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

7th Belarus Reality Check
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The exchange rate has stabilized.
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.
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