

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



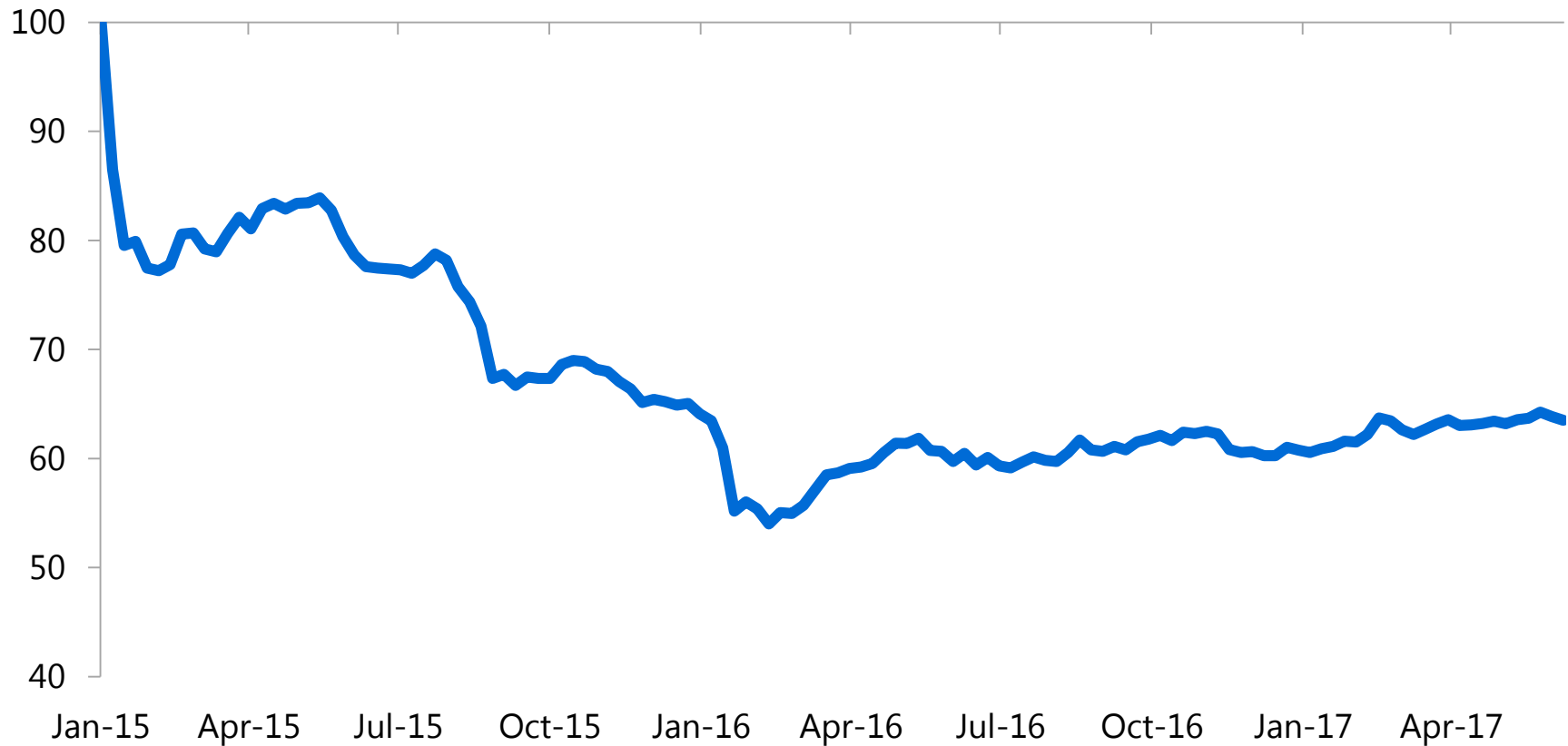
7th Belarus Reality Check
Vilnius, June 21, 2017

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Senior Regional Resident Representative
for CESEE

The exchange rate has stabilized



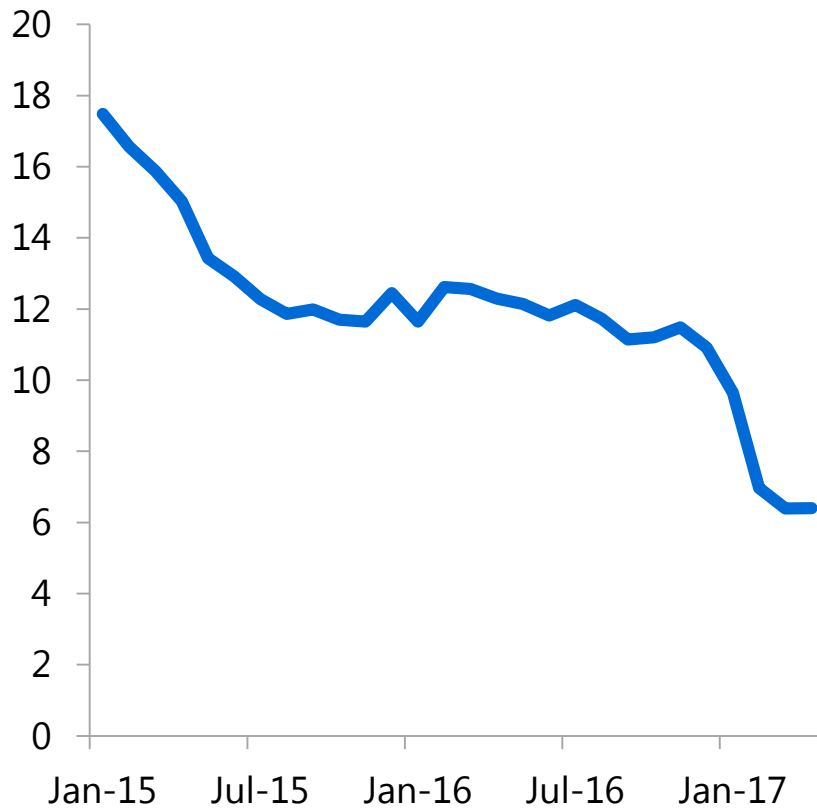
BYN/USD exchange rate
(Jan-2015=100)



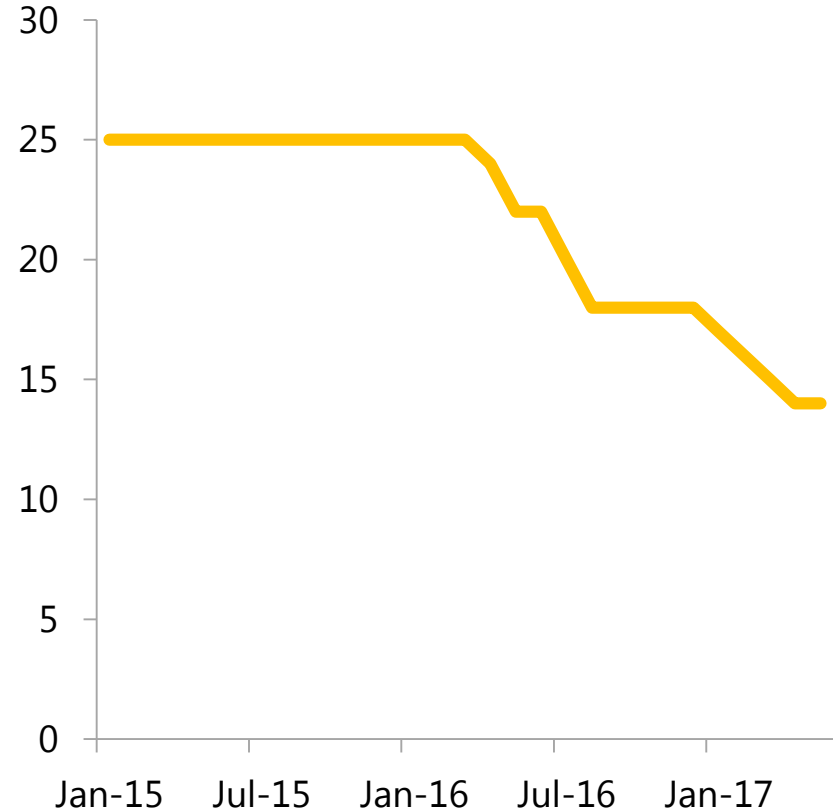
Inflation and interest rates have come down.



CPI Inflation
(Y/Y, percent)



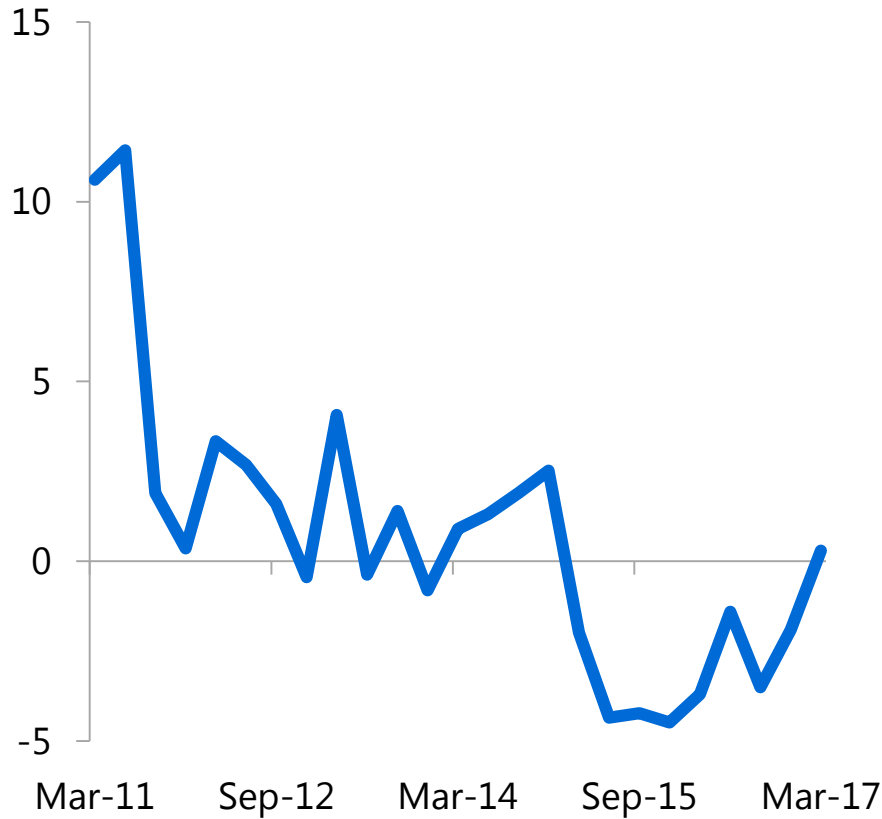
Refinancing rate
(Percent)



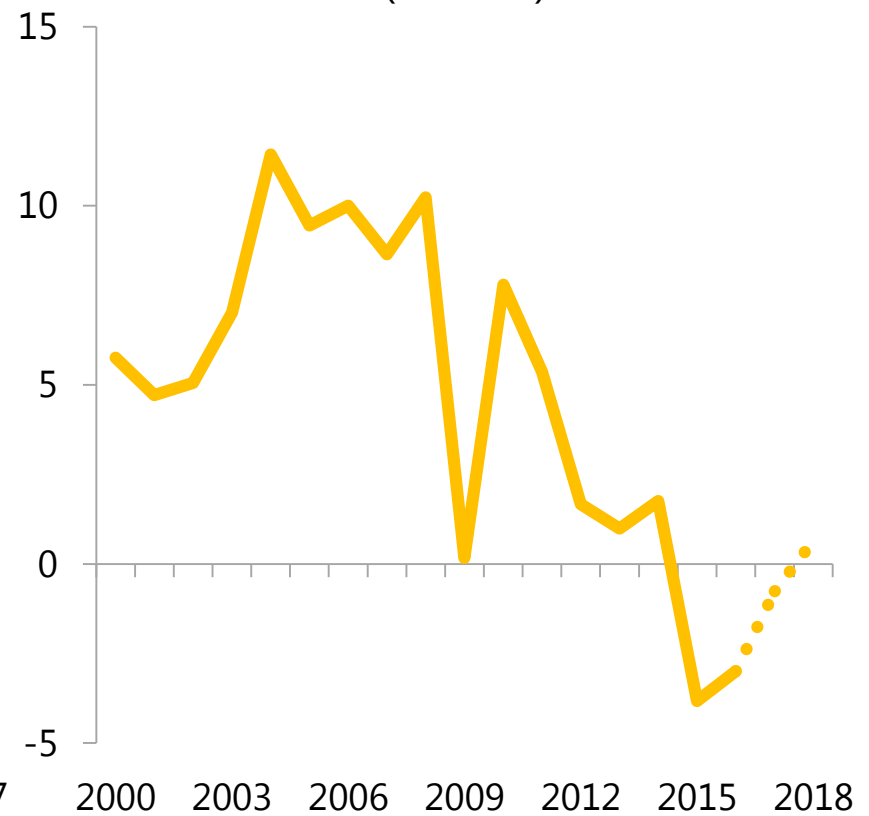
Belarus is slowly recovering from recession



Quarterly GDP growth
(Y/Y, percent)



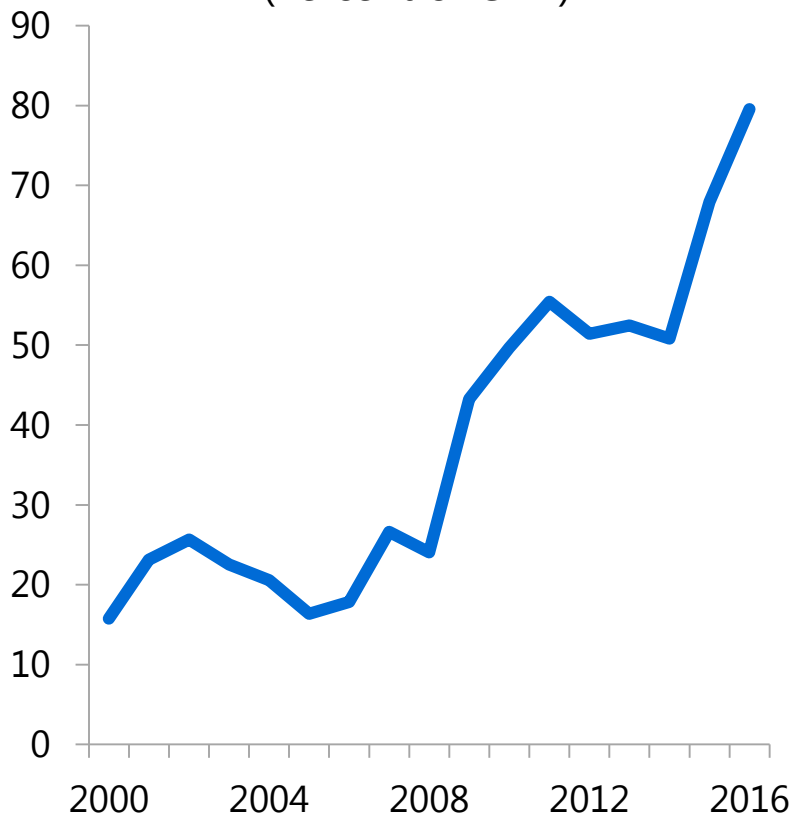
GDP growth
(Percent)



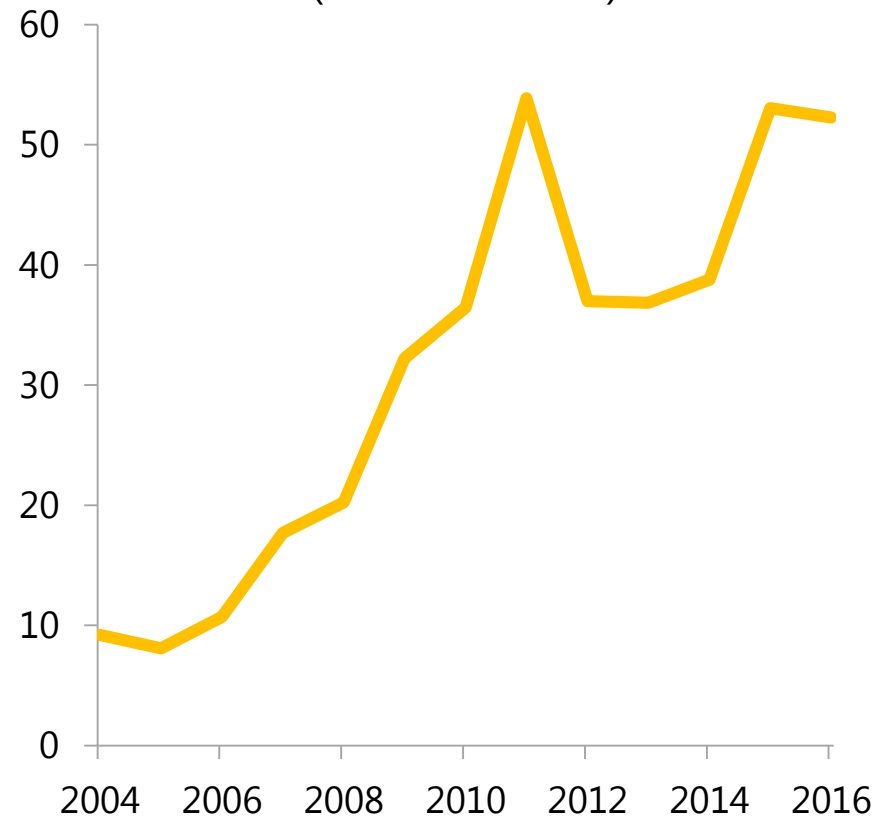
Risks remain: financing needs are high as public and external debt have increased sharply



Total external debt
(Percent of GDP)



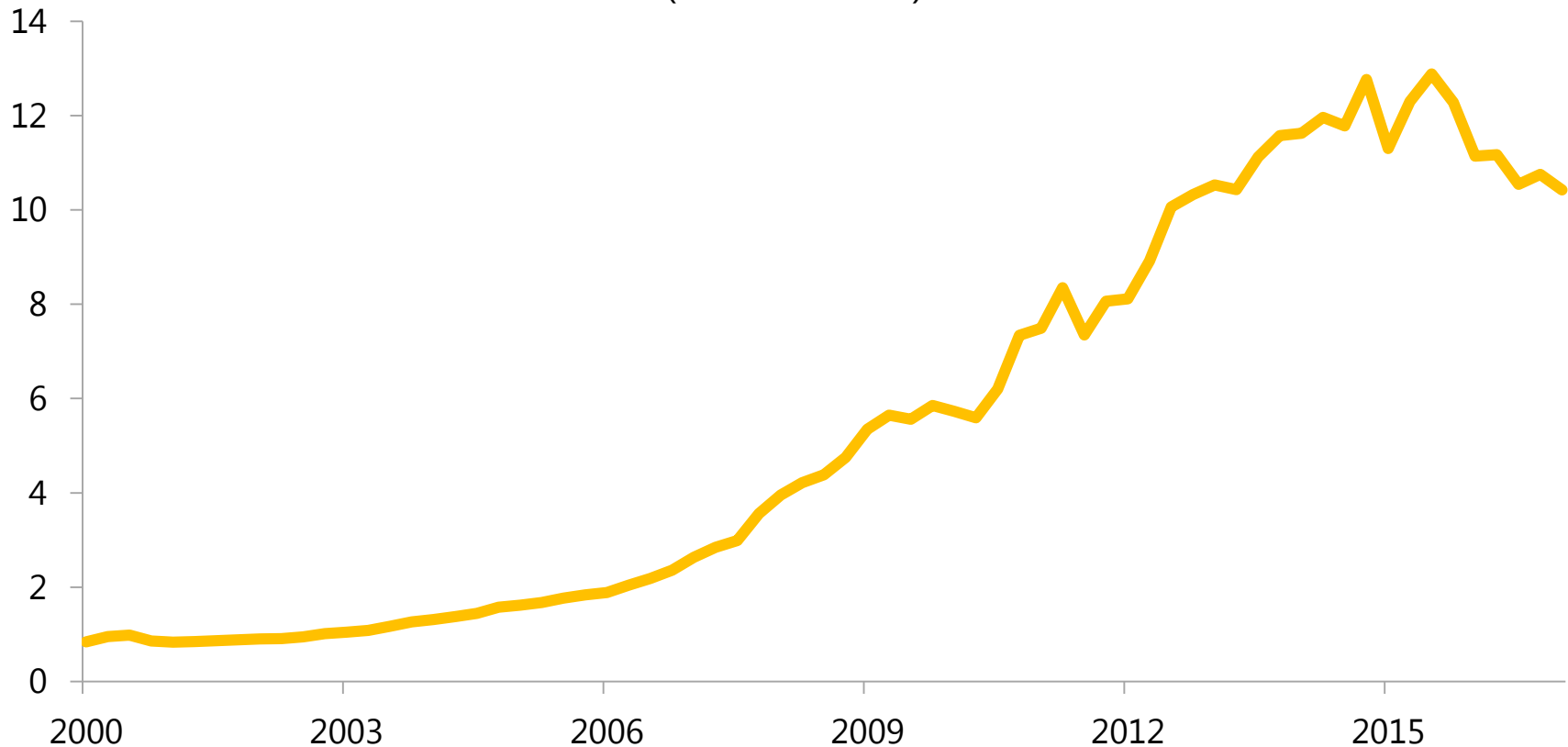
Public debt
(Percent of GDP)



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



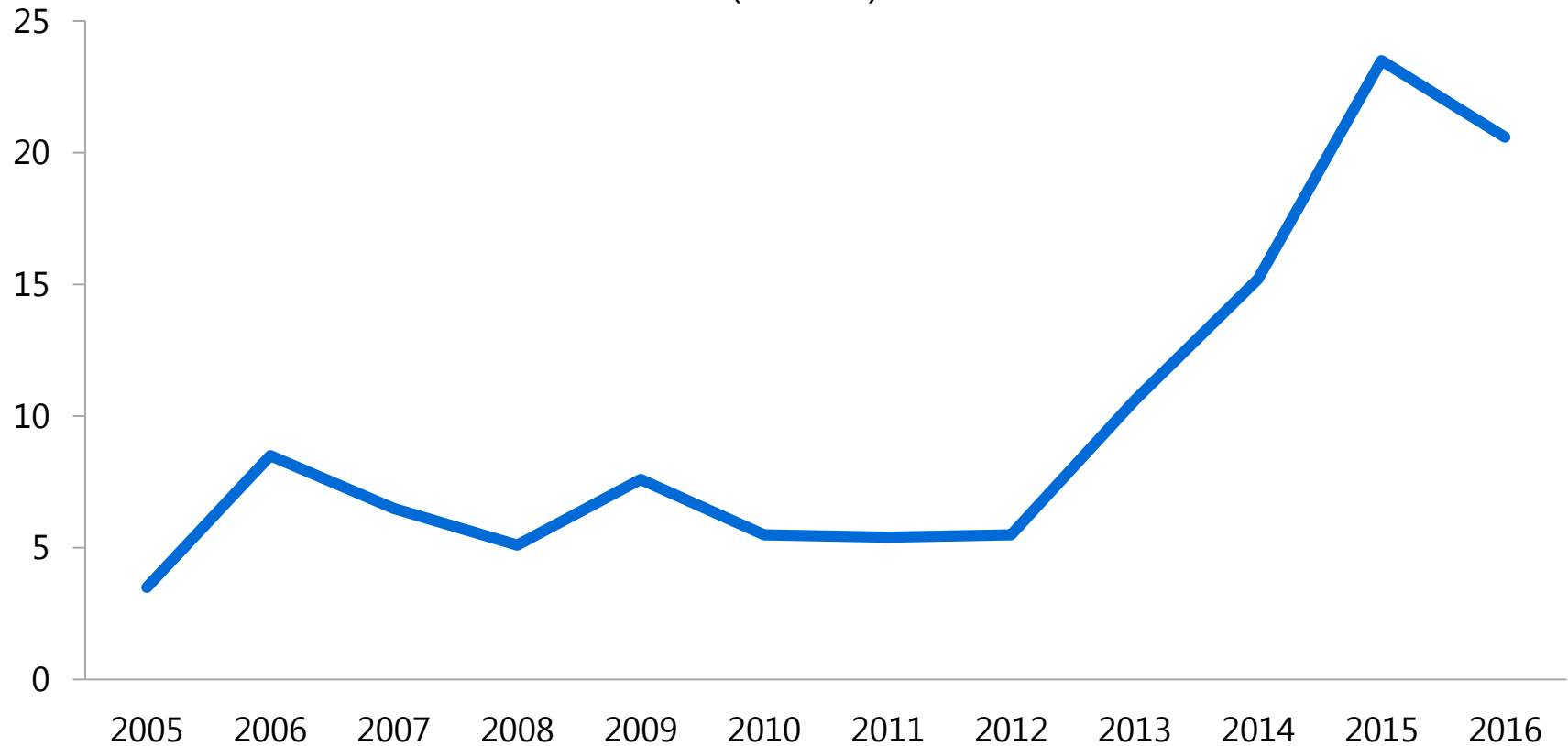
Deposits in foreign currency
(Billion of USD)



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



Share of loss-making companies in total companies surveyed
(Percent)



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

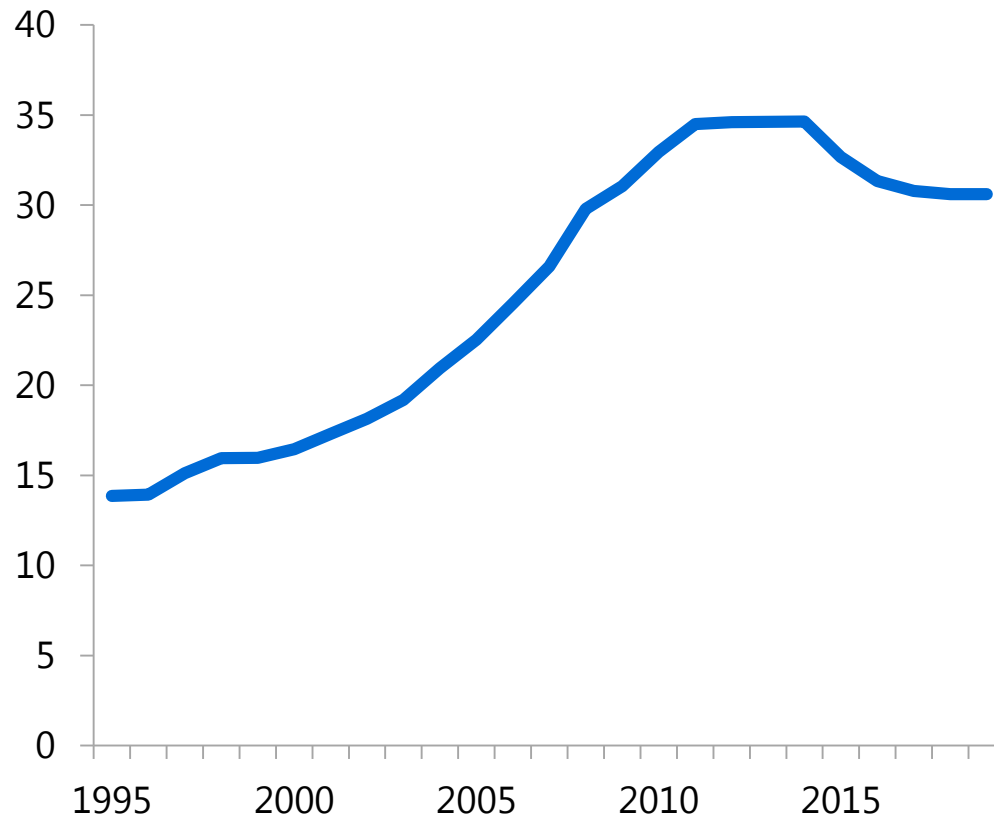


- Pressure to provide more financing to loss-making SOEs will grow
- Calls to relax macro-policy stance will increase
- This would lead to renewed pressure on exchange rate
- SOEs need to be restructured
- IMF providing TA on how to do this
- Strong social safety net needed to cushion any temporary adverse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

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



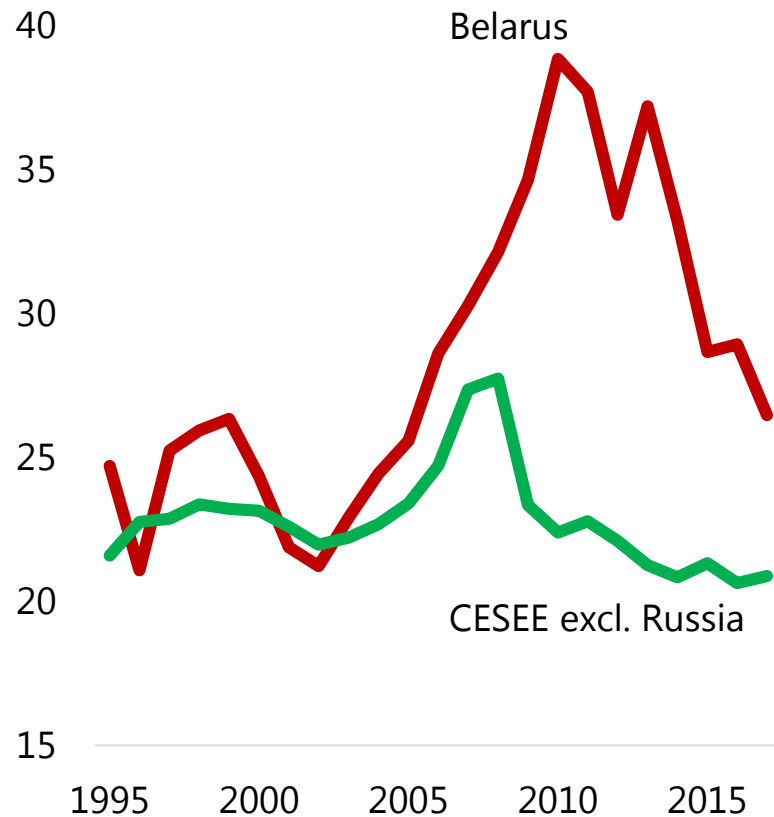
GDP per capita in Belarus
(Percent of USA, PPP-adjusted)



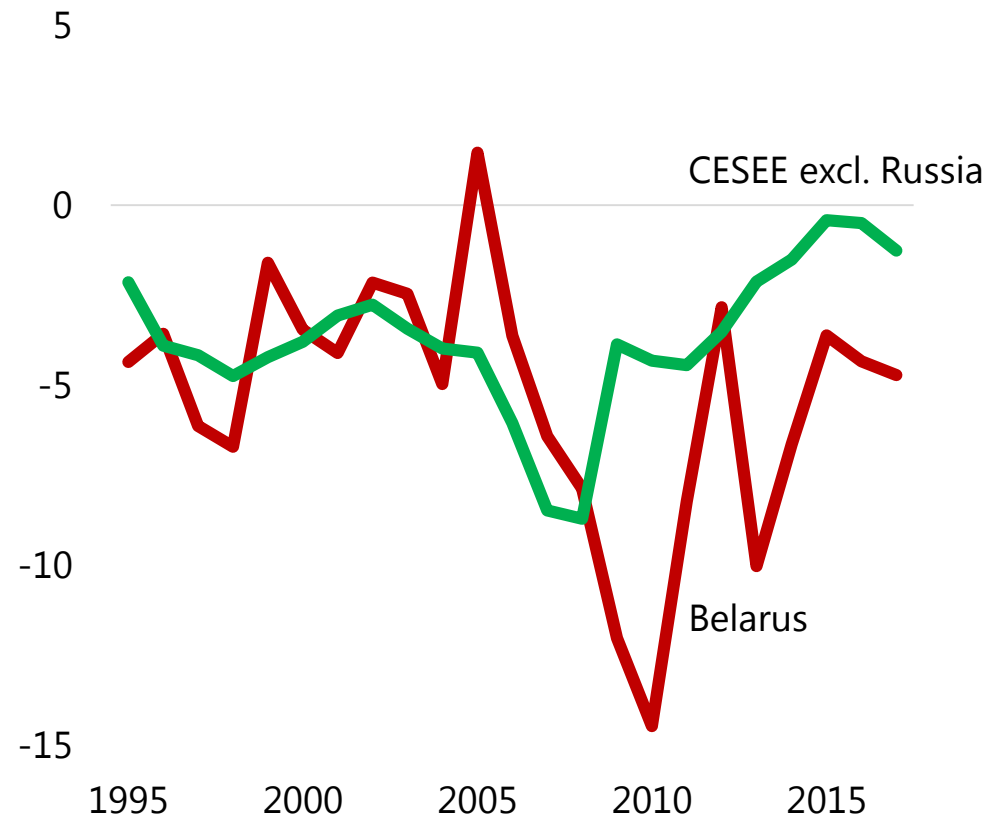
Rapid convergence in the past was driven by externally funded investment boom



Investment Rates
(Percent of GDP)



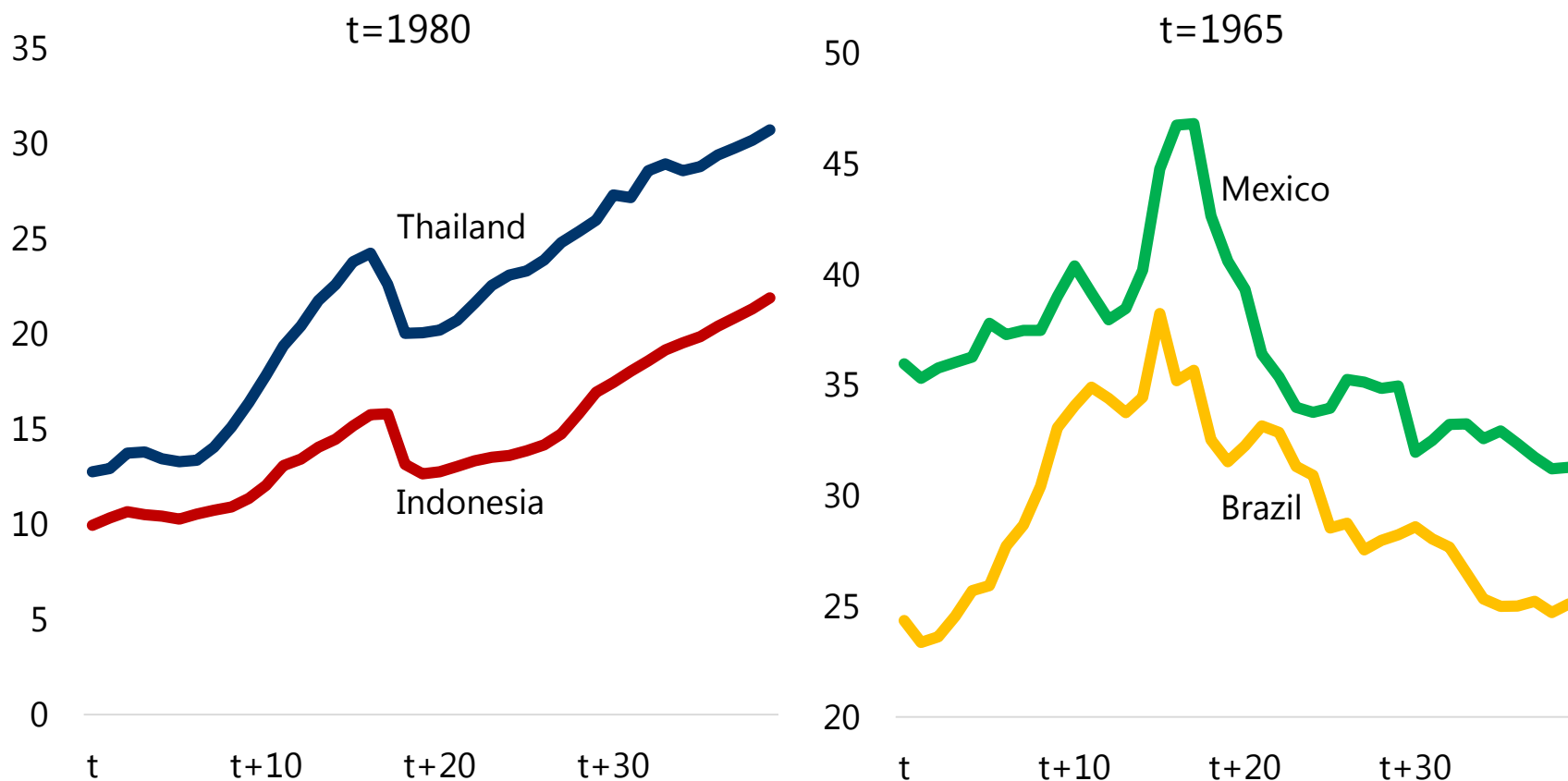
Balance on Current Account
(Percent of GDP)



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



GDP per capita
(Percent of USA, PPP-adjusted)





Thank you