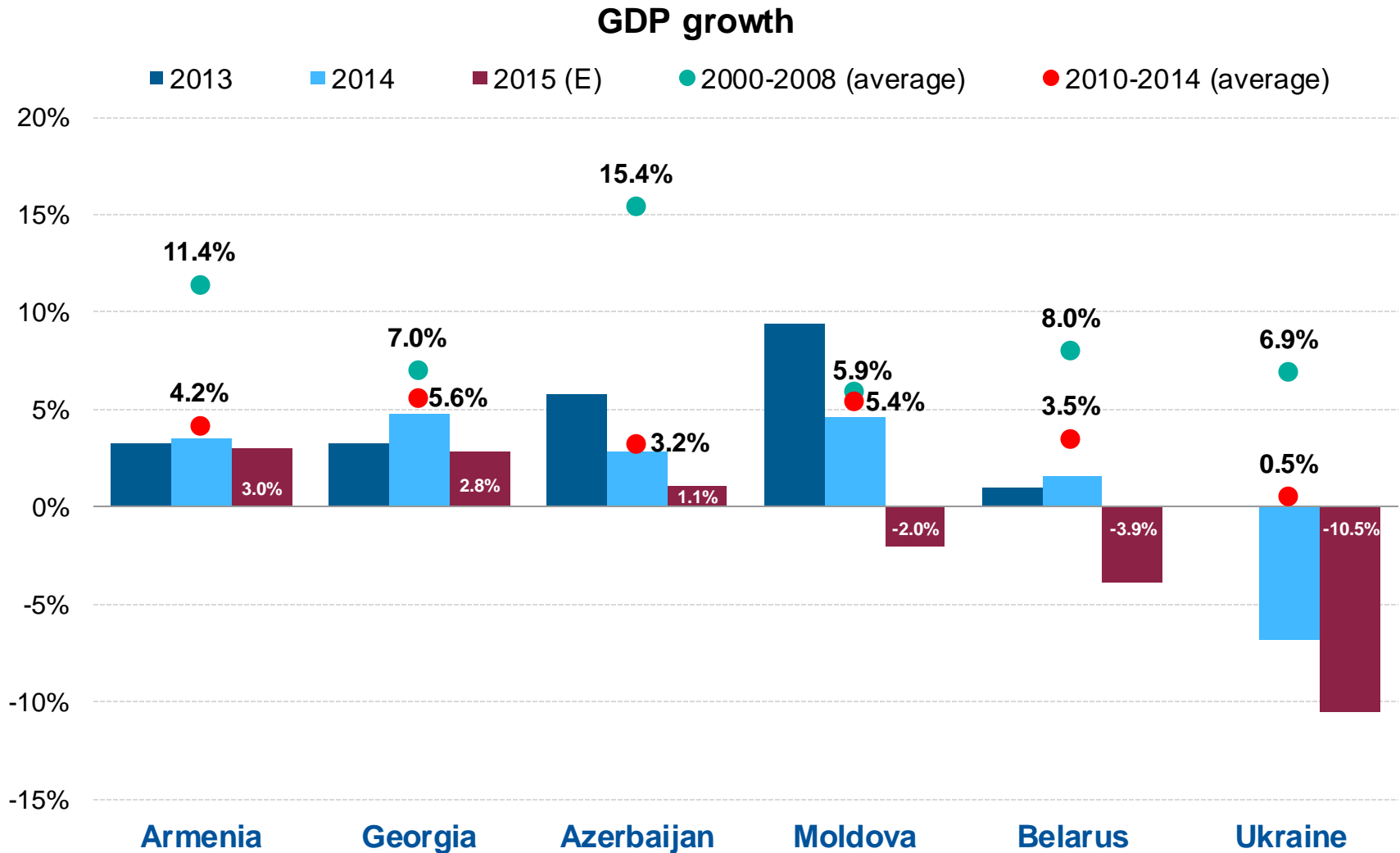
**March 2016**

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# REGIONAL ECONOMIC CONTEXT: EAST EUROPE AND THE CAUCASUS (EEC\*)

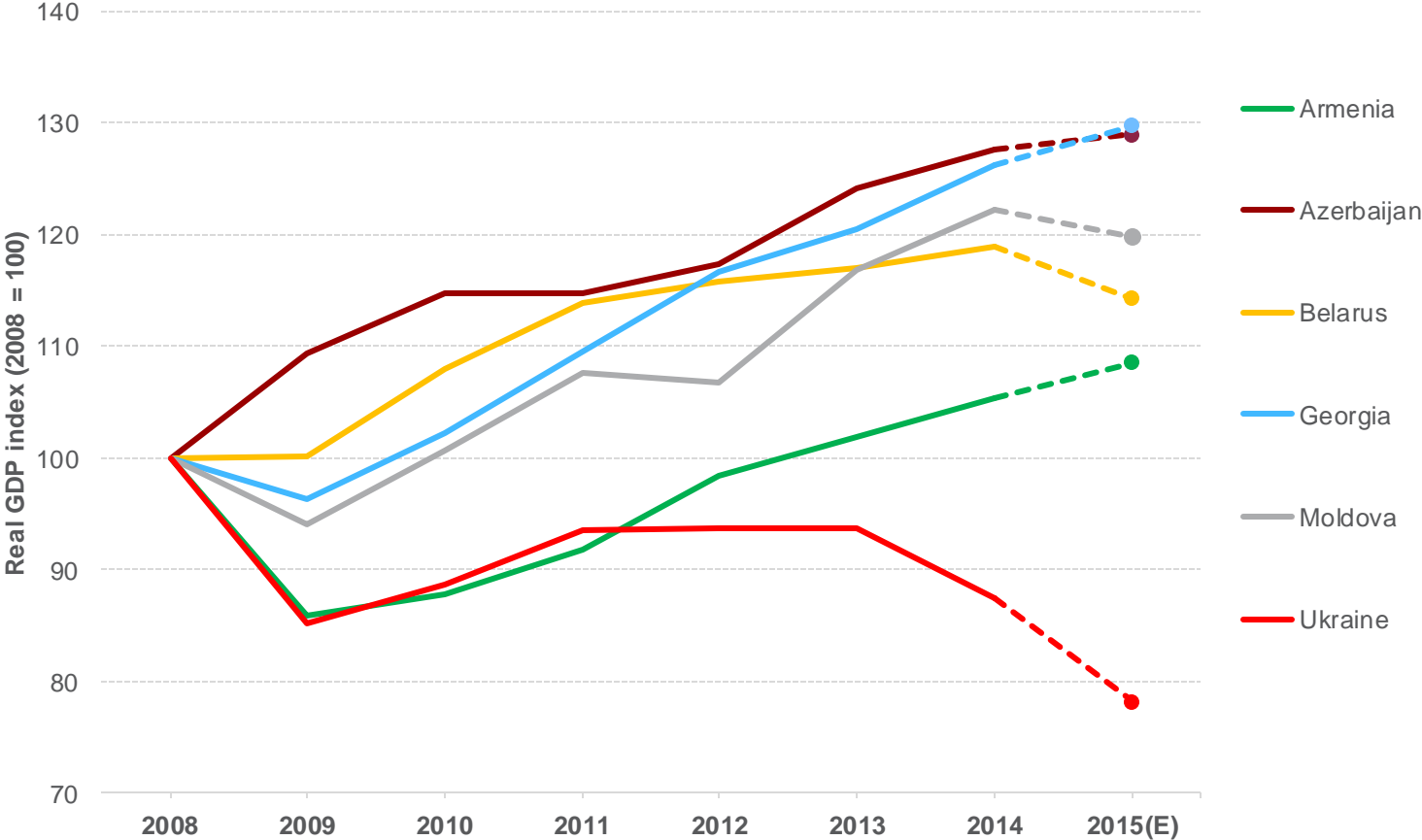
\* For the purposes of this presentation, the EEC region includes Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine

# EEC economies lost growth momentum after the 2008-2009 crisis.

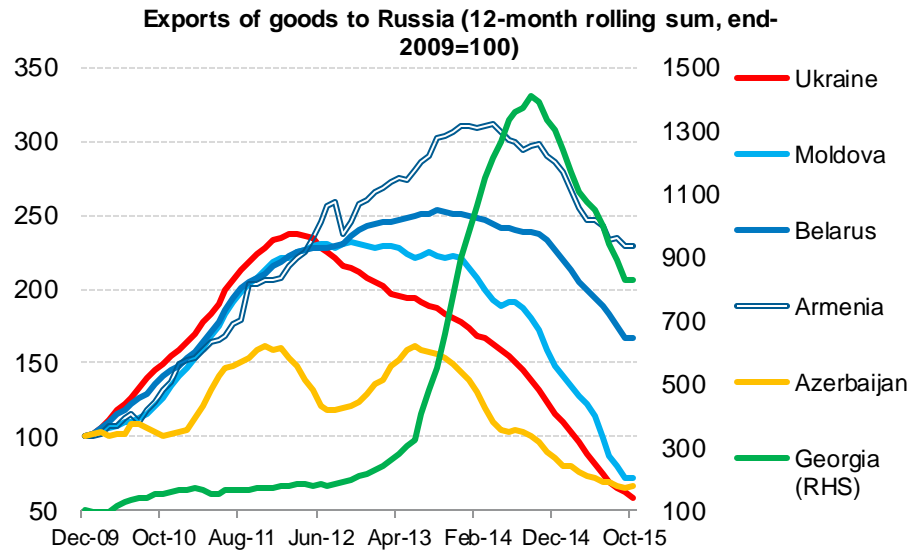
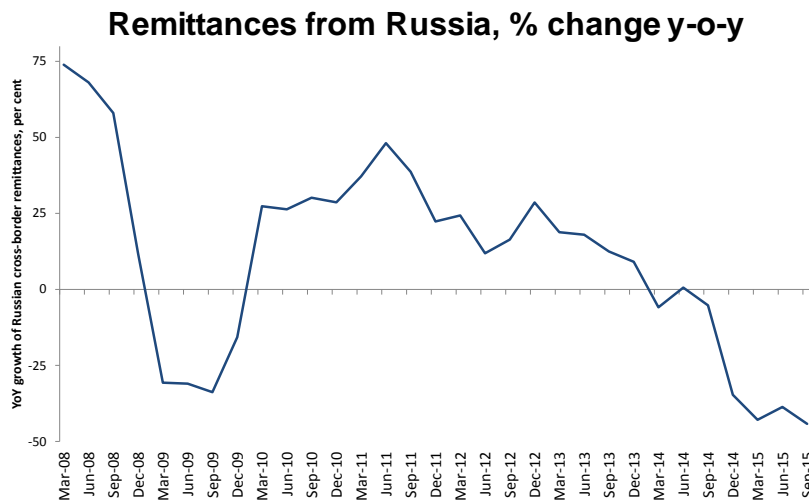
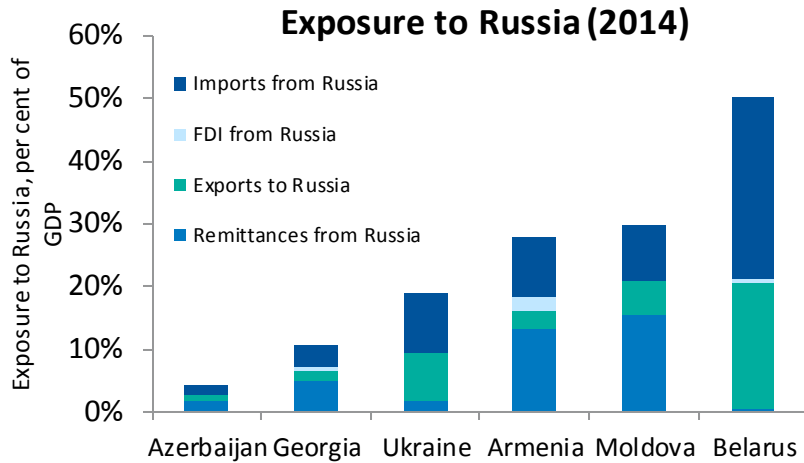


# All economies except Ukraine have by now surpassed their pre-crisis output levels.

## Post-crisis economic performance

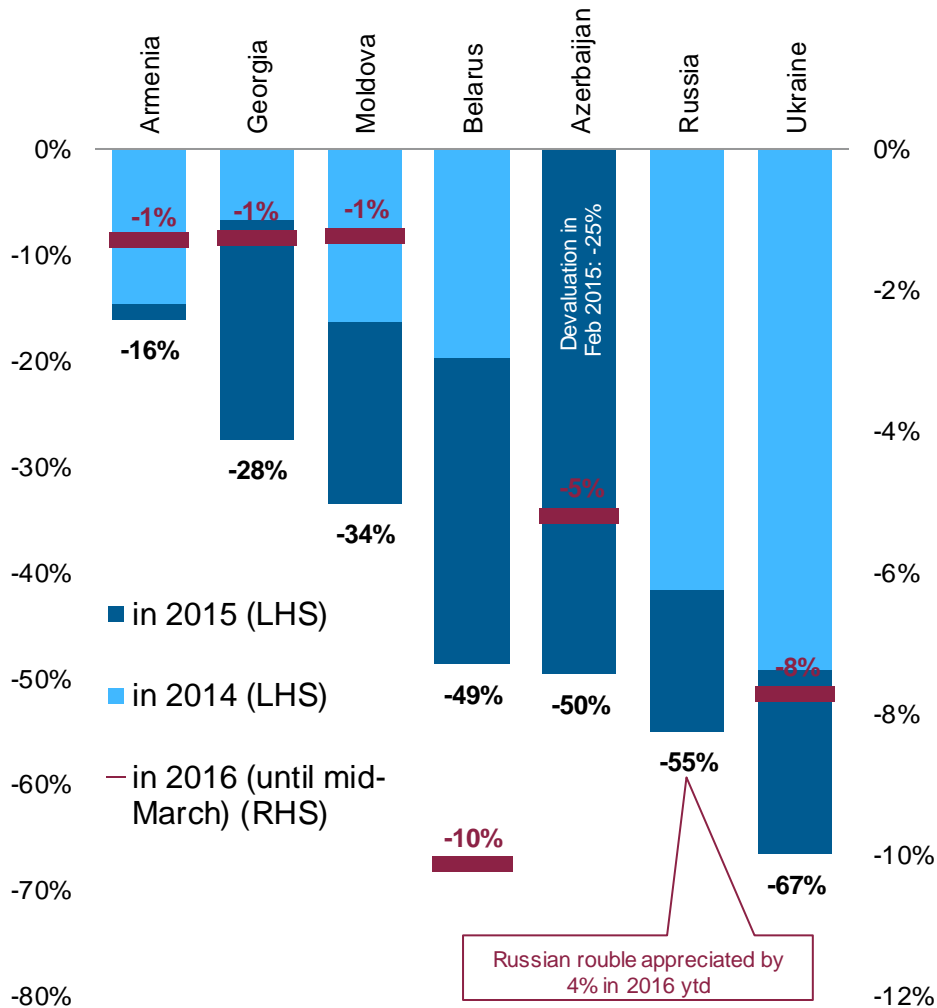


# Structure of interdependencies and adjustments in the EEC region

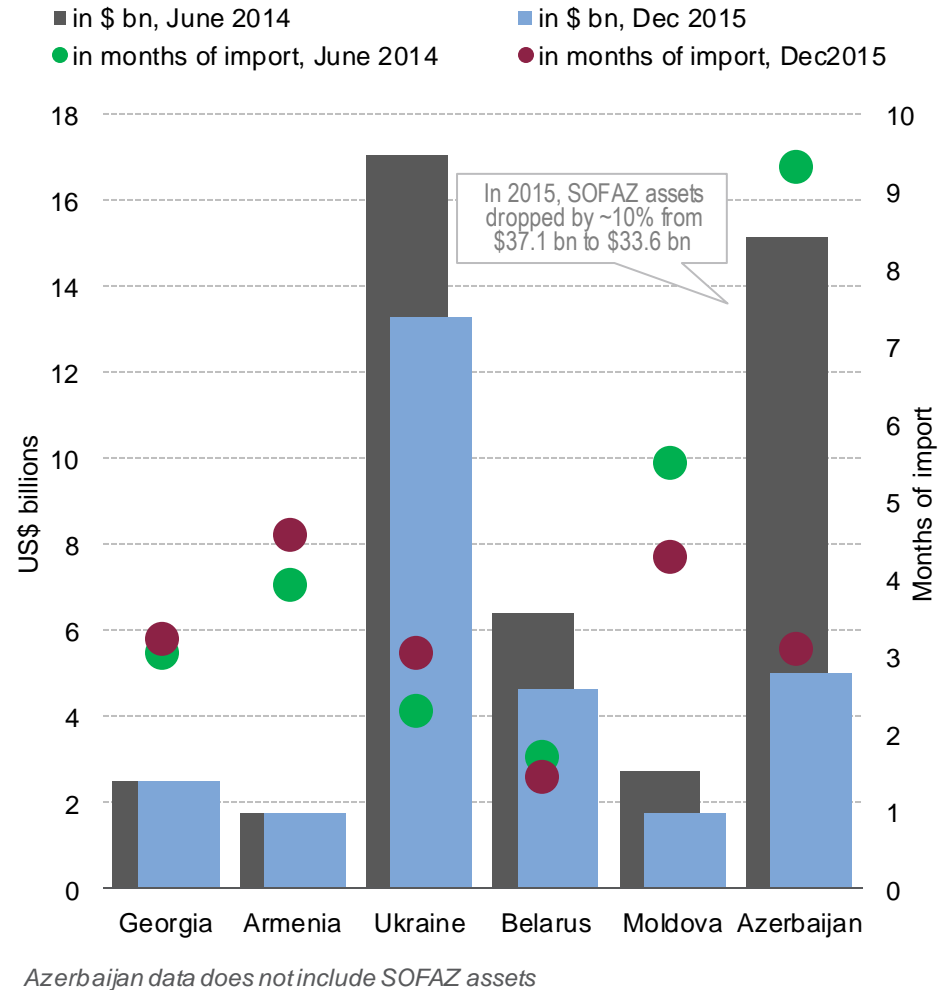


# Currencies and foreign reserves declined...

## Currency depreciation vs. US\$ since January 2014



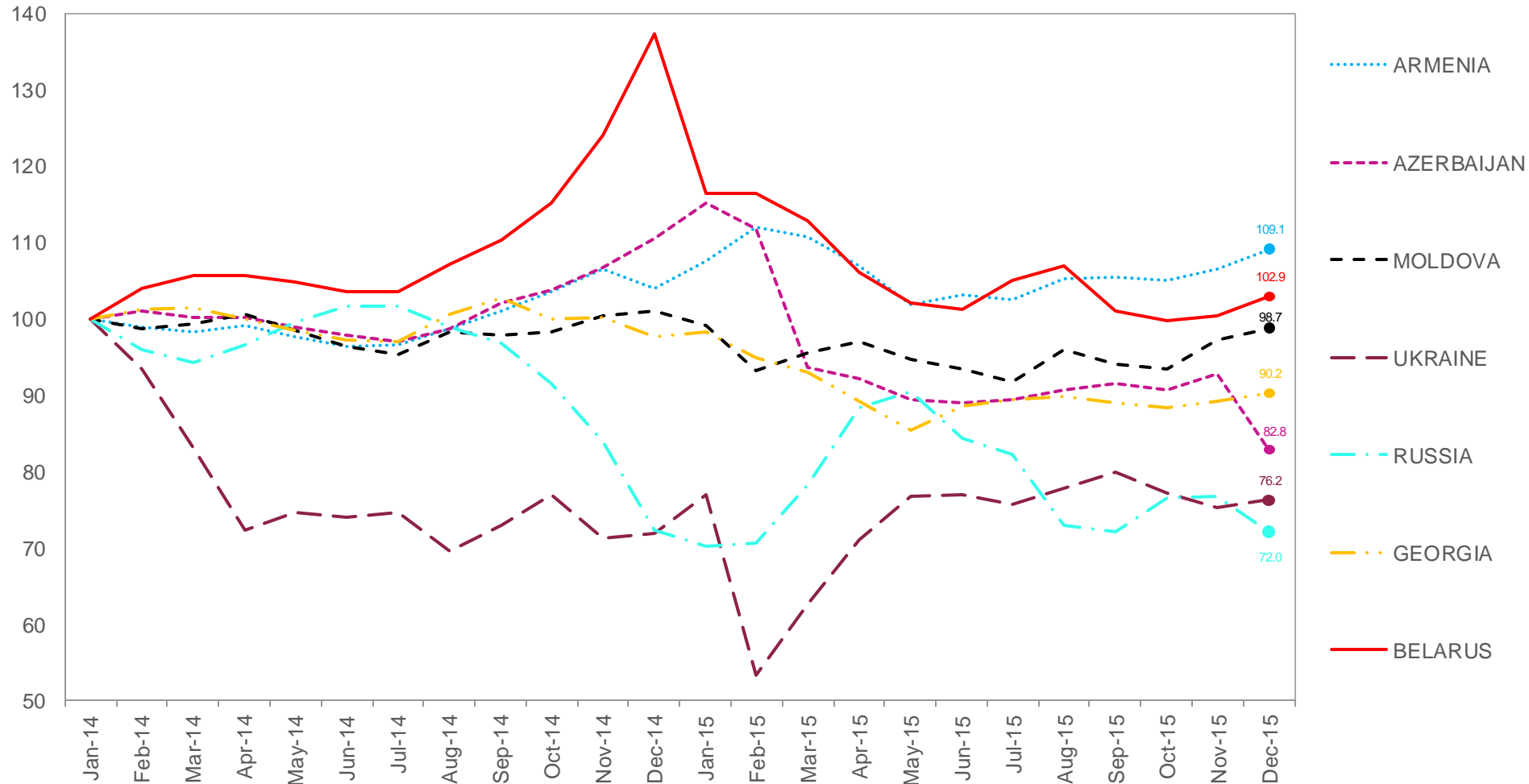
## International Reserves



Nominal currency depreciations influence the real effective exchange rates' (REER) dynamics (with other factors being e.g. domestic inflation and structure of trade).

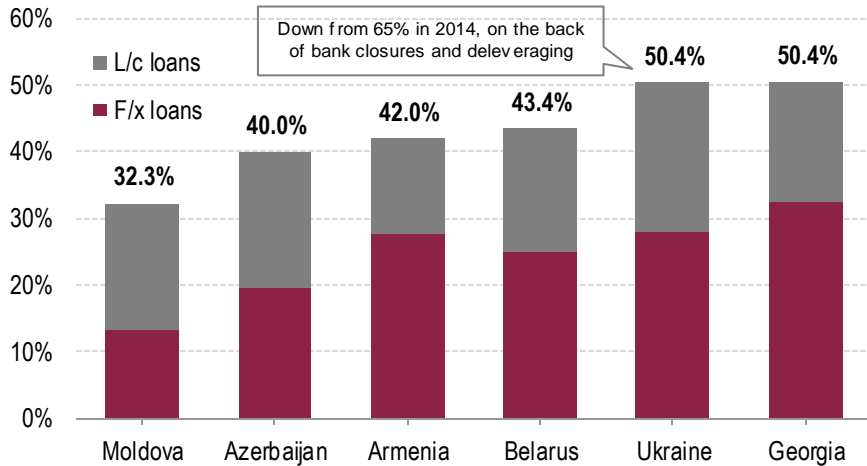
## Change in Real Effective Exchange Rate Index

January 2014 - December 2015  
(Jan 2014=100, increase means appreciation)

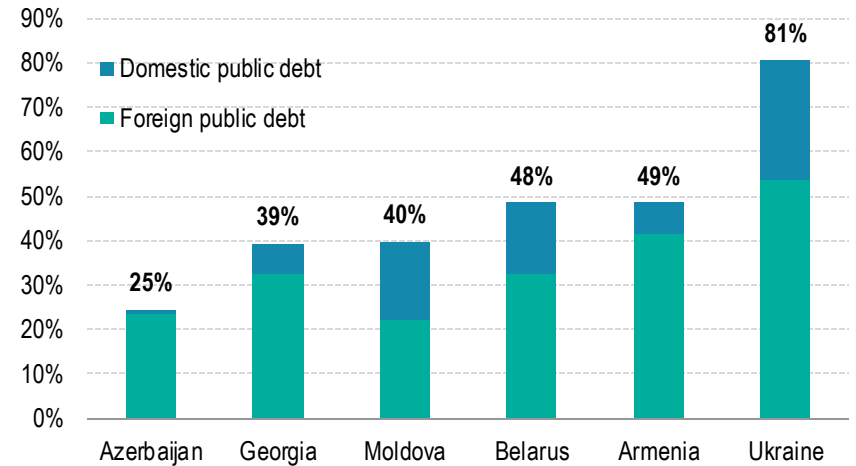


# External imbalances, leverage and exposure to f/x risks

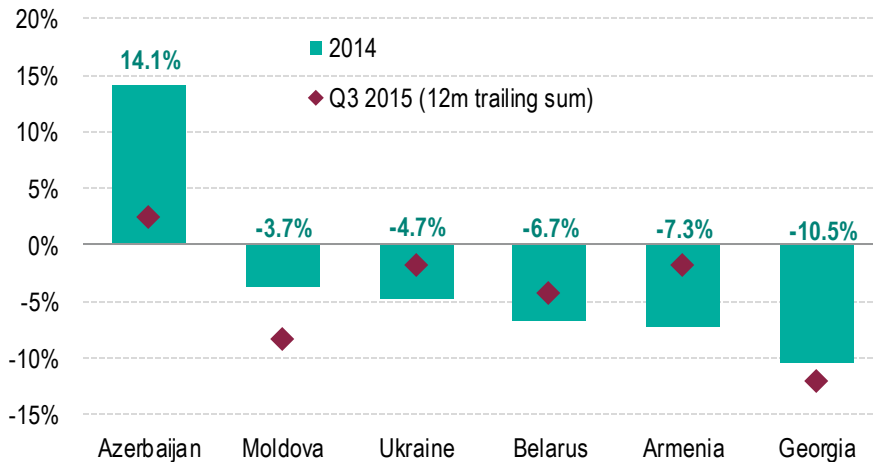
**Banking sector loans-to-GDP (2015 est.)**



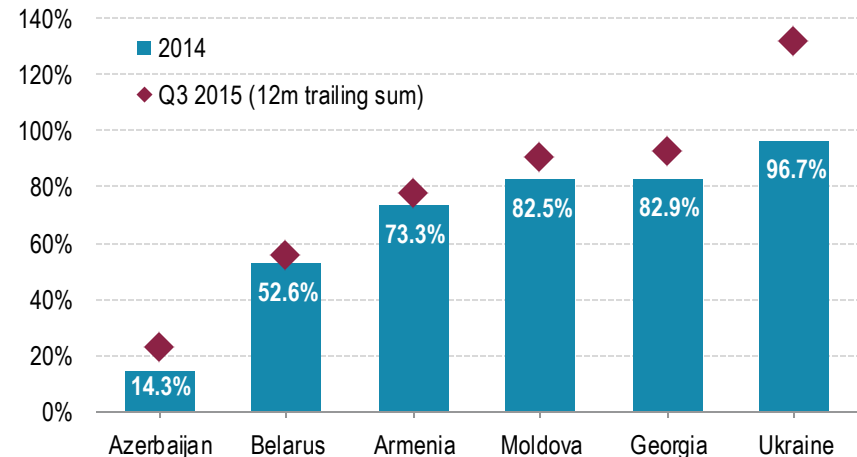
**Public debt-to-GDP (2015 est.)**



**Current account balance-to-GDP**



**External debt-to-GDP**



Sources: National central banks, statistical agencies, CEIC and IMF WEO (October 2015)

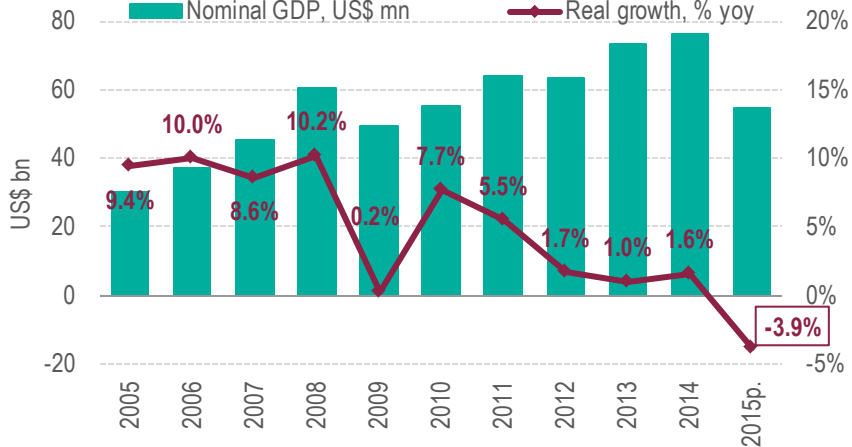


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# BELARUS ECONOMIC TRENDS

# BELARUS ECONOMIC TRENDS - 1

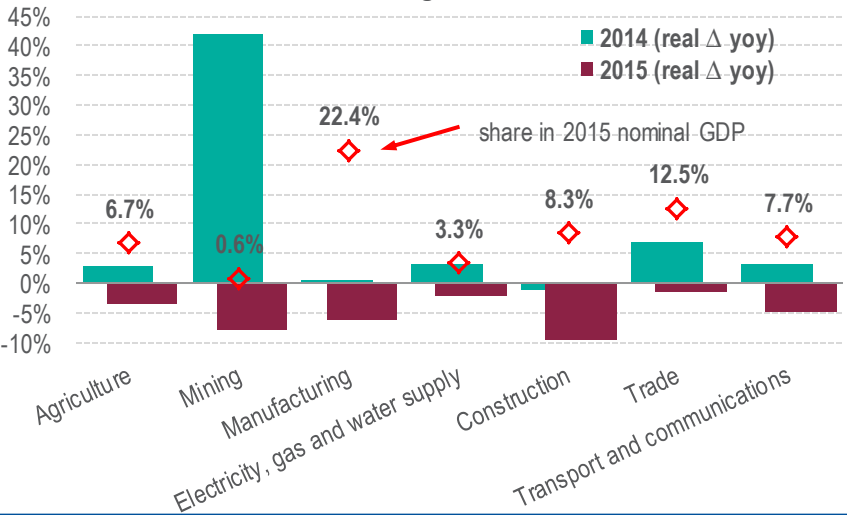
Slowing growth which turned negative for the first time in 19 years



Dependence on Russia resulted in closely correlated growth trajectories



In 2015, output growth in all major sectors turned negative

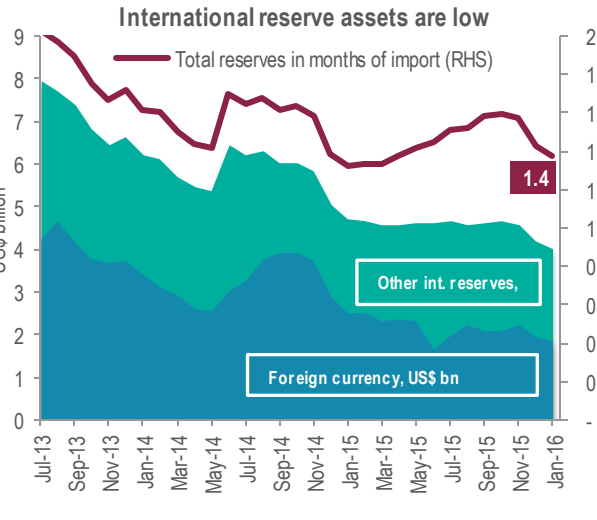
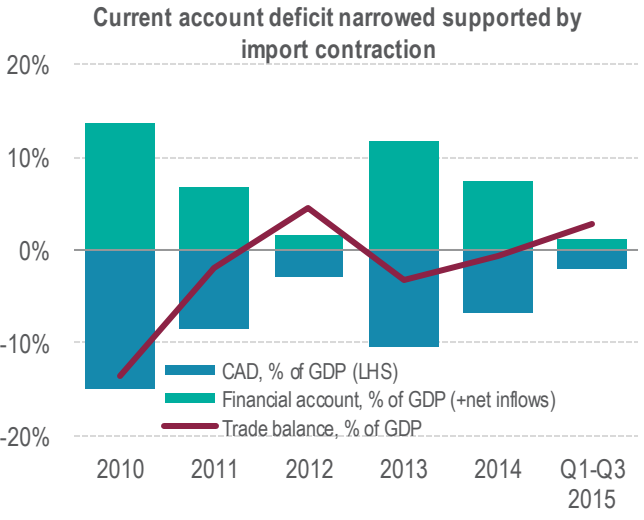
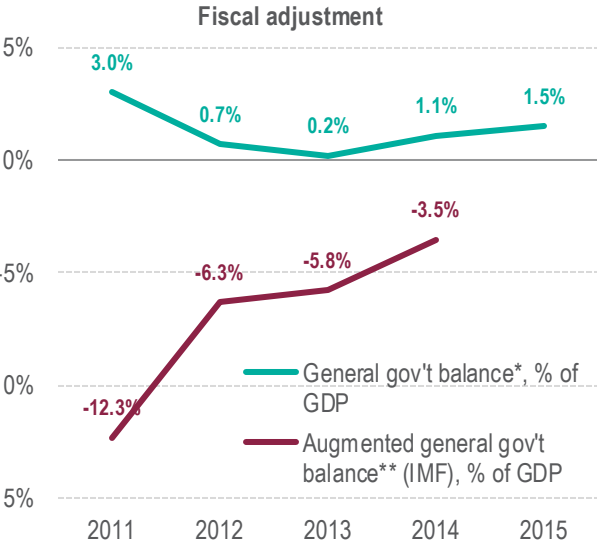
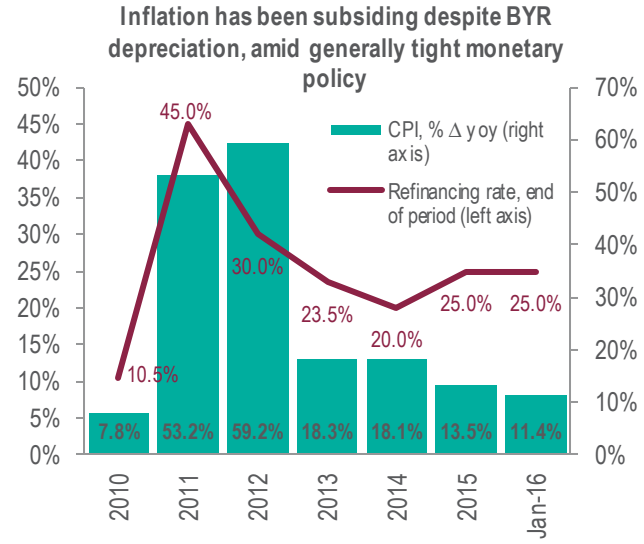
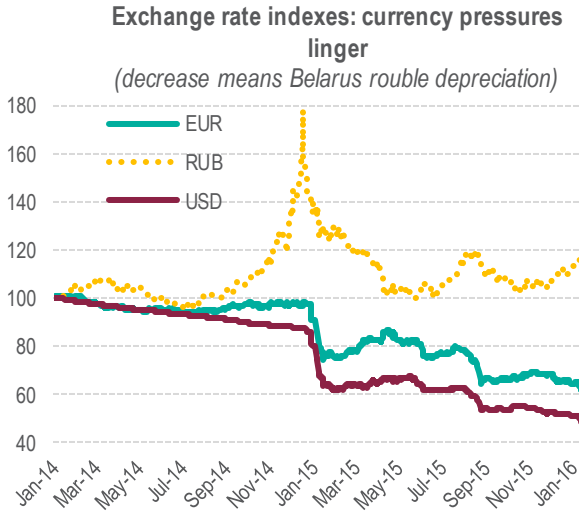


## Risks to growth stem from:

- High trade and financial dependency on Russia;
- Low level of foreign currency reserves and reliance on external funding;
- Directed and subsidized lending;
- Less efficient state enterprise sector
- Untested ability to address structural and institutional constraints.

Sources: National Statistical Committee of Belarus, IMF WEO (October 2015)

# BELARUS ECONOMIC TRENDS - 2



Sources: National Bank of Belarus, National Statistical Committee of Belarus, Ministry of Finance of Belarus, IMF

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\*General gov't includes central gov't budget, local budgets and state extra-budgetary funds  
 \*\*The augmented balance adds to the balance of the general government new directed lending, outlays for banks recapitalizations and related to called guarantees of publicly guaranteed debt