

**MACROECONOMIC REVIEW
OF BELARUS**

January-June 2015

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Abbreviations:

annualized – in annual terms

BoP – Beginning of the Period

CT – Cumulative Total

cp – in comparable prices

EoP – End of the Period

M/M – Month over comparable Month of previous year

MoM – Month on previous Month

Q/Q – Quarter over comparable Quarter of previous year

QoQ – Quarter on previous Quarter

s.a. – seasonally adjusted

rp – in real (constant) prices

YoY – Year on previous Year

2015F – Forecast

Acronyms:

CB – Commercial banks

CPI – Consumer price index

FCE – Final consumption expenditure

GDP – Gross domestic product

GED – Gross external debt

GovED – General government debt

IRA – International reserve assets

NED – Net external debt

NFA – Net foreign assets

NULC – Nominal unit labour cost

PPI – Producer price index

RULC – Real unit labour costs

SDEO – Stock of debt and equity outstanding

ULC – Unit labour costs

VA – Value added

1.1 Economic growth

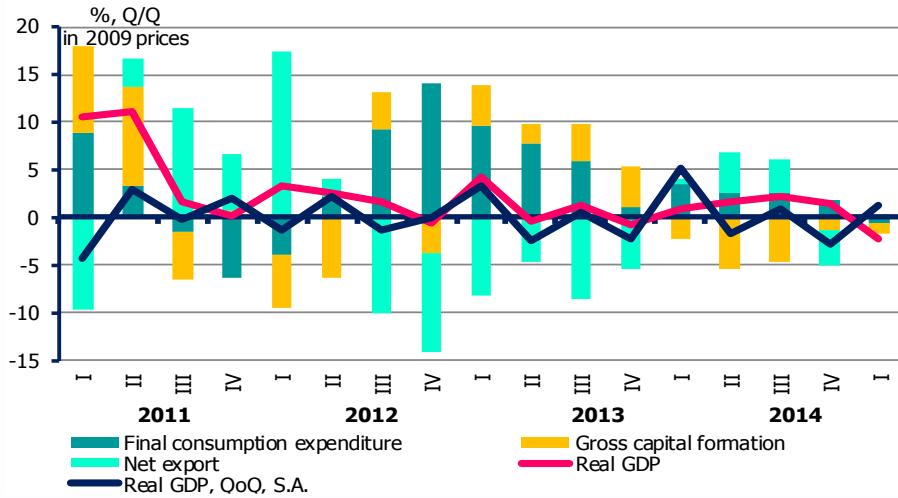


Fig. 1.1 – The structure of GDP by components of the demand

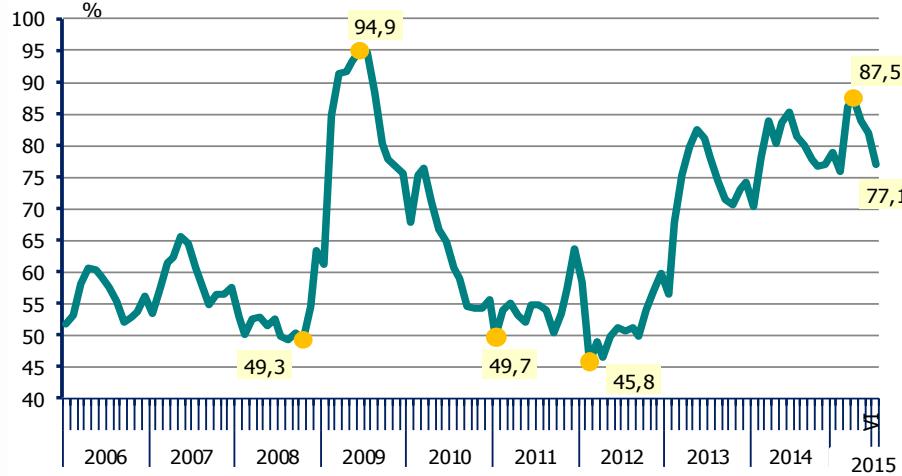


Fig. 1.3 – Stocks of finished products, as % to average monthly volume of industrial output

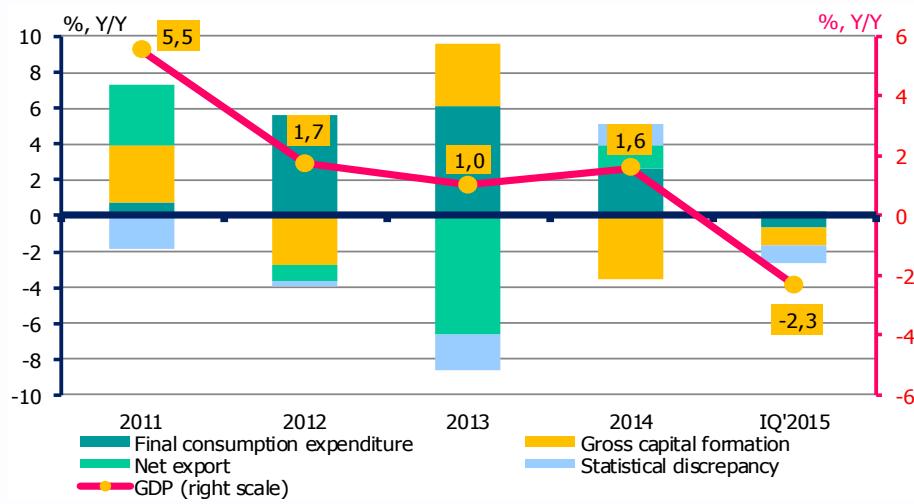


Fig. 1.2 – Decomposition of GDP growth (demand side)

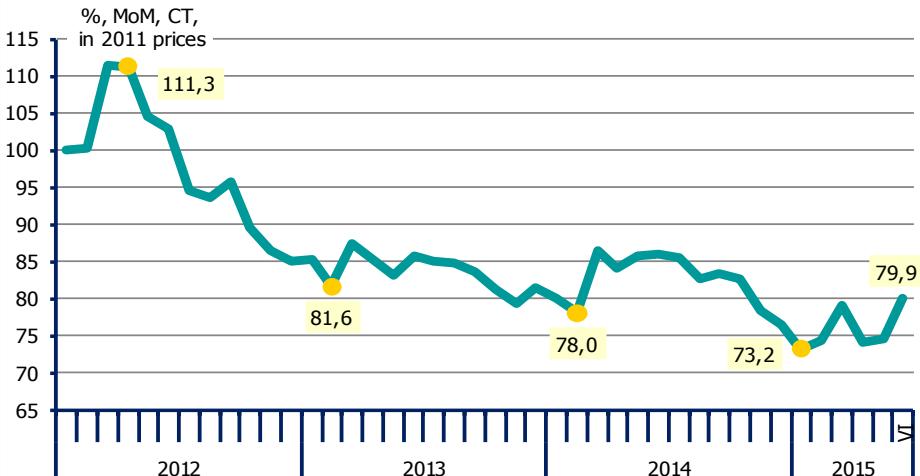


Fig. 1.4 – Industrial output

1.2 Labor market

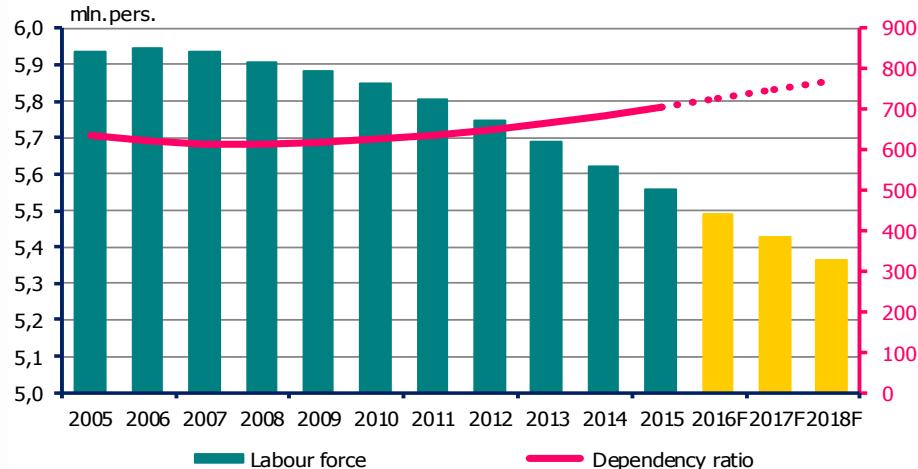


Fig. 1.5 – Labour force and dependency ratio



Fig. 1.6 – Number of employed in the economy

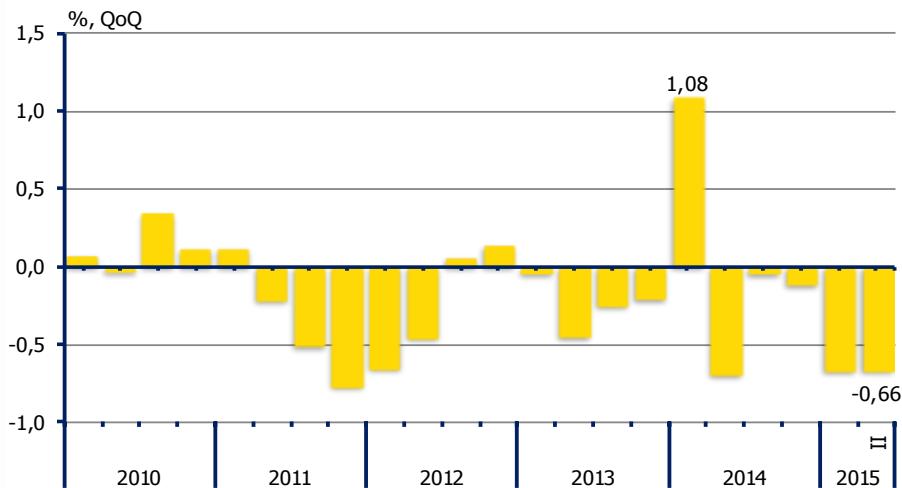


Fig. 1.7 – Employment growth rate

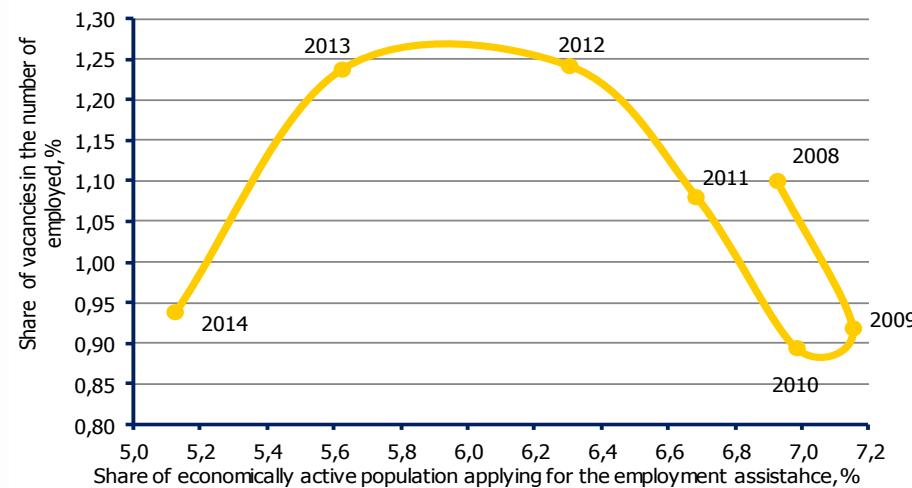


Fig. 1.8 – The Beveridge curve for Belarusian labor market, 2008-2014 v.

1.2 Labor market II

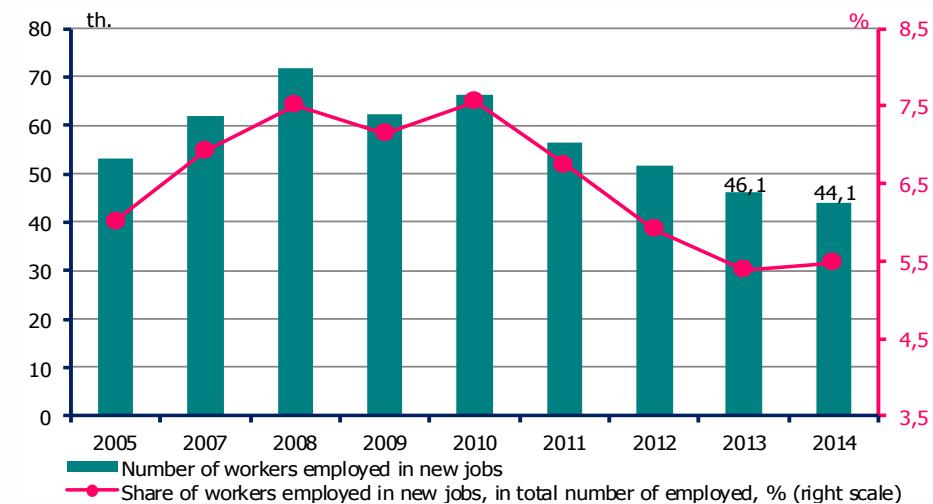


Fig. 1.9 – Dynamics of employment in new jobs

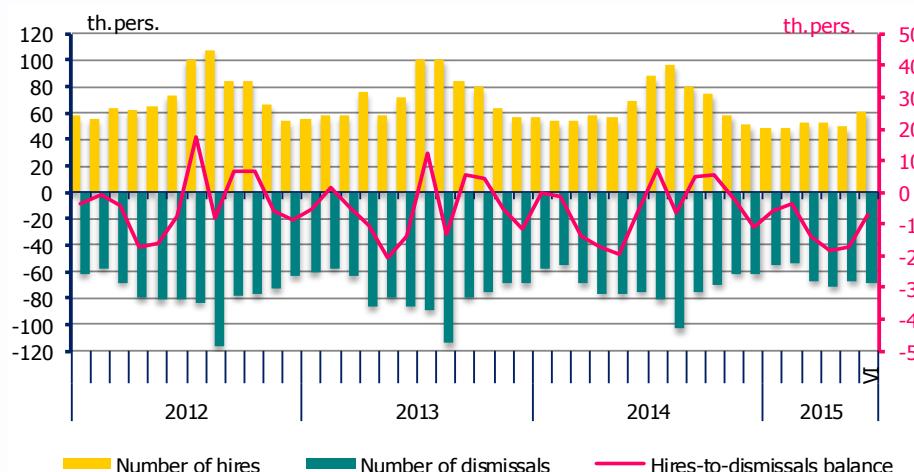


Fig. 1.10 – The ratio of hired and dismissed workers

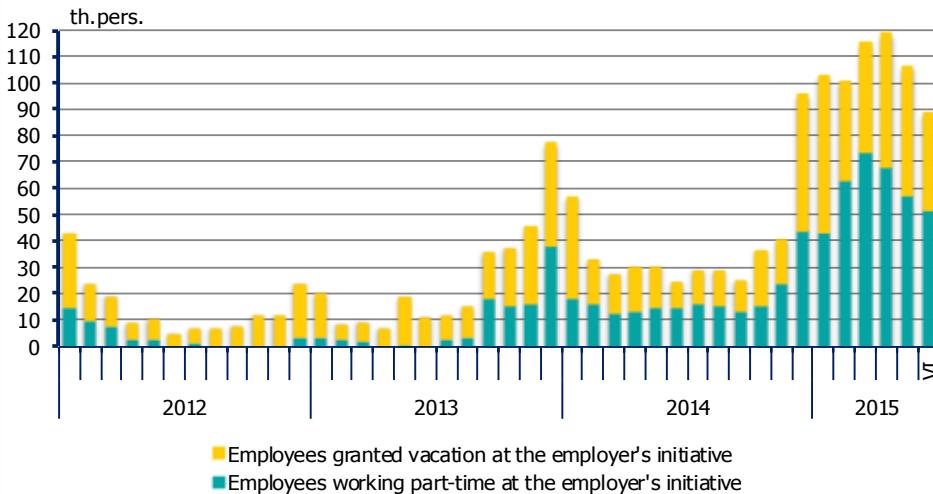


Fig. 1.11 – Employees in forced vacation and working part-time



Fig. 1.12 – The ratio of labor productivity growth to real wages

1.2 Labor market III

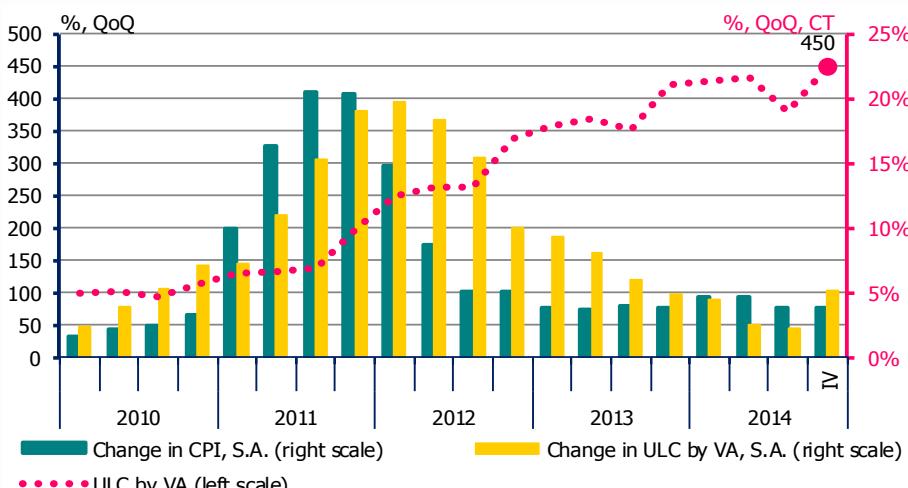


Fig. 1.13 – Change of the ULC by value added and CPI

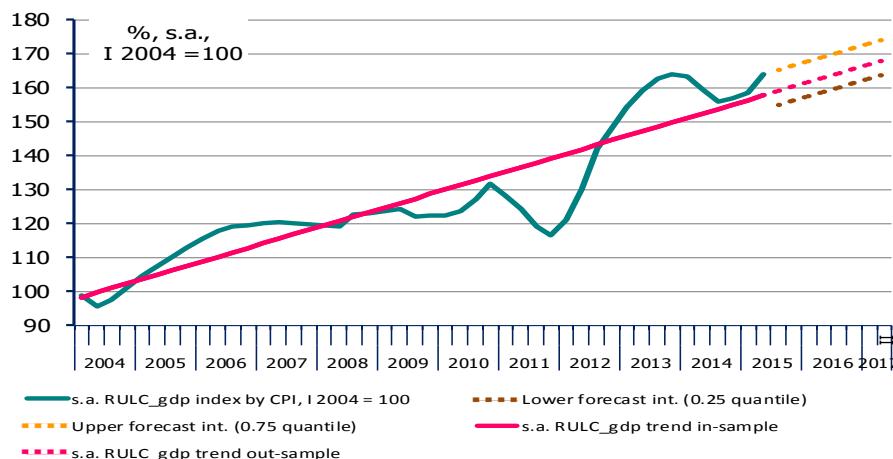


Fig. 1.15 – Dynamics and trend of RULC (ratio of real labour compensation (by CPI) to real GDP)

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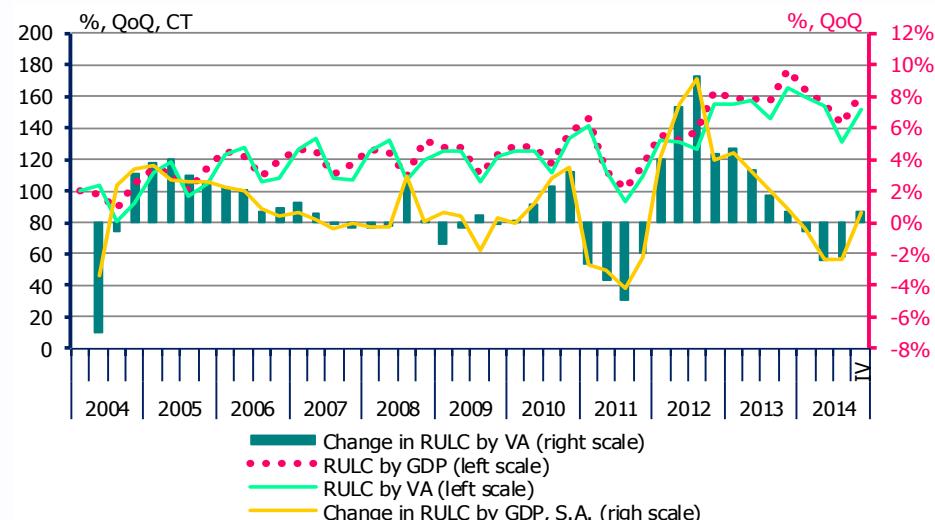


Fig. 1.14 - Dynamics (left scale) and change (right scale) in RULC by GDP and VA (real wages by CPI)

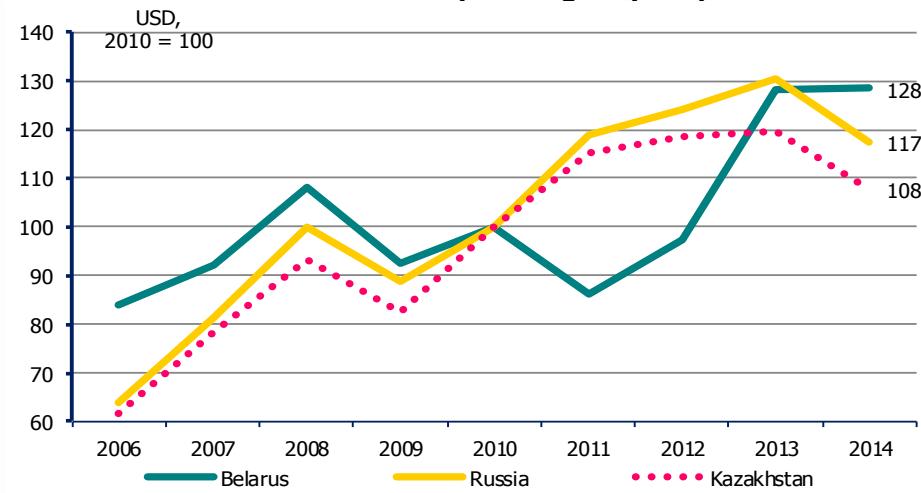


Fig. 1.16 - NULC in EEU countries

1.3 Wages and consumer demand

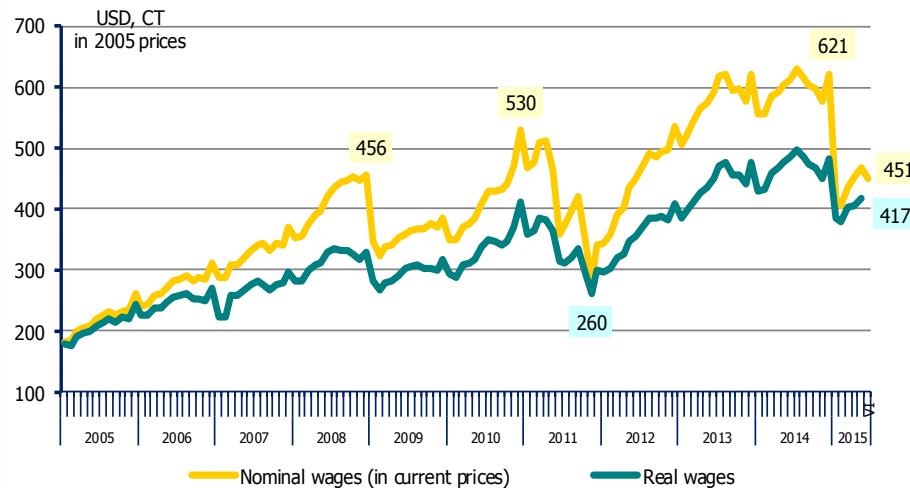


Fig. 1.17 - Dynamics of real wages in USD

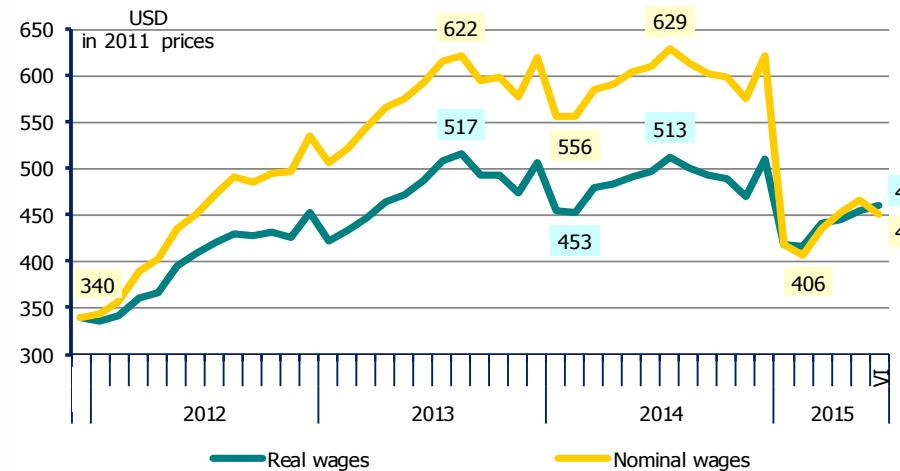


Fig. 1.18 - Dynamics of the real wages in USD

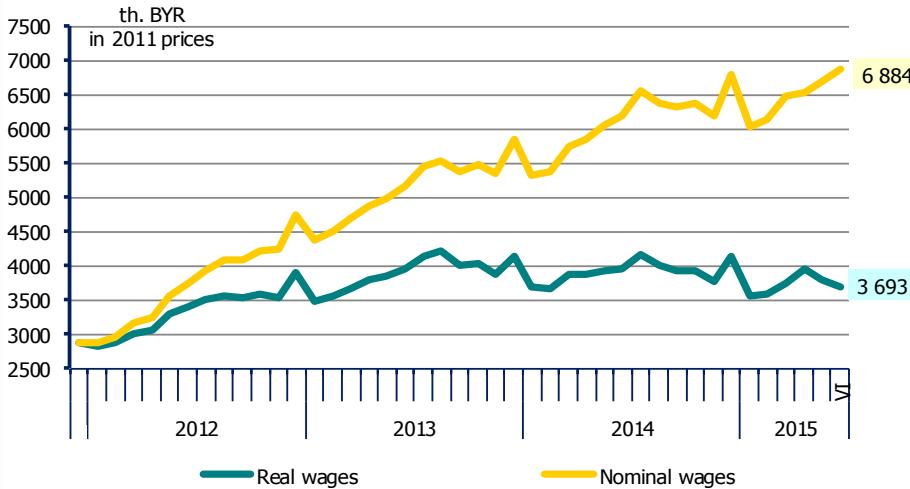


Fig. 1.19 - Dynamics of the average nominal and real wages

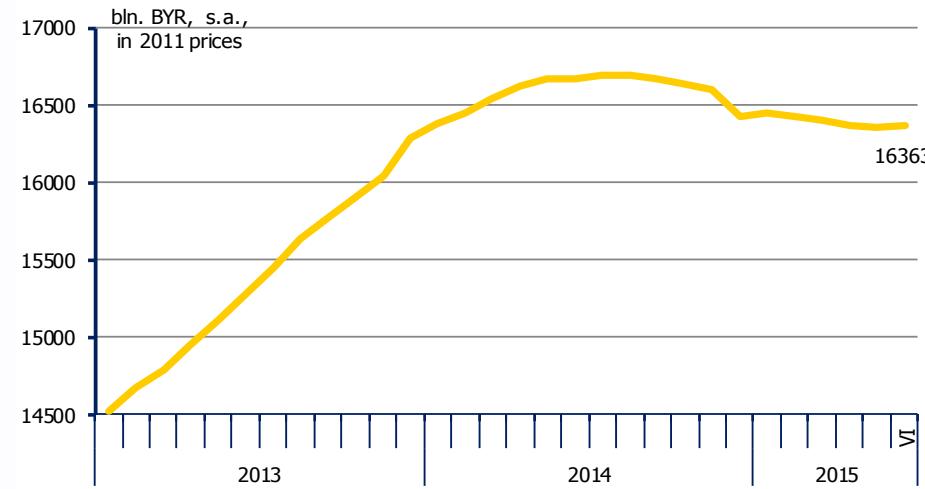


Fig. 1.20 – Dynamics of the retail trade turnover

1.4 Investments

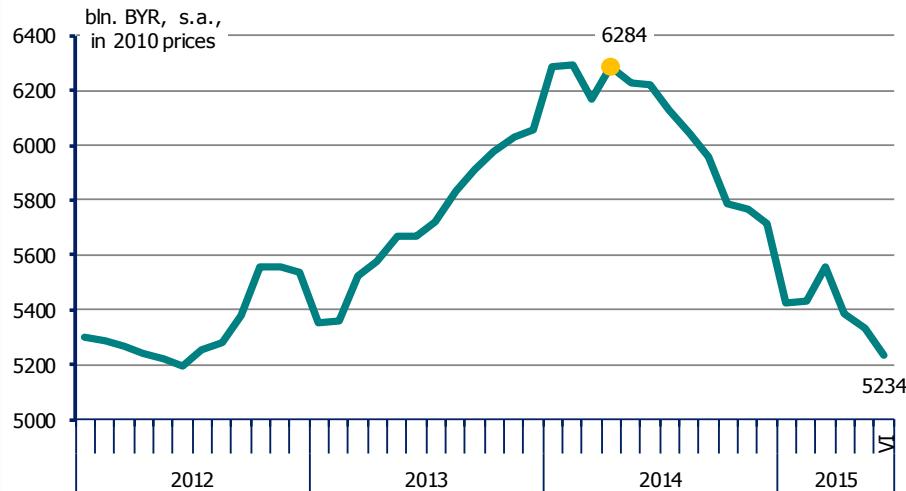


Fig. 1.21 – Fixed capital investment

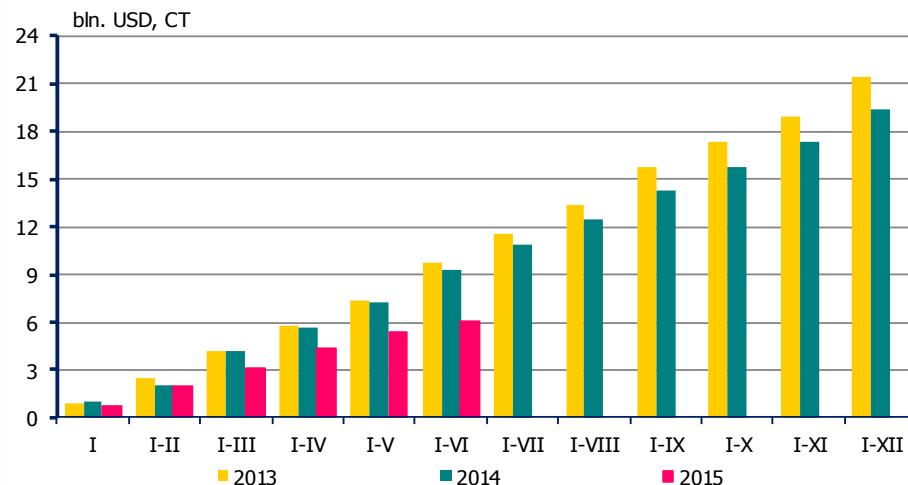


Fig. 1.22 – Fixed capital investment

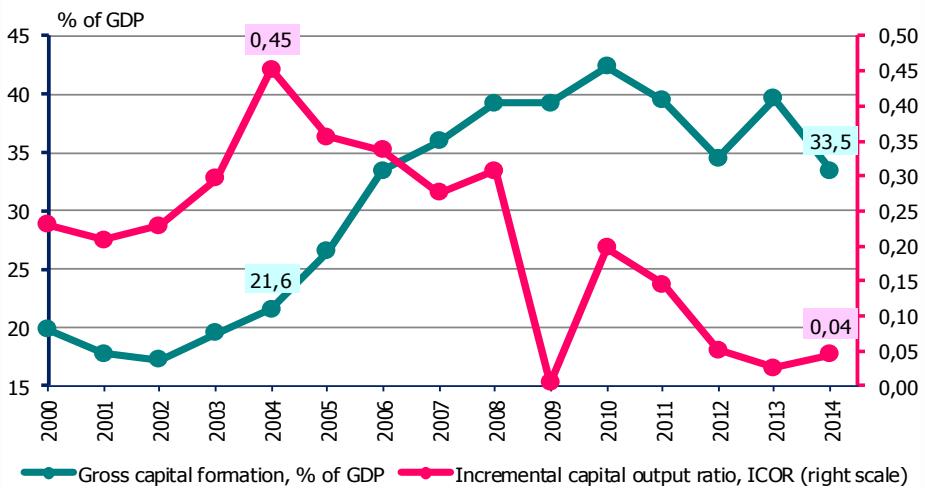


Fig. 1.23 – Incremental capital output ratio (right scale) and the gross capital formation (left scale)

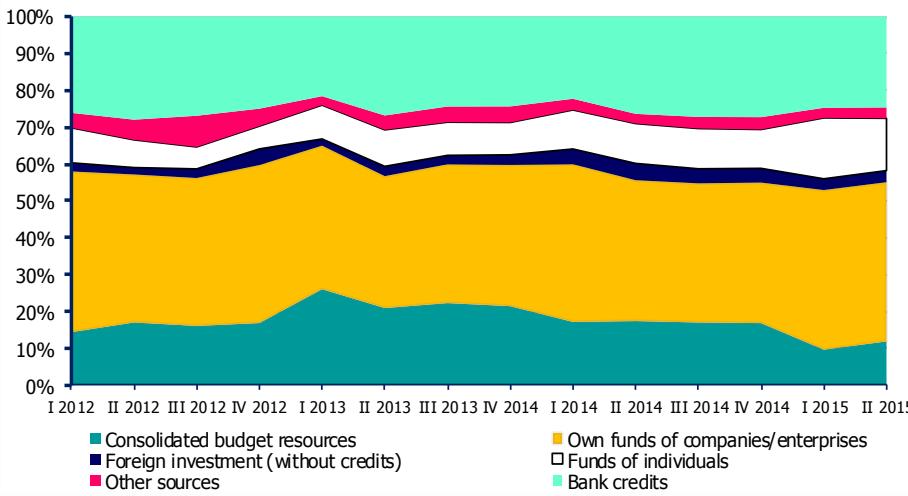


Fig. 1.24 – Fixed capital investment by sources of financing

1.5 Inflation

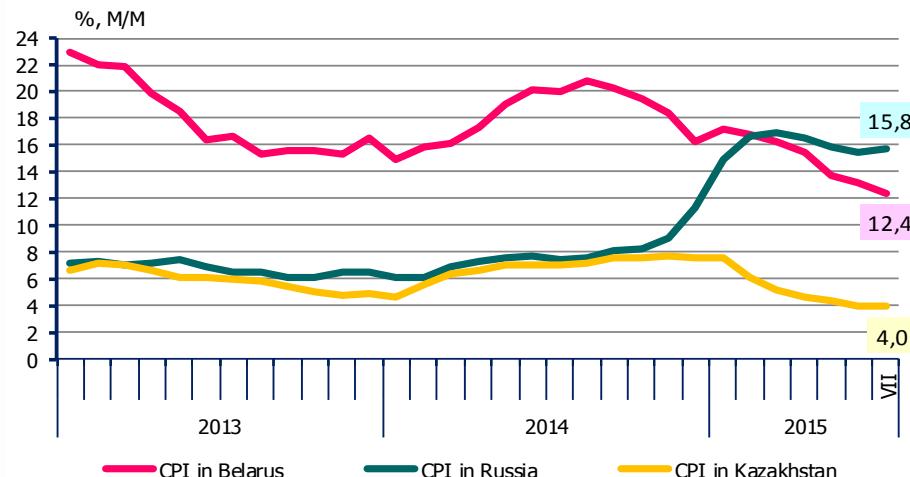


Fig. 1.25 - Inflation in Belarus, Russia and Kazakhstan

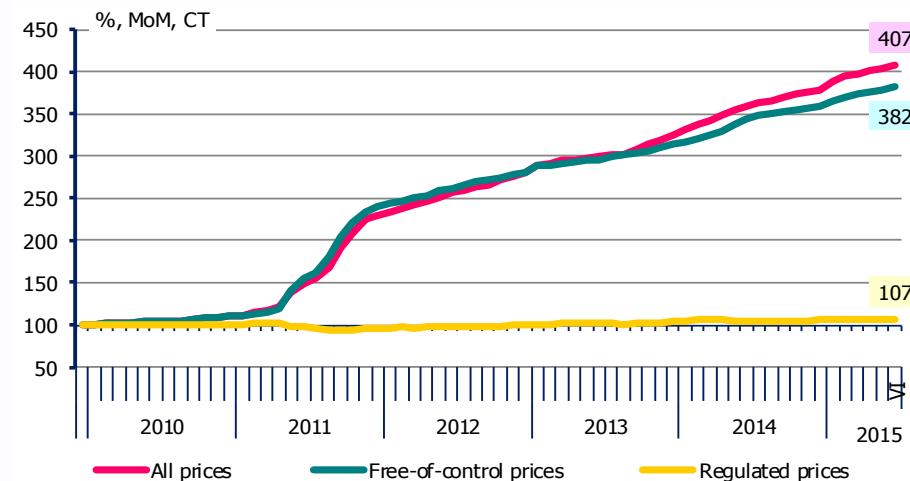


Fig. 1.26 – CPI by kind of prices

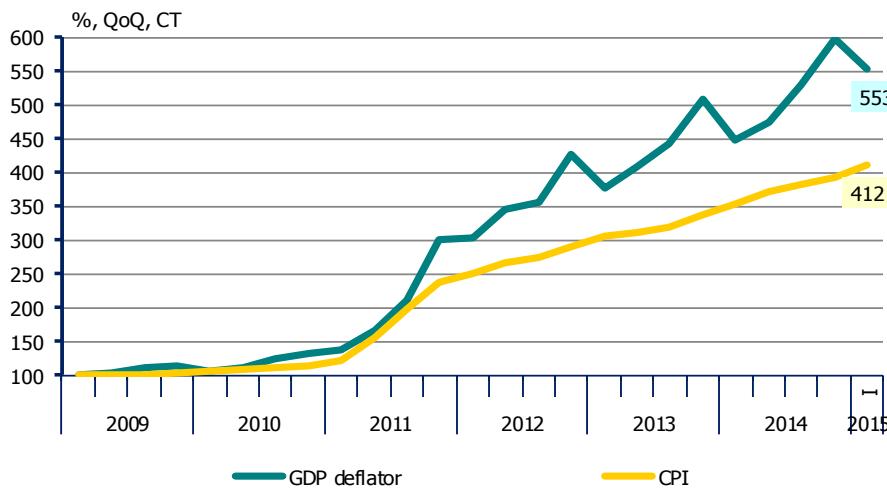


Fig. 1.27 – GDP Deflator and CPI

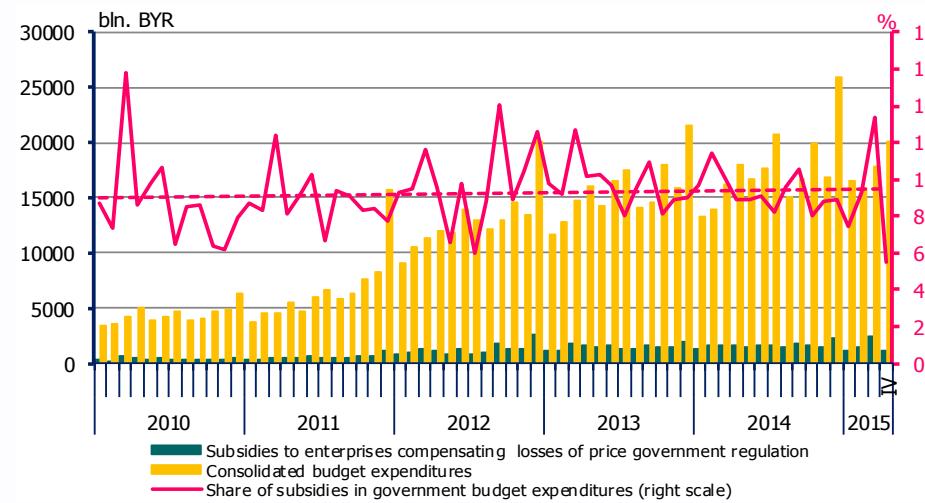


Fig. 1.28 - Share of subsidies covering losses of price regulation

2.1 Government Budget

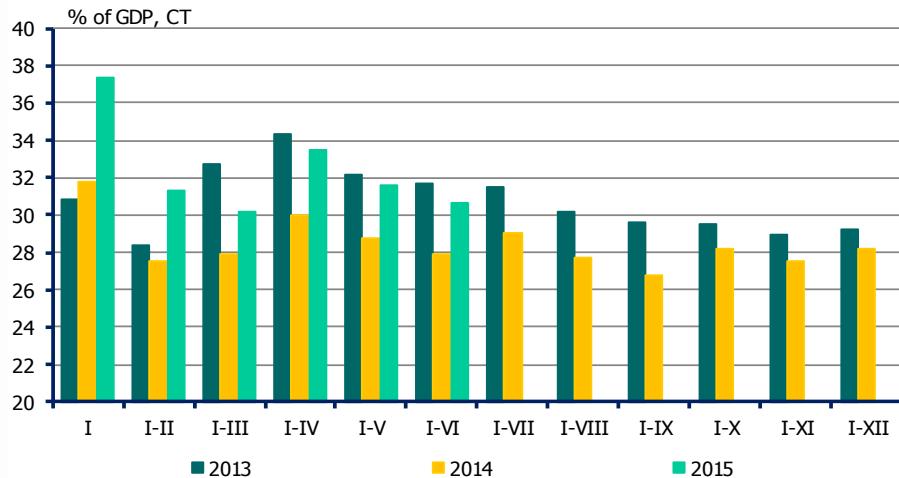


Fig. 2.1 – Revenues of consolidated budget

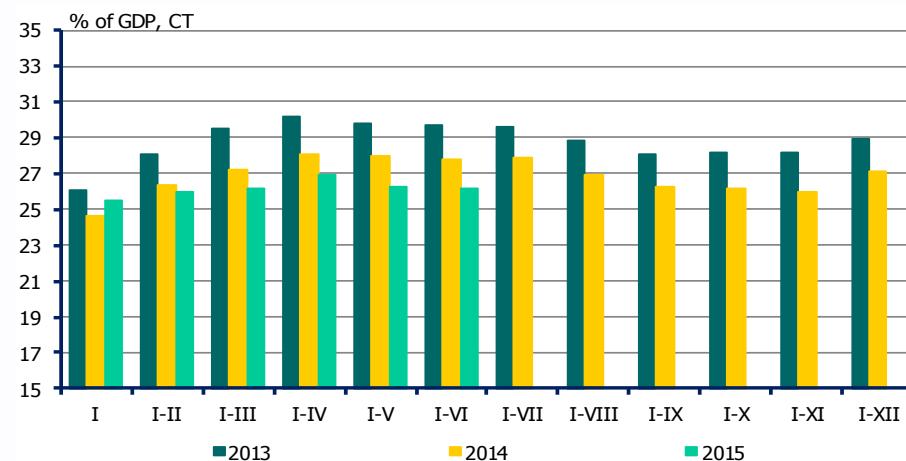


Fig. 2.2 - Expenditures of consolidated budget

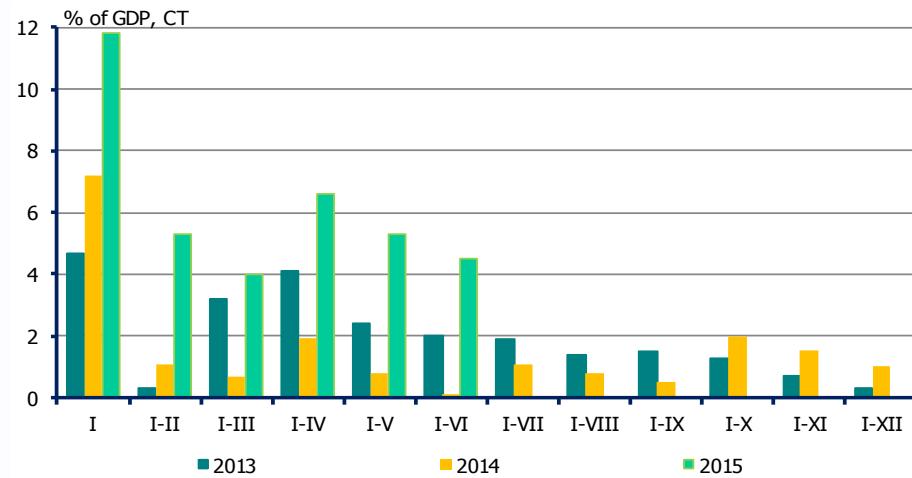


Fig. 2.3 - Surplus (+) / deficit (-) of consolidated budget

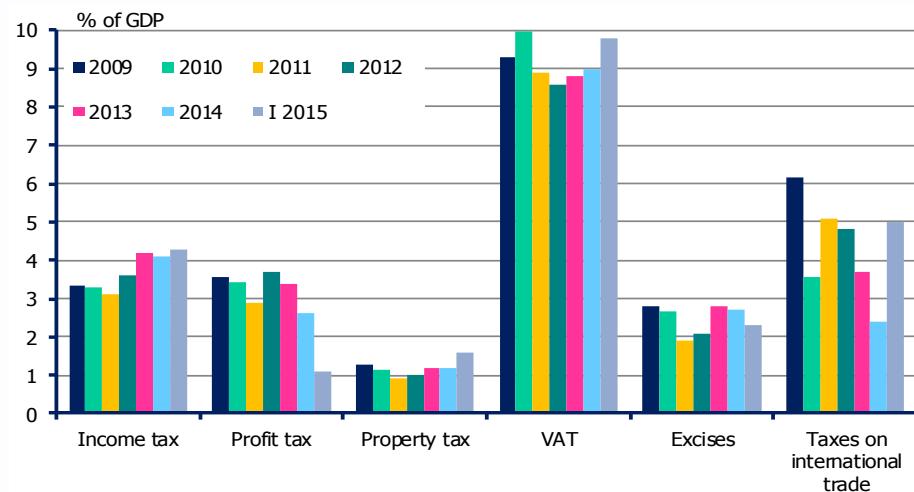


Fig. 2.4 - Tax revenues to GDP ratio

2.1 Government Budget II

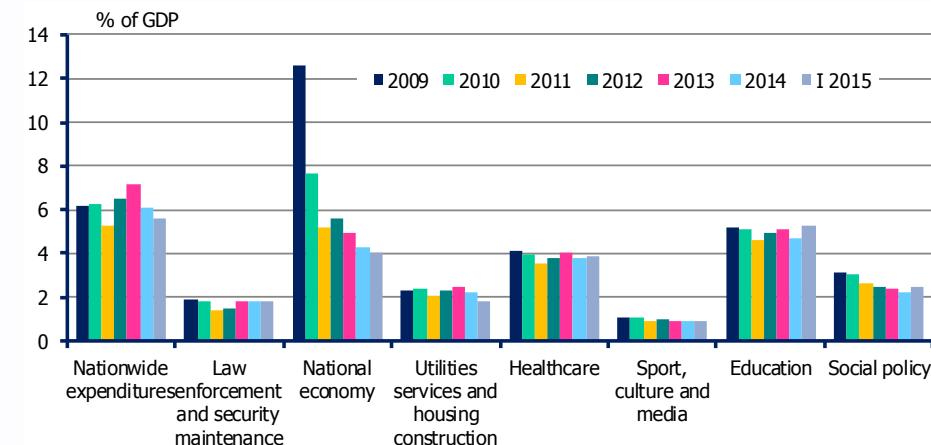


Fig. 2.5 – Structure of consolidated budget expenditures

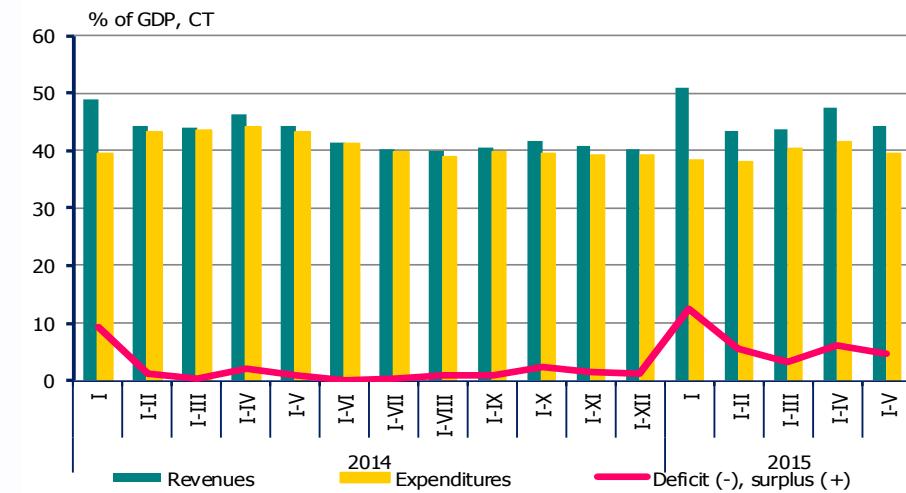


Fig. 2.7 – The central government budget balance

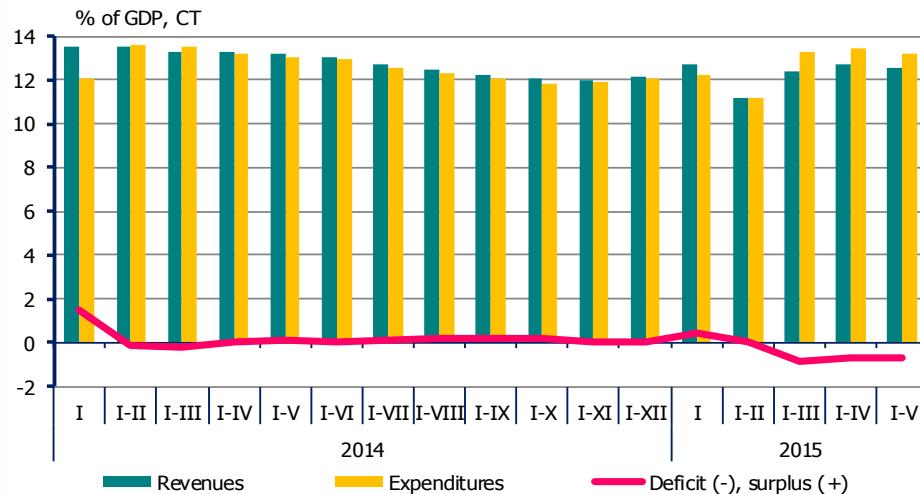


Fig. 2.6 – The Social Security Fund balance

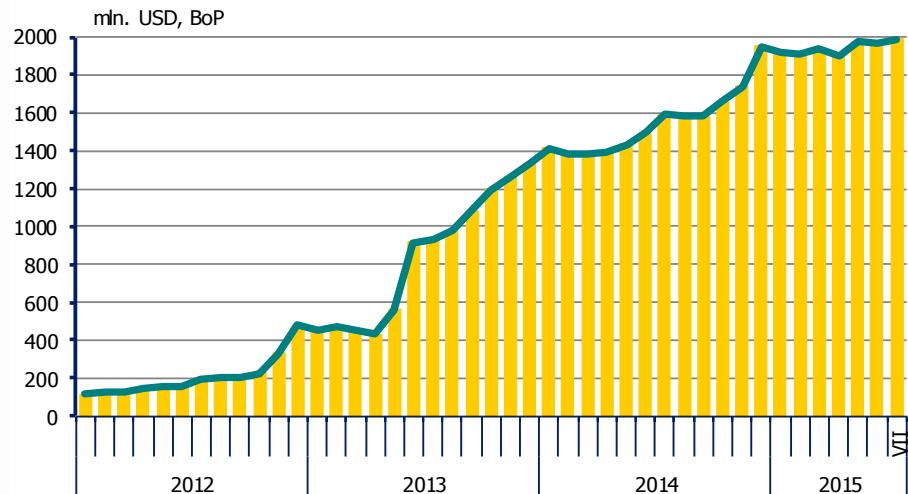


Fig. 2.8 – Foreign currency bonds issued by the Ministry of Finance in banks' portfolios

3.1 Monetary base

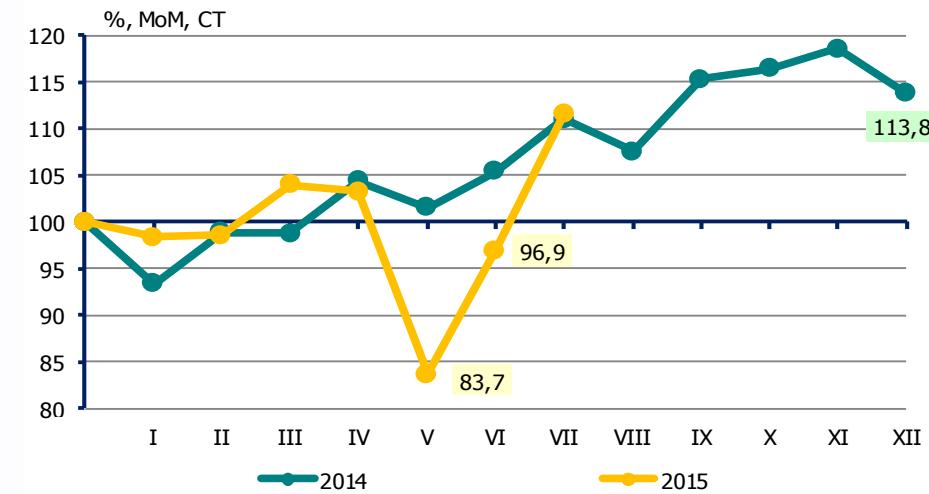


Fig. 3.1 – Monetary base

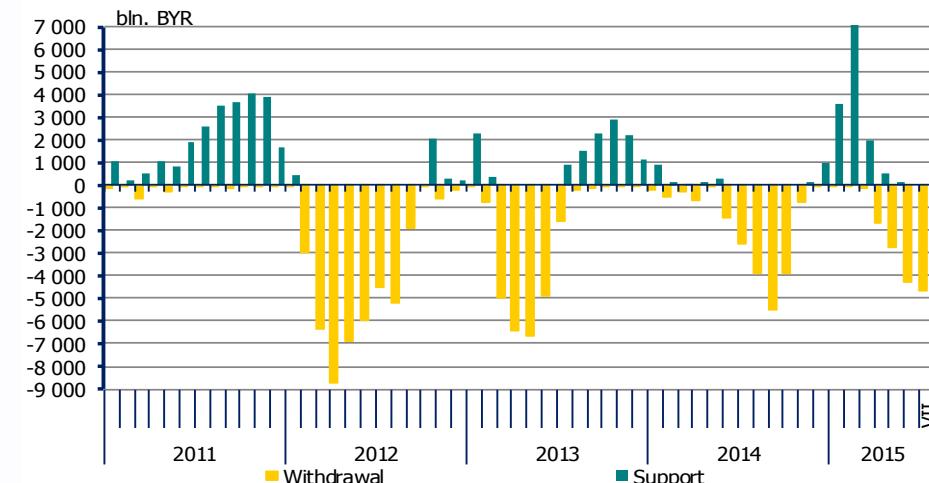


Fig. 3.3 - Regulation of the banking system liquidity by National Bank

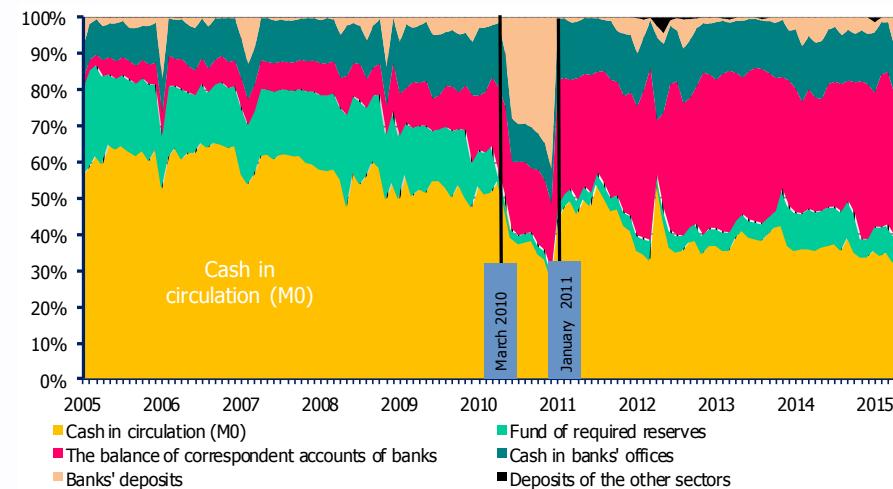


Fig. 3.2 - Monetary base structure dynamics

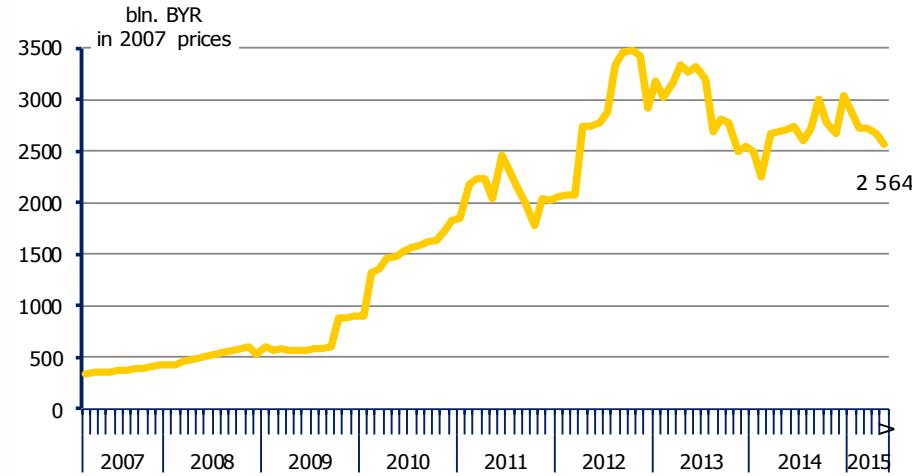


Fig. 3.4 – Balance of correspondent accounts

3.2 Multiplier and money velocity

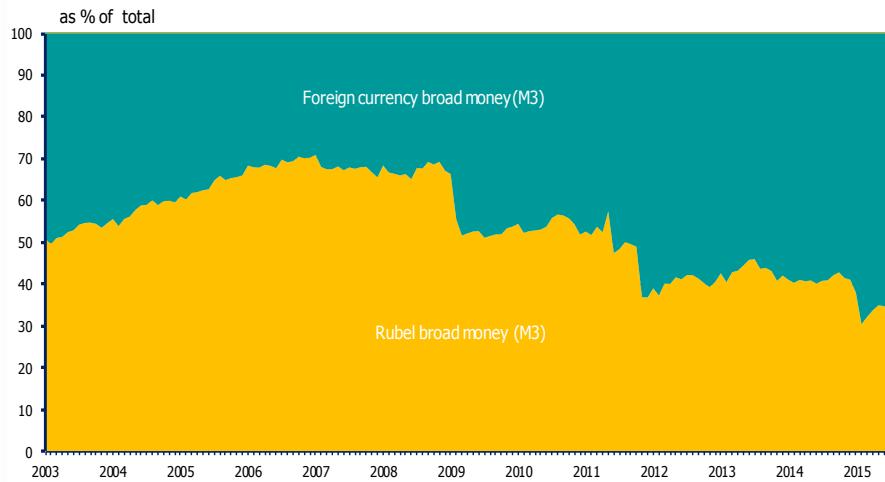


Fig. 3.5 – Dollarization of the money supply

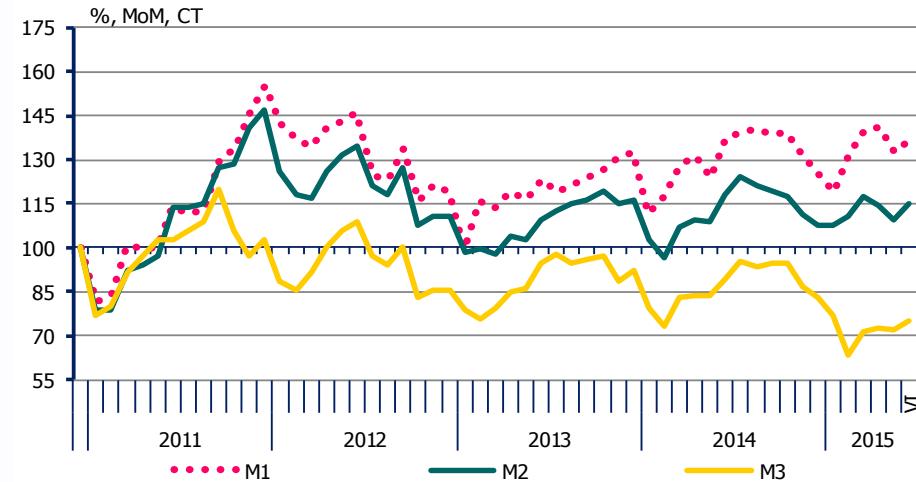


Fig. 3.6 – Money velocity

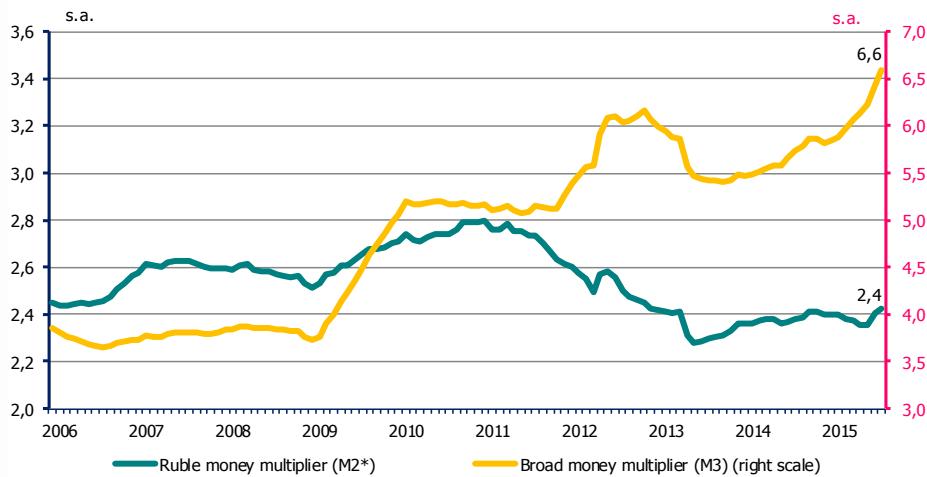


Fig. 3.7 – Money multiplier

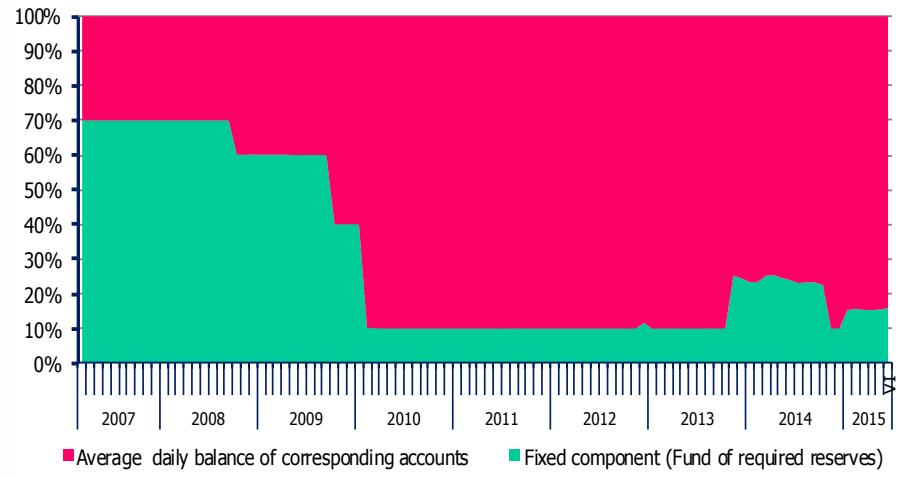


Fig. 3.8 – Structure of the commercial banks reserves in the monetary base

3.3 Money supply

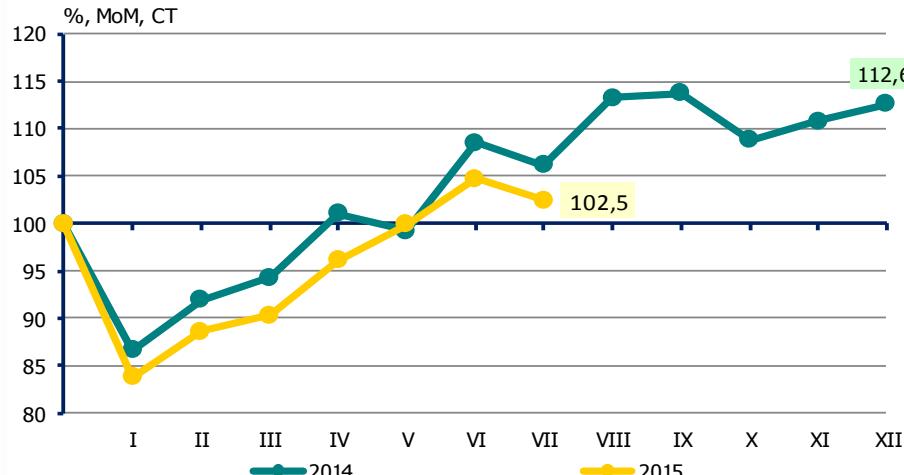


Fig. 3.9 – M1 growth

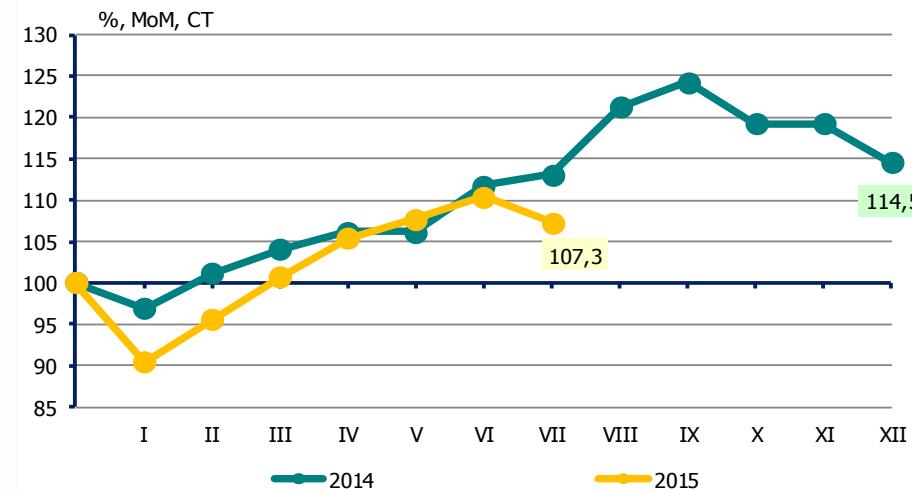


Fig. 3.10 – M2* growth

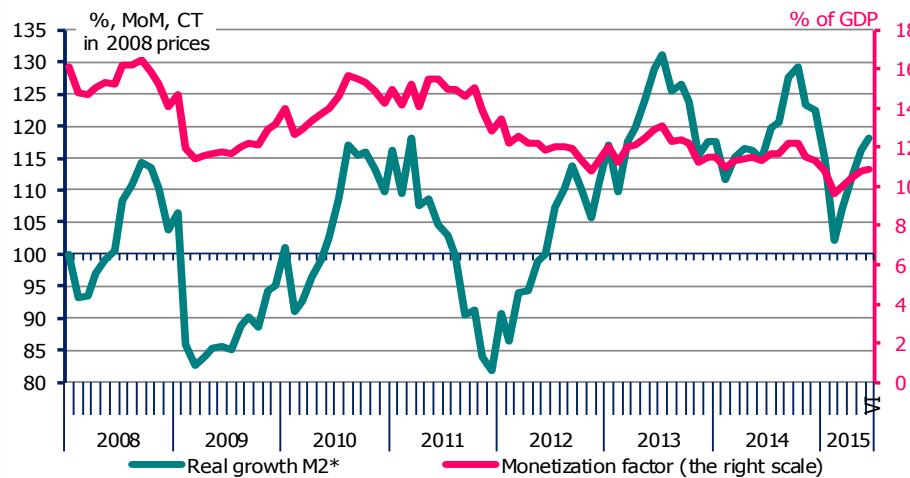


Fig. 3.11 – M2* dynamics

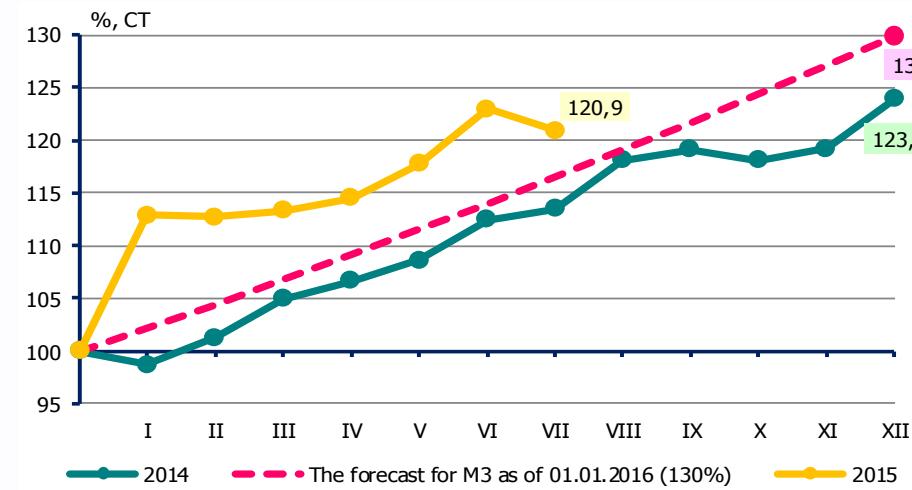


Fig. 3.12 – M3 growth

3.4 The resource base of commercial banks

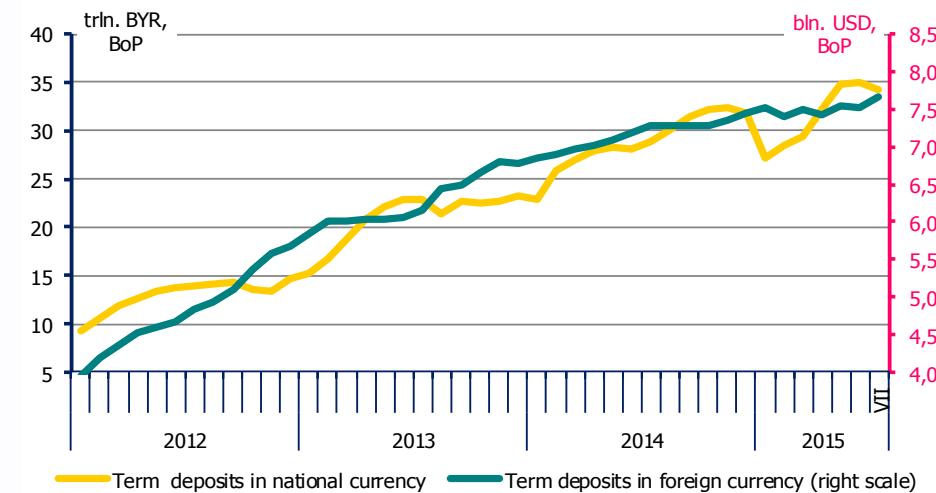


Fig. 3.13 – Term deposits of individuals in national and foreign currency

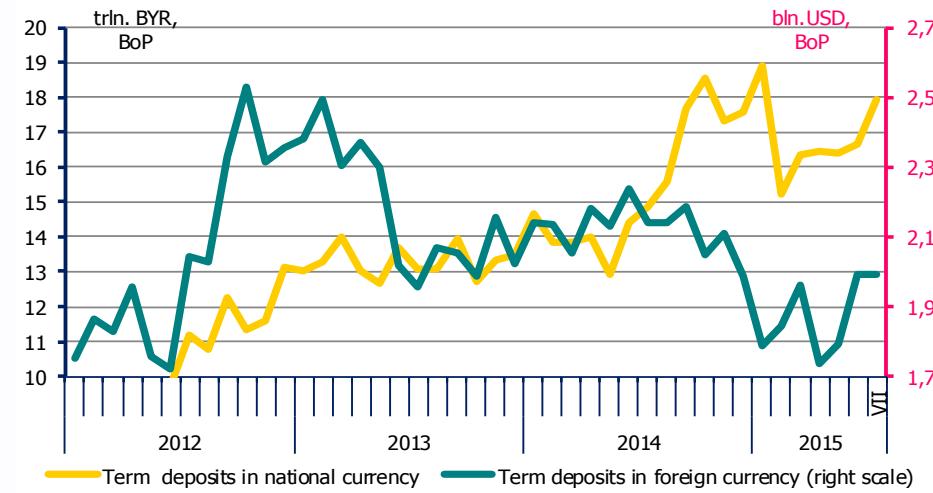


Fig. 3.14 – Term deposits of enterprises in national and foreign currency

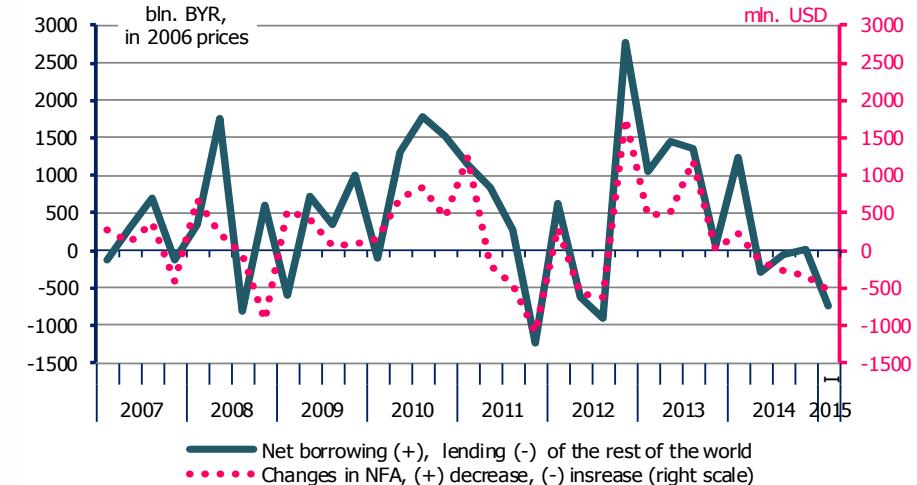


Fig. 3.15 – Finance resources attracted by banks from the rest of the world

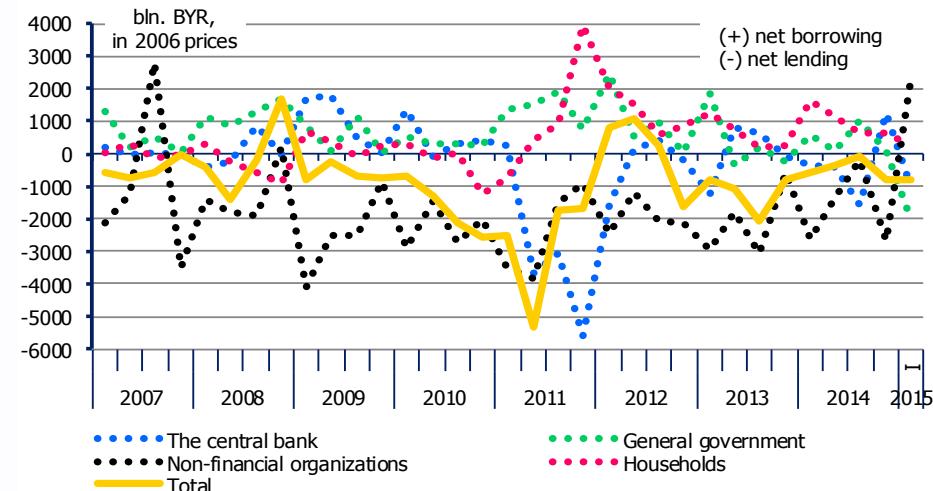


Fig. 3.16 – Domestic finance resources attracted by banks

3.5 Financial depth of the economy

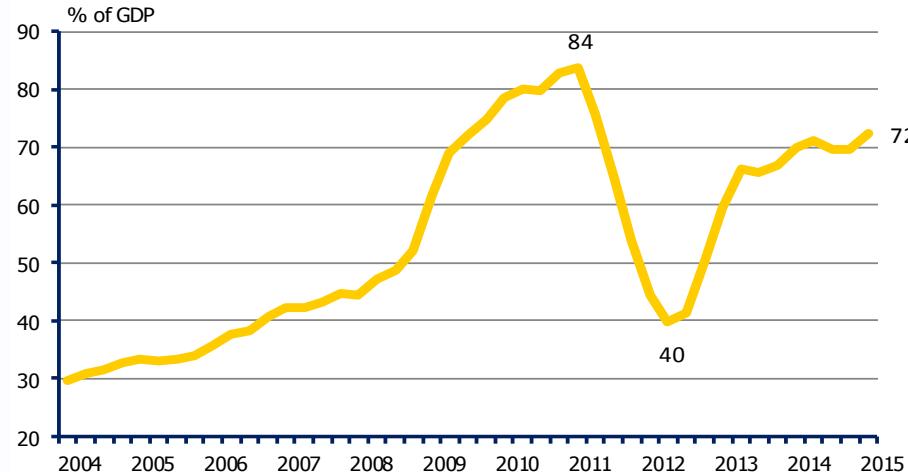


Fig. 3.17 – SDEO to GDP ratio, deflated

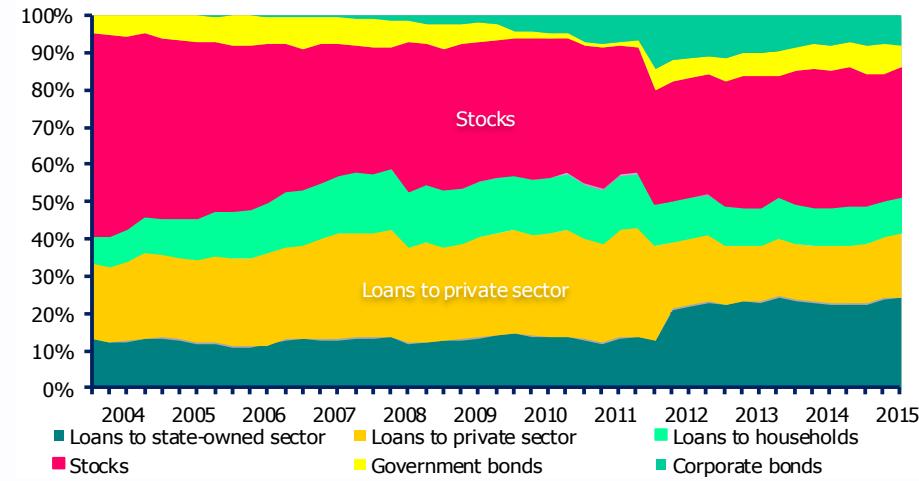


Fig. 3.18 – SDEO structure

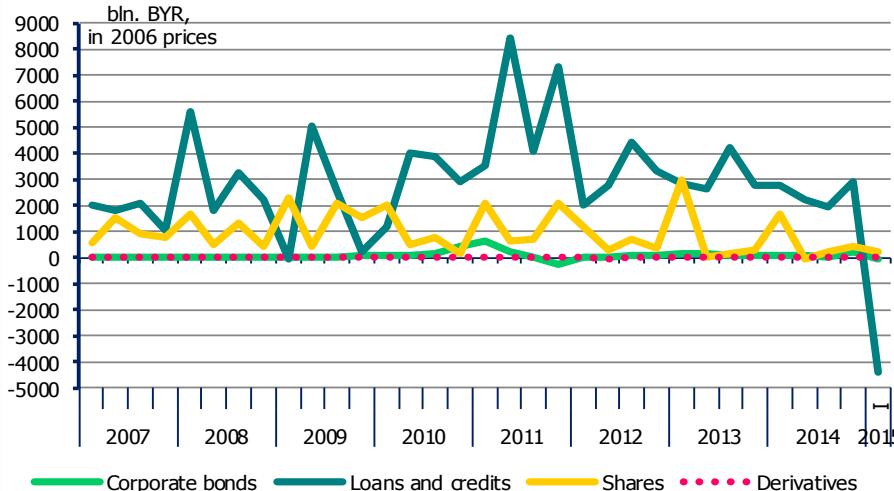


Fig. 3.19 – Attracted resources of enterprises by financial instruments

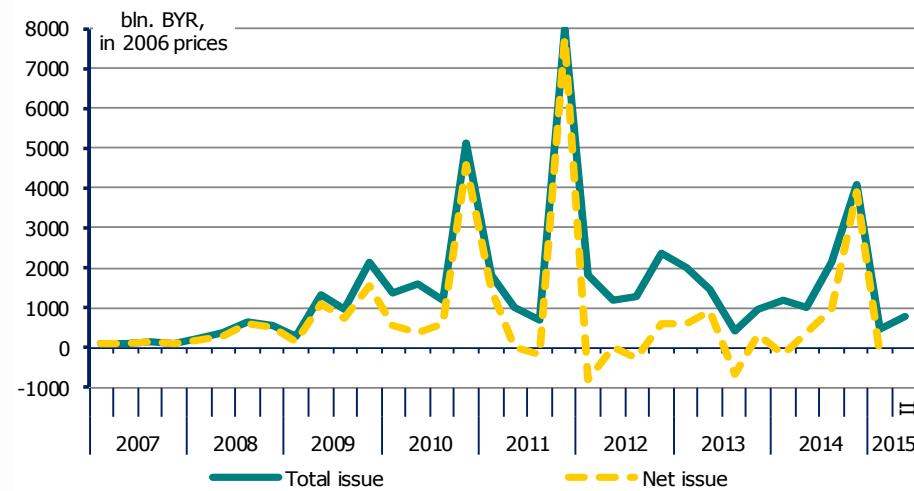


Fig. 3.20 – Corporate bonds issue

3.6 Borrowing in the economy

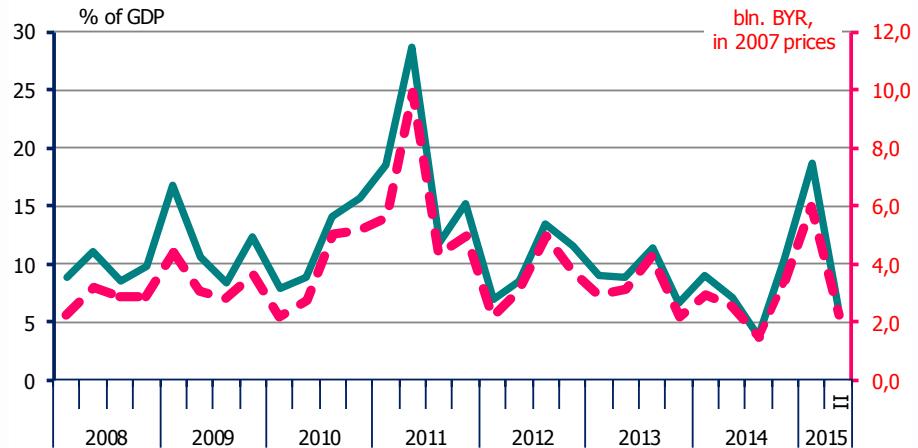


Fig. 3.21 – Financial sector claims on enterprises

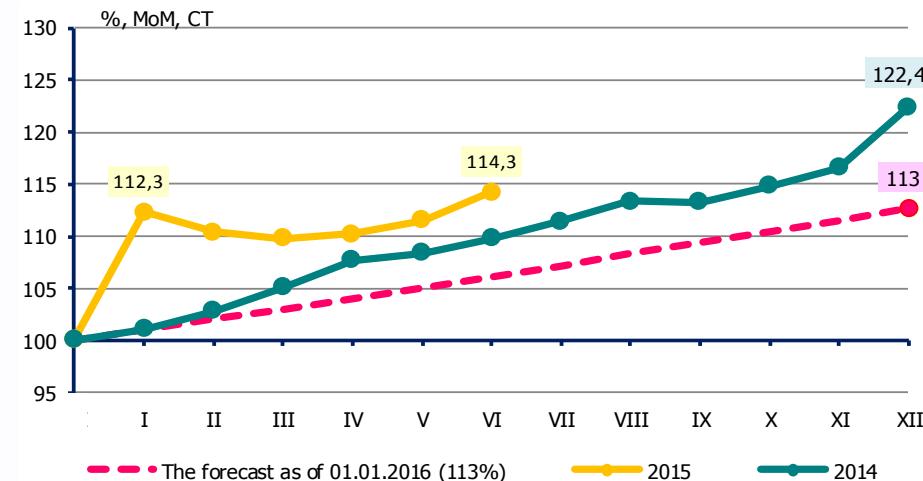


Fig. 3.22 – Bank's claims on the economy

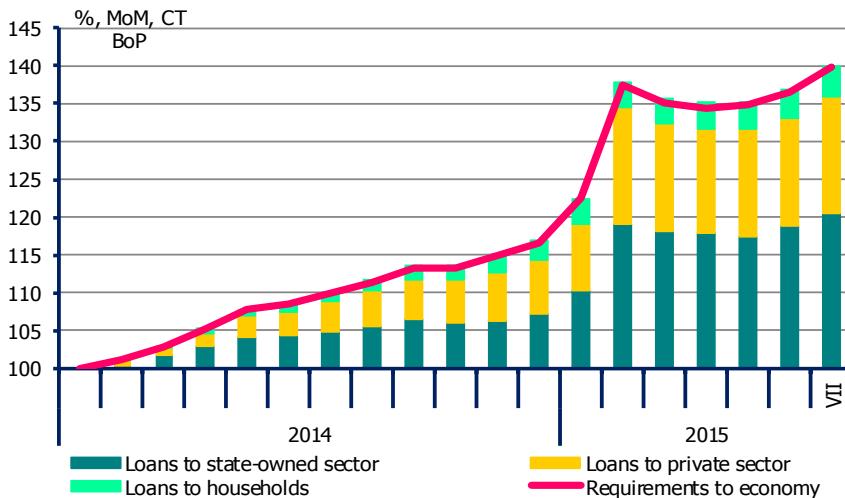


Fig. 3.23 – Bank's claims on the economy

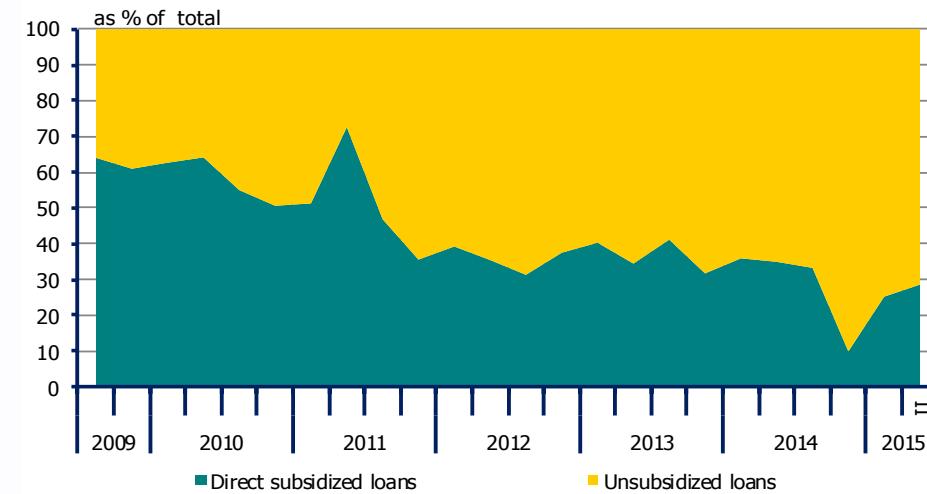


Fig. 3.24 – Preferential loans in total loans of commercial banks

3.7 Foreign exchange market

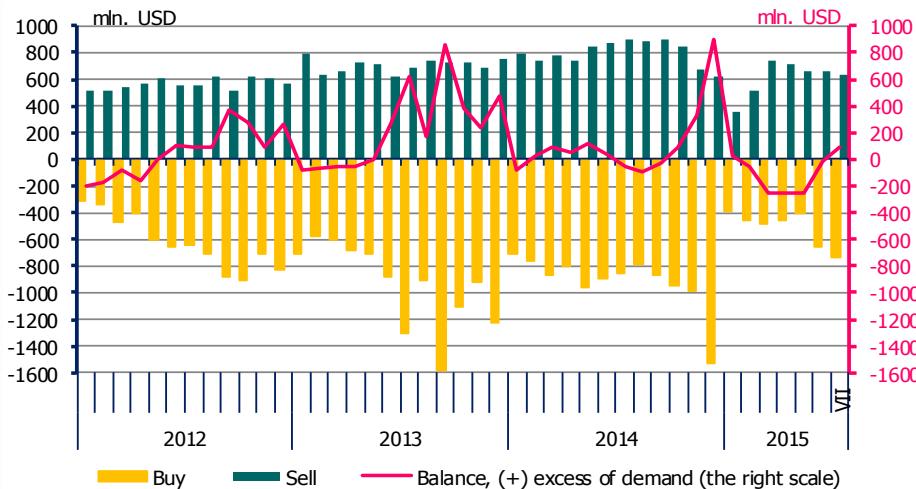


Fig. 3.25 – Buy and sell volumes of foreign exchange market by households

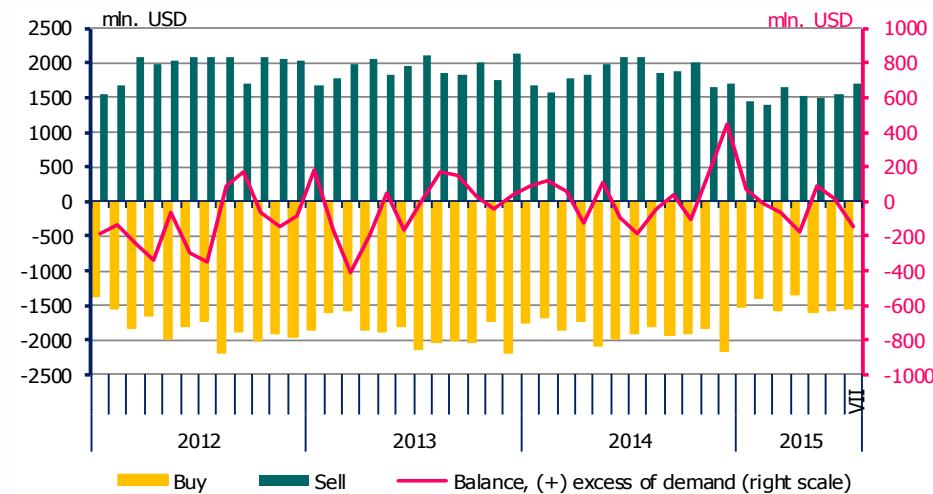


Fig. 3.26 - Buy and sell volumes of foreign exchange market by companies

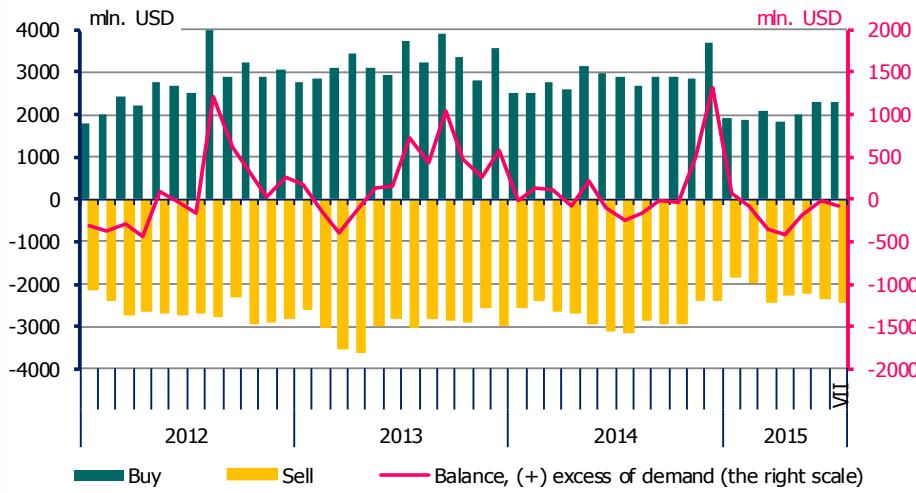


Fig. 3.27 – Total buy and sell volumes of foreign exchange market

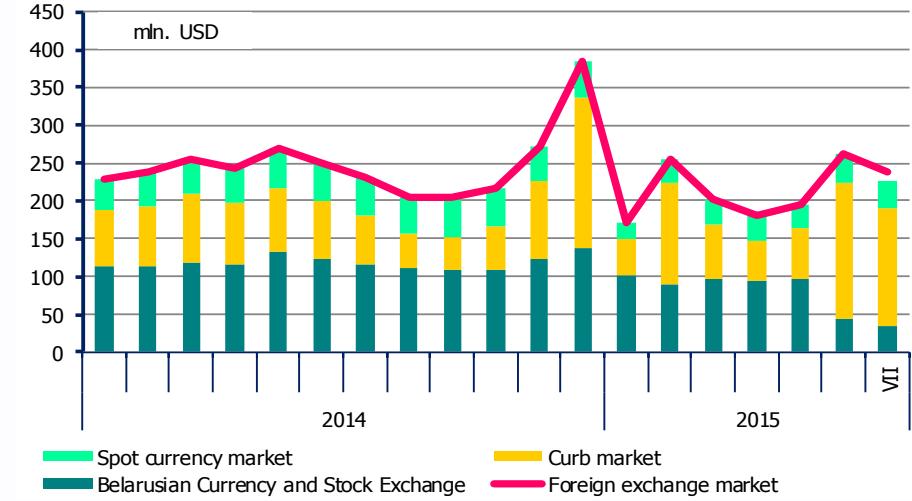


Fig. 3.28 - Average daily turnover of foreign currency on the foreign exchange market

4.1 Balance of payments

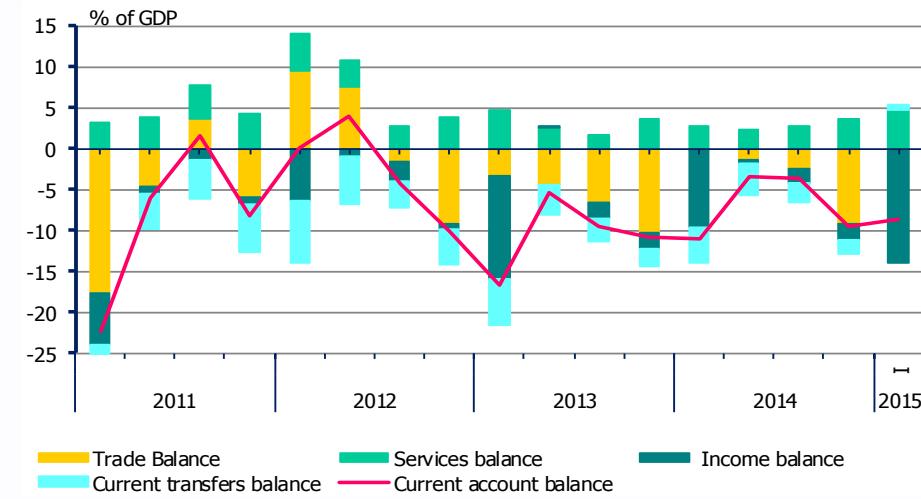


Fig. 4.1 – Current account balance

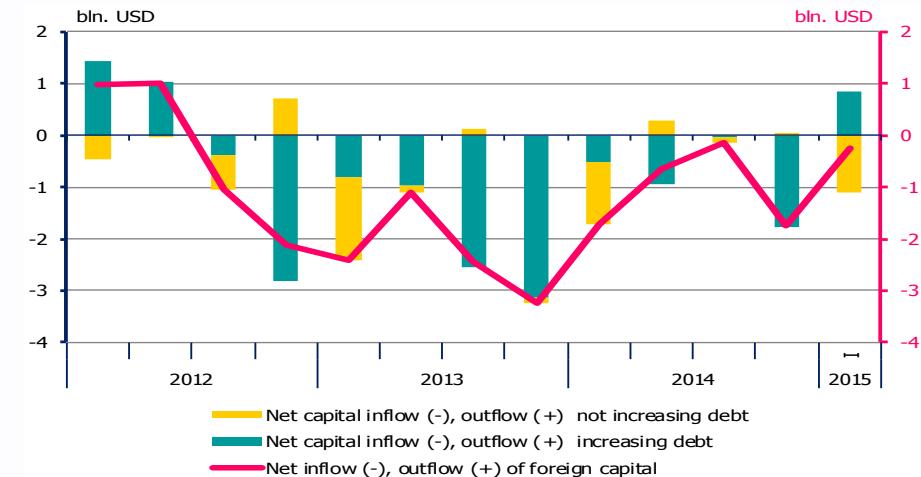


Fig. 4.3 – Net capital inflow to cover the current account's deficit

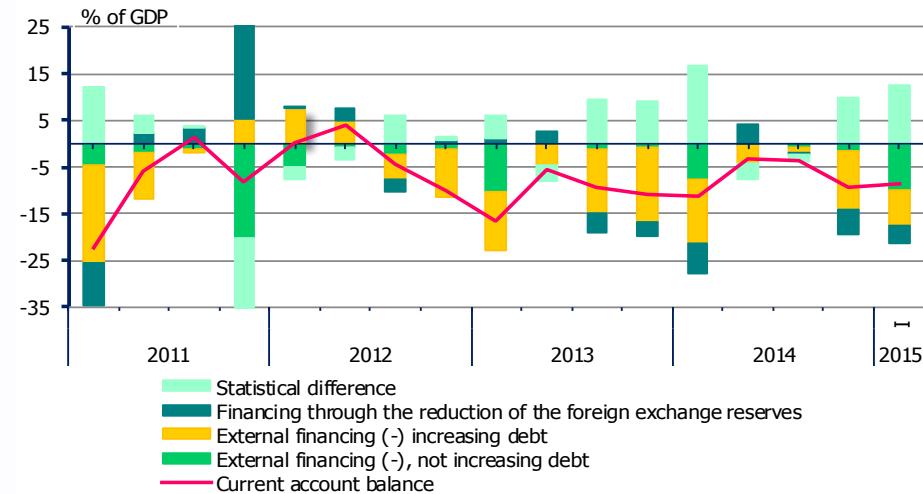


Fig. 4.2 – Sources of financing of current balance deficit

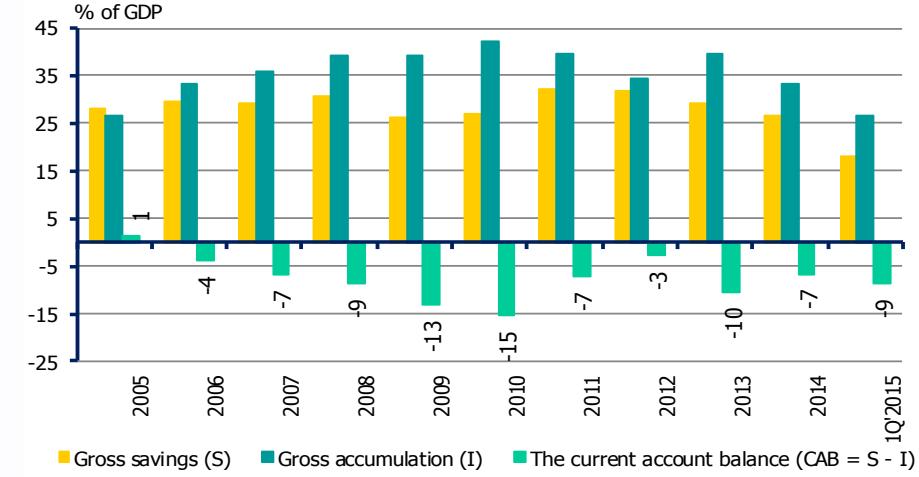


Fig. 4.4 – The resource gap

4.2 Foreign trade

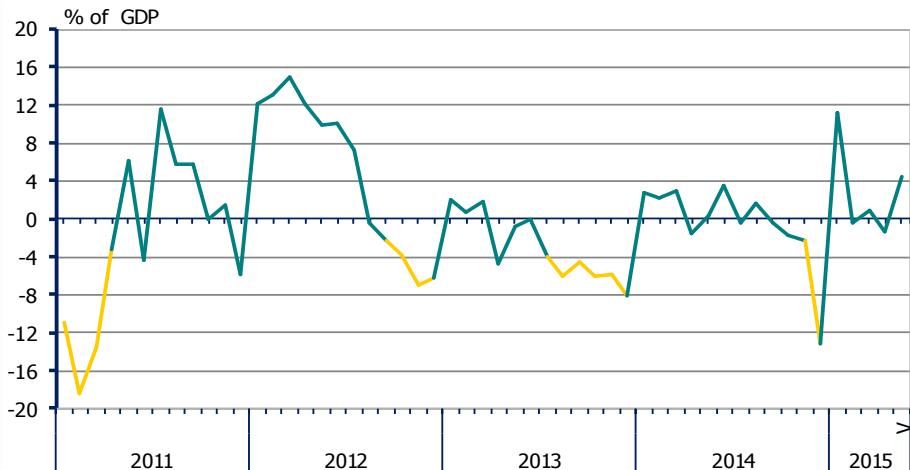


Fig. 4.5 – The ratio of trade balance in goods and services to GDP

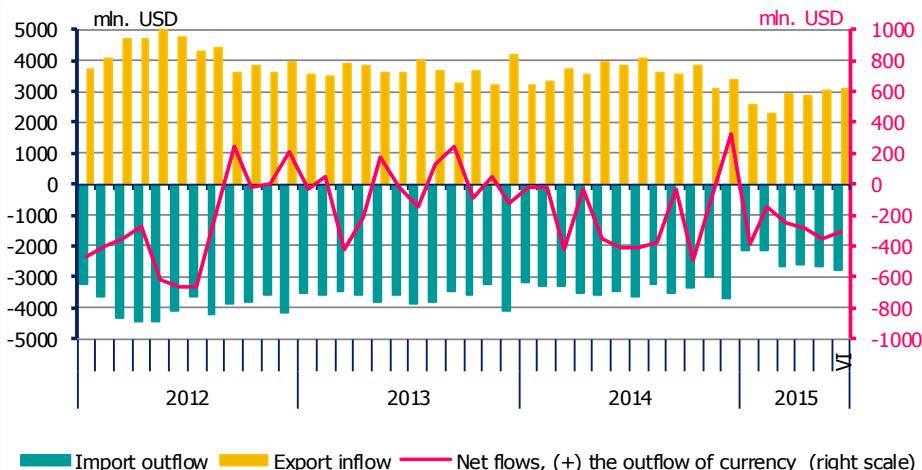


Fig. 4.6 – Foreign exchange inflow from export and outflow for import

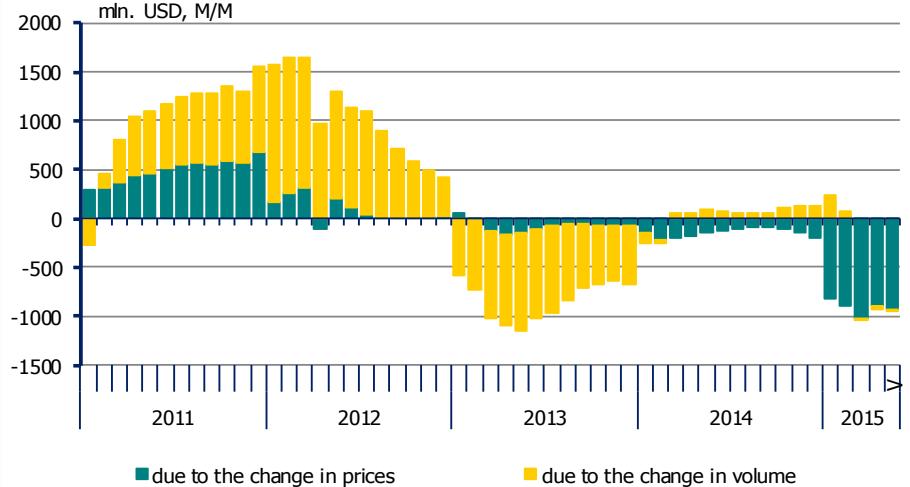


Fig. 4.7 – Changes in export of goods

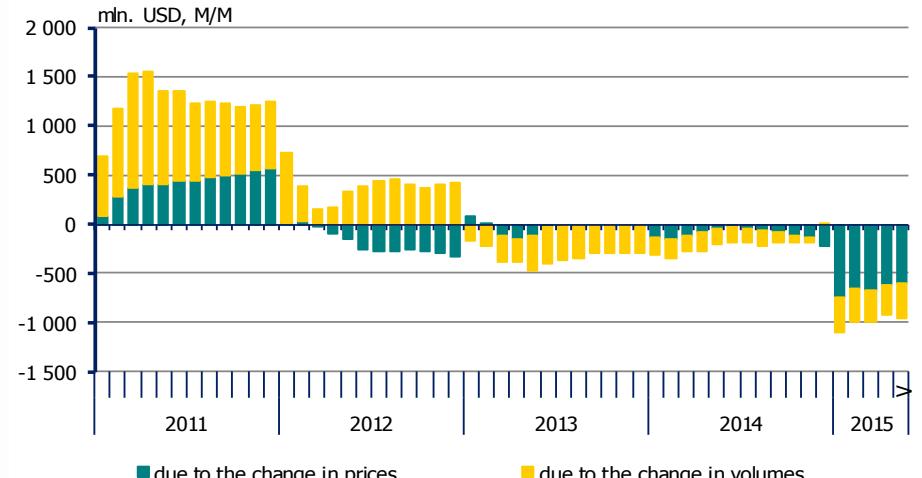


Fig. 4.8 – Changes in import of goods

4.3 External conditions and diversification of exports

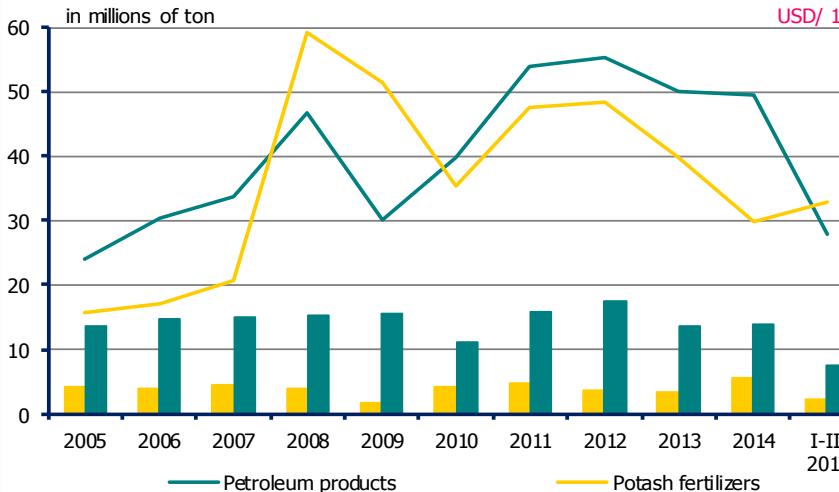


Fig. 4.9 – Export volumes and export prices

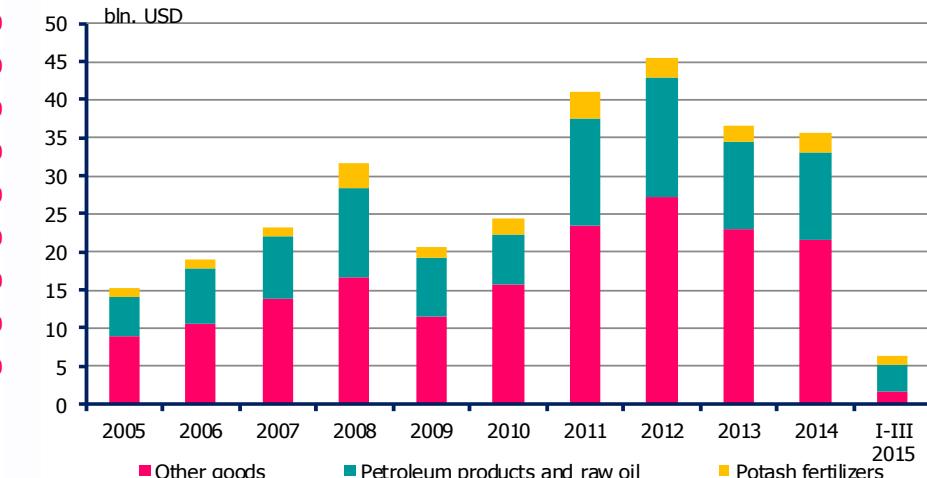


Fig. 4.10 – Export volume of goods

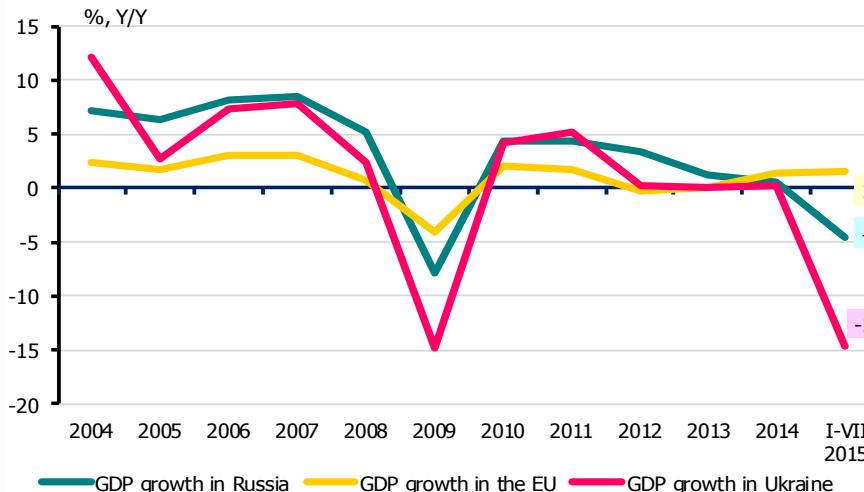


Fig. 4.11 – GDP growth in Russia and the EU

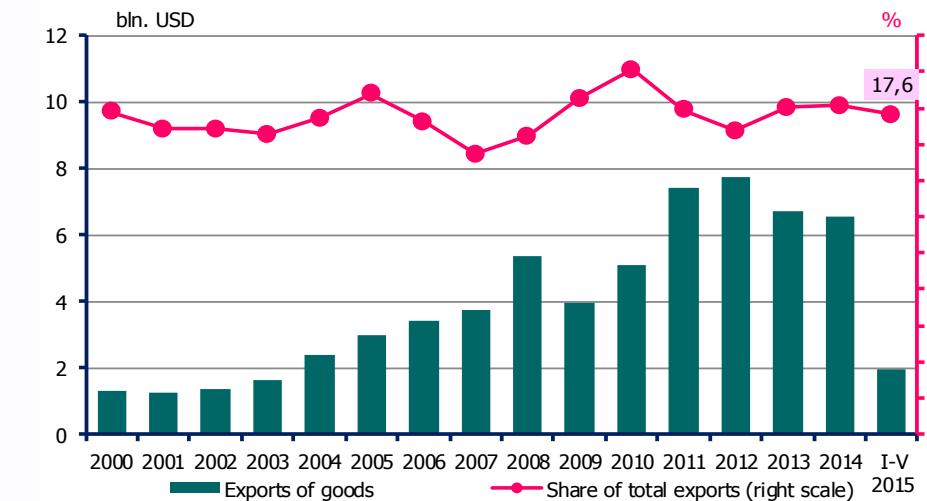


Fig. 4.12 – Export of goods without 10 largest trading partners

4.4 External debt

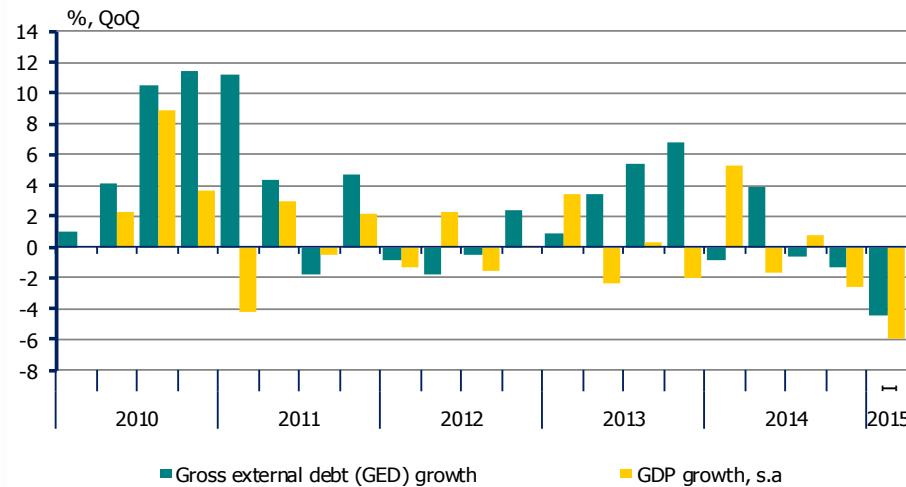


Fig. 4.13 – Growth rates of GED and GDP

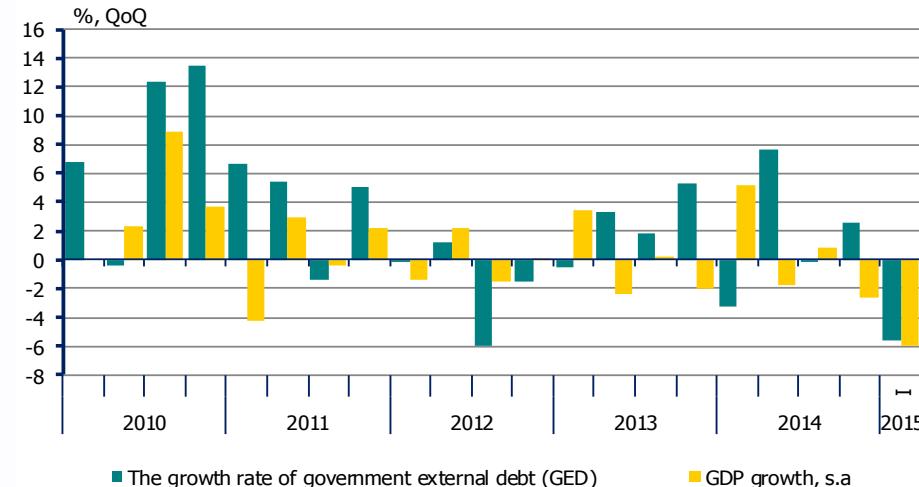


Fig 4.14 – Growth rates of GovED and GDP

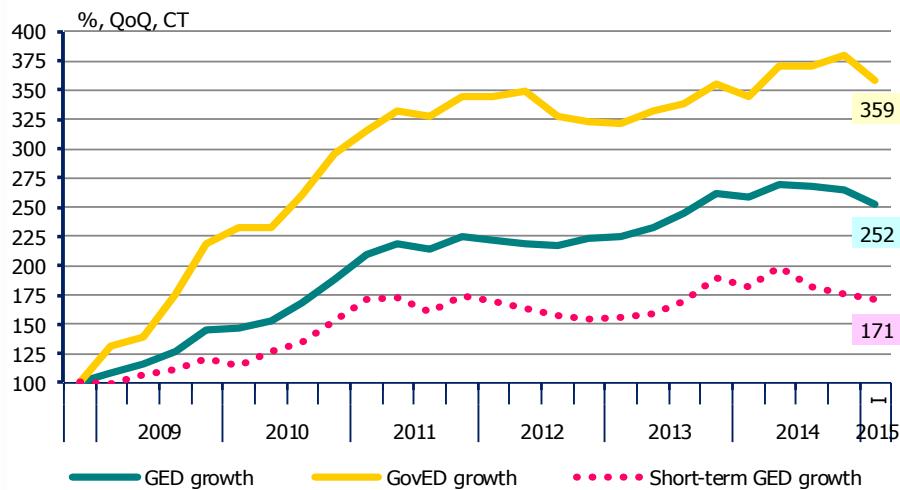
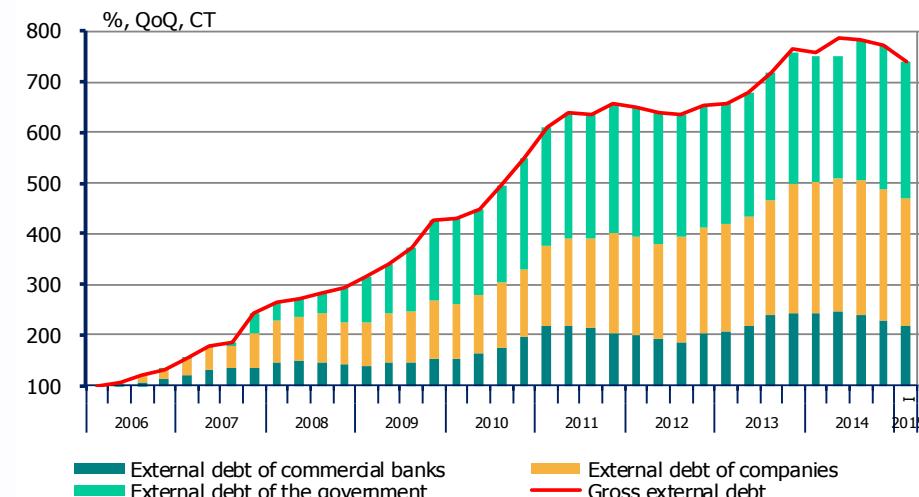


Fig. 4.15 – GED, GovED and short-term GED

Fig. 4.16 – Dynamics of structure of gross external debt



4.5 Creditworthiness

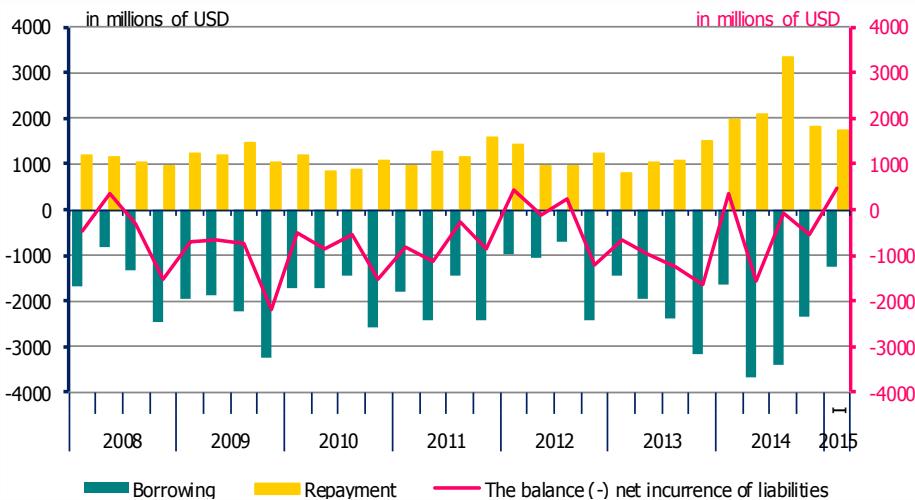


Fig. 4.17 – Borrowing and repayment of foreign loans



Fig. 4.18 – Belarus Gov Bonds 7Y

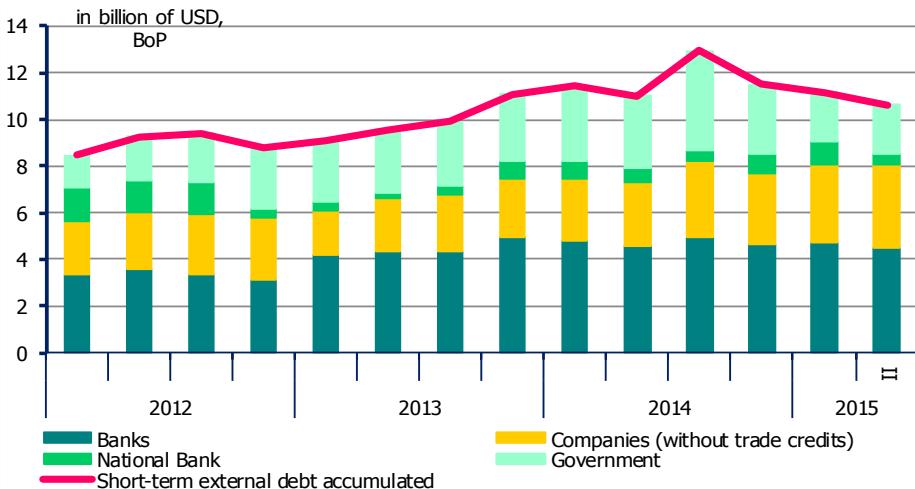


Fig. 4.19 – Short-term GED by residual maturity

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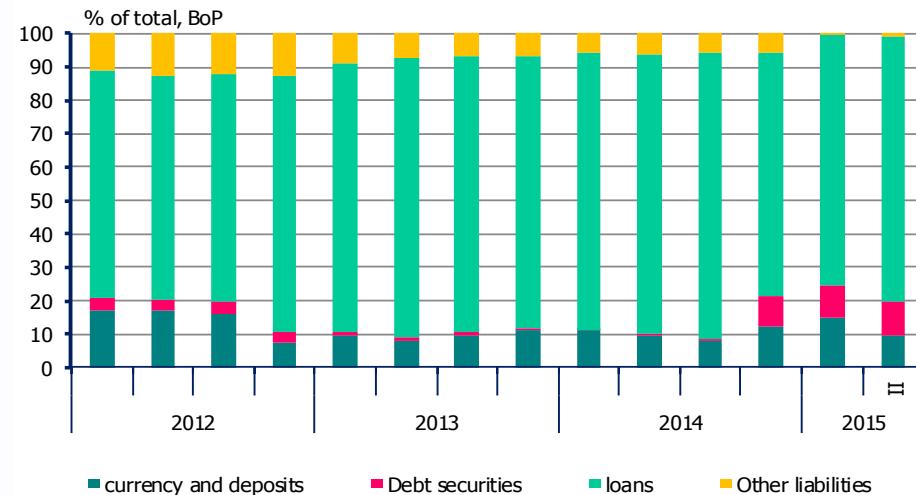


Fig. 4.20 – Short-termed GED by financial instruments

4.6 Real exchange rate and price competitiveness

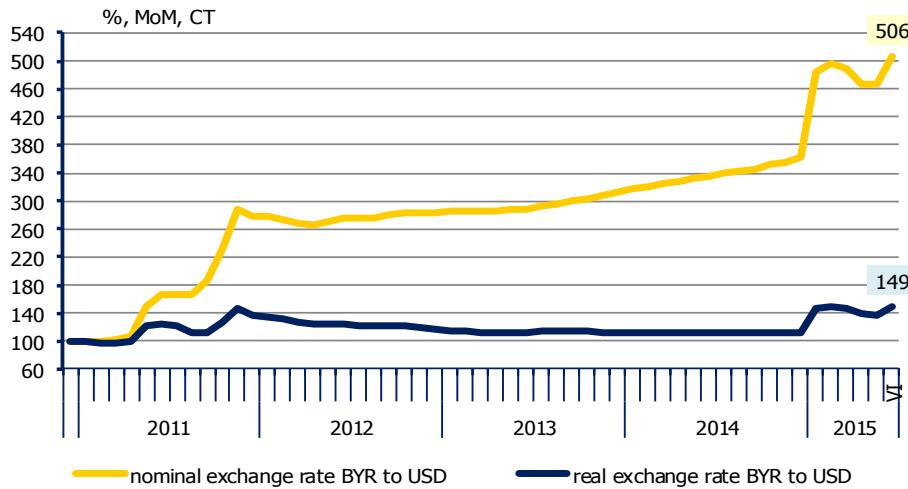


Fig. 4.21 Nominal and real exchange rate of BYR to USD (calculated by CPI)

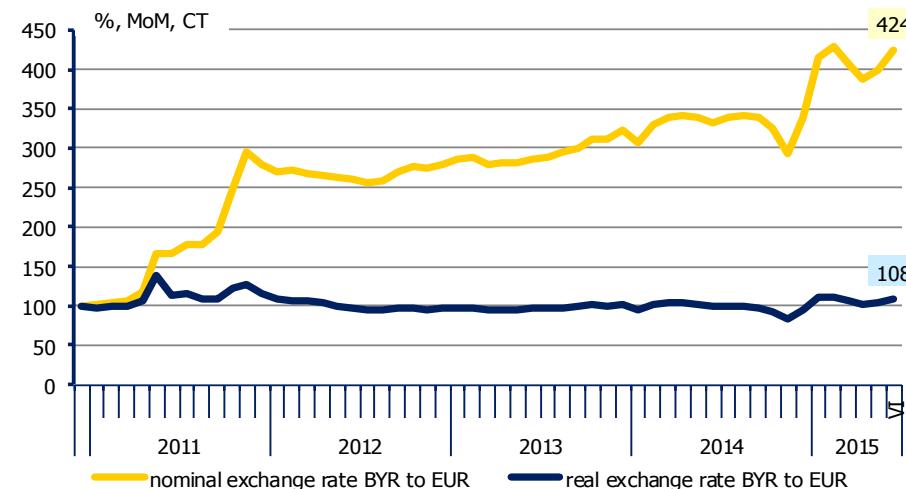


Fig. 4.22 - Nominal and real exchange rate of BYR to EUR (calculated by CPI)

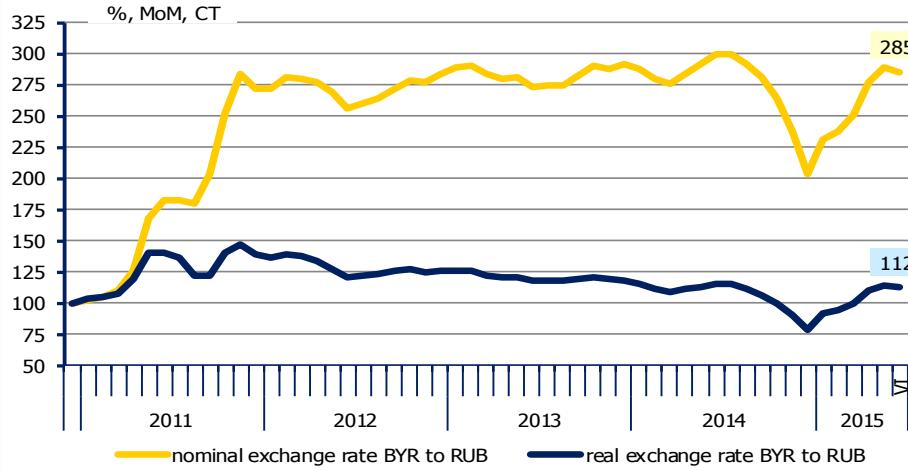


Fig. 4.23 - Nominal and real exchange rate of BYR to RUB (calculated by CPI)

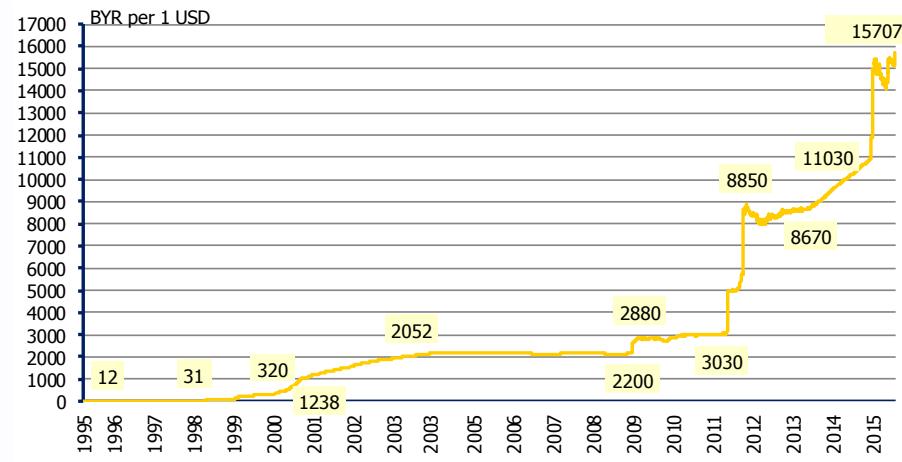


Fig. 4.24 – Exchange rate of BYR to USD

4.7 Foreign-exchange reserves

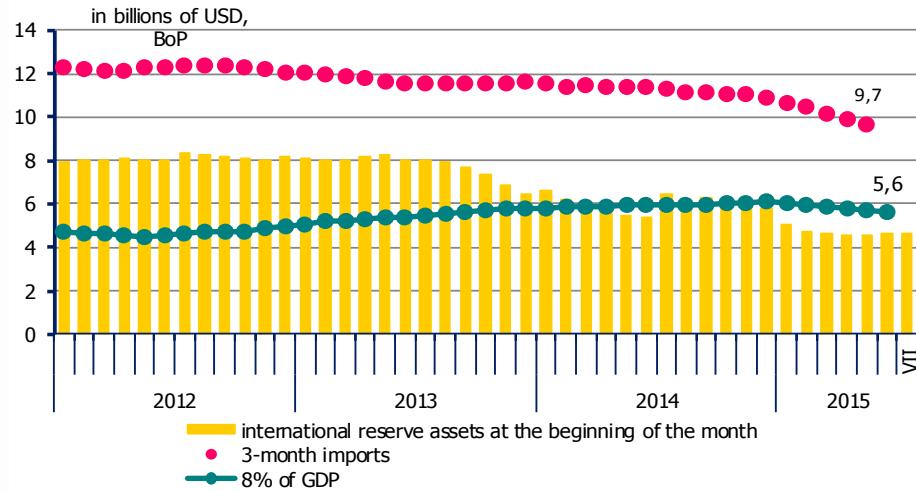


Fig. 4.25 – The level of adequacy of the reserves

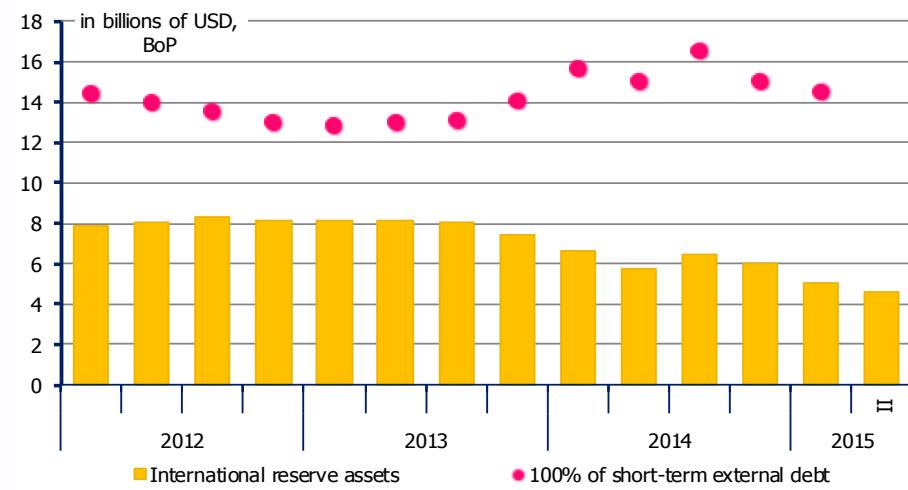


Fig. 4.26 – The level of adequacy of reserves

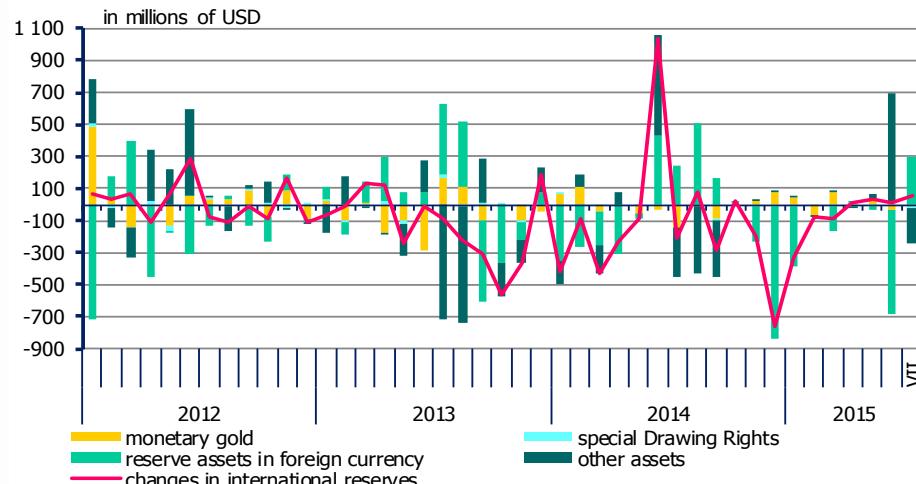


Fig. 4.27 - IRA structure

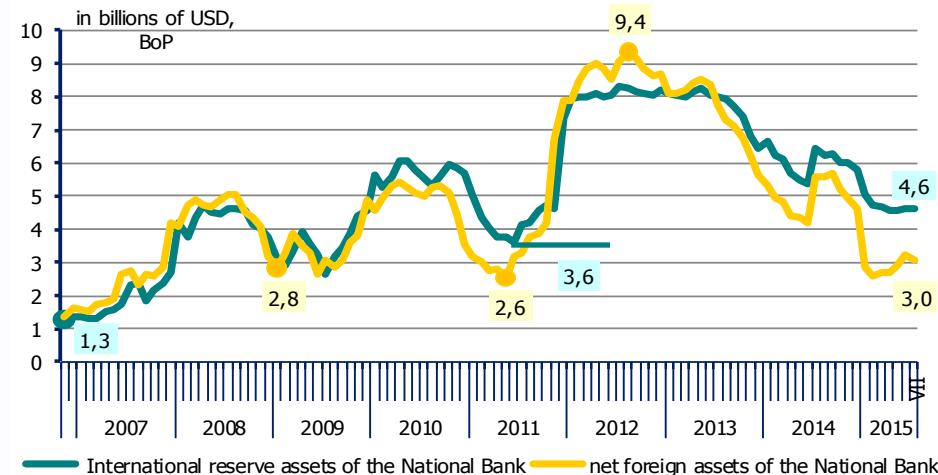


Fig. 4.28 - IRA and NFA of the National Bank

4.8 Net foreign assets

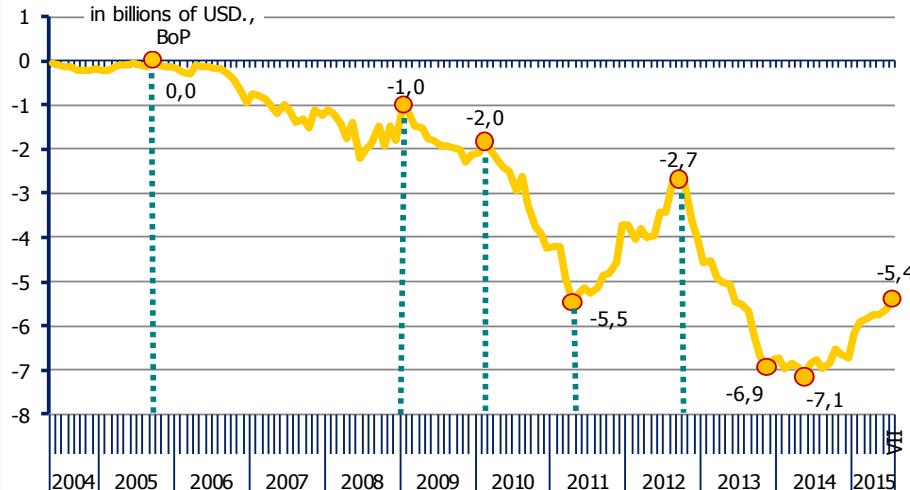


Fig. 4.29 – NFA of commercial banks

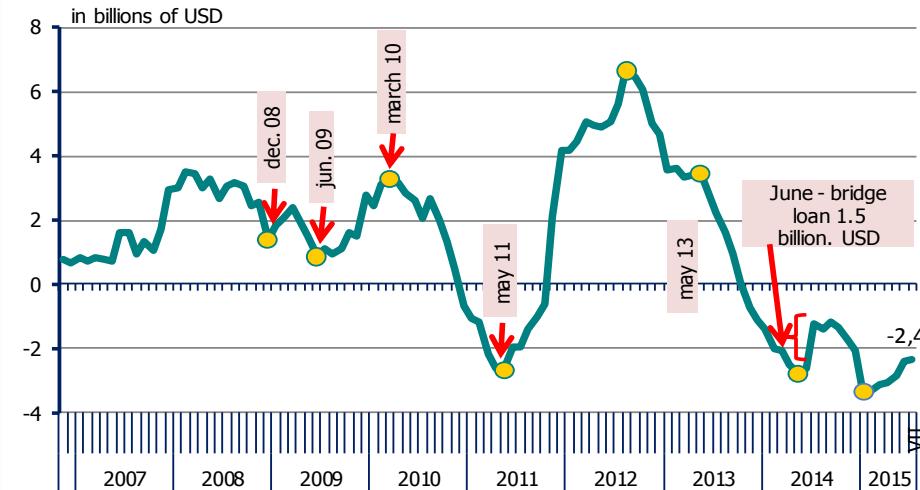


Fig. 4.30 – NFA of the banking system

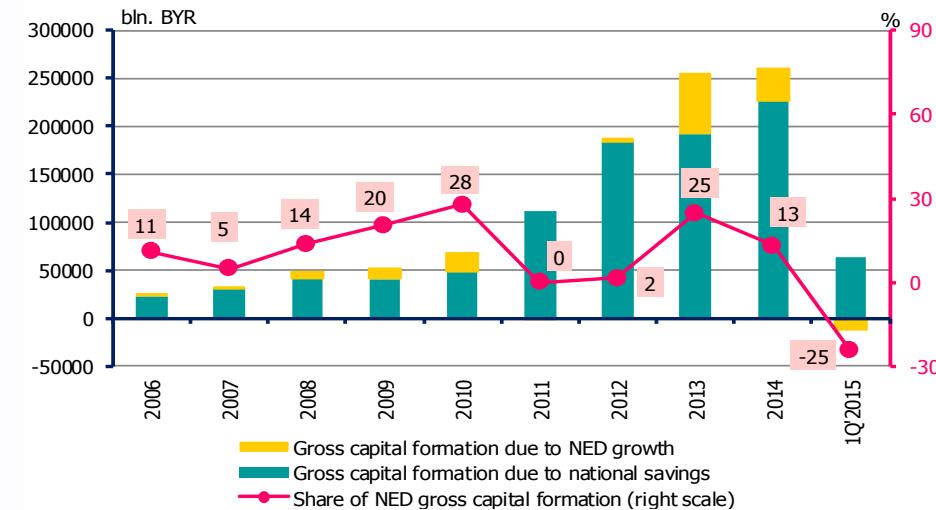


Fig. 4.31 – Gross capital formation due to NED growth

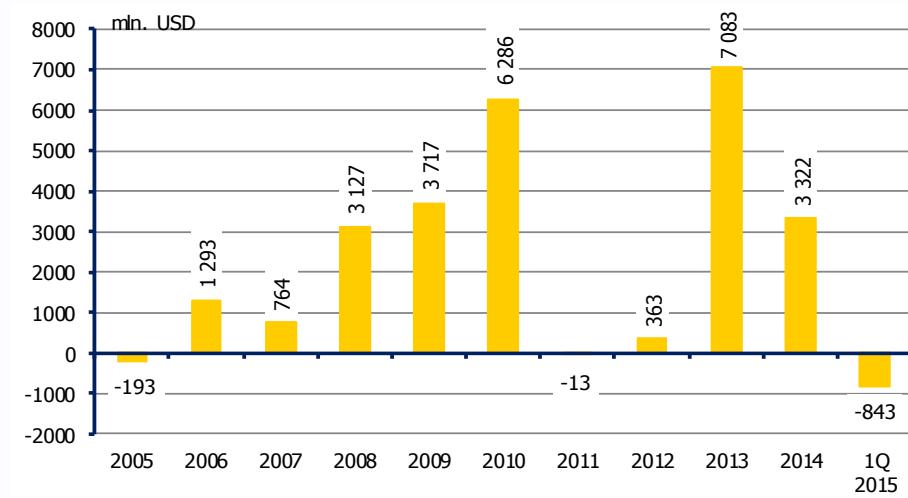


Fig. 4.32 – NED Growth

Table 1.1. Dynamics of key macroeconomic indicators

Real sector	Units	II 2014	III 2014	VI 2014	I 2015	II 2015
Gross domestic product	%, Q/Q, rp	1,6	2,1	1,5	-2,1	-4,4
Final consumption expenditure	%, Q/Q, rp	2,6	2,6	1,8	-0,6	
Gross capital formation	%, Q/Q, rp	-5,5	-4,6	-1,3	-1,1	
Net export	%, Q/Q, rp	4,2	3,5	-3,8	0,3	
Statistical discrepancy	%, Q/Q, rp	0,3	0,7	4,9	-0,7	
Production sector	%, Q/Q, cp	0,5	3,1	2,3	-3,5	-8,4
Services sector	%, Q/Q, cp	3,8	1,5	0,4	-0,6	-0,4
Industrial output	%, Q/Q, cp	0,5	-0,9	-2,5	-7,3	-7,5
Production of machinery and equipment	%, Q/Q, cp	-21,7	-22,5	-17,7	-26,4	-33,4
Production of vehicles	%, Q/Q, cp	-23	-10,9	-26,7	-19,1	-27,7
Production of electronic equipment	%, Q/Q, cp	-3,8	-10,5	-17,1	-15,6	-9,2
Chemical industry	%, Q/Q, cp	23,7	39,4	32,8	6,6	8,4
Fixed capital investment	%, Q/Q, cp	-11,5	-16,8	-3,2	-1,1	-23,1
Gross capital formation	% to GDP	32	33	39,3	26,5	
Investment in machinery, equipment and transport vehicles	%, Q/Q, cp	-20,4	-21,3	-5,6	-12,8	-36,6
Fixed capital investment by bank credits	%, Q/Q, rp	-2,2	-3,9	3	6,5	-36,2
Fixed capital investment by budget resources	%, Q/Q, rp	-26,8	-36,7	-25,4	-45,4	-37,3
Fixed capital investment by foreign loans increasing external debt	mln. USD	931	42	1782	-843	

Table 1.1. Dynamics of key macroeconomic indicators

Real sector	Units	II 2014	III 2014	VI 2014	I 2015	II 2015
Foreign direct investment (FDI)	mln. USD	9	176	311	1280	
Reinvested revenues	mln. USD	-225	28	3	1261	
FDI excluding the reinvested revenues	mln. USD	234	148	308	29	
Accounts payable overdue	%, Q/Q, rp	59,3	35,5	17,6	18,6	
Accounts receivable overdue	%, Q/Q, rp	41,9	27,6	20	23,4	
Real wages in BYR	%, Q/Q, rp	1,3	-2,9	-1,5	-3,1	-2,9
Real wages in USD	%, Q/Q, rp	3,5	-0,9	-0,3	-8,2	-7,5
Real pensions in BYR	%, Q/Q, cp, EoP	-1,1	-6,1	13,9	-1,5	0,8
Retail turnover	%, Q/Q, cp	8,9	5,8	0,6	1,9	0,4
Turnover of public catering	%, Q/Q, cp	7,4	-3,6	-10,5	-11,1	-11,3
Paid services for population	%, Q/Q, cp	-2,5	-0,9	1,9	-1,8	-1,6
Consumer price index (CPI)	%, QoQ	5	2,9	2,5	4,9	2,3
Consumer price index (CPI)	%, annualized	20,1	20,2	16,3	16,3	13,2
GDP deflator	QoQ, %	-12	5,9	12,5	-7,4	
Producer price index (PPI)	%, QoQ	3	4,7	2,2	7,4	2,6
Employment	%, QoQ	-0,69	-0,05	-0,12	-0,67	-0,66
Balance of hired (+) and fired (-) workers	th. pers.	-42,8	5,5	-7,4	-22,9	-42,1
Change of Unit Labor Cost by GDP	%, QoQ, s.a.	2,5	2,0	4,8	4,6	8,1**
Change of Real Unit Labor Cost by GDP, s.a. (ratio of real labour compensation (by CPI) to real GDP)	%, QoQ, s.a.	-2,4	-2,3	0,6	1,1	3,4**
Fiscal sector	Units	II 2014	III 2014	VI 2014	I 2015	II 2015
Revenues of consolidated budget	% to GDP	27,8	25,1	31,8	30,9	31,2
Expenditures of consolidated budget	% to GDP	28,2	23,9	29,4	26,8	26
Surplus (+) / deficit (-) of consolidated budget	% to GDP	-0,4	1,2	2,4	4,1	4,9

Table 1.1. Dynamics of key macroeconomic indicators

Fiscal sector	Units	II 2014	III 2014	VI 2014	I 2015	II 2015
Revenues of the Social Protection Fund (SPF)	% to GDP	12,8	11	11,9	12,4	12,8*
Expenditures of the Social Protection Fund (SPF)	% to GDP	12,4	10,6	12,3	13,3	13,2*
Deficit (-), surplus (+) of the SPF	% to GDP	0,3	0,4	-0,4	-0,9	-0,4*
Revenues of the central government budget balance	% to GDP	40,7	36,1	43,7	43,6	46,4*
Expenditures of the central government budget balance	% to GDP	40,7	34,4	41,7	40,3	39,6*
Deficit (-), surplus (+) of the central government budget balance	% to GDP	-0,1	1,6	2	3,3	6,7
Changes of volume of foreign currency bonds issued by the Ministry of Finance in banks' portfolios	mln. USD	200	69	262	-20	86
Monetary sector	Units	II 2014	III 2014	VI 2014	I 2015	II 2015
Monetary base	%, QoQ	6,8	9,4	-1,3	4	-6,7
Monetary aggregate M1	%, QoQ	15	4,8	-1	-9,7	15,9
Ruble money (monetary aggregate M2*)	%, QoQ	7,4	11,2	-7,9	0,7	9,7
Broad money (monetary aggregate M3)	%, QoQ	7,2	6	4	13,3	8,5
Banks' requirements to economy	%, QoQ	4,5	3,2	8	9,7	4,1
Share of preferential loans in total volume of claims	as % of total	35	33,3	9,9	25,2	28,6
Preferential loans of banks on the economy	%, Q/Q, rp	-0,8	-22,3	-67,7	-25,2	-47,8
Financial sector claims on the economy	%, QoQ	5,2	3,2	8,2	12,1	4,1
Buying and selling volumes of foreign exchange market by households	mln. USD	207	-175	1320	-281	-508
Buying and selling volumes of foreign exchange market by companies	mln. USD	-113	-179	522	-1	-62
Buying and selling volumes of foreign exchange market by nonresidents	mln. USD	-46	-74	-76	-71	-62
Total buying and selling volumes of foreign exchange	mln. USD	48	-428	1766	-353	-632
Average daily turnover of foreign currency on the Belarusian Currency and Stock Exchange	mln. USD	125	112	123	96	78

Table 1.1. Dynamics of key macroeconomic indicators

Monetary sector	Units	II 2014	III 2014	VI 2014	I 2015	II 2015
Average daily turnover of foreign currency on the curb market	mln. USD	80	51	120	84	100
Average daily turnover of foreign currency on the spot currency market	mln. USD	49	50	48	30	34
Average daily turnover of foreign currency on the foreign exchange market	mln. USD	254	213	291	210	212
External sector	Units	II 2014	III 2014	VI 2014	I 2015	II 2015
Current account balance (the resource gap)	bln. USD	-0,6	-0,8	-1,9	-1,1	
Current account balance (the resource gap)	% to GDP	-3,4	-3,7	-9,4	-8,6	
Net inflow (-), outflow (+) on the financial account	bln. USD	0,7	-0,3	-1,4	-0,4	
Net inflow (-), outflow (+) on the financial account	% to GDP	3,6	-1,5	-7,3	-3,3	
Deficit (-), surplus (+) of the balance of payments	bln. USD	-1,2	-0,1	-1	-0,5	
Deficit (-), surplus (+) of the balance of payments	% to GDP	-6,5	-0,6	-5,2	-3,9	
Changes of IRA in the definition of IMF	bln. USD	0,7	-0,4	-0,9	-0,5	0,1
Foreign loans for financing of current balance deficit	bln. USD	2	0	0	0	1,3
Net capital inflow (-), outflow (+) increasing debt	bln. USD	-0,9	0	-1,8	0,8	
Net capital inflow (-), outflow (+) not increasing debt	bln. USD	0,3	-0,1	0	-1,1	
Net inflow (-), outflow (+) of foreign capital	bln. USD	-0,6	-0,1	-1,8	-0,3	
Borrowing of foreign loans	bln. USD	3,7	3,4	2,3	1,3	
Repayment of foreign loans	bln. USD	2,1	3,3	1,8	1,7	
Repayment of interest on foreign loans	bln. USD	0,35	0,35	0,25	0,4	
The balance of foreign exchange inflow from export and outflow for import	mln. USD	-788	-823	-245	-783	-949

Table 1.1. Dynamics of key macroeconomic indicators

External sector	Units	II 2014	III 2014	VI 2014	I 2015	II 2015
Changes of NER of BYR to USD	%	-3,3	-3,7	-12	-24,4	-4,1
Changes of RER of BYR to USD	%	0,8	-0,7	-7,9	-19,1	-2,9
Changes of NER of BYR to EUR	%	-2,4	3,4	-7,2	-11,1	-6,3
Changes of RER of BYR to EUR	%	2,5	6,2	-4,3	-6	-4,4
Changes of NER of BYR to RUB	%	-9,6	11,4	20,3	-17,2	-9,6
Changes of RER of BYR to RUB	%	-6,8	12,7	18,4	-20	-8,3
Changes of NFA of the National Bank	bln. USD	1,1	-0,4	-2,3	-0,1	0,3
Changes of NFA of commercial banks	bln. USD	0,2	0,3	0,3	0,4	0,4
Changes of NFA of the banking system	bln. USD	1,3	-0,1	-2	0,3	0,7
Gross external debt (GED)	bln. USD, BoP	39,3	40,8	40,5	40	38,2
General government external debt (GovED)	bln. USD, BoP	13,8	14,9	14,9	15,3	14,4
GovED in the extended definition	bln. USD, BoP	22	23,3	23,2	23,2	21,8
Net external debt (NED)	bln. USD, BoP	25,6	26,5	26,6	28,4	27,5
Short-term GED by residual maturity	bln. USD, BoP	11	12,9	11,5	11,2	10,6

* first two months of the quarter

** estimate

Условные обозначения:

annualized – in annual terms

Q/Q – Quarter over comparable Quarter of previous year

BoP – Beginning of Period

QoQ – Quarter on previous Quarter

cp – in comparable prices

rp – in real (constant) prices

EoP – End of Period

s.a. – seasonally adjusted

The information in the table is based on official statistics and calculations performed by CASE Belarus.

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The information presented in this review is based on the data of official bodies and calculations of CASE Belarus.

When using the graphs presented in the review, reference to CASE Belarus is obligatorily.

Any suggestions and comments please forward to: outlook@case-belarus.eu

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