



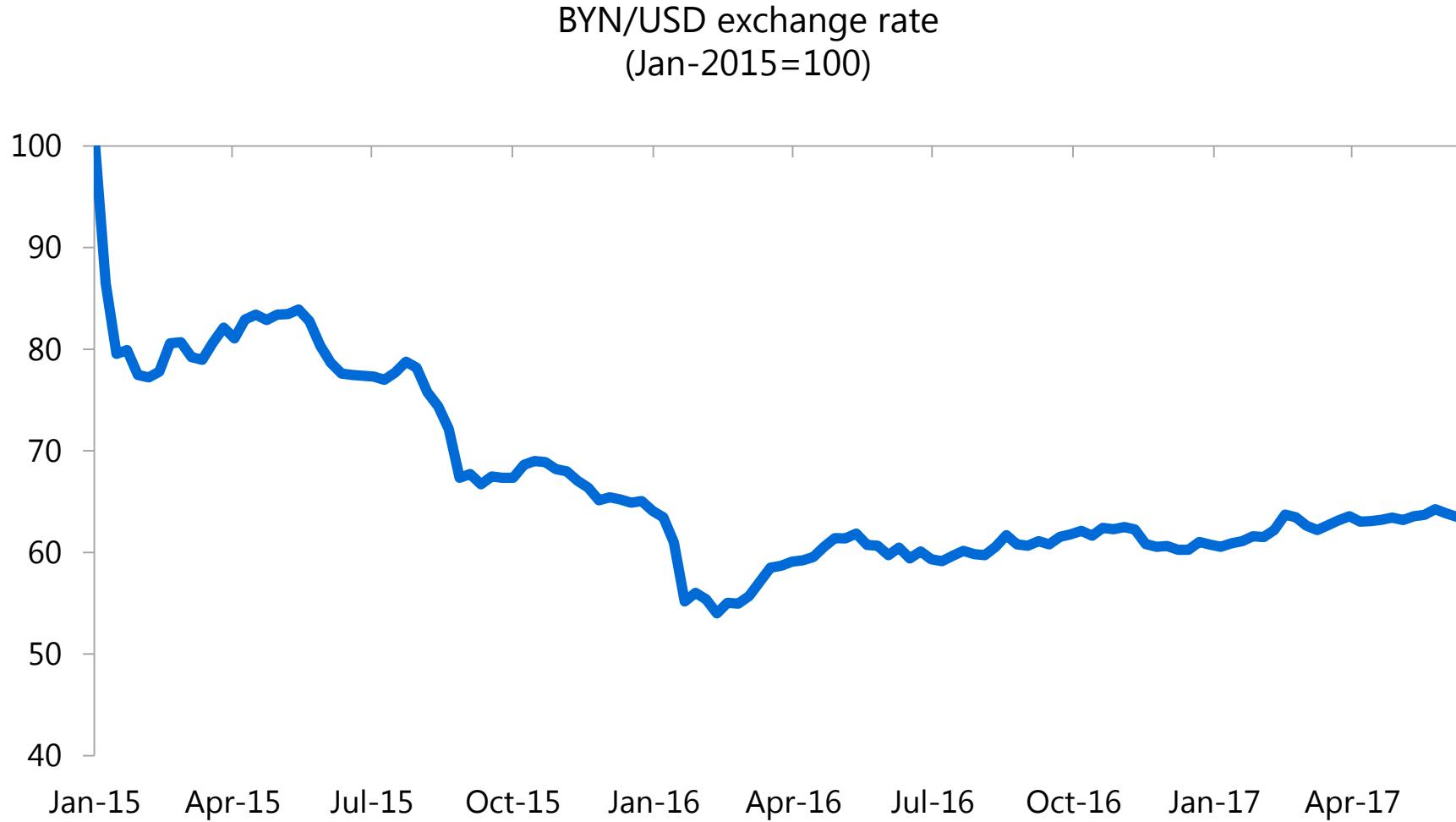
Belarussian Economy: Is there light at the end of the tunnel?



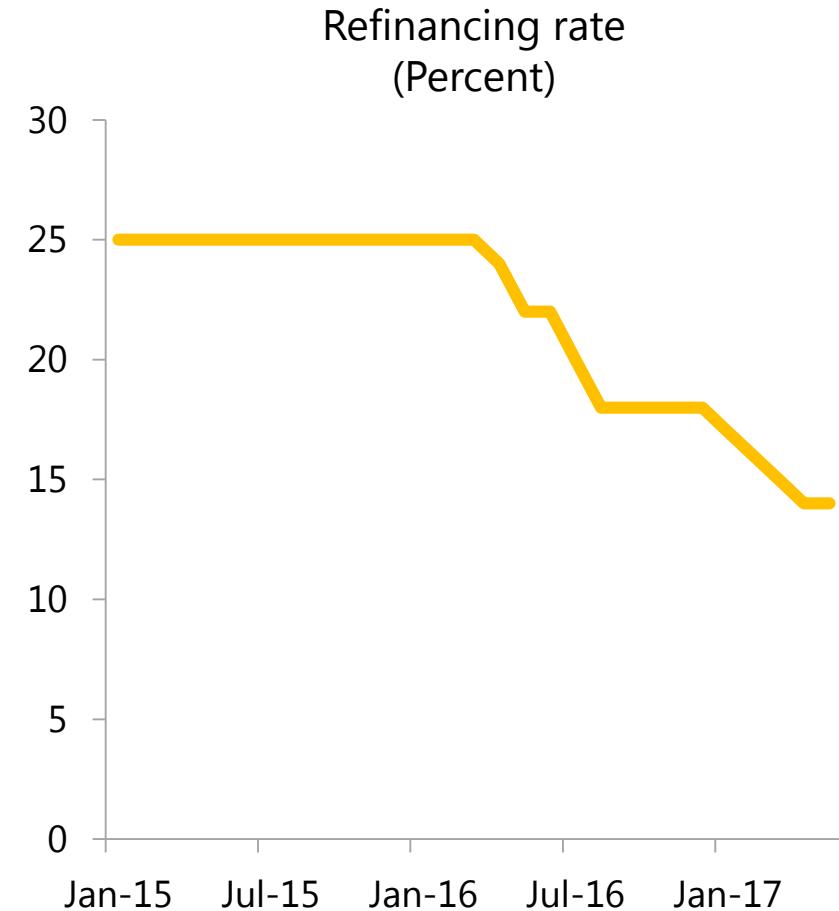
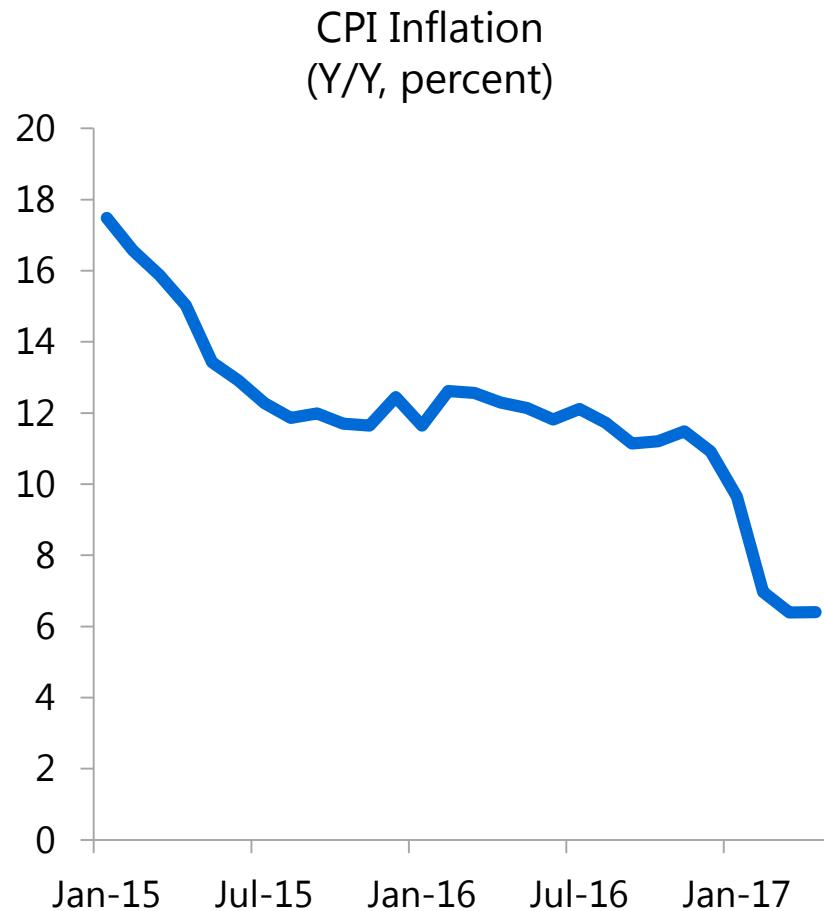
7th Belarus Reality Check
Vilnius, June 21, 2017

Bas B. Bakker
Senior Regional Resident Representative
for CESEE

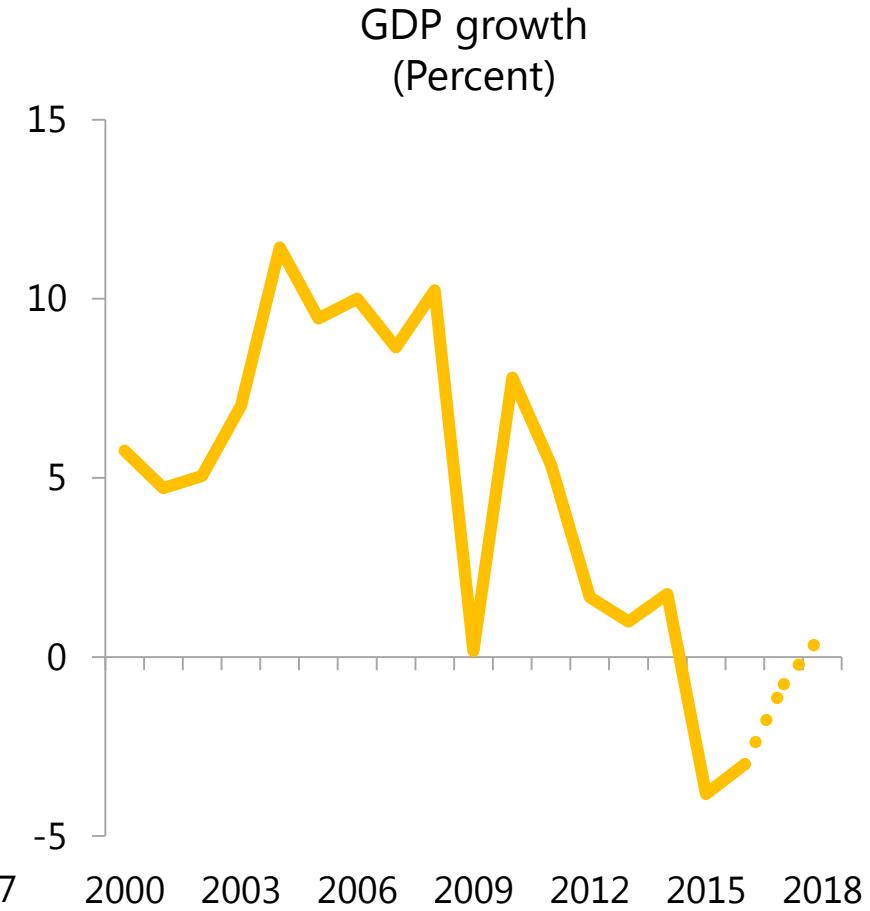
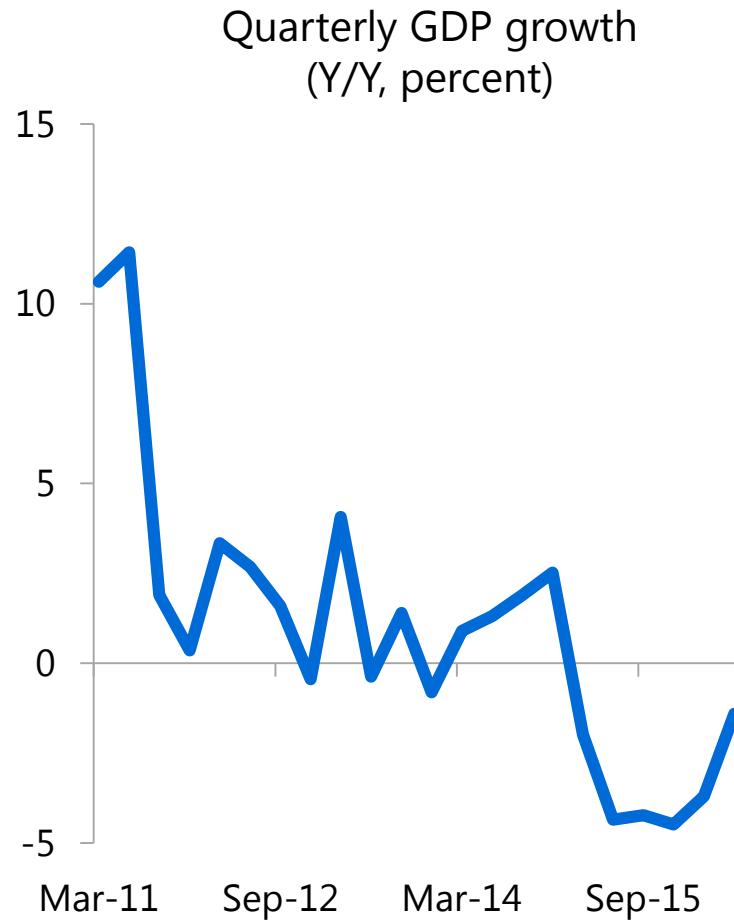
The exchange rate has stabilized



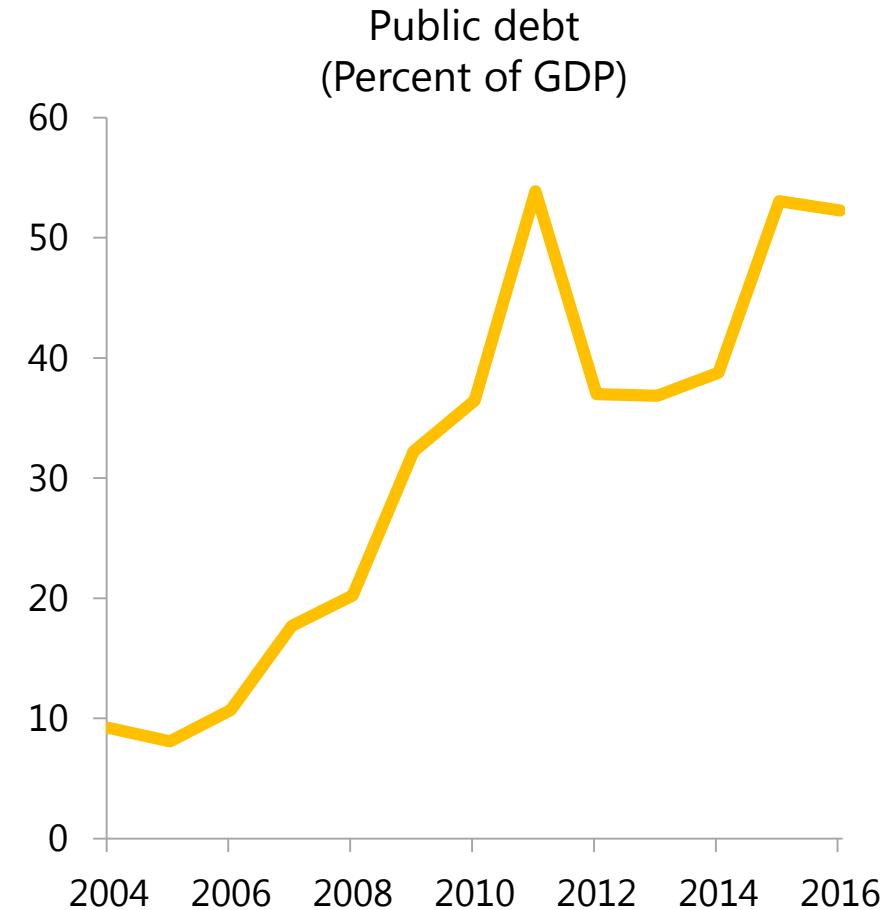
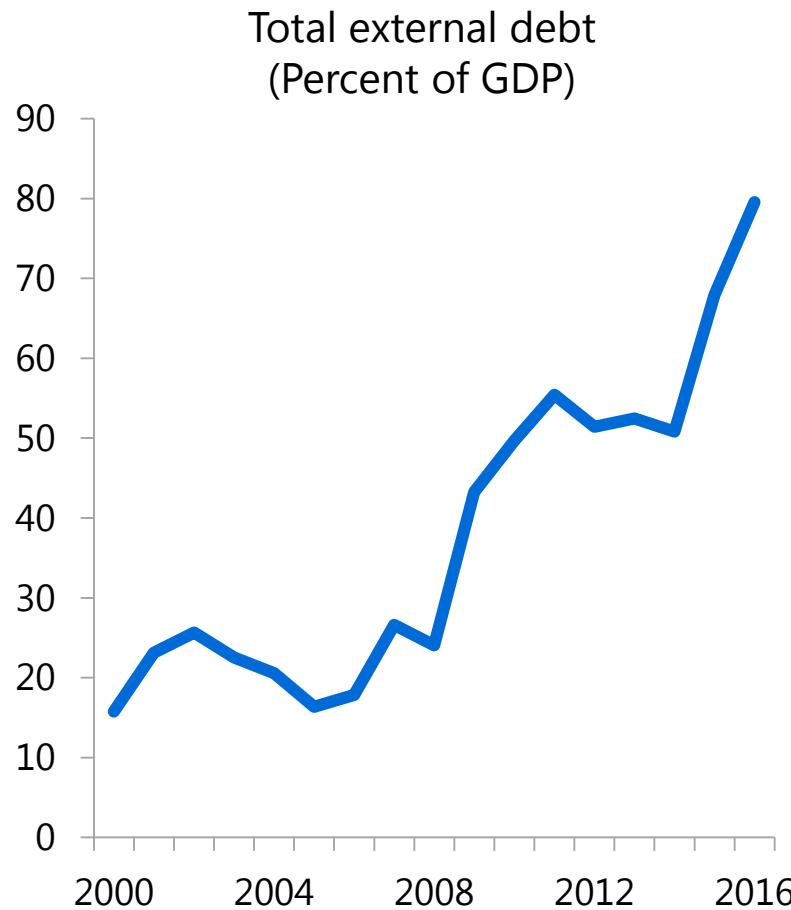
Inflation and interest rates have come down.



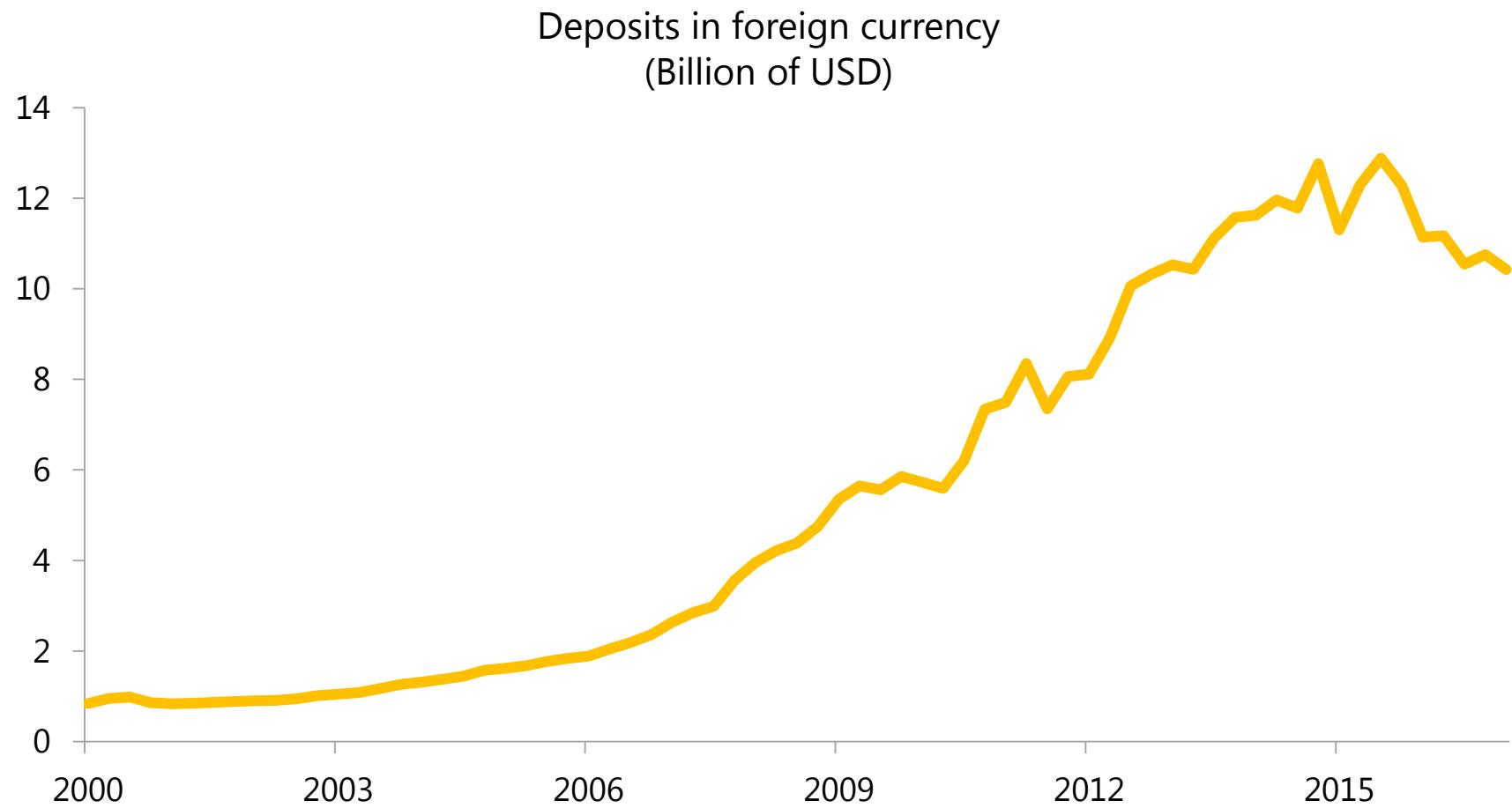
Belarus is slowly recovering from recession



Risks remain: financing needs are high as public and external debt have increased sharply



Help from Russia and a drawdown of deposits have provided financing—for now.



The rise in loss-making enterprises-particularly SOEs is a key challenge

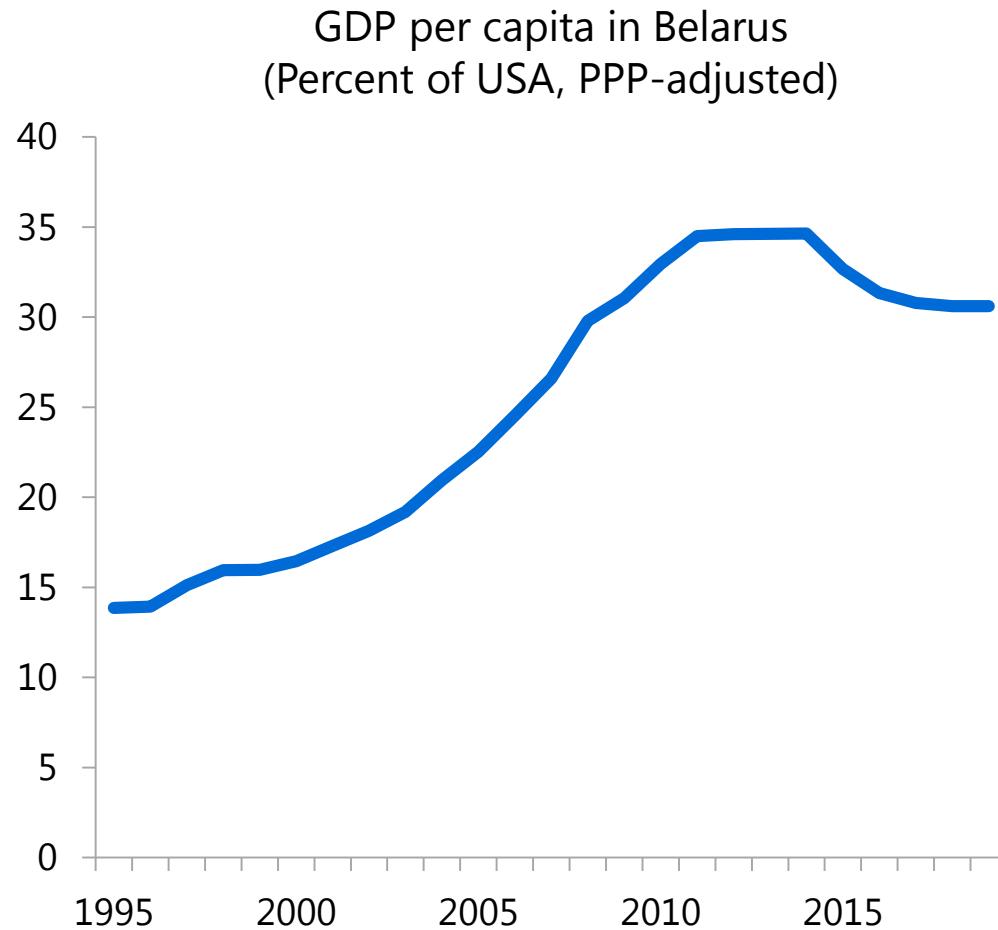


Without reform of SOEs it will be difficult to sustain stability and growth

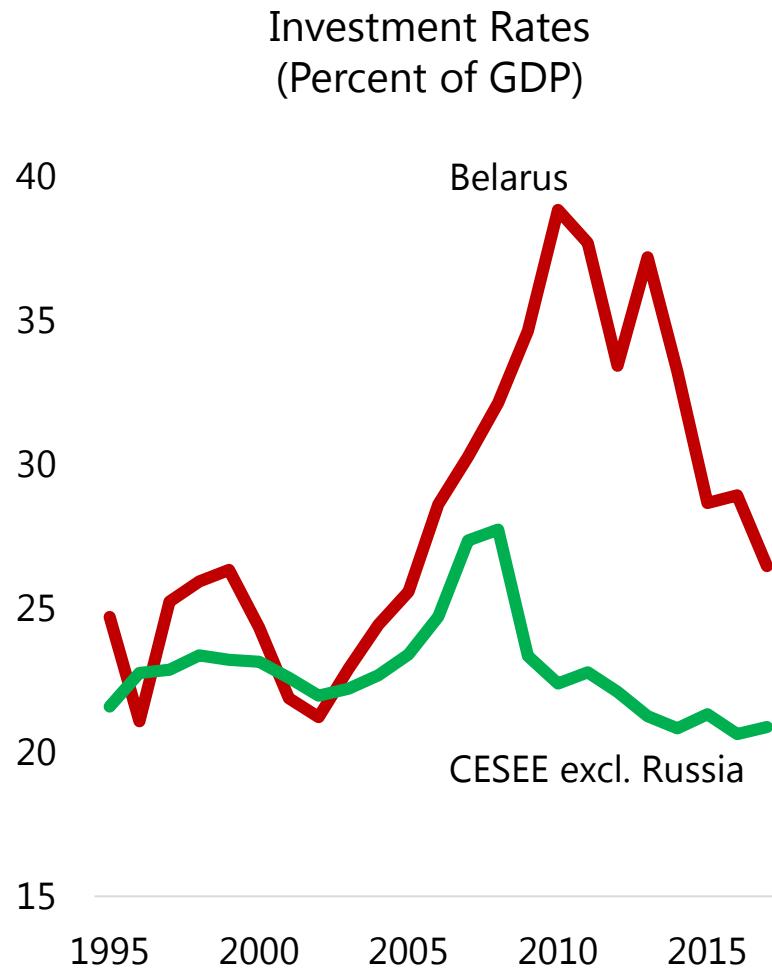


- Pressure to provide more financing to loss-making SOEs will grow
- Calls to relax macro-policy stance will increase
- This would lead to renewed pressure on exchange rate
- SOEs need to be restructured
- IMF providing TA on how to do this
- Strong social safety net needed to cushion any temporary adverse impact on unemployment

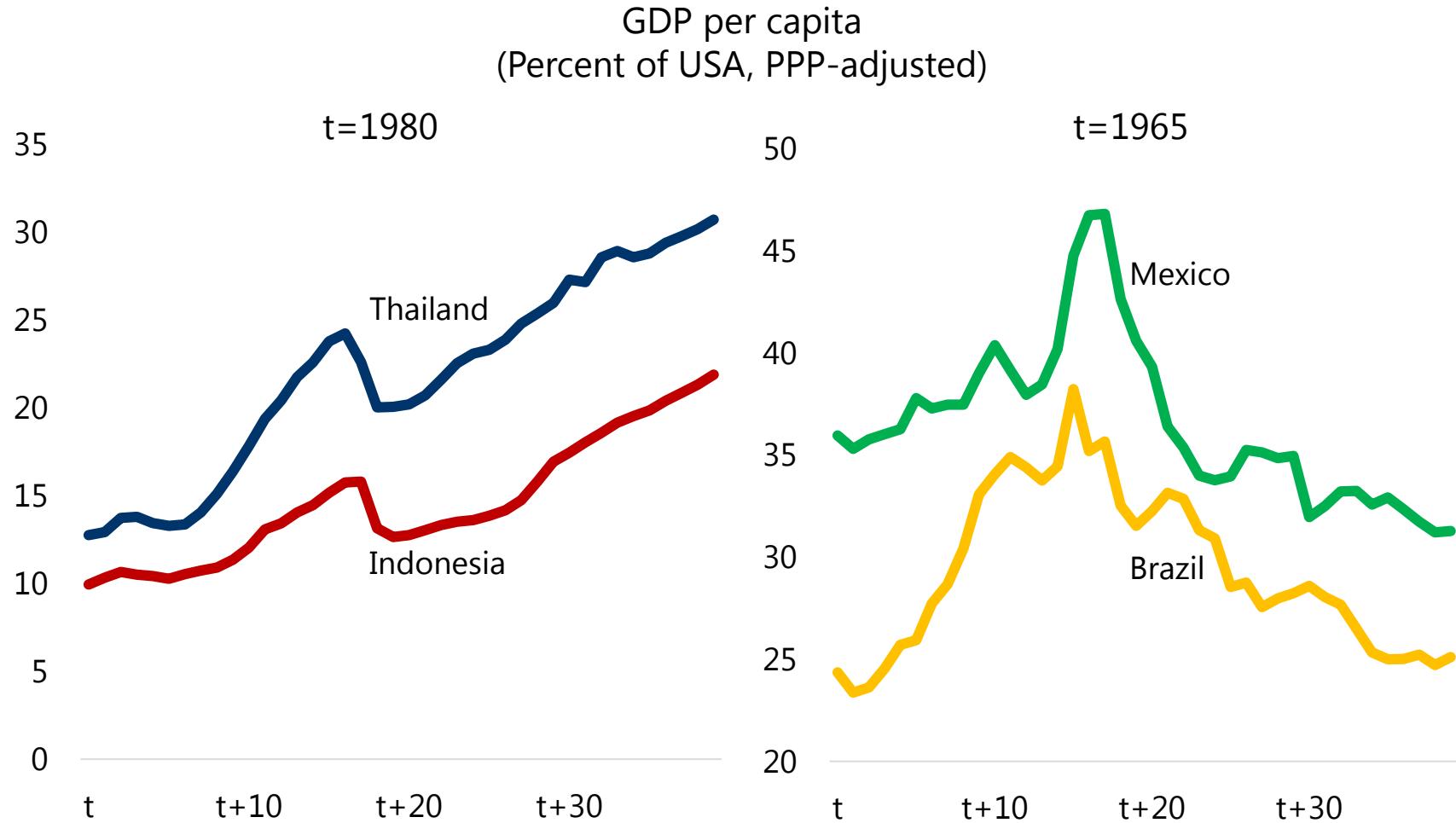
Even without a crisis, there is a question whether convergence will continue



Rapid convergence in the past was driven by externally funded investment boom



Will recent setback in convergence be temporary (like Indonesia/Thailand) or more permanent (Brazil/Mexico)?





Thank you