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Eurasian Development Bank

Resources Manager of EurAsEC Anti-Crisis Fund

23.11.2012

Review of the Report by the Ministry of Finance of the Republic of Belarus on Compliance with Conditions of the Fourth 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 Belarus and the status of compliance with the conditions of the fourth 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. The rouble exchange rate adjustment at the end of 2011, as well as policies of restraining domestic demand, *inter alia*, by means of maintaining positive real interest rates over the first half of 2012, have contributed to stabilization of Belarus' economy in 2012. The positive effect of these reforms was reinforced by improved terms of trade.
2. The price growth slowed down significantly in January-September 2012 compared to the relevant period of the previous year, and the current account balance was recorded with a surplus for the first time since 2005. This has prevented the decline in international reserves in spite of the increase in debt service payments in 2012 year.
3. Significant improvement in the current account balance was largely determined by short-term factors. In particular, the terms of trade in energy products have improved considerably, which increased the energy subsidy provided by the Russian Federation, while car imports dropped dramatically. Exports of chemical products (solvents and lubricants) outside of the Customs Union contributed significantly to the trade balance surplus.
4. However, measures taken by the NB RB to rapidly reduce the refinancing rate (by 15 percentage points since the beginning of 2012) threaten the process of macroeconomic stabilization. Cuts in the refinancing rate, associated with meeting targets under government programs, resulted in a surge of lending to the economy in August-September, which accounted for 42 percent of total credit growth over January-September. Thus, credit to the economy grew by 21 percent in 9 months, while the target for the 4th ACF tranche was not more than 12 percent as of end-

September and for the 5th tranche – not more than 15 percent as of end-2012. In the medium-term perspective, credit expansion will adversely impact the level of prices and trade balance, thus weakening the country's ability to accumulate international reserves, increasing pressure on the exchange rate, and fuelling devaluation expectations.

5. Growth in lending to the economy has been occurring against the background of significant deterioration of the trade balance since July 2012, owing to the termination of the re-exports of refined oil products. This increases the risk for stability of the balance of payments in general.

6. The situation is aggravated by the presence of a significant inflation overhang in Belarus' economy due to wage growth outpacing the growth of labour productivity. The gap between these two growth rates continues to grow. Under these circumstances, the loosening of monetary policy can induce uncontrolled price growth, or - if administrative controls over prices are further strengthened – the erosion of profitability of enterprises.

7. These trends have significantly increased the risks of weakening of the balance of payments, and the revival of inflation and devaluation spiral. Materialization of these risks can offset the positive effects of stabilization program and lead to the unfolding of another crisis.

8. In this connection, the Manager urged the country's Authorities to take immediate steps to slow down credit growth, in order to prevent the expansion of imbalances. The measures taken by the NB RB have resulted in the tightening of terms of foreign currency lending and keeping the refinancing rate unchanged.

9. The Manager is concerned that different sources of the Authorities of Belarus (as determined by the Technical Memorandum) have provided inconsistent information on lending under government programs funded from government deposits. Currently, these inconsistencies do not allow to accurately assess the fulfilment of this control target.

10. Given the continued implementation of a package of measures aimed at reducing the credit growth and compliance by the Borrower with 7 out of 10 conditions for the fourth tranche, including all quantitative control targets, the Manager hereby recommends to: (a) consider the disbursement of the fourth tranche in the amount of US\$ 440 million at the meeting of the ACF Council on December 7, 2012, provided that the Authorities of Belarus submit official report on the volume of the government programs financing which confirms the compliance with this target; (b) instruct the Borrower and the Manager to draft an updated Letter of Intent for 2013 as the basis for monitoring and authorization of disbursement of relevant tranches. The new Letter of Intent should be considered at the first meeting of the ACF Council in 2013.

I. Key Trends of Economic Development in 2012

Reforms implemented by the Authorities at the end of 2011 with the support of the ACF credit, including the unification of the national currency exchange rate and the achievement of positive real interest rates, were aimed at reducing internal and external imbalances of Belarus' economy by means of stimulating exports and constraining domestic demand. Continuation of restrictive policy measures in 2012, including the reduction of emission lending under government programs and maintaining of the budget surplus, have led to sharp slow-down in inflation and a significant improvement of the trade balance of Belarus. All this allowed maintaining the country's international reserves despite the approach of peak debt service payments. Favourable situation in external markets and growth in exports of chemical products classified as "solvents" and "lubricants" to countries outside of the Customs Union during the first half of 2012 played a large role in the improvement of the trade balance.

Consolidation of the results of stabilization is hampered by a range of measures implemented by the Authorities of Belarus that aim to stimulate economic growth, *inter alia* by loosening of monetary policy. During the first half of 2012, the NB RB was purchasing foreign exchange, thus increasing the supply of Belarusian roubles. Too rapid cuts in the refinancing rate in the situation of excessive liquidity in the banking sector during the first half of 2012, as well as banks striving to meet targets under government programs have resulted in the upsurge of credit to the economy in August-September 2012. Credit growth only during those two months constituted 42 percent of the total credit growth for 9 months of 2012. This credit expansion negatively impacts the country's trade balance, shrinks its ability to accumulate international reserves, contributes to the pressure on the exchange rate, and raises devaluation expectations.

The situation is aggravated by the presence of a significant inflation overhang in the economy, caused by the wage growth outpacing the labour productivity growth. In these circumstances, loosening of monetary policies may induce uncontrolled price growth and, if administrative controls over prices are strengthened further, declining profitability of enterprises or increases in state subsidies to the real sector of the economy. Improved efficiency of monetary policies can hardly be expected without radical reduction of state supports based on the assessment of efficiency of individual programs, and the release of the banking system and the republican budget from the duties to perform such operations.

II. Economic Developments in January-October 2012

To date in 2012, net exports have remained the key driver of GDP growth, which was recorded at 2.2 percent in January-October. However, the contribution of net exports to growth has significantly weakened since the beginning of the year. To a large extent, it was a result of the favourable external market situation and increased exports of chemical products classified as “solvents” to countries outside of the Customs Union in the first half of the year. According to estimations, implementation of the solvents scheme in the first half of the year has significantly contributed to the GDP growth. Its termination was one of the factors of GDP growth deceleration and significant deterioration of the current account in Q3/2012 compared to H1/2012.

Adjustment measures and favourable external conditions have contributed to a significant improvement of the current account balance, but the results achieved so far are unsustainable. For 9 months of the year, the current account deficit was 0.3 percent of GDP against 9.4 percent of GDP in January-September 2011. Improvement in the price terms of trade by 7.8 percent related to the new agreement signed with the Russian Federation on the terms of energy trade in the framework of Treaties on the Customs Union and Single Economic Space, and lower car imports were the most important factors of these positive developments. Taken together, they improved the trade balance in January-September by more than US\$ 3 billion. The termination of exports of solvents and lubricants produced from Russian oil products has had a noticeable impact on the current account balance. In the 3rd quarter of 2012, the deficit of trade in goods was about 2.7 percent of GDP, while in 1st and 2nd quarters a large surplus was recorded (8.3 percent and 6.8 percent of GDP, correspondingly).

The external trade position deteriorated also due to the appreciation of the real exchange rate of the Belarusian rouble due to the acceleration of domestic prices compared to partner countries¹ with a *de facto* fixed Belarusian rouble exchange rate. Besides, the fast recovery of real disposable incomes of the population by 16.1 percent in January-September 2012 - while GDP grew only by 2.5 percent - can not only weaken the competitiveness of Belarusian producers, but will also boost domestic demand and accelerate inflation.

As of the control date of October 1, 2012, gross international reserves were almost twice higher than in May 2011, when the ACF program started. In 2012, due to increased foreign debt-related payments by all sectors of the economy, gross international reserves have remained stable, despite the disbursement of the 3rd tranche of the ACF credit and the surplus on the In the Manager’s view, Belarus did not fully use the temporary advantageous market situation to build up international reserves, since it was steadily expanding the money supply.

Reduction of domestic demand had a positive constraining effect on inflation. Following the price growth of 2011 above 108 percent, monthly inflation in January-October 2012 did not

¹For reference: the consumer price index in September 2012 compared to December 2011 was 105.2 percent in Russia, 103.9 percent in Kazakhstan, 99.7 percent in Ukraine, and 101.9 percent in the EU.

exceed 1.7 percent, which resulted in price growth of 18.1 percent by end-October compared to December 2011. Several stages of housing, utility, and transportation tariff increases undertaken in accordance with the ACF program², a number of decisions on raising prices on socially important goods, as well as increases of the first grade wage in January (by 32.5 percent), May (by 5 percent), and September (by 7 percent) were the factors which put an upward pressure on prices. It should be noted that a significant level of administrative price controls is still present in Belarus: about 30 percent of the CPI basket is directly regulated by the state by means of such mechanisms as setting trade margin ceilings and maximum retail prices for socially important goods.

During 2012, the level of the refinancing rate was brought down by 15 percentage points, and was 30 percent at the time of preparation of this report. Given that actual credit growth rate was outpacing the program rate since March 2012, the real interest rate became negative again in the second half of the year (based on forecast of price level under the baseline scenario prepared by the ACF staff). As a result, a cumulative credit growth for the first 9 months of the year was 21 percent, while the target for the 4th ACF tranche was not more than 12 percent as of end-September, and for the 5th tranche – not more than 15 percent as of end-2012³. Assuming continuation of this trend and taking into account the data for October, credit growth for the year is likely to reach 25-27 percent. In the medium-term, this can spur inflation and deteriorate the external position of the country and its foreign exchange markets.

Financing of government programs appears to be one of the reasons for the upsurge in credit. Reforms, supported with the ACF credit, limited lending under government programs from emission-based sources in 2012 to BYR 7 trillion, of which in January-September – to BYR 6.8 trillion. According to preliminary data, the actual performance over that period was BYR 6.7 trillion that, in nominal terms, was one third below the level of the same period of 2011⁴. Simultaneously, financing of these programs from the banks' own funds has been expanded. According to the Manager's estimates, banks' own funds used over 9 months of 2012 to finance government programs have more than tripled in real terms compared to 2011⁵. Since many of these programs are co-financed by the budget which compensates a portion of interest rate either to banks or to borrowers, another negative effect of such quasi-market lending is the increased burden on the budget and potential crowding out other budget expenditures under agreements on a balanced budget.

² Since the beginning of the year, housing utility tariffs have increased by 17 percent and passenger transportation tariffs by 21.5 percent. That, however, was not sufficient to meet the cost recovery targets set by the ACF program.

³ The program exchange rate (as of the end April 2011) is used to assess the growth of lending to the economy.

⁴ The Manager cannot assess the actual compliance with this target due to the divergence of data provided in accordance with the Technical Memorandum by the MoF RB and the NB RB. These volumes are admittedly within the limits set by the Program; however, the Manager will take a final decision only after an official clarification is presented by the MoF RB.

⁵ Meeting the targets on government program financing was the key source of liquidity deficit faced in August-September 2012 by major state-owned banks, whose portfolio is dominated by this type of lending.

The general government budget is being executed with a surplus, but its containing effect on domestic demand is limited, since the surplus of local governments, which accounts for over 70 percent of the total surplus of the general government, is placed on relevant accounts in commercial banks. In spite of the lower than last year rate of GDP growth, the 9-month surplus of the general government was 2 percent of GDP. The budget surplus was generated by increased tax payments resulting from inflation and devaluation trends of 2011, as well as from certain consolidation of expenditures.

However, the achieved balance remains fragile and the successful completion of the stabilization fully depends on implementing tight monetary and fiscal policies by the Belarus Authorities. The desire to accelerate growth by stimulating demand through renewed expansion of credit to the economy and groundless increases in incomes will result in a high pressure on international reserves, the exchange rate, and inflation, and will weaken the competitiveness of the economy owing to the accumulation of structural imbalances.

The Government steps to raise incomes of the population and expand credit to the economy suggest that the country's economic policies were based on the assumption of continued favourable market situation. This is a sign of underestimation of the risks and the implementation of insufficiently prudent economic policies, and calls for a deeper adjustment.

With such scenario in place, it becomes critical to replenish international reserves using non-debt-creating sources. Meanwhile, foreign direct investment inflows were only US\$ 1.2 billion for 9 months of 2012 (2.7 percent of GDP compared to 3 percent of GDP for the same period of 2011). Furthermore, 70 percent of that amount is accounted by reinvested incomes of non-residents and loans provided by parent companies. Meagre capital inflows into new enterprises point to continued low level of confidence of investors in the reforms under implementation. There has been no significant inflow of privatization-linked FDIs. This may negatively affect the level of international reserves, particularly given the future level of public external debt payments.

III. Status of Compliance with Conditions of the Fourth Tranche of the ACF Financial Credit

The condition for the disbursement of the fourth tranche is compliance with 10 targets. As of the control date of October 1, 2012, three indicative targets are considered as not met—those related to the level of the refinancing rate, the growth rate of credit to the economy, and the level of reserve money. Negative real interest rates and excessive growth of money supply exert a negative impact on inflation, current account balance, and the replenishment of international reserves.

1. Quantitative control target 1.2: as of October 1, 2012 the level of gross international reserves (GIR) should be at least 1.6 months of imports.

Status: met.

As of October 1, 2012 the GIR were US\$ 8.1 billion or 2 months of imports. This is US\$ 4 billion above the level of May 2011, when the ACF Program started.

2. Quantitative control target 1.3: as of October 1, 2012 the level of net international reserves (NIR) should be at least at the same level as in May 2011.

Status: met.

3. Quantitative control target 1.4: as of October 1, 2012 the net domestic assets (NDA) at the program exchange rate should not exceed BYR 25.4 trillion.⁶

Status: met.

As of October 1, 2012 the level of the NDA was BYR 23.5 trillion.

4. Indicative target 1.5: as of October 1, 2012 reserve money at the program exchange rate should be BYR 23 trillion.

Status: not met.

As of October 1, 2012 reserve money constituted BYR 26.5 trillion. The overshooting of the control target was caused by high volumes of foreign exchange purchased by the NB RB in the market during February-July in order to accumulate foreign assets.

5. Indicative target 1.6: as of October 1, 2012 the increase in overall bank credit to the economy at the program exchange rate should not exceed 12 percent.

Status: not met.

As of October 1, 2012 credit growth at the program exchange rate reached 21 percent, thus exceeding the threshold not only for the 4th tranche, but also for the 5th one (which assumes 15 percent growth for the whole of 2012). At the same time, the Authorities of Belarus did not provide information on tied loans, which did not allow the Manager to perform an adjustment of this indicator. However, according to the NB RB estimates, the size of this category of loans is not large and the status of this target will not change anyway. The growth of credit to the economy beyond the threshold increases the inflationary pressure and impairs external balances.

6. Quantitative control target 1.7: as of October 1, 2012 liabilities of the National Bank of the Republic of Belarus to commercial banks should be reduced by US\$ 713.9 million compared to May 1, 2011.

Status: met.

⁶ The control level of NDAs changed from BYR 36 trillion to BYR 25.4 trillion as a result of NIR adjustment.

Liabilities of the National Bank to commercial banks are being repaid ahead of schedule. As of October 1, 2012 the NB RB had repaid US\$ 1,254 million.

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

Status: not met.

The refinancing rate has remained negative in the second half of 2012 (calculated by Fund staff using the projected price level under the baseline scenario). This was caused by the fact that the actual growth rate of credit to the economy was above the program rate since March 2012.

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

Status: met.

For the first 9 months of this year, the general government budget was executed with a surplus of 2 percent of GDP, about 70 percent of which was accumulated at the level of local budgets. Additional payments of the profit tax to local budgets in 2012 as compared to levels of the previous year - as a result of inflation and devaluation developments - and some expenditure consolidation played a significant role in generating the budget surplus. Since accounts of local authorities are kept with commercial banks, this weakens the efficiency of the budgetary surplus in constraining domestic demand.

9. Structural control target 2.2: the share of budget sector wages in total consolidated budget expenditures should remain unchanged in 2012 compared to 2011.

Status: met.

Expenditures on wages—including contributions to the Social Protection Fund—were 29.2 percent of the total budget expenditures during the first 9 months of 2012, compared to 29.8 percent of total expenditures in the similar period of 2011.

10. Quantitative control target 4.1: net lending under government programs financed from the Government deposits should not exceed BYR 6.8 trillion in January-September 2012.

Status: to be confirmed once an official clarification is presented by the Ministry of Finance of the Republic of Belarus.

Based on preliminary data, during 9 months of 2012 financing of government programs from the government deposits amounted to BYR 6.7 trillion, of which through the Development Bank – BYR 790 billion⁷. Over the same period of last year, this indicator was BYR 9.9 trillion, of which BYR 7.2 trillion was financed from the government deposits and BYR 2.7 trillion – from emission-based sources of the NB RB.

⁷ Review of performance under this target will be finalized after the MoF RB presents an official clarification on inconsistencies between the reports of the MoF RB and the Monetary Survey of Banks.

Annex I

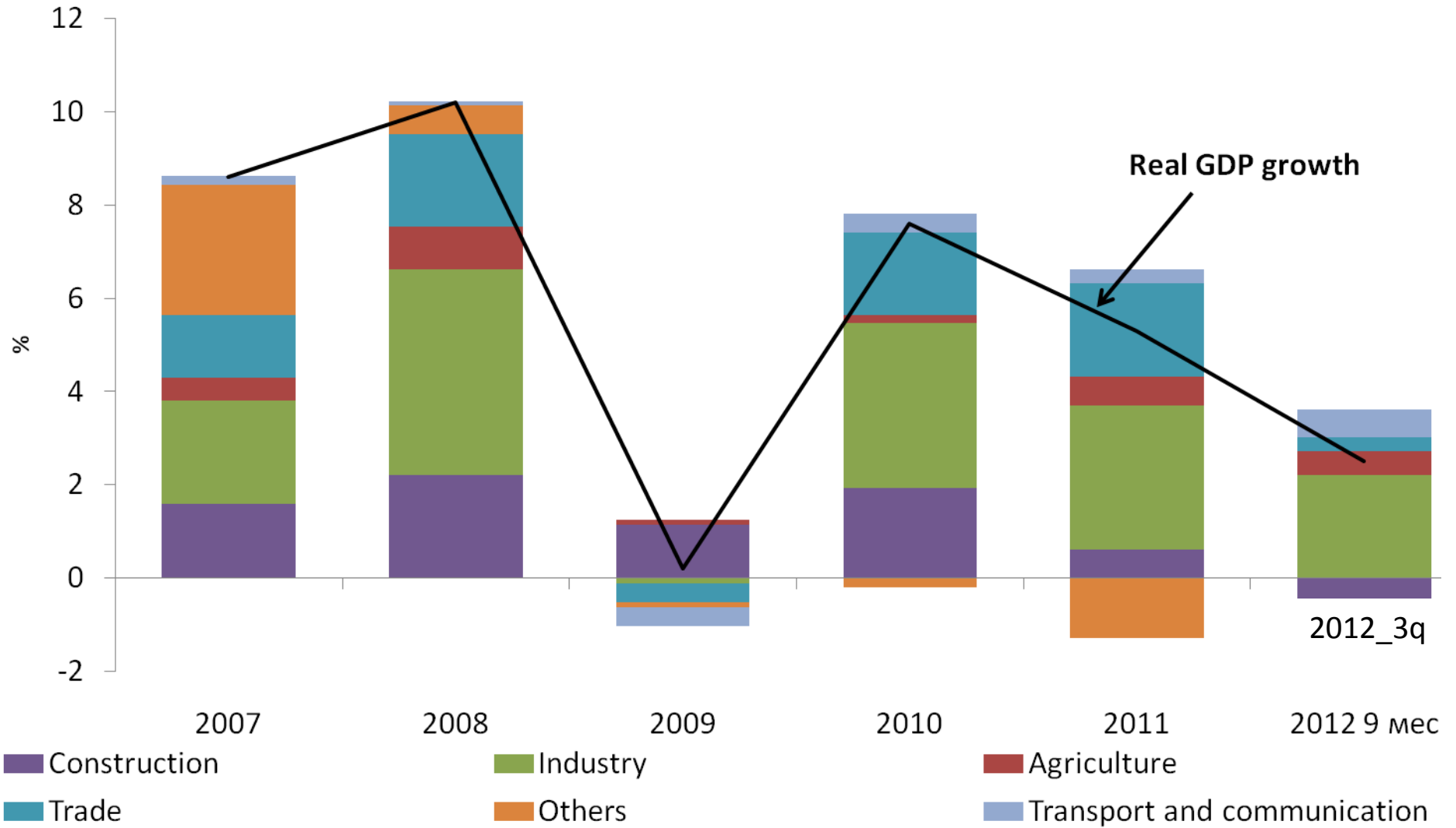
Belarus: Key economic indicators for 2010-2012

	2010	1 q 2011	2 q 2011	3 q 2011	1 кв	4 q 2011	2011	1 q 2012	2 q 2012	3 q 2012
GDP (BYR billion)	164 476,10	42 259,00	58 271,10	78 704,00	240 700,00	95 048,00	274 282,10	105 364,60	122 547,90	139 291,50
GDP (USD million)	55 202,71	14 007,42	15 433,93	15 390,69	34 704,01	12 115,70	56 947,74	12 754,97	14 982,19	16 656,84
GDP growth in real terms (% yoy)	7,70	10,90	11,20	7,40		5,30	5,30	3,10	3,00	2,50
Consumer price index (eop), cumulative	109,90	106,10	136,20	174,50	204,00	208,70	208,70	105,00	110,50	116,10
Baseline consumer price index (eop), cumulative	109,70	103,80	141,10	186,10	213,60	218,10	218,10	104,90	109,50	113,30
Producer's price index (eop), cumulative	118,90	107,70	148,50	182,50	239,60	249,60	249,60	105,20	112,00	116,00
Exports of goods (USD million)	25 225,90	7 999,20	10 927,70	10 625,30	36 520,70	10 741,80	40 294,00	12 071,30	13 136,50	10 888,60
Exports of goods (% of GDP)	45,70	57,11	70,80	69,04	105,23	88,66	70,76	94,64	87,68	65,37
Imports of goods (USD million)	34 868,20	10 813,70	11 892,40	10 920,90	41 311,50	12 120,10	45 747,10	11 129,10	12 219,60	11 433,90
Imports of goods (% of GDP)	63,16	77,20	77,05	70,96	119,04	100,04	80,33	87,25	81,56	68,64
Trade balance (USD million)	-9 642,30	-2 814,50	-964,70	-295,60	-4 790,80	-1 378,30	-5 453,10	942,20	916,90	-545,30
Trade balance (% of GDP)	-17,47	-20,09	-6,25	-1,92	-13,80	-11,38	-9,58	7,39	6,12	-3,27
Exports of goods' volume index (%), cumulative	102,50	124,40	132,70	133,50	131,90	129,50	129,50	138,50	128,90	119,20
Imports of goods' volume index (%), cumulative	107,70	145,40	132,40	123,20	118,00	115,80	115,80	103,10	109,60	111,40
Exports of goods' average price index(%), cumulative	115,50	120,10	125,50	125,80	124,10	123,10	123,10	108,90	103,30	100,00
Imports of goods' average price index (%), cumulative	113,30	114,30	115,90	116,00	114,40	113,20	113,20	99,80	93,80	92,80
Terms of trade index (%), cumulative	101,94	105,07	108,28	108,45	108,48	108,75	108,70	109,12	110,13	107,76
Current account balance (USD million)	-8 280,20	-3 291,00	-926,80	197,90	-5 720,10	-1 101,10	-5 121,00	59,80	645,00	-834,90
Current account balance (% of GDP)	-15,00	-24,20	-7,30	0,30	-11,12	-13,20	-10,60	0,30	5,90	-5,01
Consolidated budget revenue (BYR billion)	48 772,79	13 129,30	17 721,80	21 386,90	71 930,30	33 370,30	85 608,30	34 296,90	38 308,50	39 938,70
Consolidated budget revenue (% of GDP)	29,65	31,07	30,41	27,17	29,88	35,11	31,21	32,55	31,26	28,67
Consolidated budget expenditure (BYR billion)	52 980,30	12 817,60	12 170,00	22 767,30	63 676,30	31 351,20	79 106,10	30 887,50	37 978,60	38 150,40
Consolidated budget expenditure (% of GDP)	32,21	30,33	27,75	23,85	26,45	33,32	28,96	29,31	30,99	29,14
Consolidated budget balance (% of GDP)	-2,57	0,74	2,66	3,33	3,43	1,79	2,25	3,24	0,27	-0,47
General government budget surplus(%GDP)	-1,80	2,00	3,80	3,60	3,85	3,30	3,10	3,90	0,30	-0,50
Lending under the government programs funded from the government deposits and from emission sources of NB RB (% of GDP)*		7,09	6,40	5,36	0,00	3,40	5,34	1,60	2,40	1,00
Average nominal imputed wages (BYR thousand)	1 238,00	1 463,70	1 664,50	2 036,50	2 339,27	2 543,80	1 925,30	3 006,10	3 521,50	4 035,80
Real wages (% of yoy)	114,90	125,20	108,10	96,70	103,00	86,60	101,30	95,80	107,30	115,40
Labor productivity/real wages rate, cumulative	0,94	0,88	0,96	0,99		1,04	1,04	1,10	0,97	0,91
Exchange rate of BYR vs. currency basket (as of the period end)	1 054,68	1 118,30	1 844,70	1 958,46	3 005,55	2 865,83	2 865,83	2 880,50	2 796,97	2 916,84
Exchange rate devaluation (unit of currency for BYR 1.00)	1,75	5,69	39,38	5,81	37,45	31,66	63,20	0,34	-0,76	2,34
BYR-USD exchange rate (as of the period end)	3 000,00	3 045,00	4 964,00	5 599,00	8 600,00	8 350,00	8 350,00	8 070,00	8 320,00	8 500,00
BYR-USD exchange rate (average)	2 978,10	3 016,90	3 775,52	5 113,74	6 935,80	7 845,03	4 623,47	8 260,67	8 179,57	8 362,42
Devaluation against USD by beginning of year (BYR/USD, %)	4,79	1,50	63,02	12,79	68,76	49,13	178,33	-3,35	-0,36	1,80
Devaluation against USD by beginning of year (USD/BYR, %)	4,57	1,48	38,66	11,34	40,74	32,95	64,07	-3,47	-0,36	1,76
Credit to economy (BYR billion), stock	96 234,01	107 799,37	128 866,97	141 237,70	166 194,60	171 652,20	171 652,20	179 118,30	191 999,40	214 133,40
Credit to economy (BYR billion), flow	27 655,64	11 565,36	32 632,95	13 465,35	34 665,65	35 471,10	93 134,76	7 466,10	12 881,10	22 134,00
Credit to economy in constant prices (compare to December of the previous year, cumulative)	37,61	12,24	19,19	27,79	31,27	37,73	37,73	5,76	14,88	24,34
Reserve money (BYR billion), end of the period, cumulative	10 187,60	9 965,50	11 688,70	16 331,40	15 747,80	18 757,50	18 757,50	13 064,70	26 901,60	26 964,20
Reserve money (% to December of previous year)	49,53	-2,18	17,29	39,72	9,25	14,86	84,12	-30,35	43,42	43,75
Broad money (BYR billion), end of the period, cumulative	50 260,17	51 018,44	67 229,70	78 920,20	104 080,90	111 195,30	111 195,30	118 482,70	134 342,40	150 986,80
Broad money (% to December of previous year)	31,89	1,51	31,78	17,39	45,58	40,90	121,24	6,55	20,82	35,79
Money multiplier	4,93	5,12	5,75	4,83	6,61	5,93	5,93	9,07	4,99	5,60
Refinancing rate (average for the period)	11,83	10,76	14,14	22,97	33,31	38,15	21,50	42,30	34,80	30,80
Gross international reserves (USD million), end of the period	5 030,70	3 761,40	4 150,90	4 715,80	7 355,10	7 915,90	7 915,90	8 085,20	8 329,50	8 126,00
Gross reserves (months of imports), end of the period	1,62	1,08	1,10	1,19	1,80	1,97	1,99	2,10	2,00	1,98
Public foreign debt (USD million), stock	28 402,70	31 622,30	33 101,10	32 875,40		34 028,40	34 023,10	33 727,20	33 141,00	32 965,90
Public foreign debt (% of GDP), stock	51,60	54,11	54,30	54,54		62,30	62,30	66,00	65,60	58,60

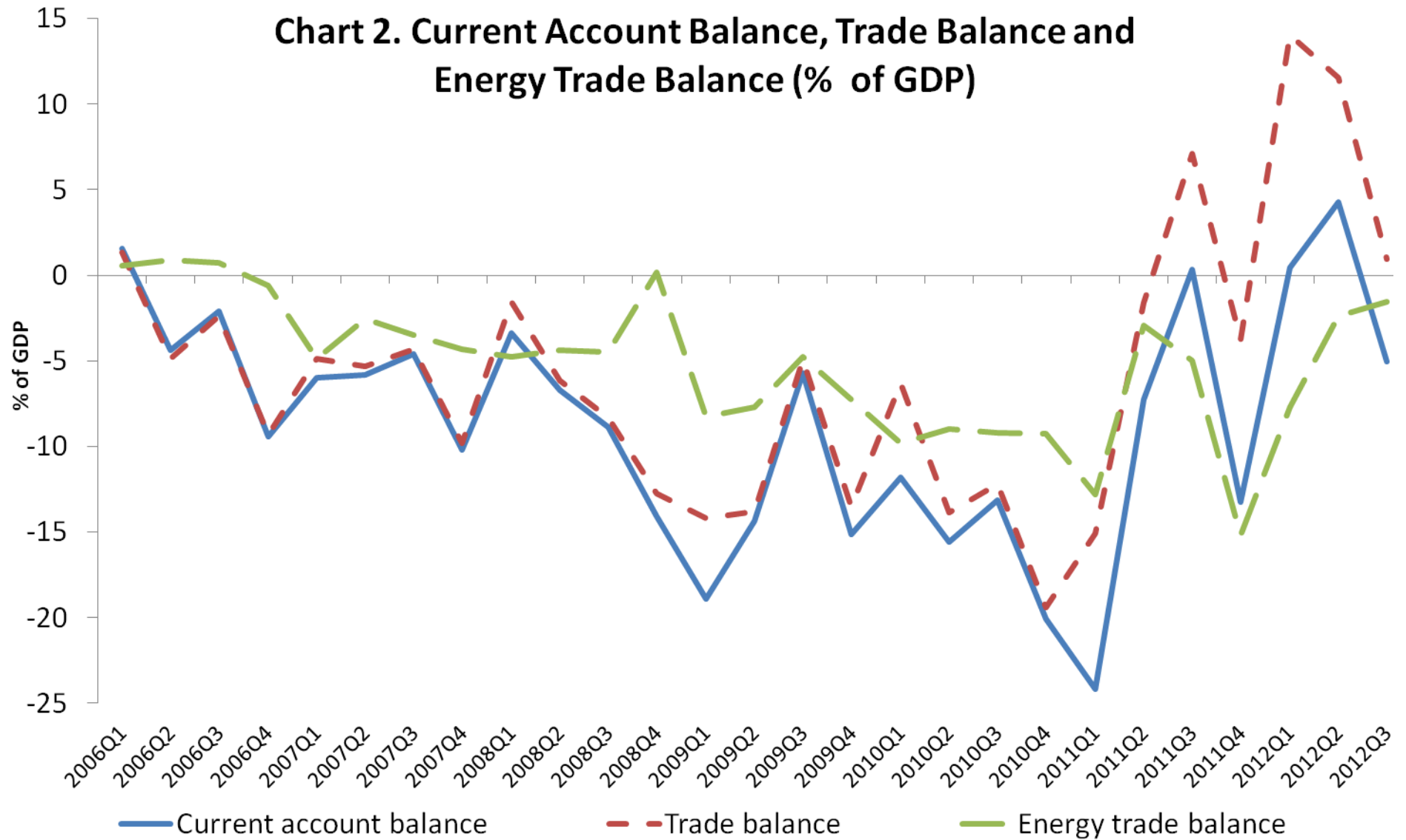
Sources: Belstat, Ministry of Finance, National Bank of Belarus, ACF staff estimates

* - Data provided from the beginning of ACF program

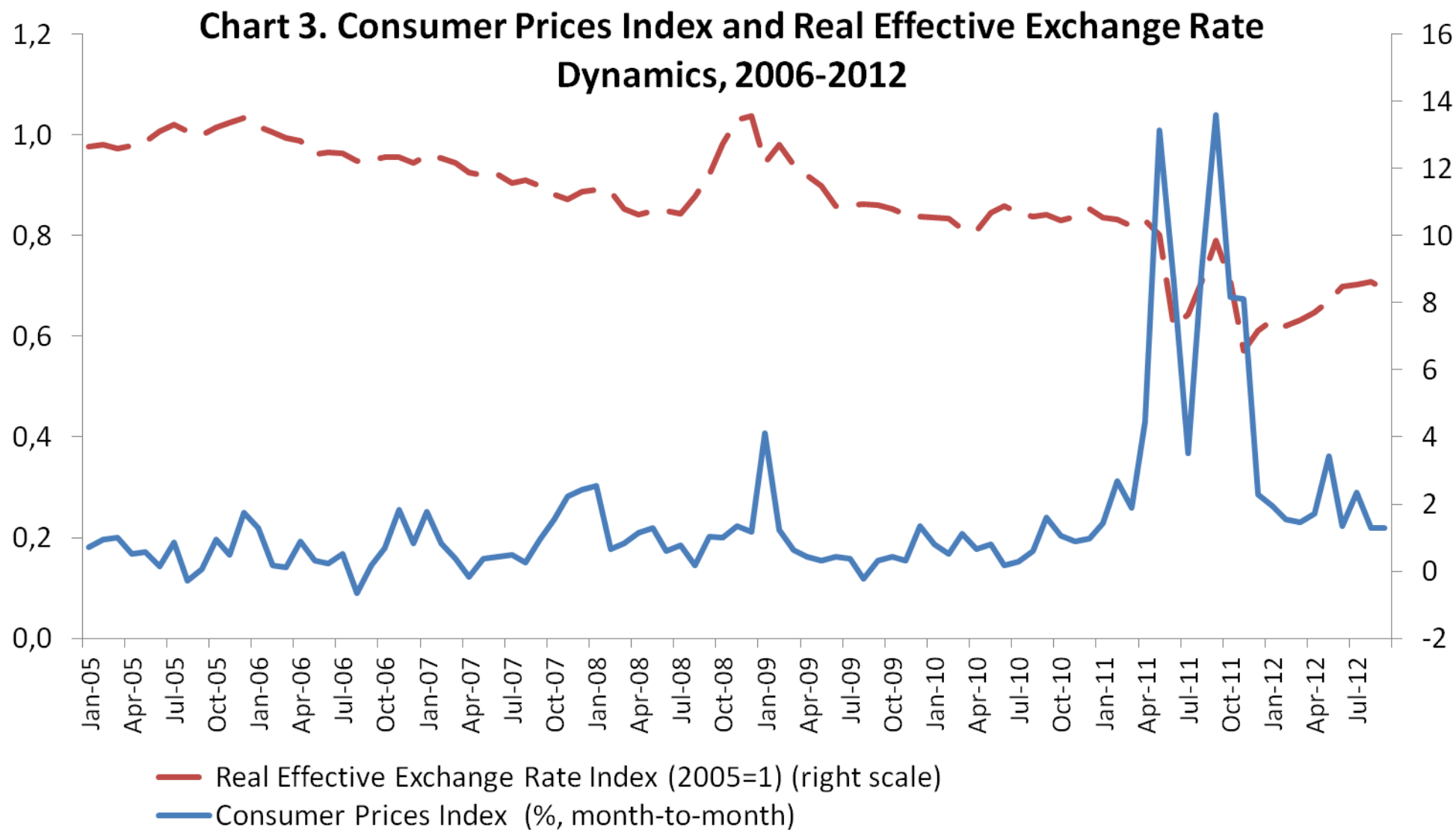
Graph 1. Real GDP Growth and Sectoral Contributions, 2007-2012



Sources: Belstat, ACF staff calculations

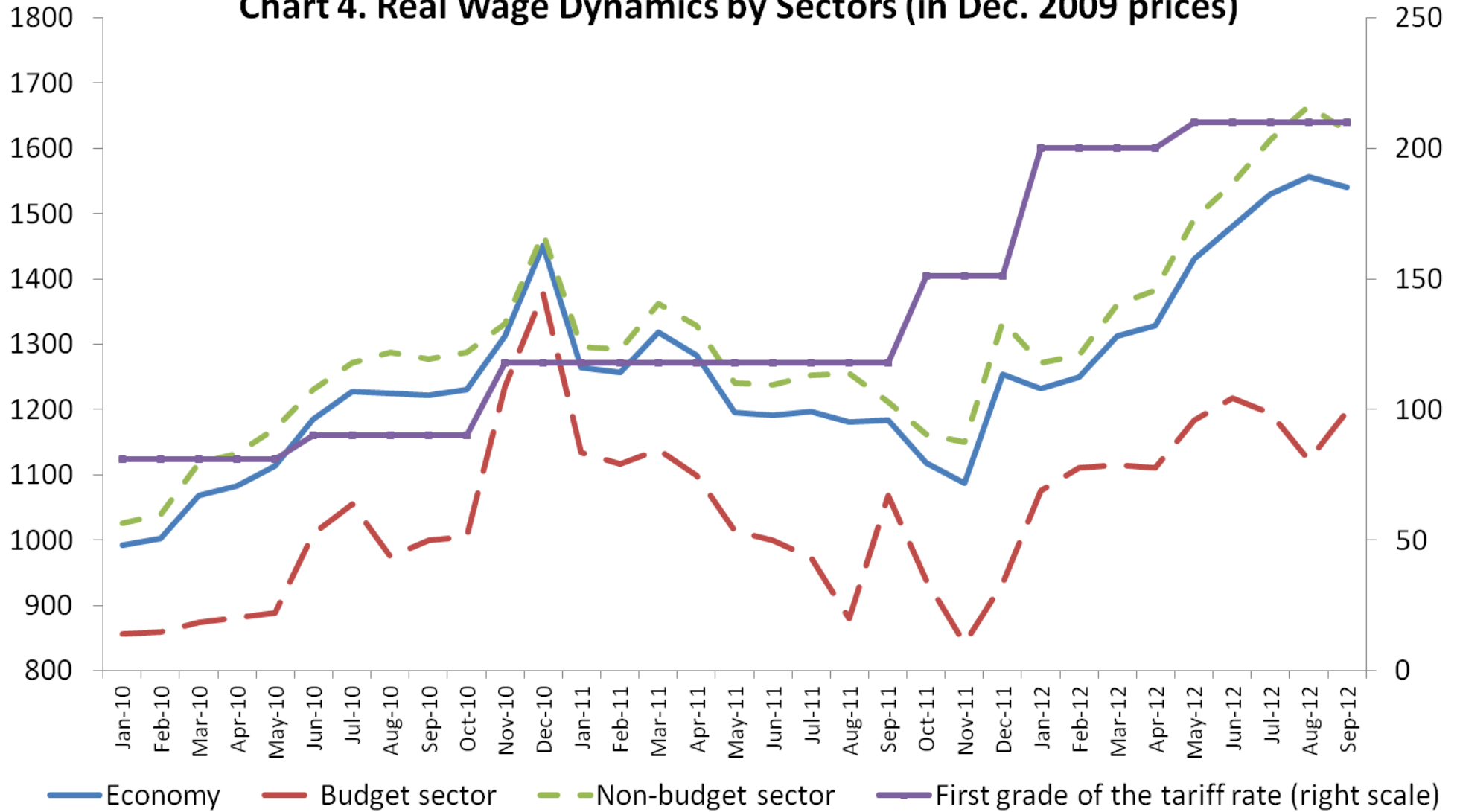


Sources: National Bank of Belarus, ACF staff calculations



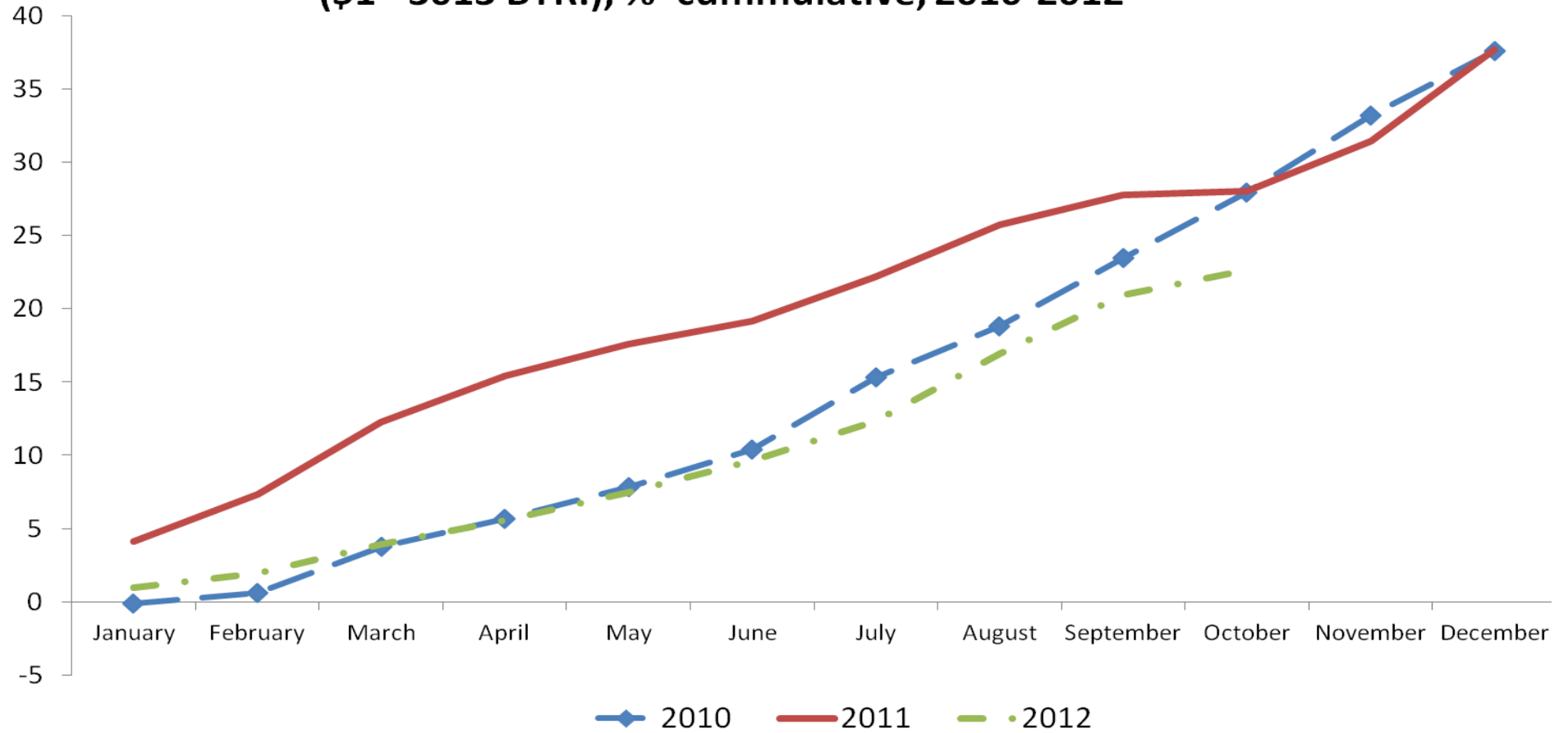
Sources: National Bank of Belarus, Belstat, ACF staff calculations

Chart 4. Real Wage Dynamics by Sectors (in Dec. 2009 prices)



Sources: Government of the Republic of Belarus, Belstat, ACF staff calculations

**Chart 5. Credit to Economy Growth at Program Exchange Rate
(\$1 =3013 BYR.), % cummulative, 2010-2012**



Sources: National Bank of Belarus, ACF staff calculations