Eurasian Development Bank

Resources Manager of EurAsEC Anti-Crisis Fund

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Review of the Report by the Ministry of Finance of the Republic of Belarus on Compliance with Conditions of the Sixth Tranche of the ACF Financial Credit

Conclusions

Having reviewed the progress in implementation of the Stabilization Program of the Government and the National Bank of the Republic of Belarus and the status of compliance with the conditions of the sixth tranche of the ACF financial credit, the Manager hereby submits for the consideration of the Fund's Council of Experts the following conclusions and recommendations:

1. Economic policies loosening since spring 2012 has resulted in growing external imbalances. The current account deficit has expanded significantly (9.4% of GDP for 9 months of 2013 against a surplus of 0.1% of GDP for the relevant period of 2012), the international reserves have dropped to 1.7 months of imports, and the public debt has been growing at a fast rate (+12% since the beginning of the year). The gross foreign debt increased from US $33.8 billion (53.5% of GDP) as of the beginning of 2013 to US $ 36.6 billion (54.1% of GDP) as of October 1, 2013. The investment position deficit increased up to 53% of GDP against 47% of GDP as of the beginning of the year. Devaluation expectations are high. There are high risks of a complete loss of positive results of the Stabilisation Programme, which were achieved during the first year of the ACF Credit implementation.
2. Discontinued exports of chemical products produced from Russian petroleum products caused the foreign trade deficit increase by US $2.0 billion, thus having a significant impact on its deterioration. This discontinuation was not related to lower demand in external markets or structural changes in the Belarusian economy. The deteriorating situation in the world potash fertiliser markets (US $0.5 billion) and the deceleration of growth in the Russian Federation also had an impact.
3. The growing trade deficit is mainly explained by the lack of economic policy adjustment in response to lower export proceeds. Excessive stimulation of domestic demand resulted in lower competitiveness of Belarusian exports, higher demand for imports, and increased pressure on the GIR. The impact of domestic factors on the trade deficit expansion is estimated at the level of US $1.3 billion. As a result of the policies implemented, out of 14 targets for the sixth tranche of the credit approved by the Fund's Council on June 26, 2013, 10 targets, including

5 control ones, have not been met.

4. Continued credit expansion caused further build-up of imbalances. The rates of growth of banks' claims on the economy for 9 months (+22.5% since the beginning of the year) significantly exceeded the control target for the sixth tranche (+15%). The credit growth was supported through loose credit policies primarily aimed at meeting the targets under government programmes. In spite of the current account deterioration, the refinancing rate had been swiftly going down during the whole period of the first half of the year. This, together with growing lending under government programmes, resulted in the liquidity deficit recorded during almost all period January-September of 2013.

5. The large volume of lending under government programmes, which mainly support non-tradable and marginally profitable sectors, is one of the key factors contributing to the pressure on the balance of payments and GIR. The increasing volume of directed credit and their highly concessional nature aggravate the burden for the budget. For 9 months of 2013, budget expenditures on subsidising concessional interest rates and executing guarantees for loans extended under government programmes made 2.6% of GDP (in January-September 2012 – 1.7% of GDP). That constrained the Government's ability to replenish its deposits, which had declined noticeably (from 16% of GDP as of the beginning of October of 2012 to 12% of GDP as of the beginning of October of 2013).

6. The growth of real wages in 2012-2013, significantly exceeding the growth of labour productivity, almost nullified the competitive advantages obtained from the devaluation of 2011 because of growing cost of production of export goods. Increased incomes of the population boosted demand for consumer imports and foreign exchange. Just in June-September 2013, net purchases of foreign exchange by households made US $1.3 billion (about 16% of the GIR). Two thirds of these resources have remained outside the banking system that undermined the banks' external positions and raised their need for mobilising external borrowing.

7. The high purchasing power of the population, maintained through a significant price control and still low utility and transport tariffs, boosts budget expenditures on various subsidies. Moreover, it does not help to improve the competitiveness of Belarusian industrial enterprises, which pay the highest among the CU member states energy tariffs as the sector bears the burden of cross-subsidisation.

8. The Manager welcomes the adoption of the Joint Action Plan of the Council of Ministers and the National Bank of the Republic of Belarus as of October 10, 2013 dealing with structural reforms and improving the competitiveness of the economy. However, the measures included in the Plan are insufficient to eliminate the fundamental causes of the economic situation deterioration in the country and to reduce the accumulated imbalances. At the very least, the following measures should be taken: new financing under government programmes should be discontinued; the overall growth of credit to the economy (including the Development Bank) should be limited to one percent per month; the nominal wage growth in the economy should be limited to the growth of inflation; and the budget should be balanced. These measures should be implemented until the country

reaches a sustainable current account deficit, which is estimated at no more than 4% of GDP.

9. **Based on the Report by the Ministry of Finance of the Republic of Belarus on Compliance with Conditions of the 6th Tranche of the ACF Financial Credit and Article 2.3.3 of the Agreement on Providing Financial Credit from the ACF Resources, the Manager does not find it possible to recommend approval of the disbursement of the sixth tranche.**

Overall Assessment of Sixth Tranche Implementation

The economic policies have been substantially loosened in the Republic of Belarus since spring 2012. That has intensified the internal and external imbalances and undermined the positive results of the Stabilisation Programme implemented from June 2011 and supported with the ACF credit. The growing current account (CA) deficit results in declining of gross international reserves (GIR), pressure on the exchange rate, and foreign debt growth. The pursued policies impacted the compliance with the conditions of the sixth tranche approved by the Fund's Council on June 26, 2013: out of 14 targets, 10 targets, including 5 control ones, have not been met (see Annex 1). **Based on the Report by the Ministry of Finance of the Republic of Belarus on Compliance with Conditions of the 6th Tranche of the ACF Financial Credit and Article 2.3.3 of the Agreement on Providing Financial Credit from the ACF Resources to the Republic of Belarus, the Manager does not find it possible to recommend approval of the disbursement of the sixth tranche.**

Foreign Trade Positions and Foreign Exchange Market

Based on some preliminary estimates, the CA deficit for 9 months of 2013 was 9.4% of GDP (against a surplus of 0.1% of GDP for the same period of 2012). The GIR (***control target***) declined. As of October 1, 2013 their level was down to 1.9 months of imports. That is below the level needed to ensure the country's economic security and is below the established control target (2.1 months of imports)[1]. Significant foreign debt repayments, a peak of which falls on 2013-2015, generate additional pressure on the GIR level. The CA deficit for this year is estimated by the Manager to expand to 10.5% of GDP that will increase the pressure on the GIR.

In the absence of non-debt sources in the form of privatisation proceeds (*indicative target*), the debt refinancing needs resulted in fast growth of new borrowing. For 9 months, the public debt increased by 12.1%. Borrowing in the domestic market in foreign exchange expanded significantly owing to the limited access to the sources of new borrowing in external markets. The foreign currency-denominated bonds placed by the Government in the domestic market in the amount of US $788 million raised the domestic public debt by 25.3% as of October 1, 2013. A significant share of these securities was purchased by commercial banks. This, combined with the need to finance directed lending, resulted in fast growth of external borrowing by commercial banks. During the first 9 months of the year, their debt increased by US $1.8 billion or 29.1%. The international investment position of Belarus deteriorated substantially. For instance, while at the beginning of the year the country's foreign liabilities exceeded its foreign assets by an amount equivalent to 47% of GDP, as of October 1, 2013 this gap expanded to 53% of GDP[2]. The gross foreign debt can reach its maximum (55% of GDP) already at the end of 2013, while the foreign debt service ratio[3] will exceed its threshold level of 25% in 2014 (see Figure 1).

Changes in the external market situation had a significant impact on the foreign trade balance of Belarus. Just owing to the discontinued export of chemical products produced from Russian petroleum products, the trade balance of the Republic of Belarus for 9 months of the year

[1] In October 2013, the GIR continued to decline reaching 1.5 months of imports.
[2] The Manager's calculations based on the preliminary balance of payment data.
[3] The ratio of total gross foreign debt payments—principal repayments and interest payments—to exports of goods and services.

deteriorate by US $2 billion. These export transactions took place during the first seven months of 2012 and their discontinuation is not related to the declined demand in external markets or structural changes in the Belarusian economy. The deteriorating terms of trade in potash fertilisers and declining re-exports of cars[4] contributed additional US $0.9 billion to the deficit.

The unfavourable external environment was aggravated by growing imbalances related to those goods, which trade pattern depends on competitive advantages[5]. The foreign trade balance for these items deteriorate compared to January-September 2012 by US $1.3 billion (see Figure 2). The loss of competitiveness is partially explained by changes in the technical requirements to Belarusian vehicles in the Russian markets. The Manager estimates export reduction for this group of goods at the level of just around US $450 million. At the same time, exports of agricultural products—which production is heavily subsidised by the state[6]—to Russia grew by US $580 million over that period.

The key reason for the trade balance deficit expansion during the second half of 2012 and the first 9 months of 2013 was lack of adjustment policy measures in response to declining export proceeds that resulted in a significant pressure on the balance of payments and the debt position, as well as in widening of internal imbalances. Due to implementation of expansionary policies, domestic demand became a key source of economic growth (see Figure 3) already starting from the second half of 2012. That led to higher demand for imports, lowering competitiveness of Belarusian exports, depletion of gold and foreign currency reserves, and a higher debt burden of the country. Currently, the domestic crisis factors are nearly as strong as in 2011.

Monetary Policies

Continued credit expansion as an instrument of boosting domestic demand became one of the key causes of further expansion of imbalances. During the first half of 2013, the refinancing rate (***indicative target***) was brought down by 6.5 p.p. (from 30% to 23.5%) to reduce the price of credit and alleviate the burden for the budget related to subsidising concessional interest rates under government programmes. Subsequent acceleration of lending resulted in liquidity deficit in the banking system that made the banks sharply raise their interest rates for rubel deposits. The resulting interest rate disparity between foreign currency and rubel deposits promoted fast growth of lending in foreign currency and increase in banks' foreign debt. Since the beginning of the year, banks' claims on the economy in foreign currency at the programme exchange rate have increased by 23.8%. The measures taken by the National Bank, including those related to increasing the reserve requirements for foreign currency liabilities by 2 p.p. and raising the credit risk for foreign currency denominated loans[7], did not have a significant impact on the rate of growth of foreign currency loans in the reporting period. In addition to credit growth, expansion of this kind of lending raises the foreign exchange risks of the banking system and, in case of sharp devaluation of the domestic currency, can result in an increase of the share of bad loans. The growth of lending in domestic currency, to a large extent generated through

[4] The cars had been imported into the Republic of Belarus prior to the unification of customs duty rates with the Russian Federation.
[5] This group does not include the commodity items listed above and energy products.
[6] The EEC estimates these subsidies at around 18%.
[7] The rate of credit risk was raised from 100% to 150% starting from October 1, 2013.

directed credit, made up 21.5%. As a result, the banks' claims on the economy (***control target***) grew by 22.5% at the programme exchange rate for nine months[8] that is significantly above the controlled level for the sixth tranche (15%). In spite of numerous statements by the authorities of Belarus that the scale of lending would be limited, that has not happened during all the years of the credit agreement (see Figure 4). A certain success was achieved, however, in reducing lending under government programmes financed with Government deposits (***control target***): in January-September 2013, financing of this category of government programmes made 1% of GDP, while it was 1.6% of GDP in the relevant period of 2012.

In the Republic of Belarus, the key problem of bank lending is a high share of government programmes, which are characterised by directed (non-market-based) distribution of resources, and support mainly non-tradable sectors[9]. In 2012-2013, the share of directed lending tended to increase and is estimated to reach 41% of net increase of total credit of the banking system for 9 months of 2013 (in January-September 2012 it was 35%)[10] (see Figure 5). Stimulation of sectors with insignificant export capacity generated additional pressure on the balance of payments and the GIR level. However, the low efficiency of these loans is demonstrated by both the declining profitability of sales (see Figure 6) and a different level of profitability of the state-owned and private sectors. According to some data, the private sector, which receives no state support, demonstrates significantly higher profitability (see Figure 7).

Accelerated implementation of government programmes is a key reason for maintaining loose monetary policies. The expanding scale of lending under government programmes, against the background of the declining refinancing rate, aggravated the problems with liquidity deficit in the banking system. The liquidity deficit generated by the state-owned banks raised the cost of resources in the money market and created an upward pressure on lending interest rates. While government programmes were financed on preferential terms, "market" borrowers were thus placed into a certainly unequal position with their capacity to borrow shrinking.

Concessional financing of directed lending increases the burden for the budget. The consolidated budget expenditures on subsidising concessional interest rates and execution of guarantees for loans to state-owned enterprises made BYR 11.9 trillion (2.6% of GDP) for 9 months of 2013. This amount is significantly higher than in the same period of 2012 (BYR 6.6 trillion or 1.7% of GDP).

Exchange Rate Policies

The policy of *de facto* exchange rate targeting, against the background of the price growth at a rate higher than in Belarus' trade partners, determined the real exchange rate appreciation and growth of prices for Belarusian exports. During the period of January-September of 2013, the real effective exchange rate grew by 8.43%. Since the exchange rate unification, it has appreciated by 16.4% (see Figure 8).

Salaries and Wages

[8] Including loans of the Development Bank of the Republic of Belarus. This increase was 21% in the same period of 2012.
[9] Over two thirds of government programmes are estimated to be aimed at supporting the agricultural sector (mainly construction of agricultural facilities and purchases of factors of production) and housing construction.
[10] Including loans of the Development Bank of the Republic of Belarus.

The real wage growth—significantly in excess of the rate of growth of labour productivity (see Figure 9)—has become yet another source of external imbalance expansion through the channels of declining competitiveness of exported goods, increasing demand for imports, and pressure on the GIR. In 2012, real wages in the economy grew by 22%, in January-September 2013, their growth was 18.7% against the relevant period of 2012, while the labour productivity increased by 2.3% for that period. In the budget sector, the wage bill (***control target***) grew by 29.1% in nominal terms in January-September of 2013 against the same period of 2012 (the programme provided for containing that growth within 25%). The competitive advantage gained by Belarus right after the devaluation at end-2011 has been largely lost by now. Based on the purchase power parity, average monthly wages in Belarus had exceeded a salary level in Russia (see Figure 10) by end-2012.

The wage growth became a key factor contributing to production cost growth. During the first half of 2013, the share of wages and wage-elated deductions in cost value increased by 4.9 p.p. compared to the first half of 2012 that also had a negative impact on the competitiveness of Belarusian products. The fast income growth raised demand for imports: during the first 8 months of the year, consumer imports grew by 29.1%, raising the share of imports in retail sales (see Figure 11).

Against the background of devaluation expectations and in spite of the still high rubel deposit interest rates, income growth resulted in a shift in household savings towards savings in foreign currency. While at the beginning of this year, households were net sellers of foreign exchange, in June-September, their net purchases of foreign exchange totalled US $1.3 billion (see Figure 12) that contributed to the pressure on the GIR. The situation was exacerbated by the fact that the purchased foreign exchange was not placed in bank deposits. That reduced the foreign assets of the banking system and raised the banks' need for additional external borrowing against the backdrop of the expanding CA deficit.

Fiscal Policies

In January-September 2013, the general government budget (*control target*) was implemented with surplus, which was fully utilised to meet Government commitments to finance government programmes and service the expenditures related thereto (see Table 1). In that period, the budget revenues exceeded the level of January-September 2012 by 4.2 p.p. and made up 43.3% of GDP. That growth is explained by higher revenues related to increased incomes of the population, growth of excises rates of excisable goods (***indicative target***), and transition to VAT payment on accrual basis (at the moment of shipment). However, budget revenues related to foreign economic activities declined. Budget revenues from potash fertiliser production and export dropped significantly against the background of lower output, temporary tax preferences introduced for Belaruskali in September 2013, and falling prices in world markets. Budget revenues from import customs duties declined owing to slow growth of imports from third countries to the member states of the Customs Union and a significant reduction of import tariffs in Russia in line with the WTO requirements. Profit tax revenues in percent of GDP remained at the level of January-September 2012. Budget expenditures increased by 4.7 p.p., of which 3.7 p.p. were used to raise wages of budget sector employees and labour pensions.

The quasi-fiscal expenditures of the Government and local authorities are going down, although remaining still significant. In the past period, the government programme financing with Government deposits constituted 1% of GDP, which is in line with the Programme (in January-September 2012 it was 1.6% of GDP), while the amount used to execute guarantees extended under government programmes was 0.5% of GDP (0.4% of GDP).

Tariff Policies

The policy of maintaining high purchasing power of the population through keeping low utility and transport tariffs (*indicative targets*) leads to higher budget expenditures on subsidising these sectors. As of October 1, Belarusian households covered 26% of the cost of utilities instead of 40% as provided for in the programme and around 43% of the cost of transport services instead of 90%. The energy tariffs for Belarusian industrial enterprises, which have to bear the burden of cross-subsidisation, remain the highest among the member states of the Customs Union, while households cover only 37.7% of the costs of the service for electricity, and 29,2% -for gas, which brings down the competitiveness of Belarusian exporters.

Manager's Recommendations

The Manager welcomes the Joint Action Plan of the Council of Ministers and the National Bank of the Republic of Belarus to reform the economy adopted on October 10, 2013 with the aim to contain the growth of domestic demand and take a more proactive approach to using market mechanisms in managing the economy. However, the measures included in the Plan are insufficient to eliminate the fundamental causes of the economic situation deterioration in the country and to reduce the accumulated imbalances. At the very least, the following additional measures should be taken: new financing under government programmes should be discontinued; the overall growth of credit to the economy (including the Development Bank) should be limited to one percent per month; the nominal wage growth in the economy should be limited to the growth of inflation; and the budget should be balanced. These measures should be implemented until the country reaches a sustainable current account deficit, which is estimated at no more than 4% of GDP. That should be accompanied with decisive reforms to liberalise the labour and commodity markets.

Annex 1. Status of Compliance with Conditions of the 6th Tranche of the ACF Financial Credit

The condition for the disbursement of the sixth tranche is compliance with 14 targets. As of the control date of October 1, 2013, 10 targets are considered as not met, including 5 control ones. **Failure to meet most of the Programme targets is a result of the economic policies of excessive domestic demand stimulation pursued by the authorities that leads to a complete loss of achievements of the Stabilisation Programme with the ACF through persistent expansion of the current account deficit starting from the second half of 2012. Currently, the size of this deficit is extremely unsustainable and results in declining international reserves, pressure on the exchange rate, and foreign debt growth.**

1. <u>Quantitative control target 1.2: the level of gross international reserves (GIR) to be at least 2.1 months of imports.</u>

<u>Status:</u> not met.

The level of GIR was US $7.4 billion or 1.9 months of imports. Discounted to the amount of short-term borrowings by the National Bank of the Republic of Belarus as of the reporting date, the GIR made 1.7 months of imports.

2. <u>Quantitative control target 1.3: the level of net international reserves (NIR) at the programme exchange rate is to be not less than in 1 March 2013.</u>

<u>Status:</u> not met.

3. <u>Quantitative control target 1.4: net domestic assets (NDA) at the programme exchange rate to be no more than BYR 25.4 trillion.</u>

<u>Status:</u> not met.

The level of NDA was BYR 27.4 trillion.

4. <u>Indicative target 1.5: the reserve money at the programme exchange rate to be BYR 34.0 trillion.</u>

<u>Status:</u> met.

The reserve money was BYR 31.7 trillion. The target was met due to interventions of the National Bank of the Republic of Belarus in the exchange market. .

5. <u>Quantitative control target 1.6: the overall growth of banks' credit to the economy at the programme exchange rate to not exceed 15%.</u>

<u>Status:</u> not met.

The credit growth reached 22.5% that is above not only the threshold set for the 6th tranche, but also the target set for end-2013 (19%). Failure to meet this target also means that the condition fixed for the previous 5th tranche to maintain a positive refinancing rate was not met. Under the conditions for the 5th tranche, the target for the refinancing rate was considered met if the growth of credit to the economy for 2013 makes no more than 19%, as fixed in the letter of the Government and the National Bank of January 24, 2013.

6. <u>Quantitative control target 1.7: the liabilities of the National Bank of the Republic of Belarus to commercial banks should have declined by US $1,636.7 million as compared to May 1, 2011.</u>

<u>Status:</u> met.

The liabilities of the National Bank to commercial banks are being repaid ahead of schedule; as of the reporting date, US $2,209.6 million were repaid.

7. <u>Indicative target 1.8: regular revision of the level of the refinancing rate to ensure that it remains positive in real terms.</u>

<u>Status:</u> not met.

Taking into account the significant state price controls and policy of maintaining a stable exchange rate through large-scale borrowing to finance an unsustainable and expanding foreign trade imbalance and significant interventions in the foreign exchange market, the criterion for meeting this target is not the rate of inflation, but the optimal rate of growth of credit to the economy at the programme exchange rate. As excessive credit to the economy has been observed not only over the ACF Programme period, but over the preceding year as well, and there is a high degree of probability that such policies will continue after the ACF Programme is completed, the Manager considers this target as not met (see also clause #5).

8. Quantitative control target 2.1: in January-September, the general government budget should be deficit-free.

Status: met.

For 9 months of the year, the general government budget had a surplus of 1.4% of GDP.

9. Structural control target 2.2: the consolidated budget wage bill should grow by no more than 25% in nominal terms against the relevant period of 2012.

Status: not met.

The level of actual expenditures on wages for 9 months of 2013 exceeded the level of the same period of 2012 by 28.8% (including contributions to the Social Protection Fund). The real growth of the wage bill was 7.9%, while the overall labour productivity in the economy grew by 2.2% over that period. The key instrument of increasing wages in the budget sector was raising the level of the first grade wage, which occurred three times this year (in January, April, and September). Since the end of December 2012, the first grade wage has increased by 15.5% in nominal terms.

10. Indicative target 2.3: the level of housing and utility tariffs for households is to ensure coverage of at least 40% of the cost of providing such services.

    Status: not met.

As of the control date, the level of housing and utility tariffs for households (including heating, gas, and electricity supplied by organisations of the Ministry of Energy) covered 26%.

11. Indicative target 2.4: the level of tariffs for transport services for households is to ensure coverage of at least 90% of the cost of providing such services.

    Status: not met.

As of the control date, the cost recovery ratio for public passenger transportation averaged at 43%.

12. Indicative target 2.6: the excise rates for strong alcoholic beverages to be set at the level of 95-97% of those applicable in the Russian Federation. Excise rates for tobacco products of medium and premium classes to be set at the level of 85-90% of those applicable in the Russian Federation.

Status: not met.

As of October 1, 2013 the excise rates for strong alcoholic beverages were 91.3% of those applicable in the Russian Federation, while for tobacco products they averaged at 83.3%.

13. Indicative target 3.1: budget revenues from sales of state-owned assets to make at least US $1.2 billion.

Status: not met.

In the reporting period, the budget revenues from sales of state-owned assets (including shares) made US $52.7 million.

14. Quantitative control target 4.1: net lending under government programmes funded with Government resources to not exceed BYR 5.5 trillion.

Status: met.

For 9 months of the year, financing of government programmes with government deposits amounted to BYR 4.54 trillion.

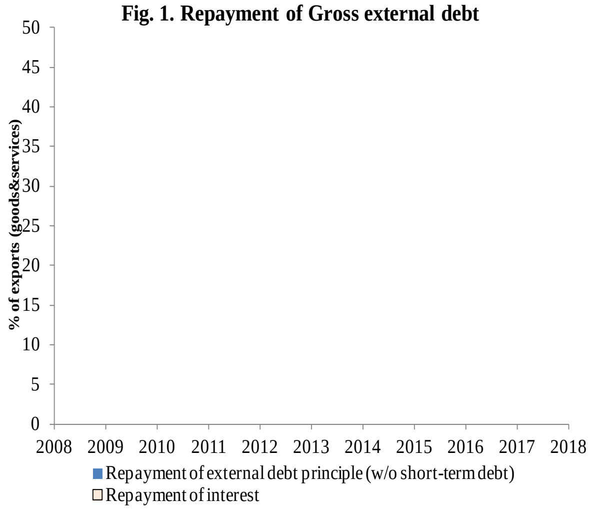
Annex 2. Key Economic Indicators of the Republic of Belarus, 2010-2013

	2010	2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012	2012	1Q 2013	2Q 2013	3Q 2013
GDP (BYR billion)	164 476,1	297 157,7	102 327,0	133 887,6	143 249,6	150 891,3	530 355,5	129 017,3	154 406,2	175 359,2
GDP (USD million)	55 202,7	59 413,3	12 382,7	16 382,6	17 139,8	17 659,1	63 564,2	14 956,6	17 957,3	18 714,7
GDP growth in real terms (%, yoy)	7,7	5,5	3,4	3,0	3,1	-1,5	1,5	3,8	-0,6	0,7
Fixed assets investments (%, yoy)	115,8	117,9	84,1	81,0	103,7	85,8	88,3	114,3	107,2	110,6
CPI (eop), cumulative	109,9	208,7	105,0	110,5	116,1	121,8	121,8	105,4	107,0	110,0
Baseline CPI (eop), cumulative	109,7	218,1	104,9	109,5	113,3	117,1	117,1	104,0	105,6	108,3
Export of goods (USD million)	25 225,9	40 294,0	12 090,7	13 131,8	10 954,7	9 814,2	45 991,4	9 357,3	9 472,2	9 249,2
Export of goods (% of GDP)	45,7	67,8	97,6	80,2	63,9	55,6	72,4	62,6	52,7	49,4
Import of goods (USD million)	34 868,2	45 747,1	11 194,2	12 160,1	11 453,1	11 596,7	46 404,1	9 813,7	10 195,7	10 450,3
Import of goods (% of GDP)	63,2	77,0	90,4	74,2	66,8	65,7	73,0	65,6	56,8	55,8
Trade balance (USD million)	-9 642,3	-5 453,1	896,5	971,7	-498,4	-1 782,5	-412,7	-456,4	-723,5	-1 201,1
Trade balance (% of GDP)	-17,5	-9,2	7,2	5,9	-2,9	-10,1	-0,6	-3,1	-4,0	-6,4
BYR vs. currency basket REER (yoe)	0,9	0,9	0,8	0,8	0,9	0,9	0,9	1,1	1,1	1,1
Current account balance (USD million)	-8 280,1	-5 025,5	40,3	712,2	-683,9	-1 756,4	-1 687,8	-2 504,2	-693,6	-1 629,0
Current account balance (% of GDP)	-15,0	-8,5	0,3	4,3	-4,0	-9,9	-2,7	-16,7	-3,9	-8,7
Geneneral budget revenue (BYR billion)	68 315,9	115 181,8	45 529,4	52 101,0	54 883,8	62 436,1	214 950,3	60 528,4	68 183,7	66 974,6
Geneneral budget revenue (% of GDP)	41,5	38,8	44,5	38,9	38,3	41,4	40,5	46,9	44,2	38,2
Geneneral budget expenditure (BYR billion)	71 260,0	106 605,9	41 440,3	51 483,1	52 409,2	66 061,9	211 394,5	57 003,3	66 272,2	66 123,2
Geneneral budget expenditure (% of GDP)	43,3	35,9	40,5	38,5	36,6	43,8	39,9	44,2	42,9	37,7
General government budget balance (%GDP)	-1,8	2,9	4,0	0,5	1,7	-2,4	0,7	2,7	1,2	0,5
Real wages (%, yoy)	115,0	101,3	95,8	107,6	115,4	121,9	121,9	122,4	120,5	118,7
Labour productivity/wages ratio	0,9	1,0	1,1	1,0	0,9	0,8	0,8	0,9	0,9	0,9
Exchange rate of BYR vs. currency basket (eop)	1 054,7	2 865,8	2 880,5	2 797,0	2 916,8	3 015,0	3 015,0	2 995,3	3 001,7	3 148,1
BYR-USD exchange rate (eop)	3 000,0	8 350,0	8 070,0	8 320,0	8 500,0	8 570,0	8 570,0	8 670,0	8 790,0	9 080,0
BYR/USD Devaluation, (eop, %)	4,9	178,3	-3,4	-0,4	1,8	2,6	2,6	1,2	2,6	6,1
Credit to economy (BYR billion), stock	96 234,0	171 652,2	179 118,3	191 999,4	214 133,4	234 584,8	234 584,8	234 780,3	252 423,4	277 893,6
Credit to economy in constant prices, (%, eop)	37,6	37,7	3,9	9,7	21,0	29,2	29,2	5,7	13,0	22,5
Reserve money (BYR billion, eop)	10 187,6	18 757,5	13 064,7	26 901,6	26 964,2	30 318,4	30 318,4	30 091,3	35 497,1	31 699,9
Reserve money (%, eop)	49,5	84,1	-30,3	43,4	43,8	61,6	61,6	-0,7	17,1	4,6
Broad money (%, eop)	31,9	121,2	6,6	20,8	35,8	45,1	45,1	3,7	8,8	13,7
Money multiplier	4,9	5,9	9,1	5,0	5,6	5,3	5,3	5,6	4,9	5,8
Refinancing rate (for the last month)	10,5	43,2	38,0	32,2	30,3	30,0	30,0	28,5	23,5	23,5
Gross international reserves (USD million), end of	5 030,7	7 915,9	8 085,2	8 329,5	8 126,0	8 095,0	8 095,0	8 148,7	8 017,6	7 387,7
Gross reserves (months of imports), end of the per	1,6	1,9	2,0	2,1	2,0	2,0	2,0	2,0	2,1	1,9
Gross foreign debt (USD million), stock	28 402,7	34 023,1	33 728,8	33 141,0	32 965,9	33 766,0	33 766,0	34 048,3	35 214,9	н/д
Gross foreign debt (% of GDP), stock	51,5	57,3	59,2	58,1	57,1	53,1	53,1	51,5	52,0	н/д
Public foreign debt (USD million), stock	10 057,9	12 351,0	12 458,3	12 679,1	12 778,7	12 568,6	12 568,6	12 717,0	13 004,4	н/д
Public foreign debt (% of GDP), stock	18,2	20,8	21,9	22,2	22,1	19,8	19,8	19,2	19,2	н/д

Source: Belstat, MF BR, NB BR, ACF staff calculations

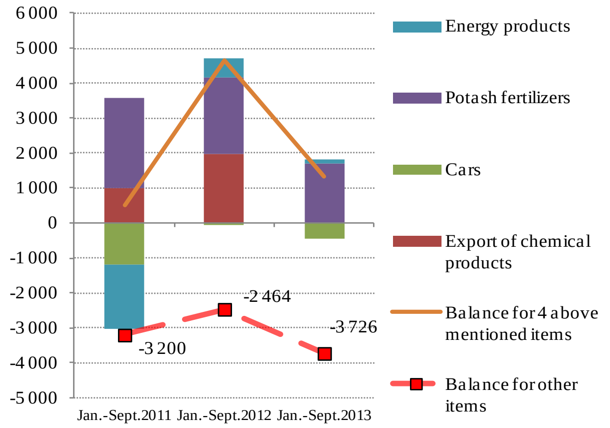
Figures and Tables

Fig. 1. Repayment of Gross external debt



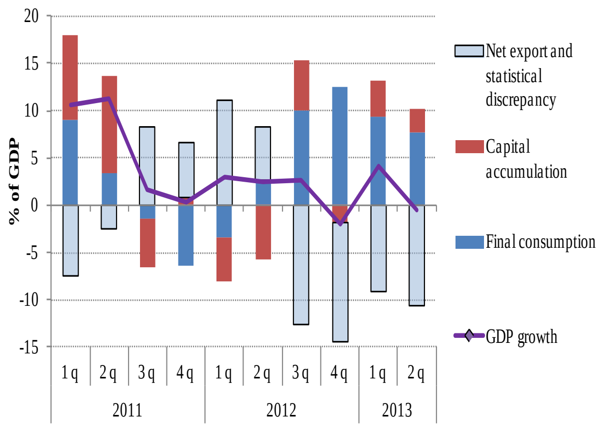
Source NB RB, ACF staff calculations

Fig. 2. External trade balance, by items, mn. USD



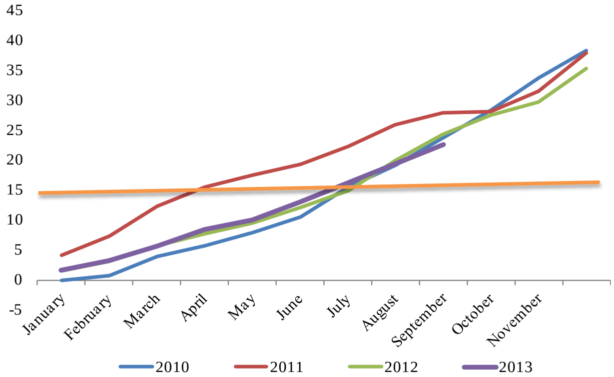
Source NB RB, ACF staff calculations

Fig. 3. GDP growth factors (compare to corresponding period of previous year)



Source: Belstat, ACF staff calculations

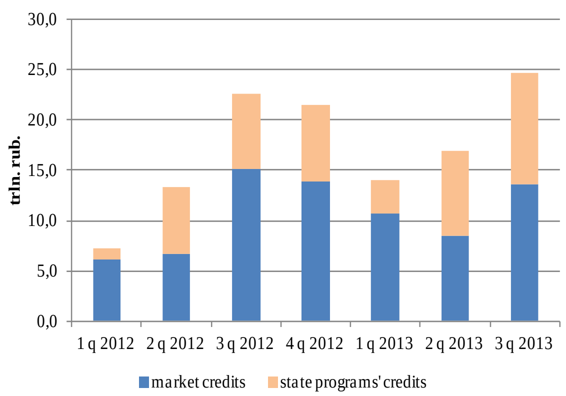
Fig. 4. Credits to economy growth (e.o.e), fixed ER as of the begining of the year, %



Note: Since 2013, credits of the Development bank are included

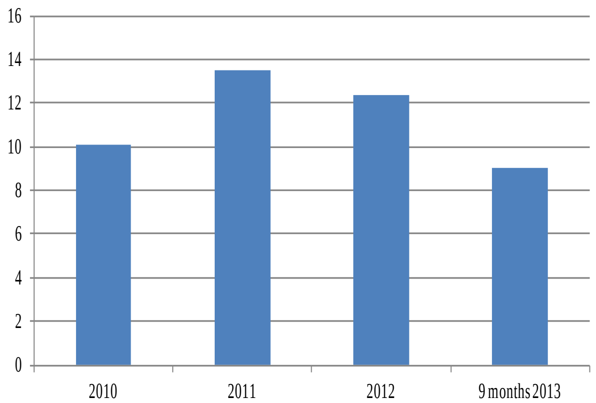
Source NB RB, ACF staff calculations

Fig. 5. State programs in credit portfolio of banks (incl. Development bank)



Source NB RB, ACF staff calculations

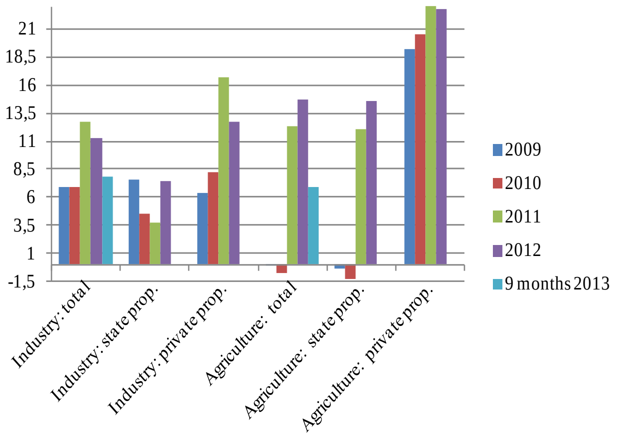
Fig. 6. Products profitability, %



Source: Belstat, ACF staff calculations

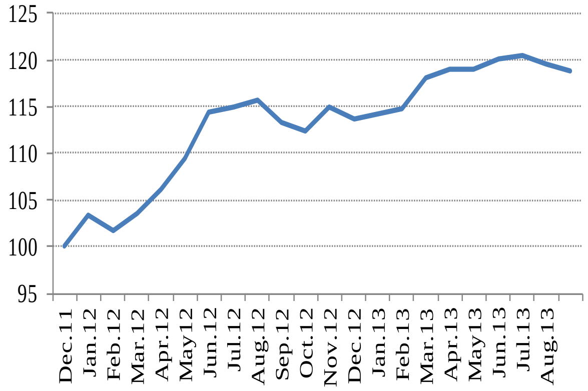
Figures and Tables (continued)

Fig. 7. Sales profitability by types of ownership, %



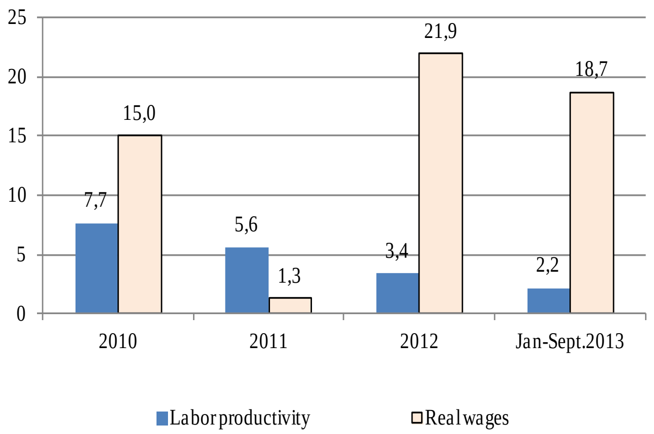
Source: Belstat, ACF staff calculations

Fig. 8. Dynamics of BYR Real Effective ER, December 2011 = 100%



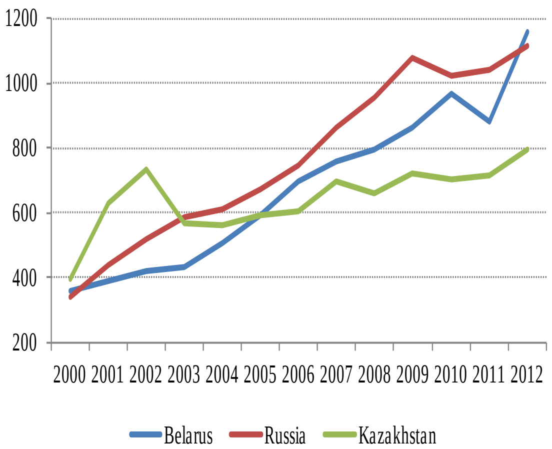
Source NB RB, ACF staff calculations

Fig. 9. Growth of labor productivity and real wages, %



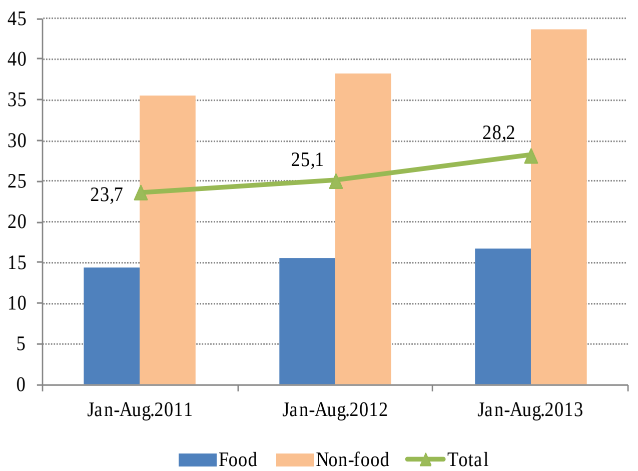
Source: Belstat, ACF staff calculations

Fig. 10. Wages and salaries (PPP) in CU countries, USD



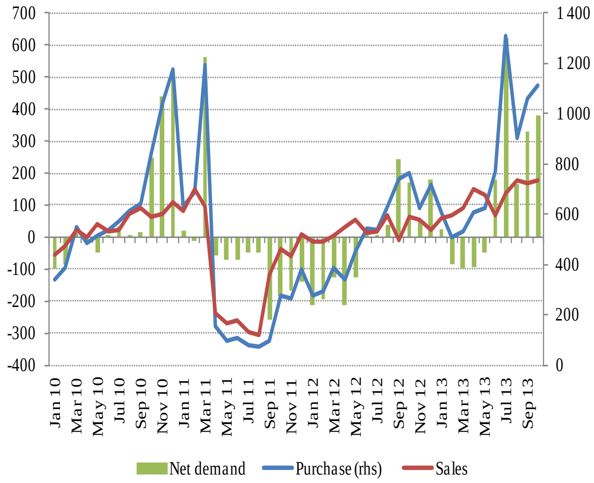
Source: Belstat, ACF staff calculations

Fig. 11. Share of imports in retail trade, %



Source: NB RB, Belstat, ACF staff calculations

Fig. 12. Exchange operations by population, mn. USD



Source: NB RB, ACF staff calculations

Figures and Tables (continued)

Tab. 1. General government budget execution, January-September

	2012		2013	
	Trln. BYR	% of GDP	Trln. BYR	% of GDP
State budget				
revenue	112 544,1	29,7	138 998,4	30,3
expenditure	107 016,5	28,2	132 311,8	28,8
balance	5 527,6	1,5	6 686,5	1,5
expenditures related to guaranteed d	1 464,6	0,4	2 172,6	0,5
government programs financing	6 112,5	1,6	4 542,2	1,0
Augmented state budget balance	-2 049,5	-0,5	-28,2	0,0
Social Protection Fund				
revenue	39 970,1	10,5	56 688,4	12,4
expenditure	38 316,0	10,1	57 086,9	12,4
balance	1 654,1	0,4	-398,5	-0,1
Augmented balance - total	-395,4	-0,1	-426,8	-0,1

Source: MF RB, ACF staff calculations