



MACROECONOMIC REVIEW OF BELARUS



January- December 2016

CONTENTS

Abbreviations	4
I. REAL SECTOR	
1.1. Economic growth	5
1.2. Labor market	6
1.3. Wages and consumer demand	8
1.4. Investments	9
1.5. Inflation	10
II. FISCAL SECTOR	
2.1. Government Budget	11
III. MONETARY SECTOR	
3.1. Monetary base	13
3.2. Multiplier and money velocity	14
3.3. Monetary supply	15
3.4. The resource base of commercial banks	16
3.5. Financial depth of the economy	17
3.6. Borrowing in the economy	18
3.7. Foreign exchange market	19
IV. EXTERNAL SECTOR	
4.1. Balance of payments	20
4.2. Foreign trade	21
4.3. External conditions and diversification of exports	22
4.4. External debt	23
4.5. Creditworthiness	24
4.6. Real exchange rate and price competitiveness	25
4.7. Foreign-exchange reserves	26

CONTENTS

V. INTERSECTORAL FINANCIAL FLOWS

5.1. Internal sectoral imbalances	27
5.2. The linkages between monetary and external sectors	28
5.3 Separate financial flows between the National Bank, banks and Ministry of Finance	30
5.4 External imbalance	31
TABLE. DYNAMICS OF KEY MACROECONOMIC INDICATORS	32

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

2017F – 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

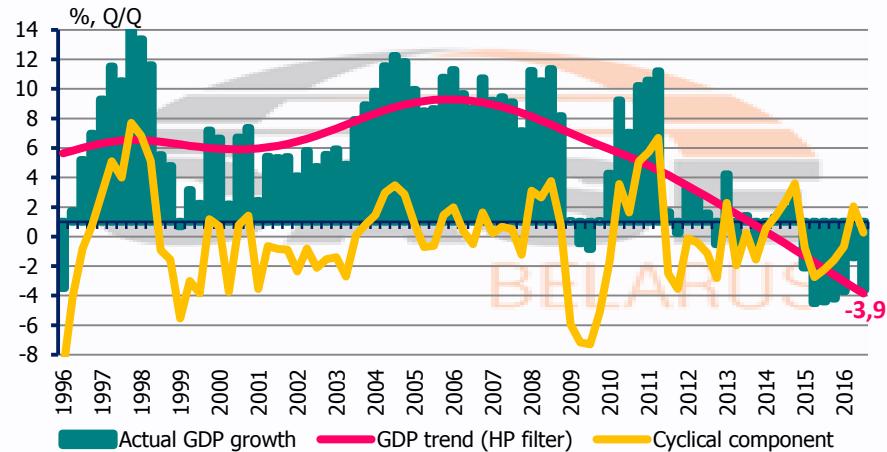


Fig. 1.1 – Trend and cycle of real GDP

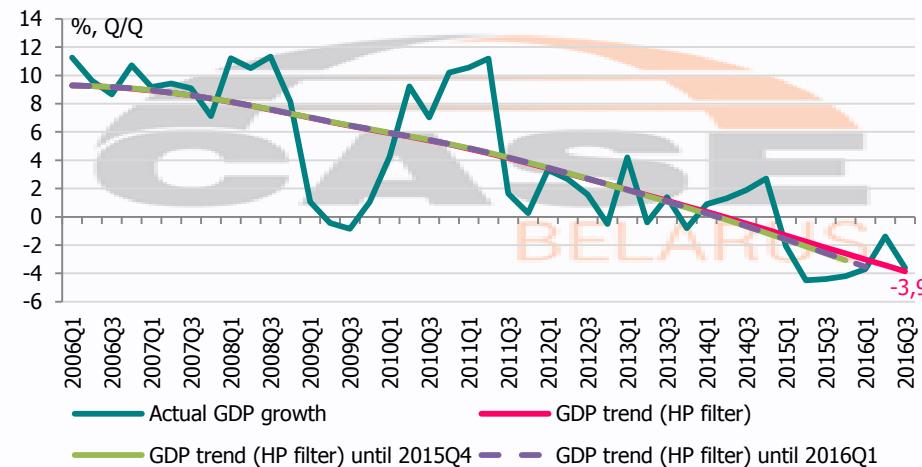


Fig. 1.2 – Trend of GDP calculated to the last quarter

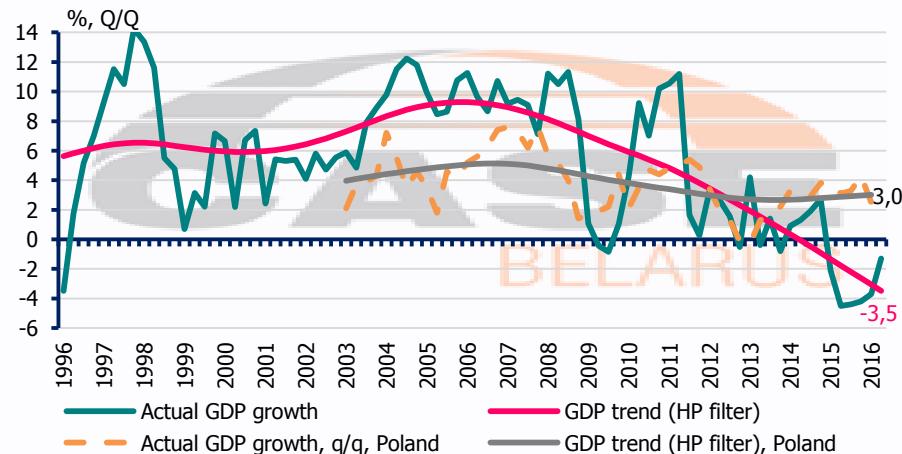


Fig. 1.3 – Trend of real GDP of Belarus and Poland

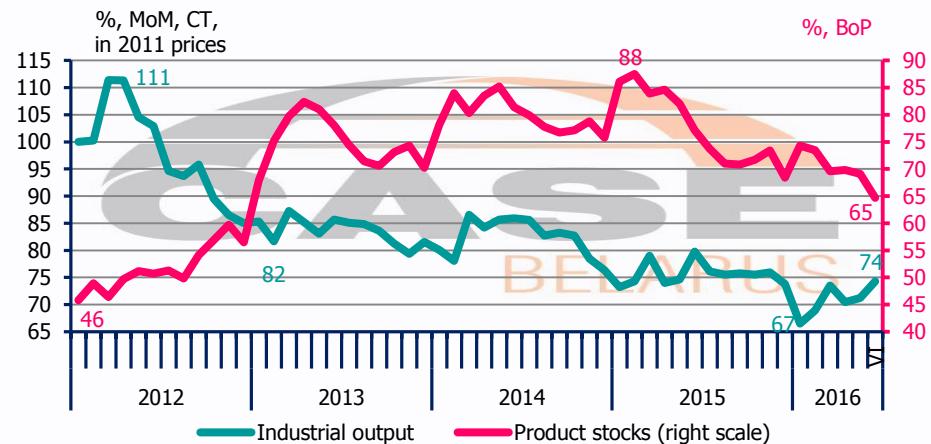


Fig. 1.4 – Industrial output and product stocks

1.2 Labor market

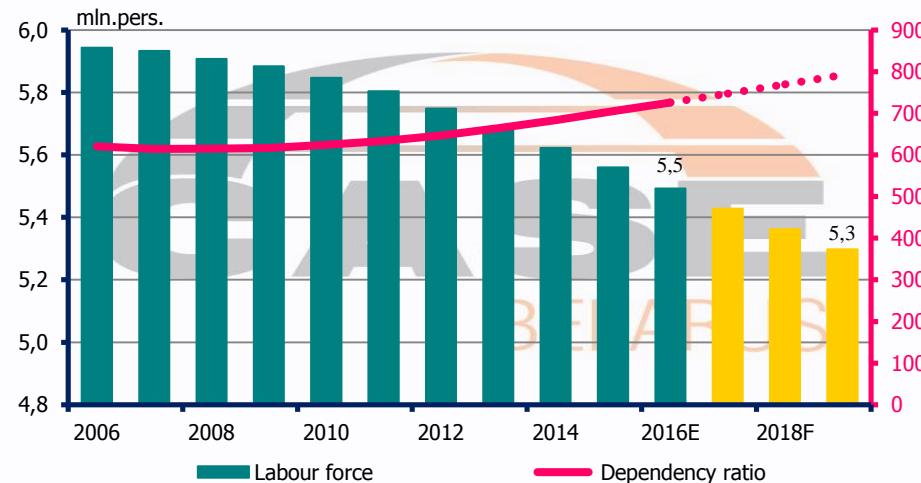


Fig. 1.5 – Labour force and dependency ratio

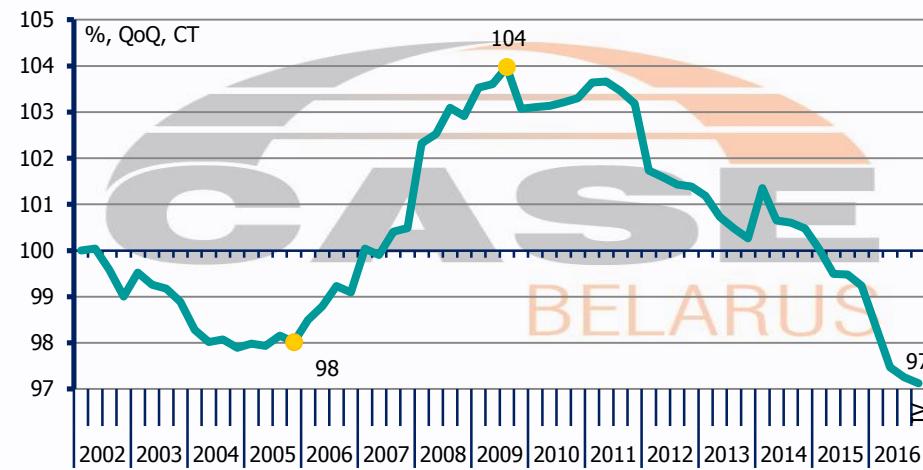


Fig. 1.6 – Number of employed in the economy

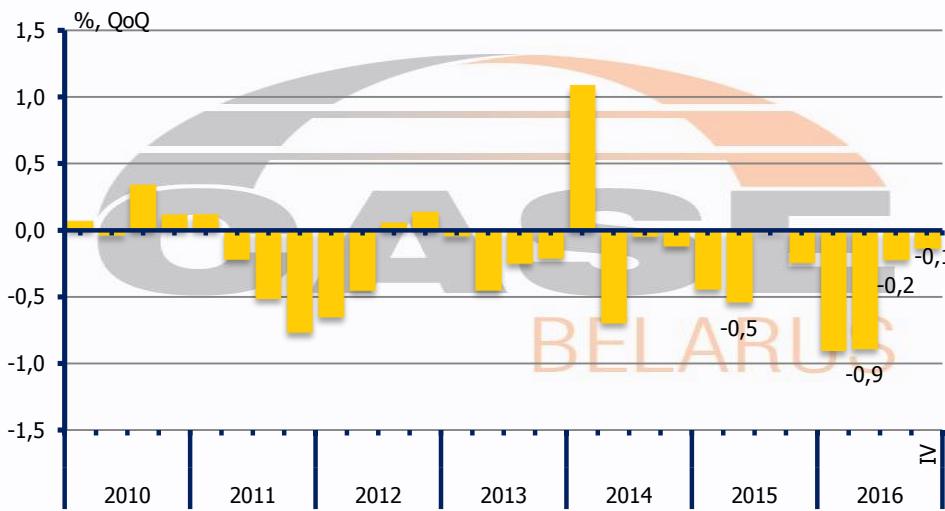


Fig. 1.7 – Employment growth rate

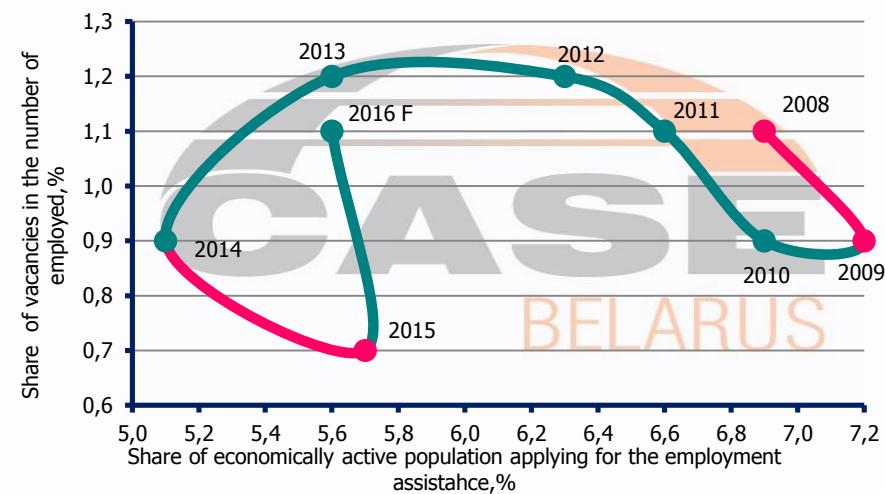


Fig. 1.8 – The Beveridge curve for Belarusian labor market, 2008-2015 y.

1.2 Labor market II

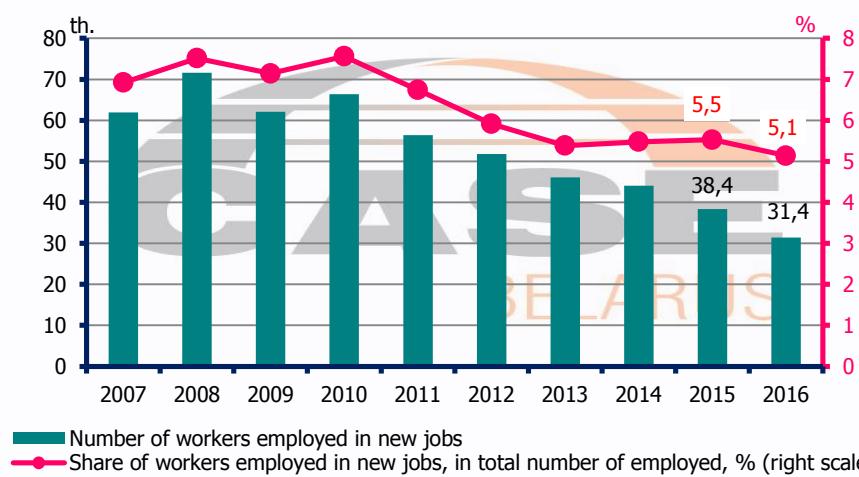


Fig. 1.9 – Dynamics of employed in new jobs

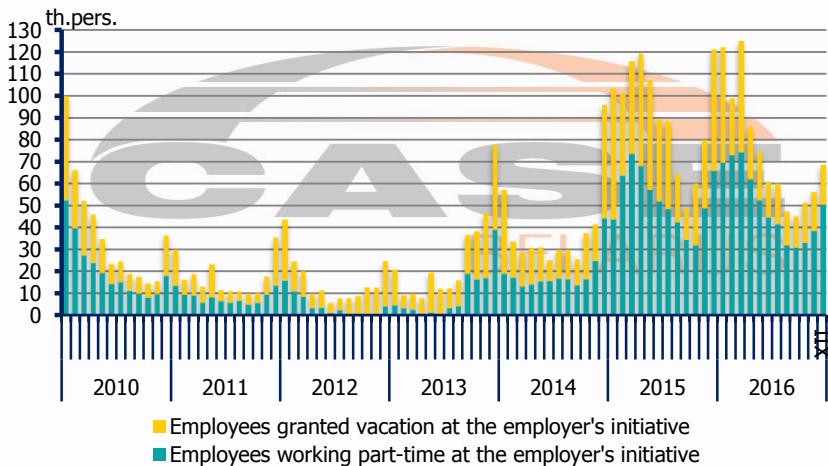


Fig. 1.11 – Employees in forced vacation and part-time work

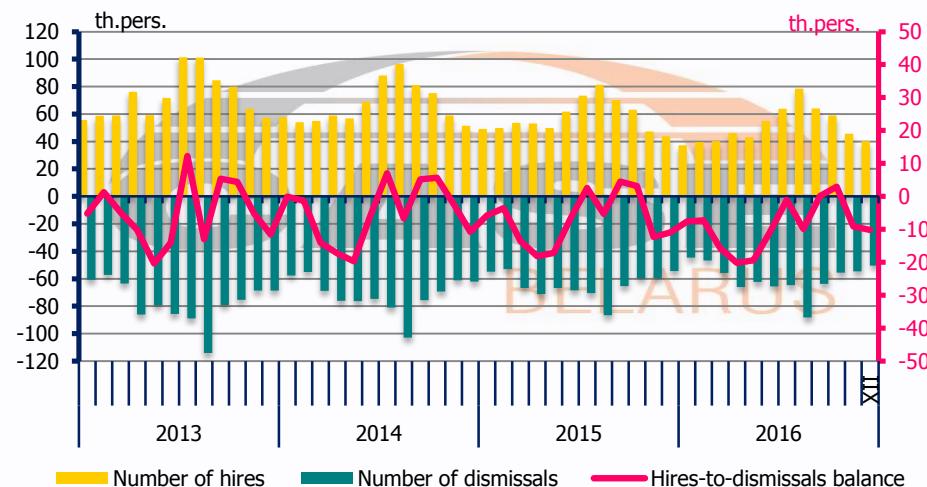


Fig. 1.10 – The ratio of hired and dismissed workers

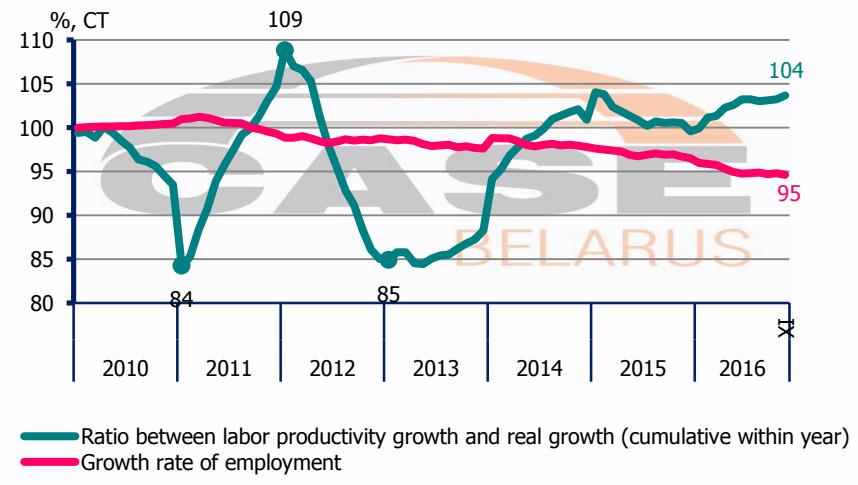


Fig. 1.12 – The ratio of labor productivity growth to real wages

1.3 Wages and consumer demand

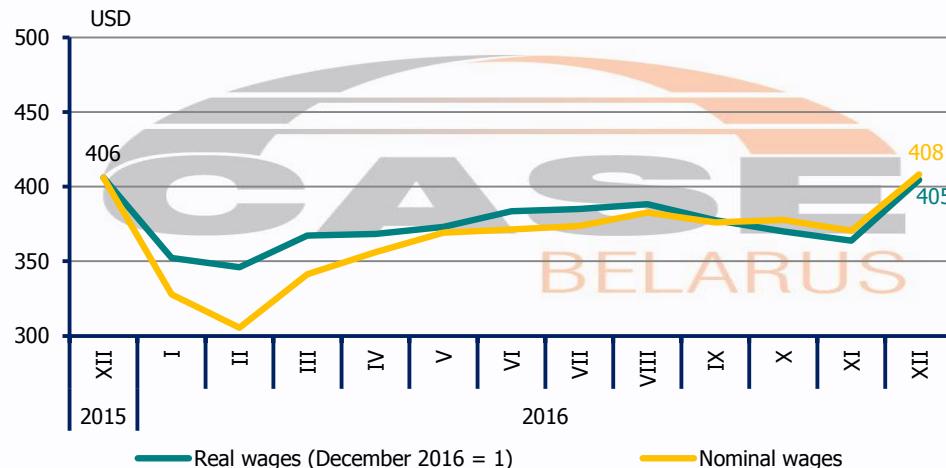


Fig. 1.13 - Dynamics of real wages in USD

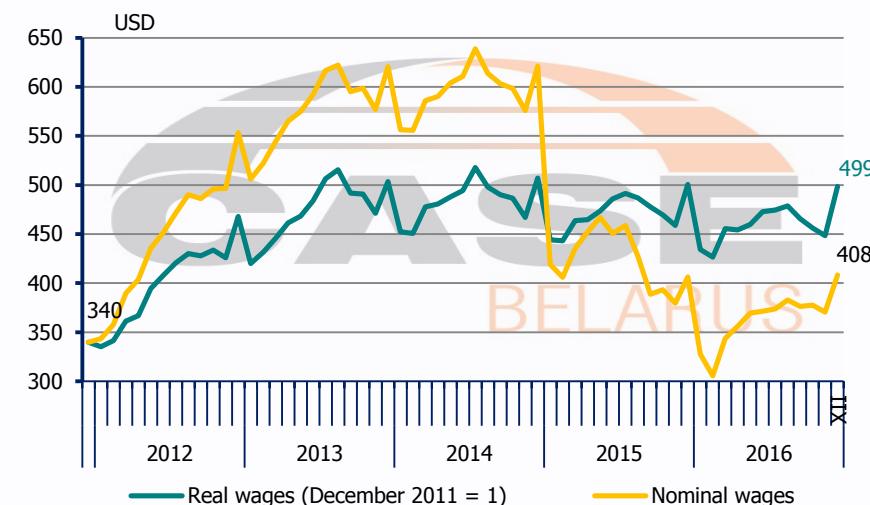


Fig. 1.14 - Dynamics of real wages in USD

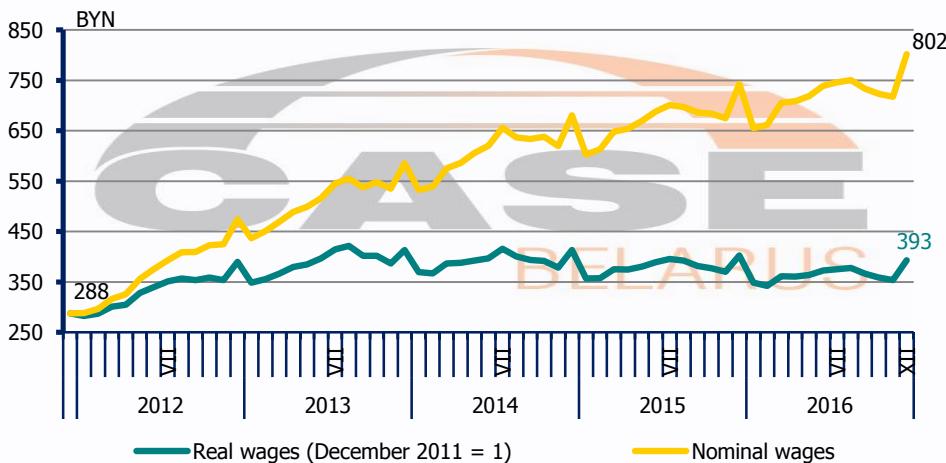


Fig. 1.15 - Dynamics of nominal and real average monthly wages

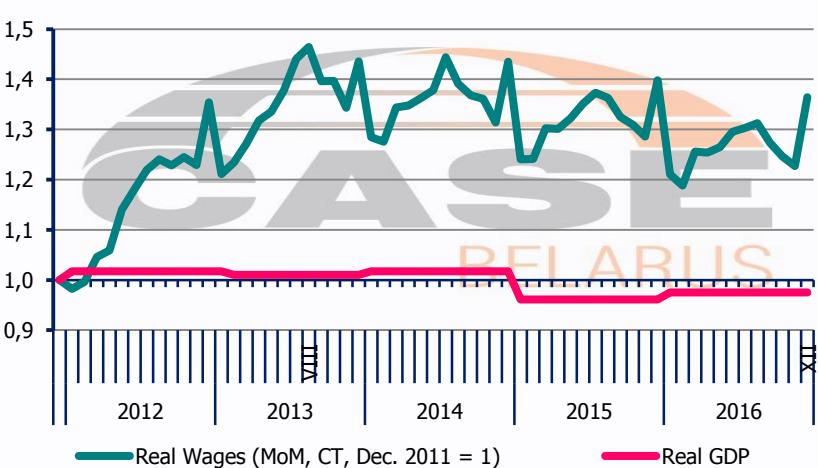


Fig. 1.16 – Dynamics of real wages and GDP

1.4 Investments

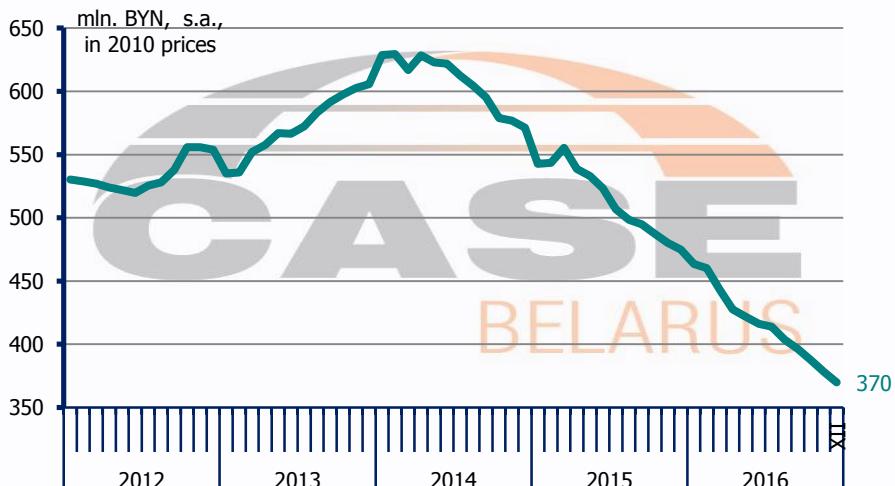


Fig. 1.17 – Fixed capital investment in real terms

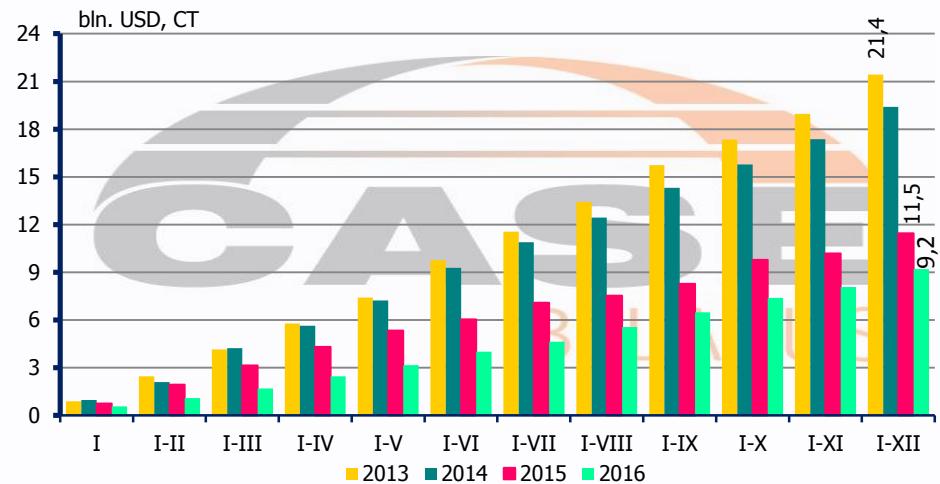


Fig. 1.18 – Fixed capital investment in current USD

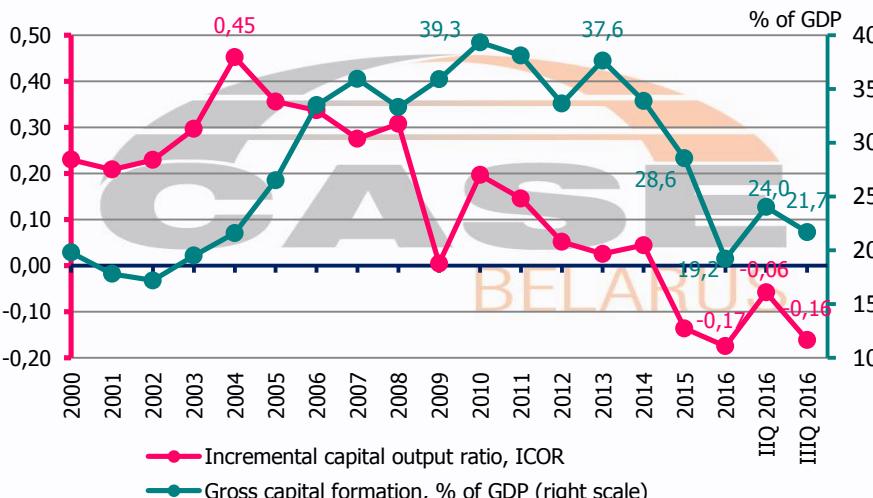


Fig. 1.19 – Incremental capital output ratio (right scale) and gross capital formation (left scale)

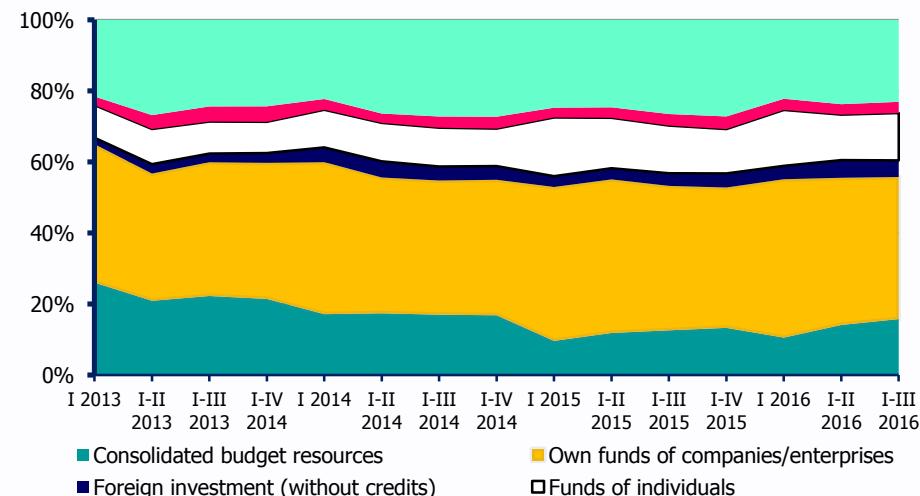


Fig. 1.20 – Fixed capital investment by source of financing

1.5 Inflation

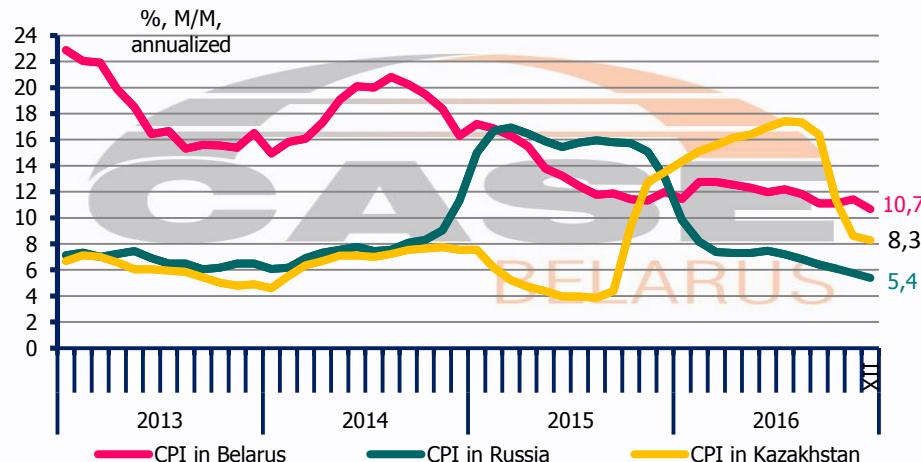


Fig. 1.21 - Inflation in Belarus, Russia and Kazakhstan

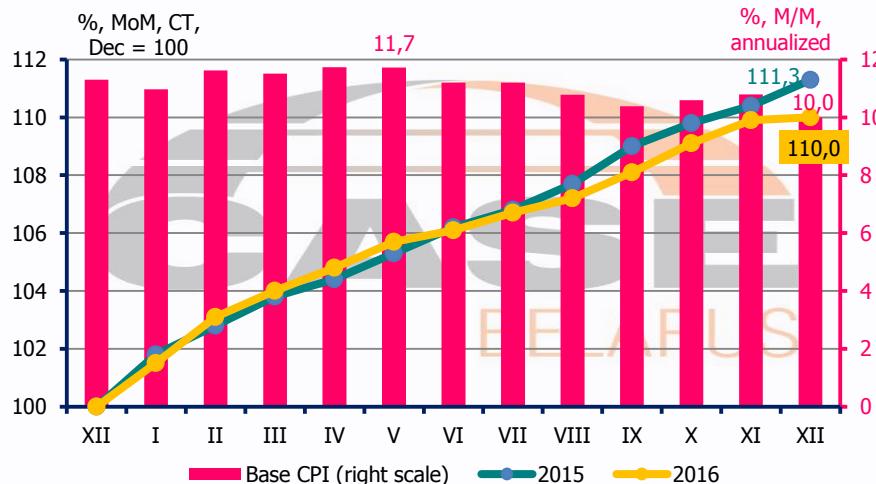


Fig. 1.23 – GDP Deflator and CPI

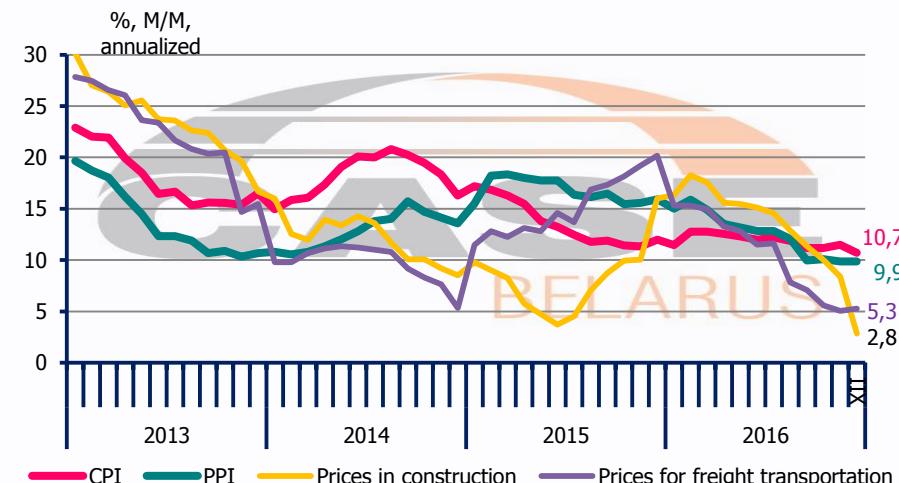


Fig. 1.22 – CPI by kind of prices

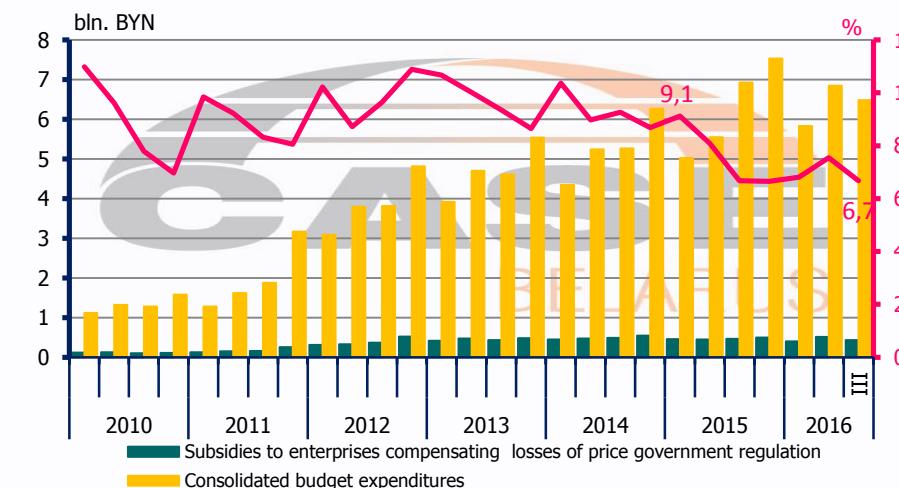


Fig. 1.24 - Share of subsidies covering losses of price regulation

2.1 Government Budget

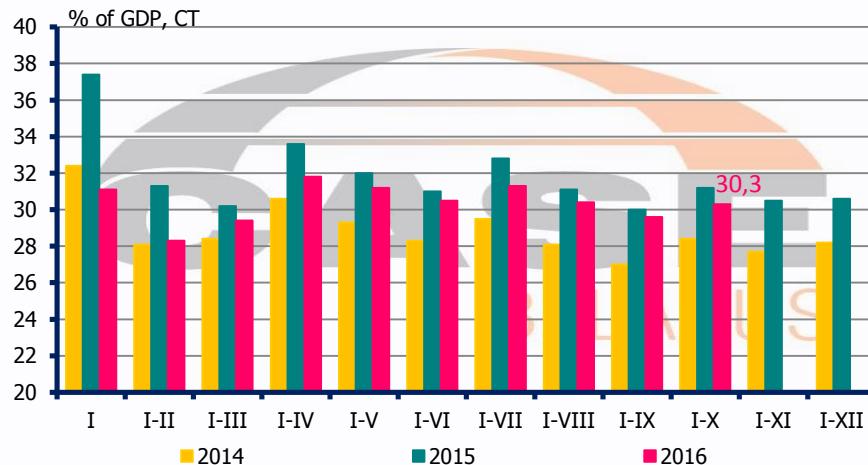


Fig. 2.1 – Revenues of consolidated budget

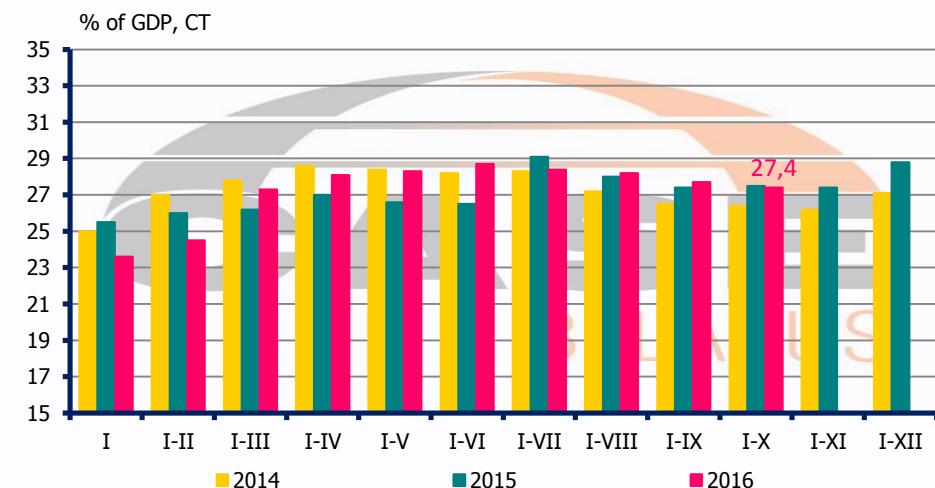


Fig. 2.2 - Expenditures of consolidated budget

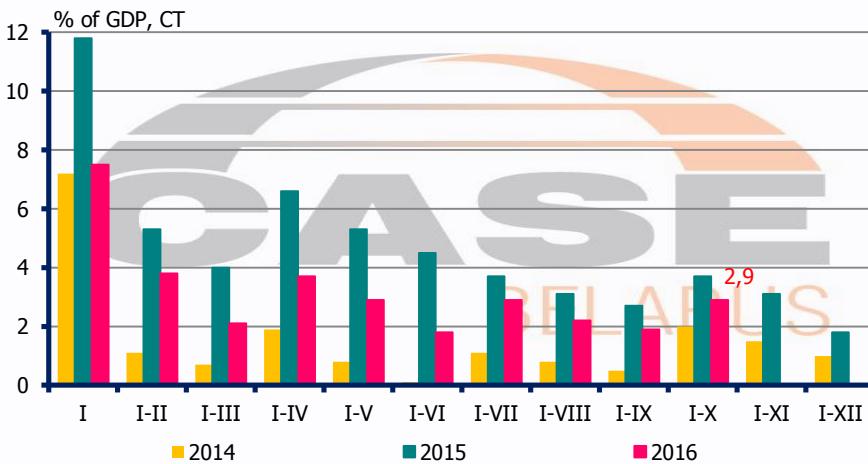


Fig. 2.3 - Surplus (+) / deficit (-) of consolidated budget

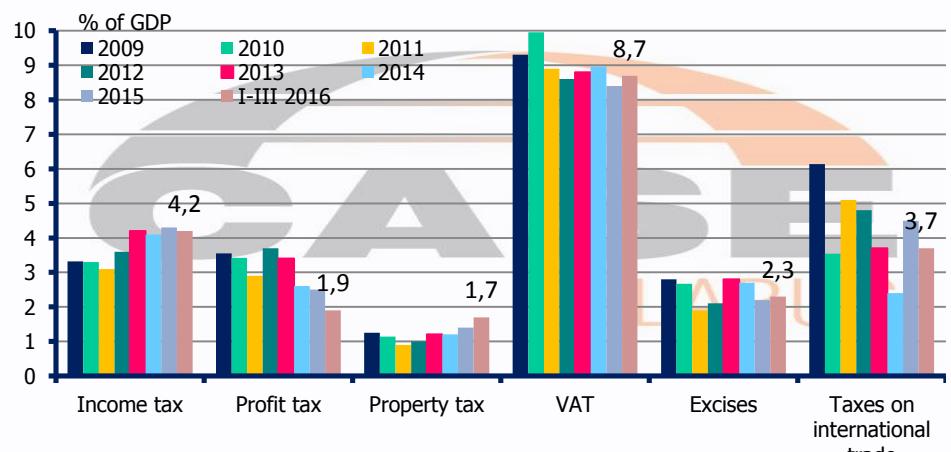


Fig. 2.4 - Tax revenues to GDP ratio

2.1 Government Budget II

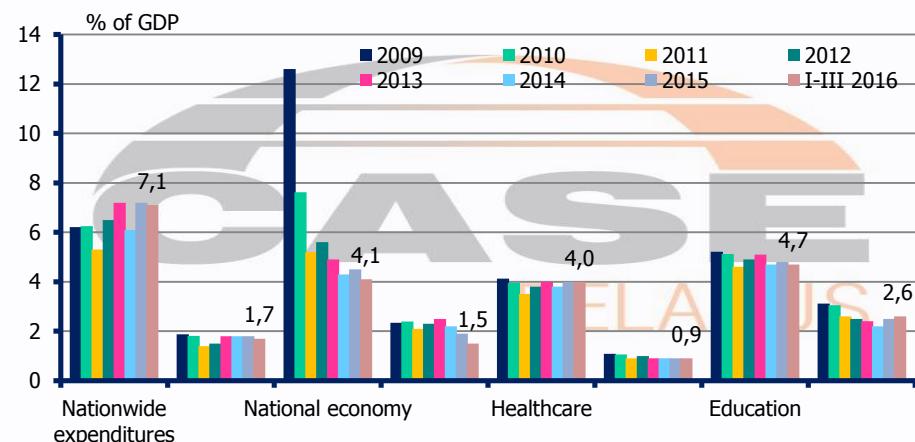


Fig. 2.5 – Structure of consolidated budget expenditures

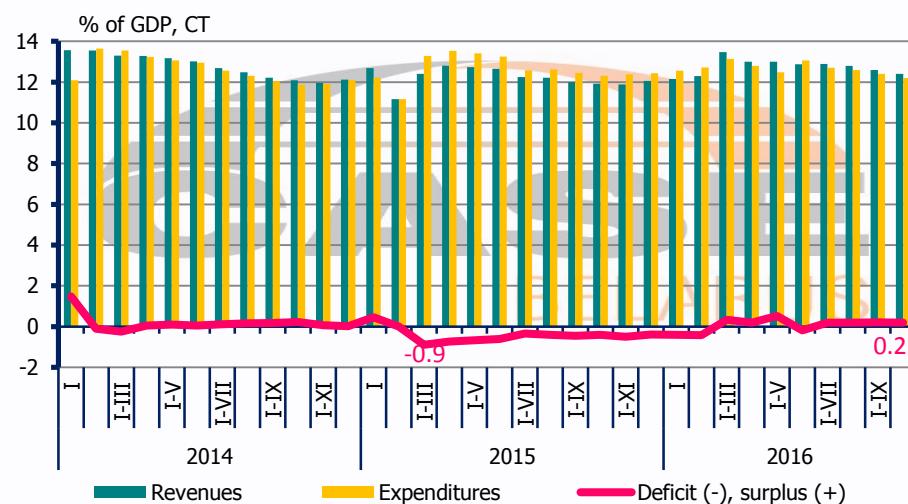


Fig. 2.6 – The Social Security Fund balance

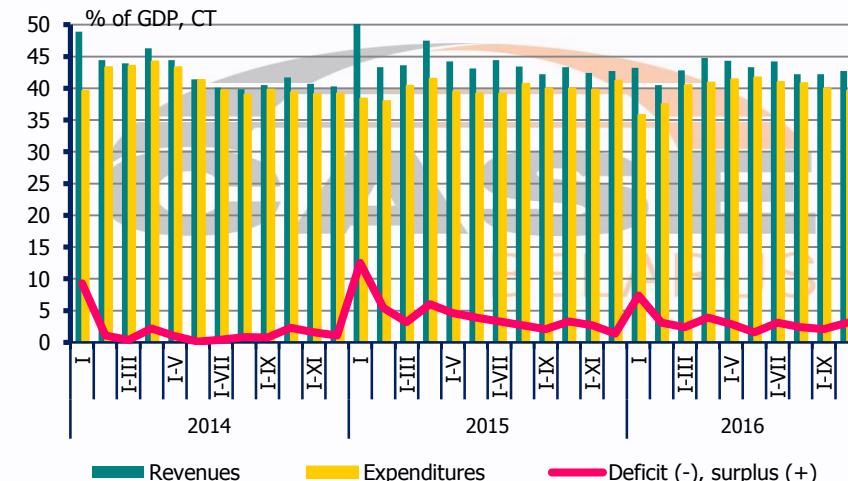


Fig. 2.7 – The central government budget balance

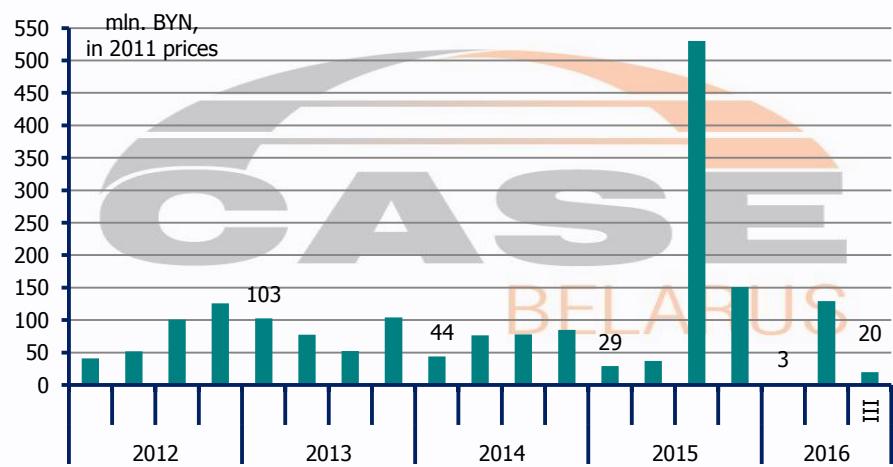


Fig. 2.8 – The size of the state support provided to legal entities

3.1 Monetary base

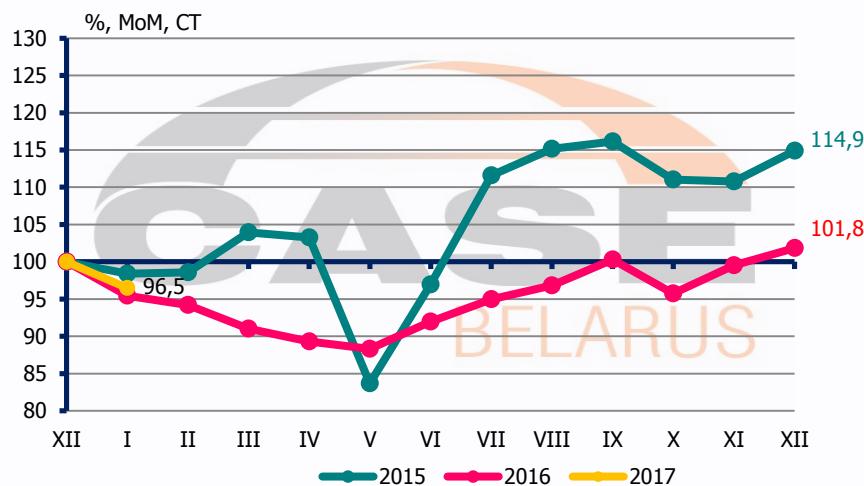


Fig. 3.1 – Monetary base

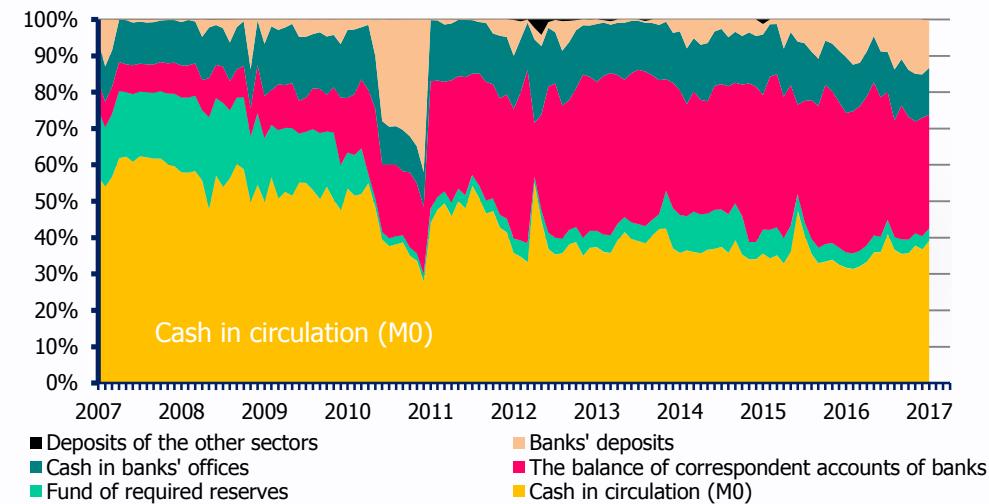


Fig. 3.2 - Monetary base structure dynamics

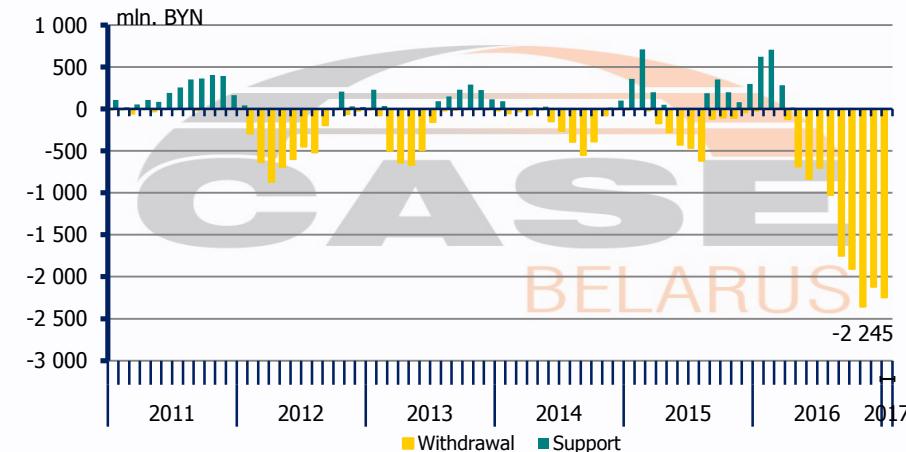


Fig. 3.3 - Regulation of the banking system liquidity by National Bank

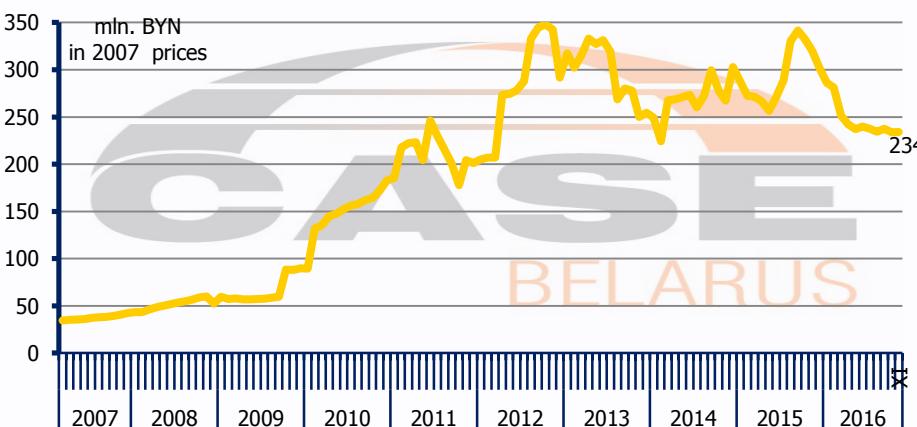


Fig. 3.4 – Balance of correspondent accounts

3.2 Multiplier and money velocity

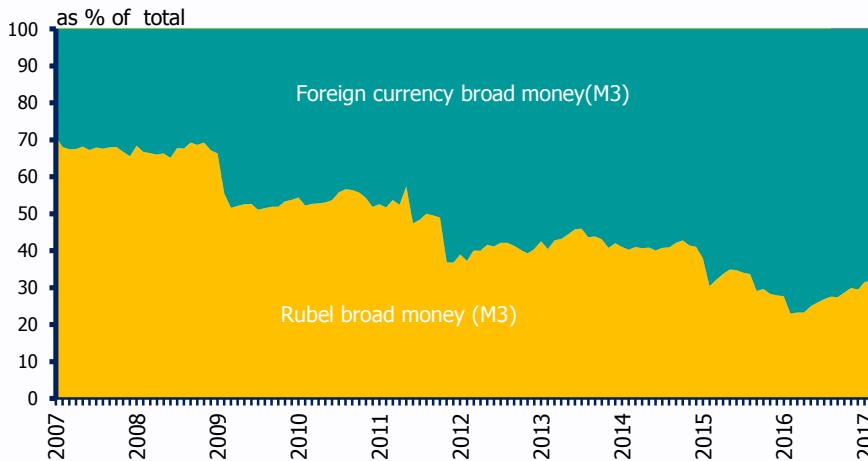


Fig. 3.5 – Dollarization of the money supply

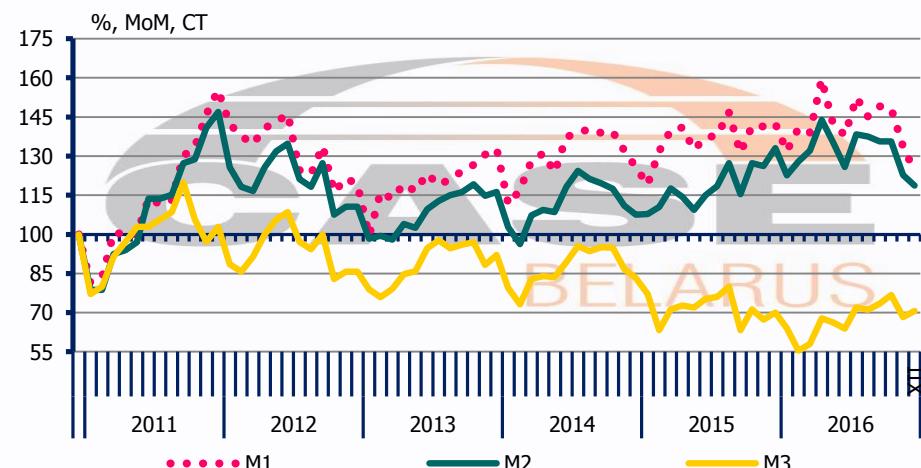


Fig. 3.6 – Money velocity

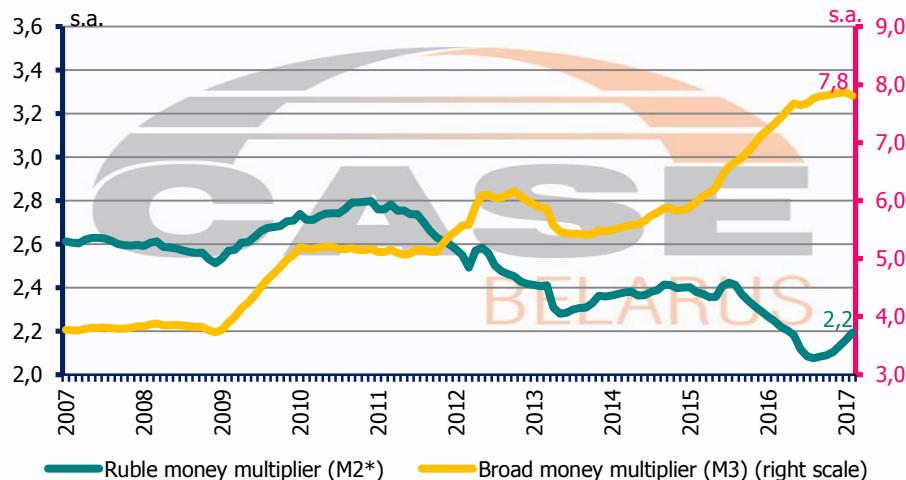


Fig. 3.7 – Money multiplier

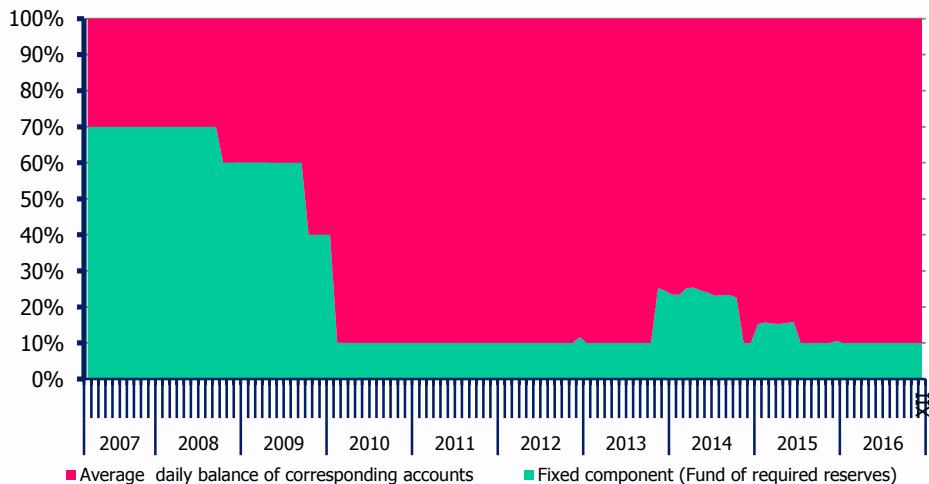


Fig. 3.8 – Structure of the commercial banks reserves in the monetary base

3.3 Money supply

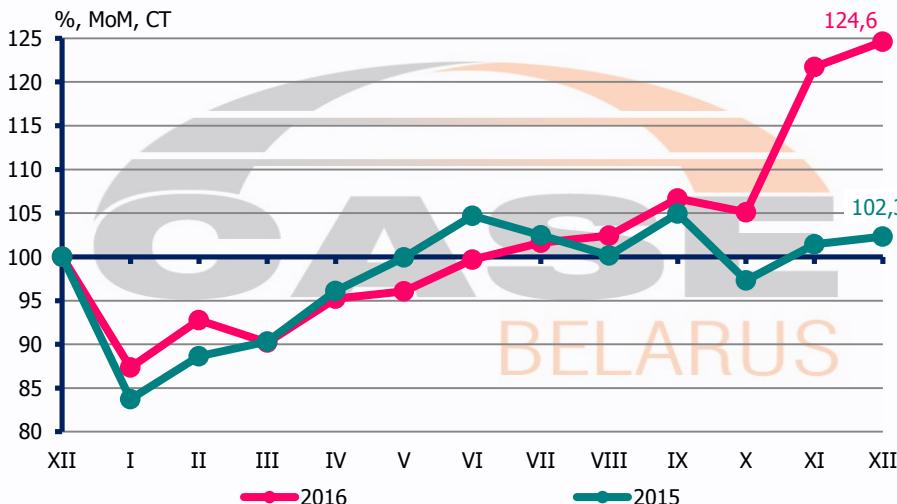


Fig. 3.9 – M1 growth

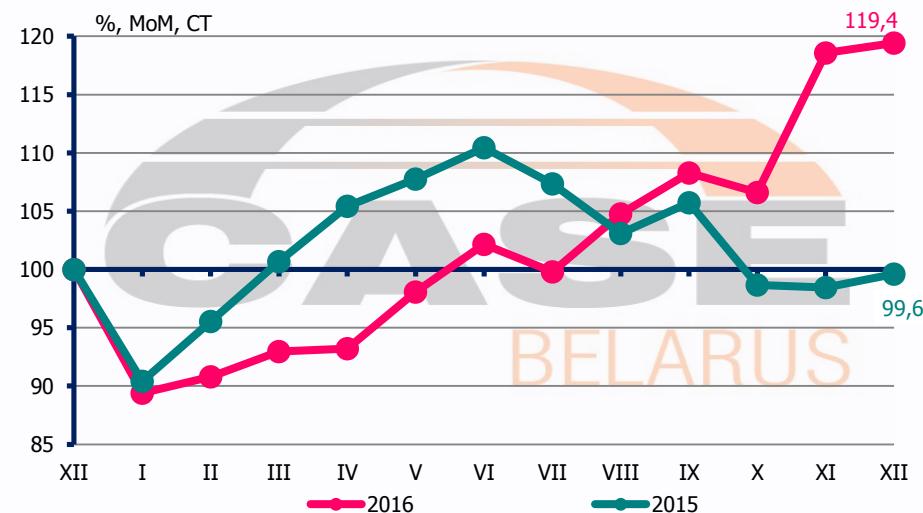


Fig. 3.10 – M2* growth

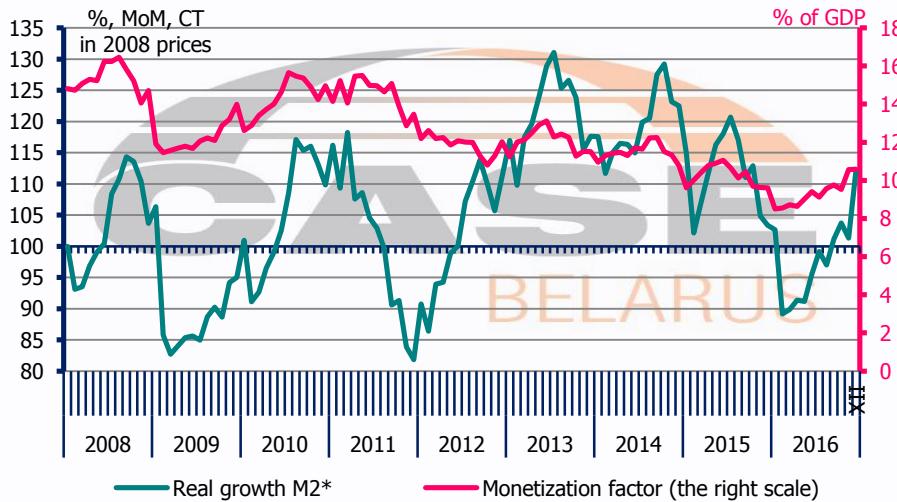


Fig. 3.11 – M2* dynamics

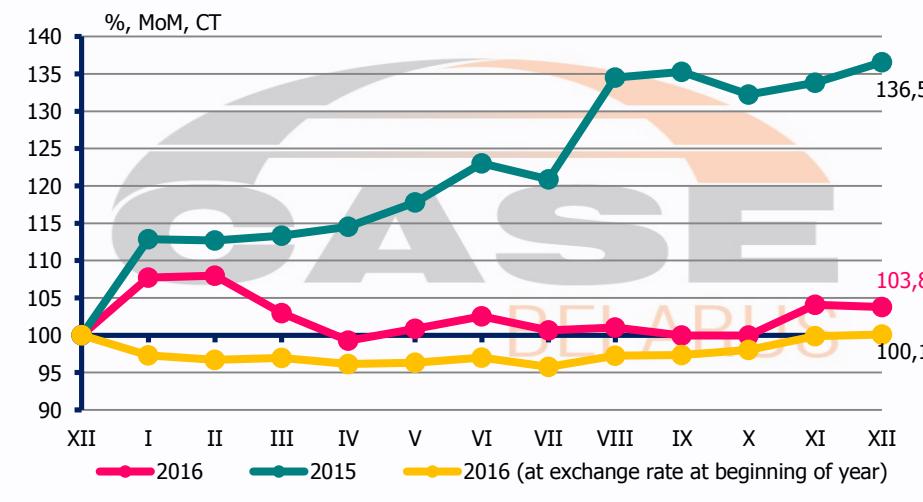


Fig. 3.12 – M3 growth

3.4 The resource base of commercial banks

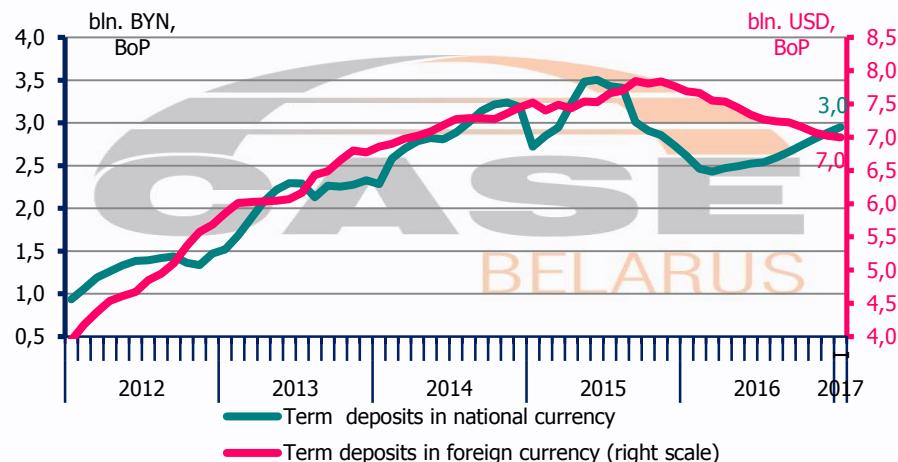


Fig. 3.13 – Term deposits of individuals in national and foreign currency

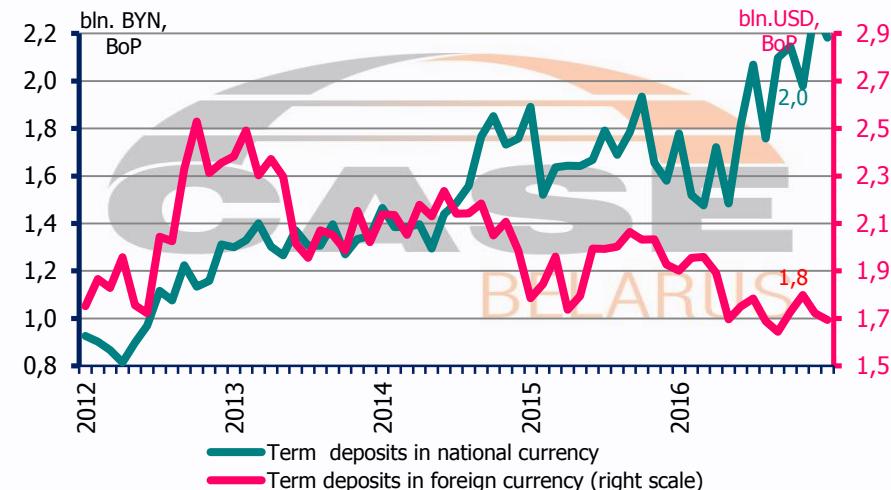


Fig. 3.14 – Term deposits of enterprises in national and foreign currency

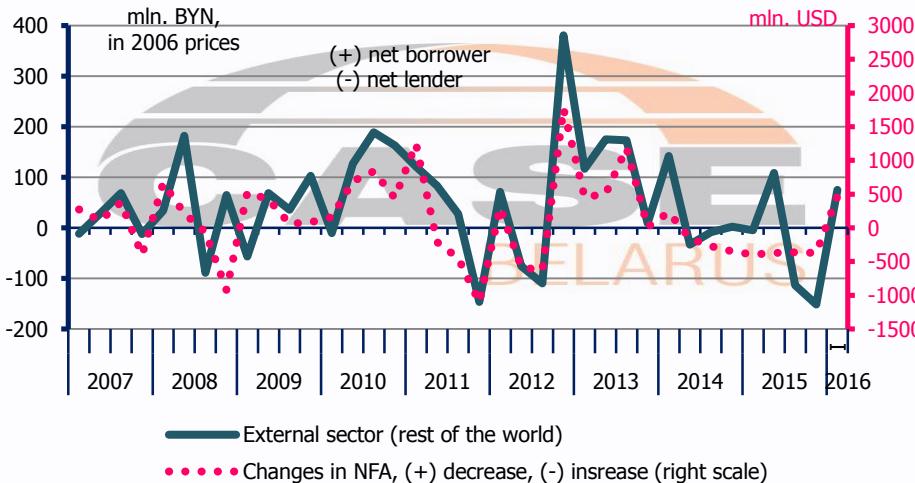


Fig. 3.15 – Finance resources attracted by banks from the rest of the world

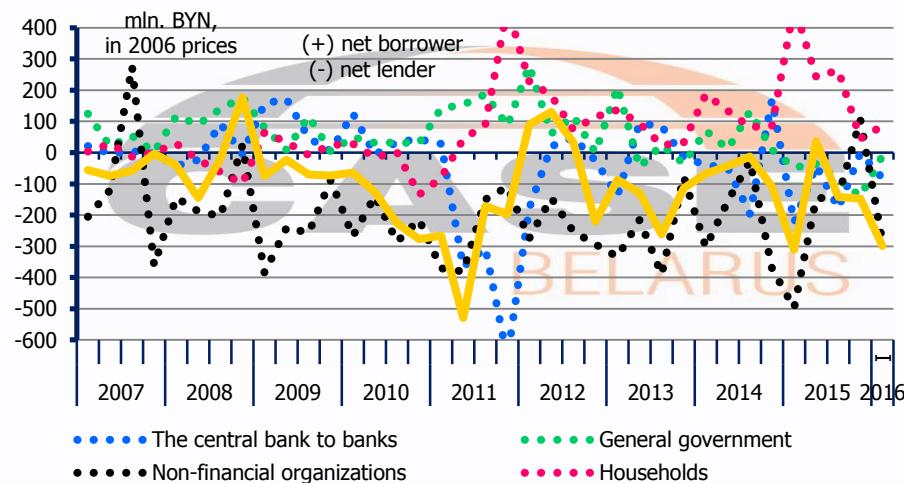


Fig. 3.16 – Domestic finance resources attracted by banks

3.5 Financial depth of the economy

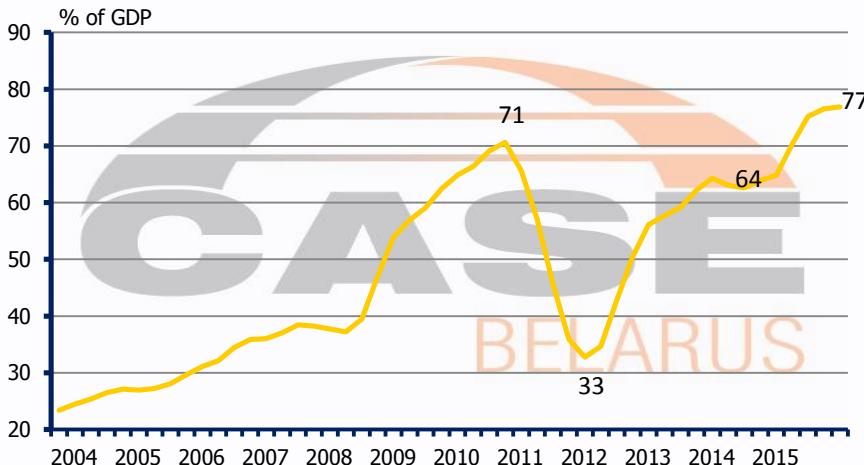


Fig. 3.17 – SDEO to GDP ratio, deflated

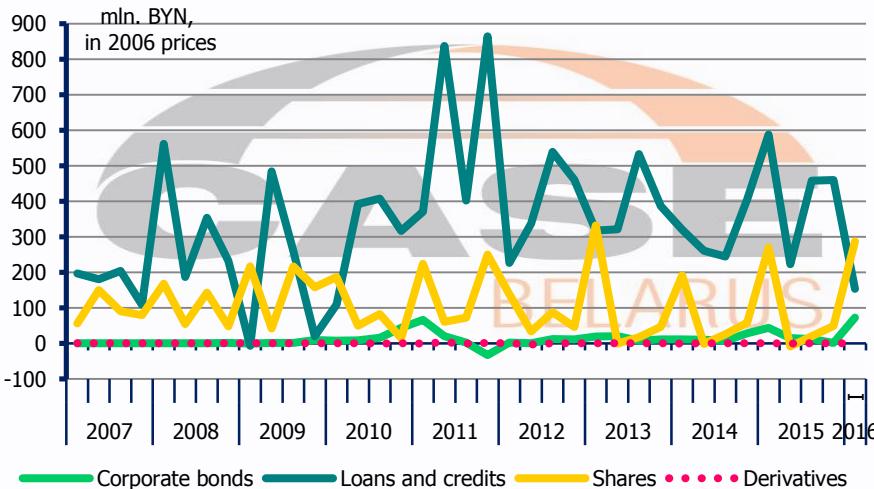


Fig. 3.19 – Attracted resources of enterprises by financial instruments

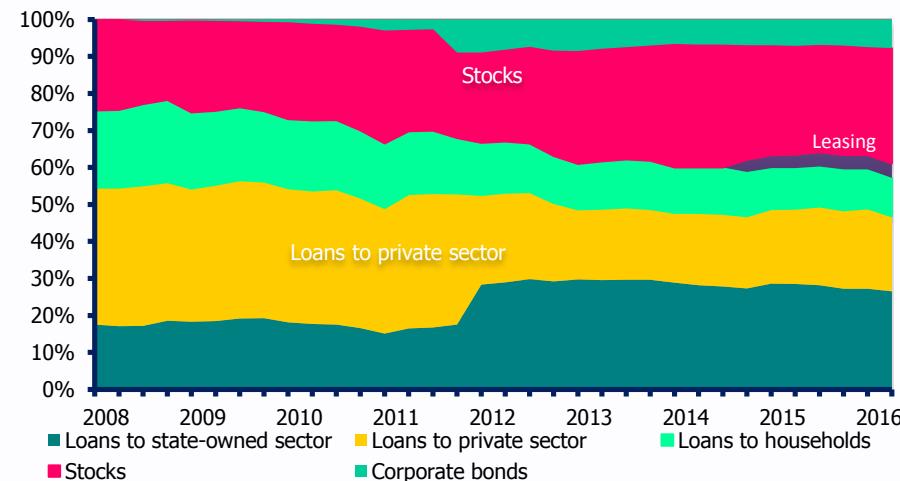


Fig. 3.18 – SDEO structure

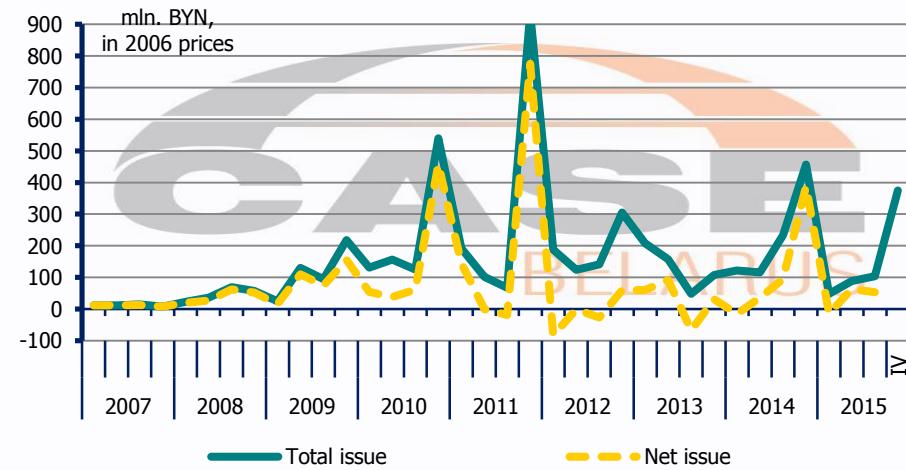
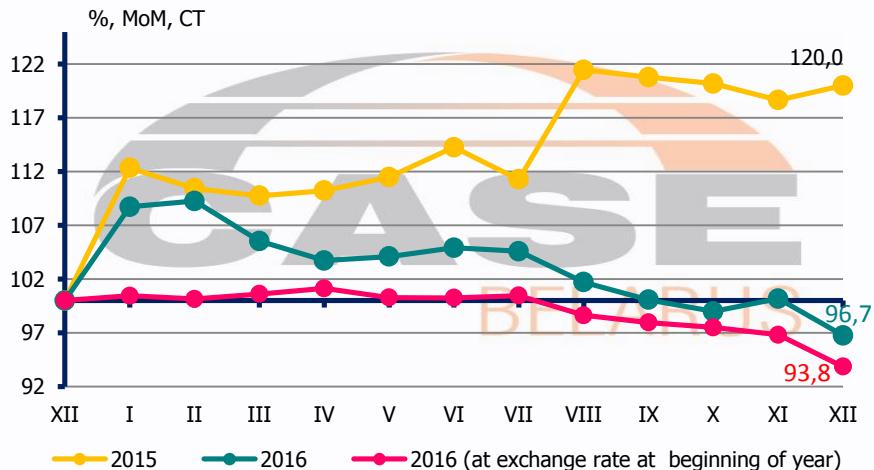


Fig. 3.20 – Corporate bonds issue

3.6 Borrowing in the economy



**Fig. 3.21 — Bank's claims on the economy
Financial sector claims on enterprises**

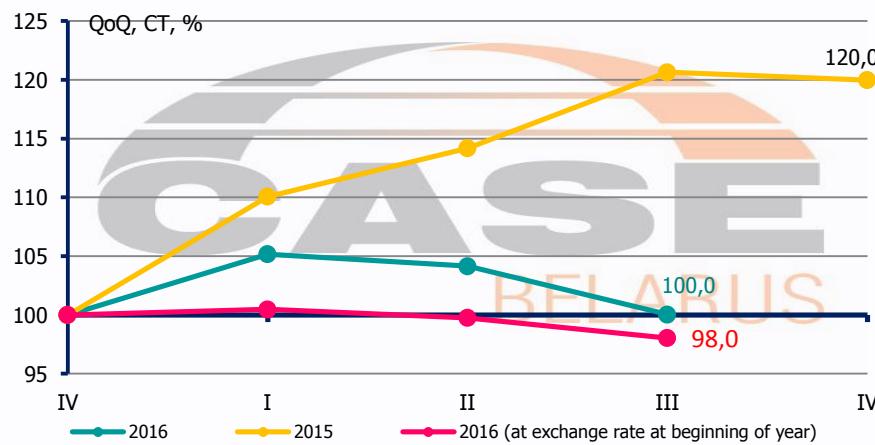


Fig. 3.23 Financial sector claims on the economy

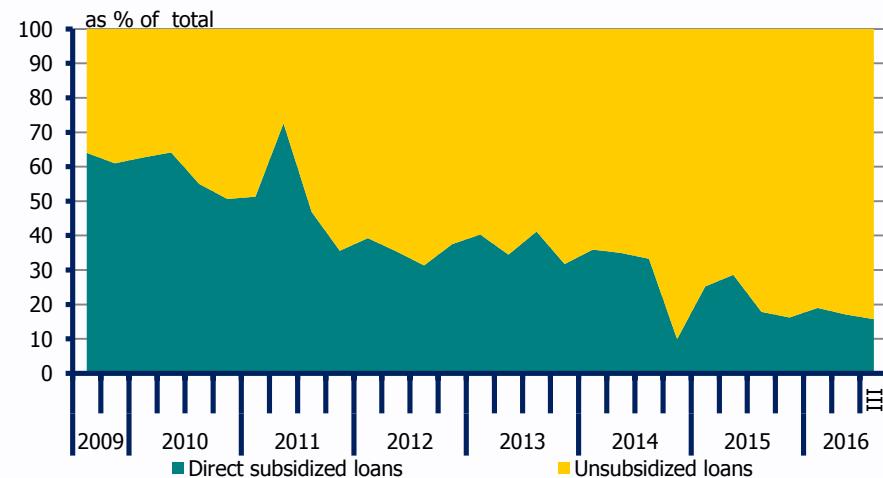


Fig. 3.22 Preferential loans in total loans of commercial banks

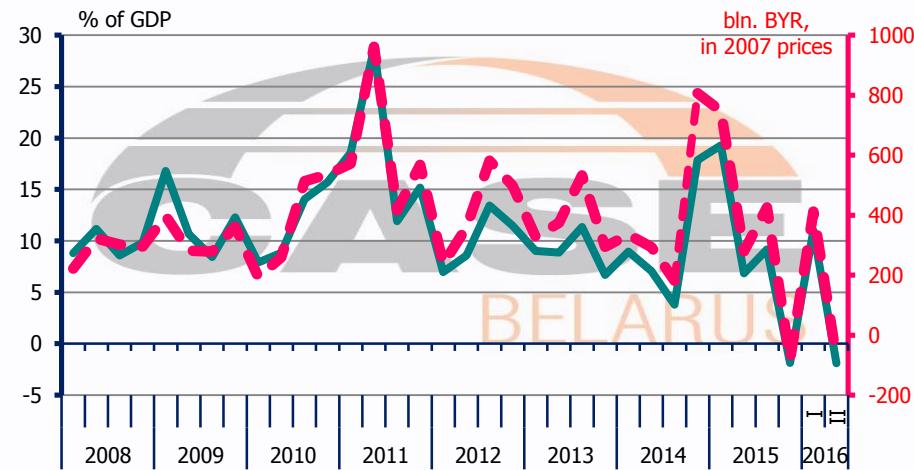


Fig. 3.24 Financial sector claims on enterprises

3.7 Foreign exchange market

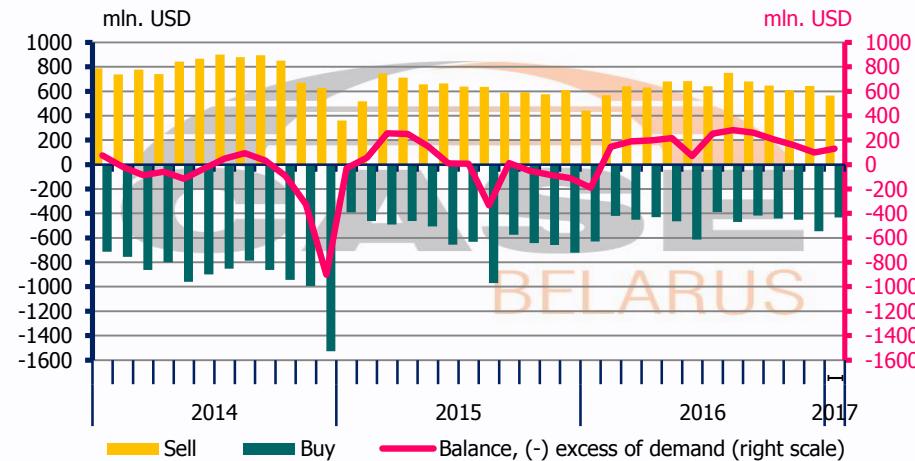


Fig. 3.25 – Buy and sell volumes of foreign exchange market by households

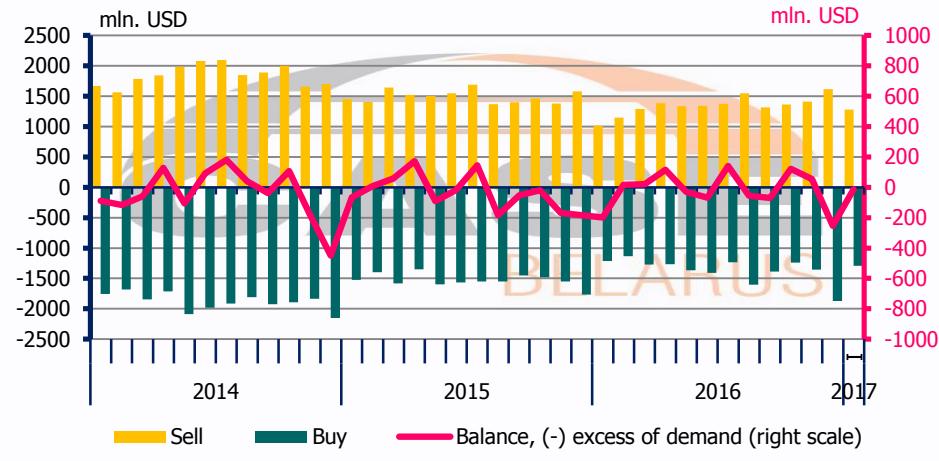


Fig. 3.26 - Buy and sell volumes of foreign exchange market by companies

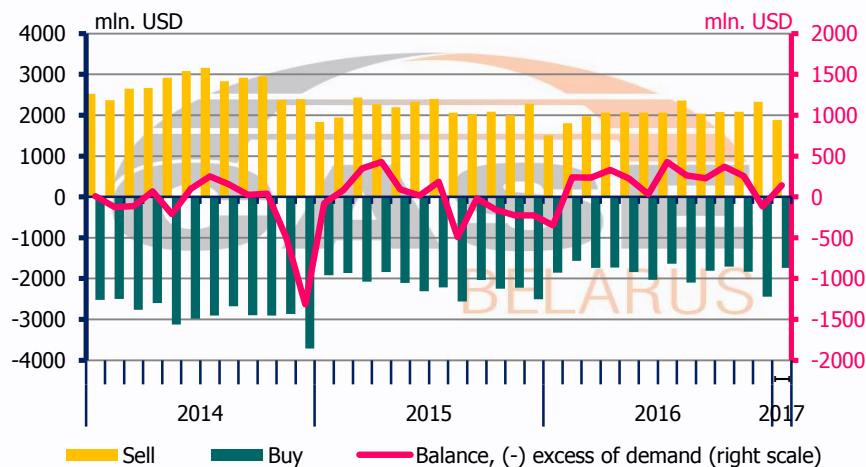


Fig. 3.27 – Total buy and sell volumes of foreign exchange market

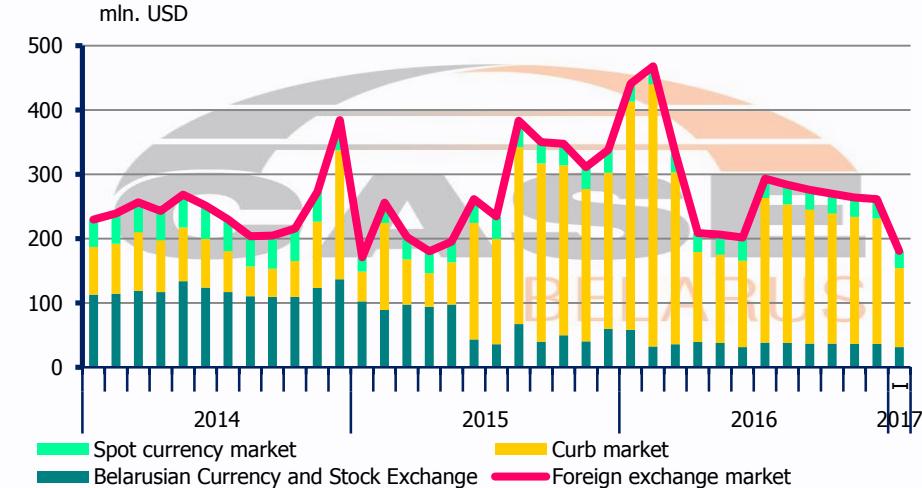


Fig. 3.28 - Average daily turnover of foreign currency on the foreign exchange market

4.1 Balance of payments

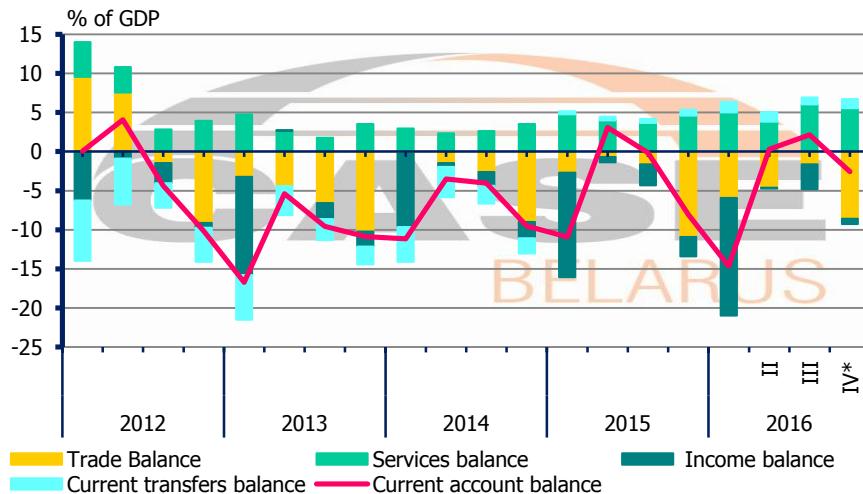


Fig. 4.1 – Current account balance

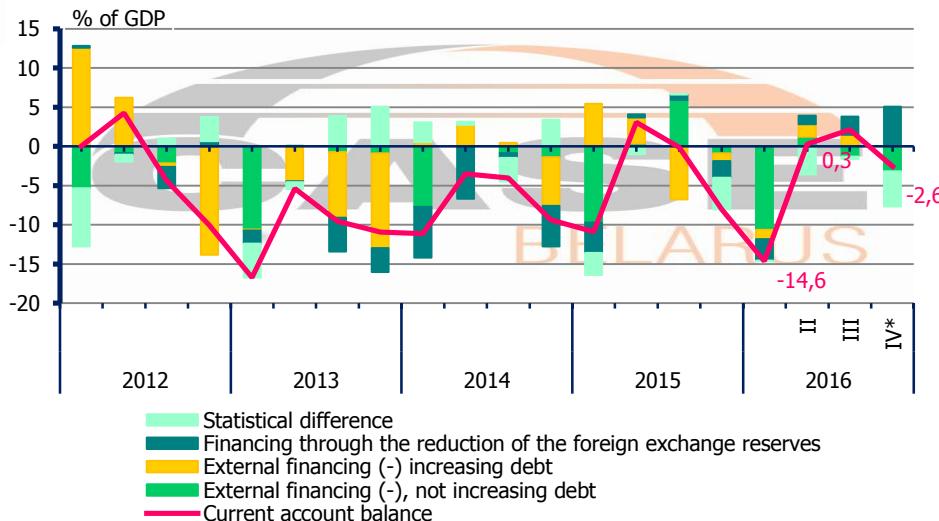


Fig. 4.2 – Sources of financing of current balance deficit

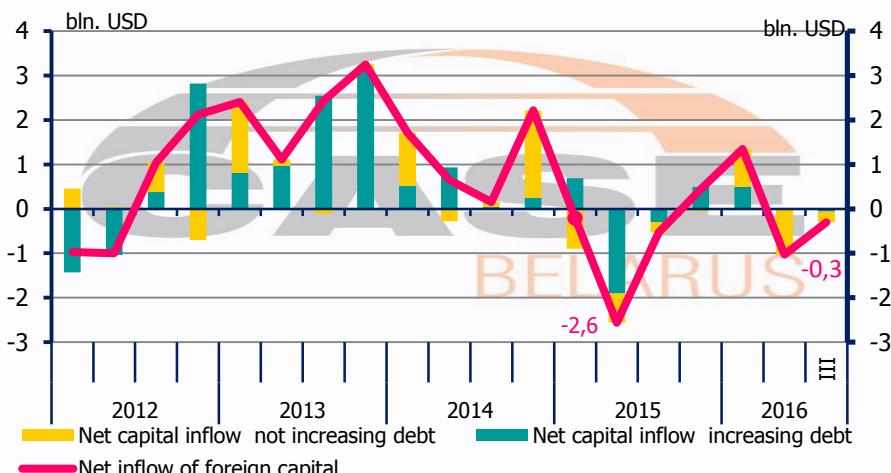


Fig. 4.3 – Net capital inflow to cover the current account's deficit

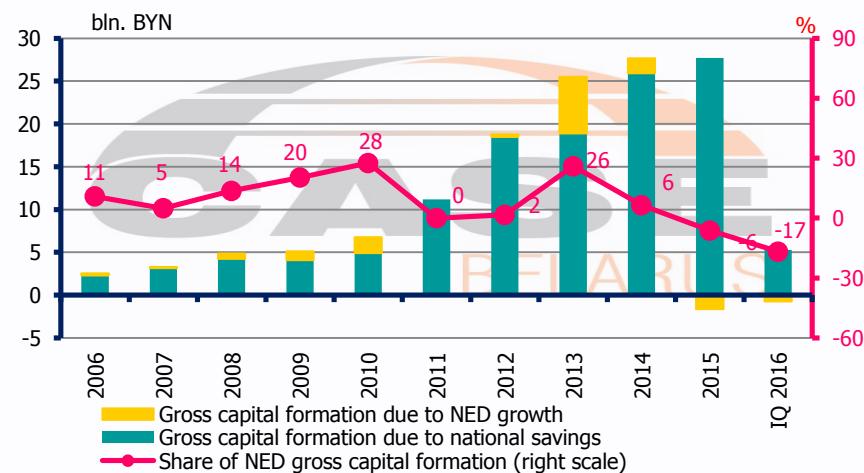


Fig. 4.4 – Gross capital formation due to NED growth

4.2 Foreign trade

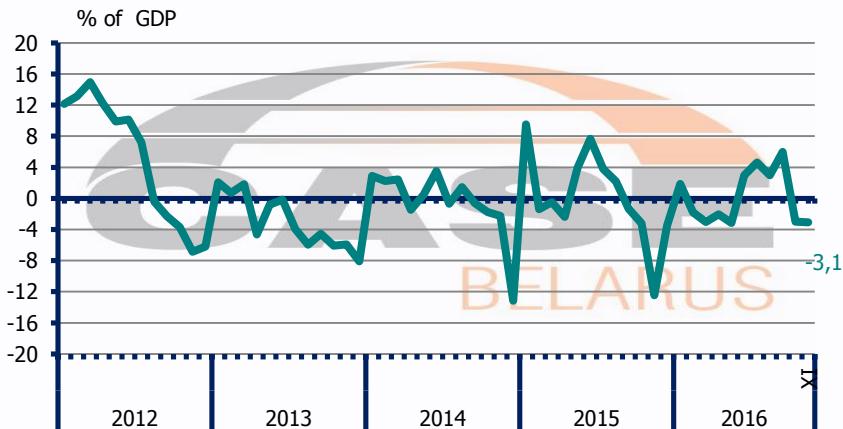


Fig. 4.5 – The ratio of trade balance in goods and services to GDP

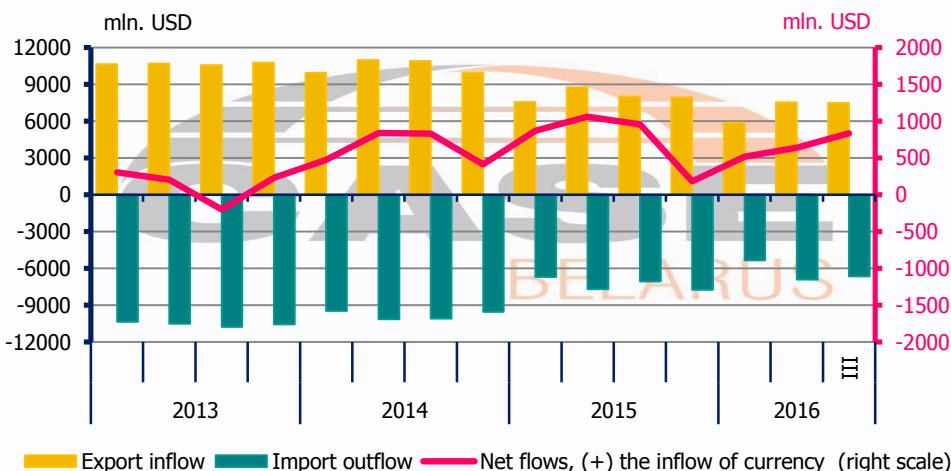


Fig. 4.6 – Foreign exchange inflow from export and outflow for import

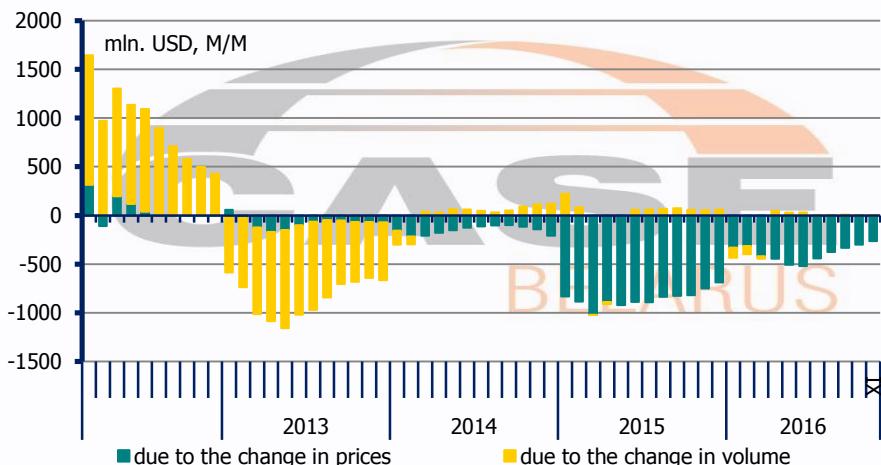


Fig. 4.7 – Changes in export of goods

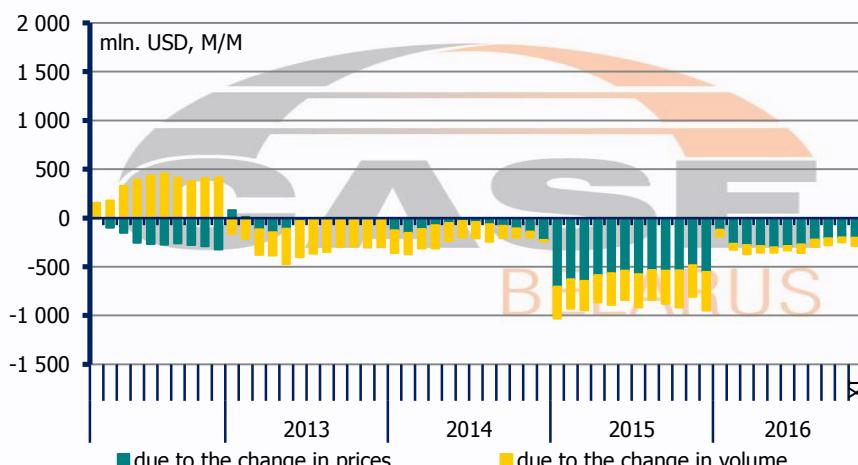


Fig. 4.8 – Changes in import of goods

4.3 External conditions and diversification of exports

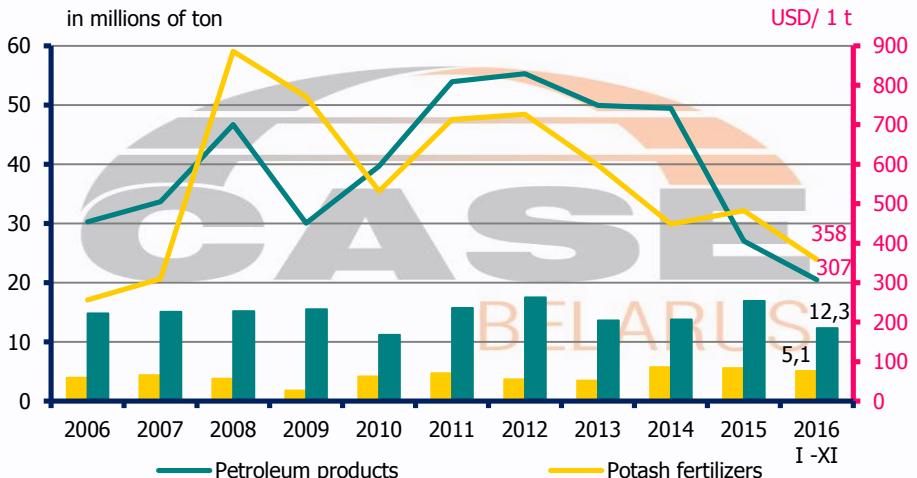


Fig. 4.9 – Export volumes and export prices

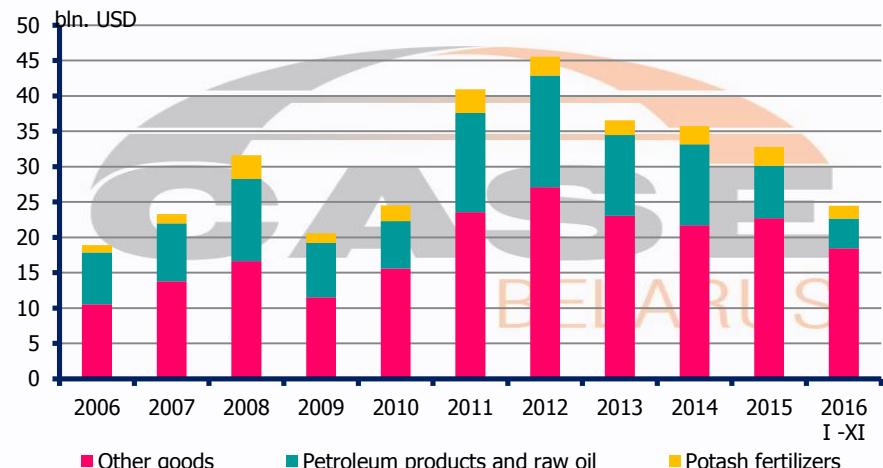


Fig. 4.10 – Export volume of goods

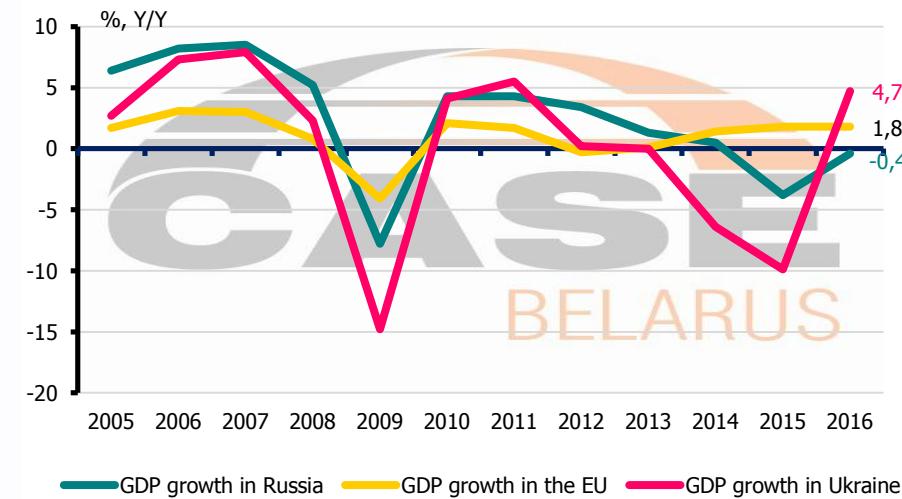


Fig. 4.11 – GDP growth in Russia and the EU

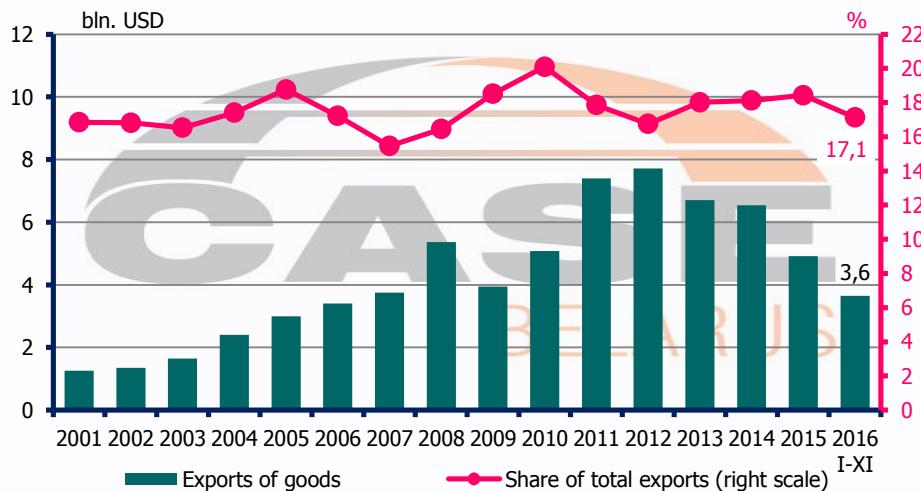


Fig. 4.12 – Export of goods without 10 largest trading partners

4.4 External debt

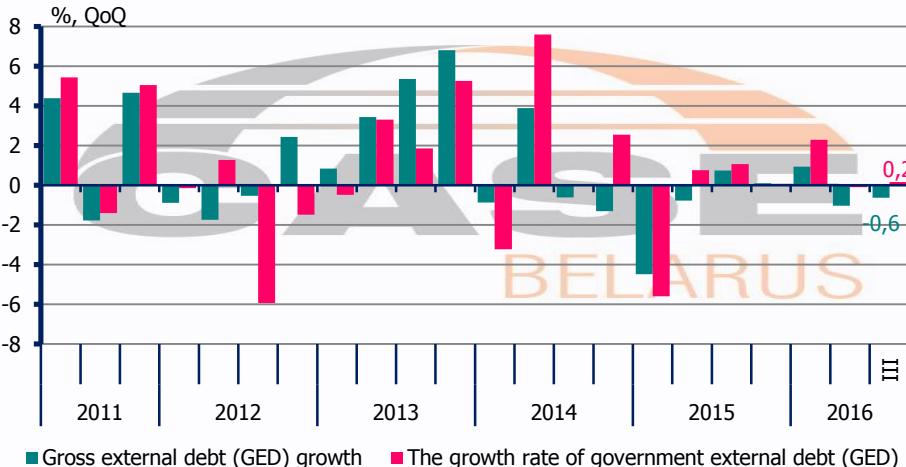


Fig. 4.13 – Growth rates of GED and GovED

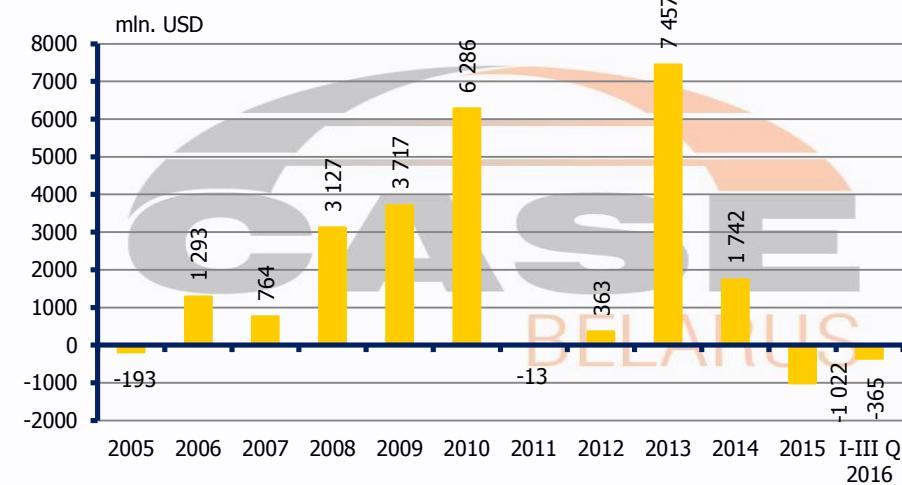


Fig 4.14 – NED Growth

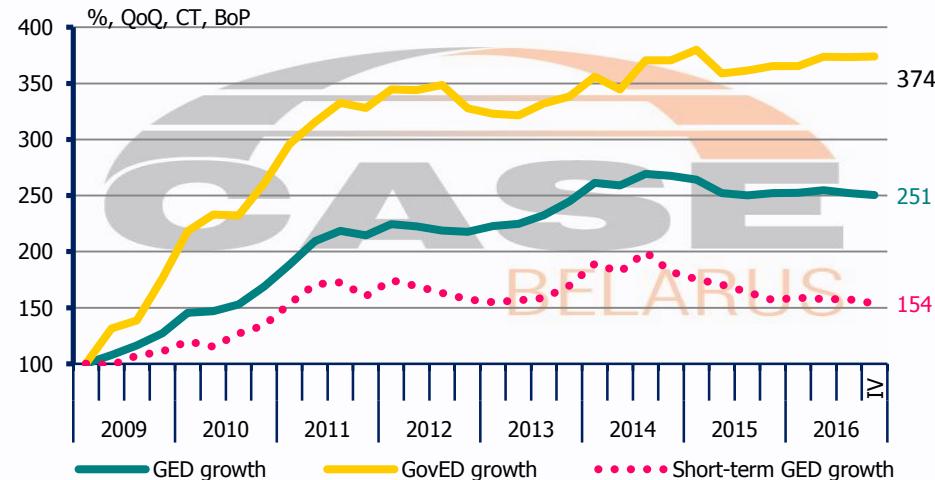


Fig. 4.15 – GED, GovED and short-term GED

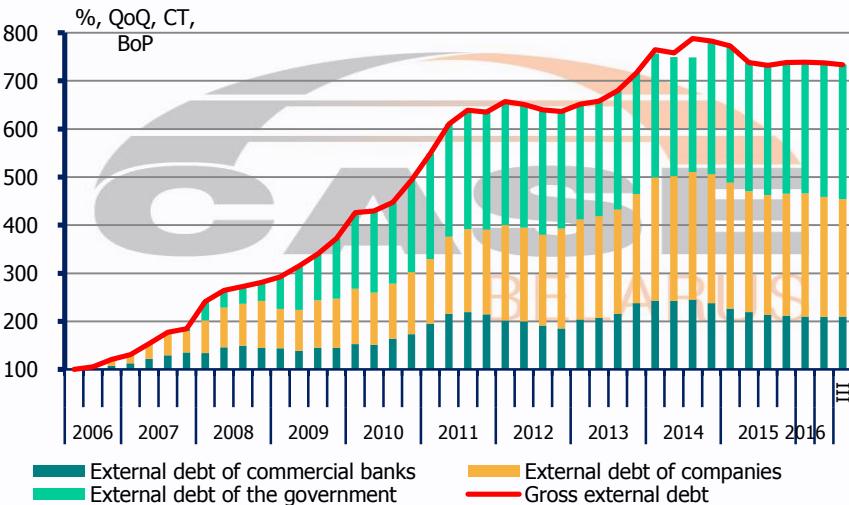


Fig. 4.16 – Dynamics of structure of gross external debt

4.5 Creditworthiness

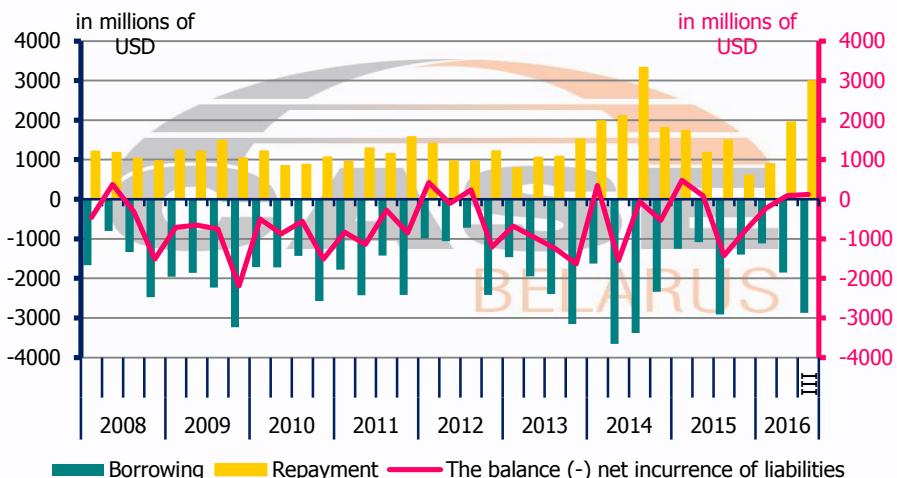


Fig. 4.17 – Borrowing and repayment of foreign loans

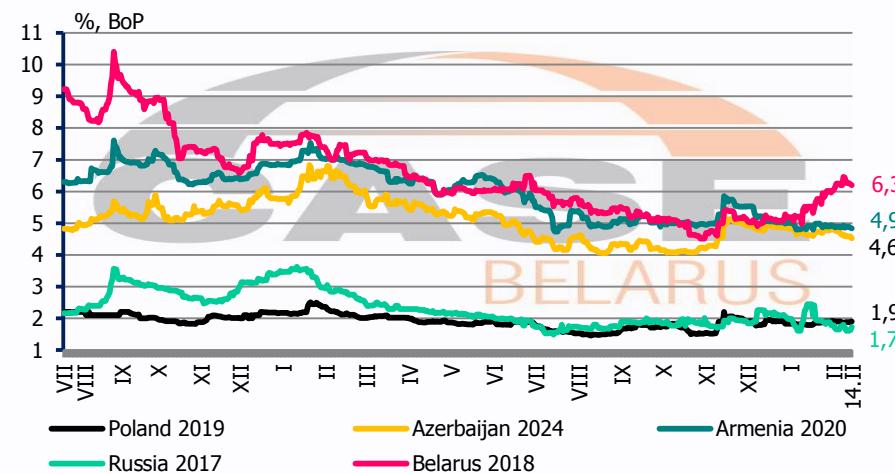


Fig. 4.18 – Eurobonds

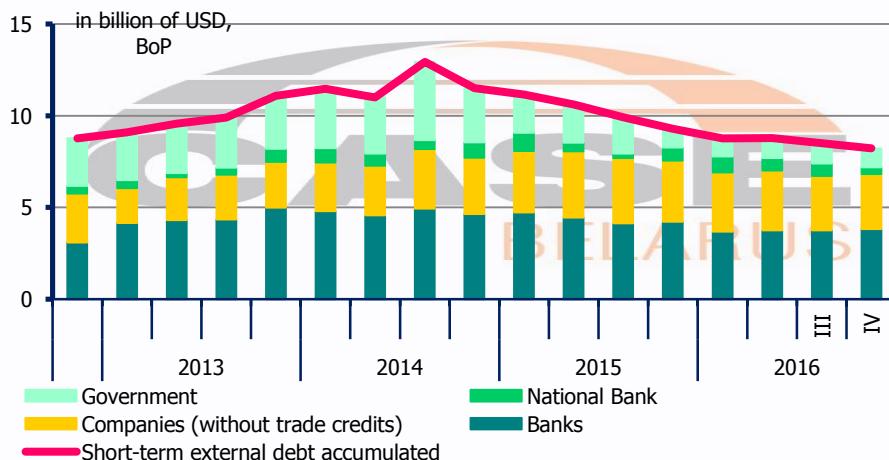


Fig. 4.19 – Short-term GED by residual maturity

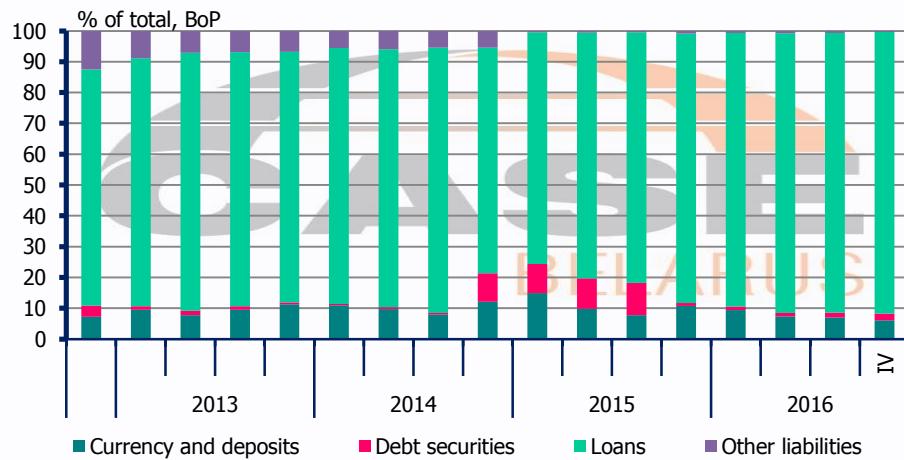
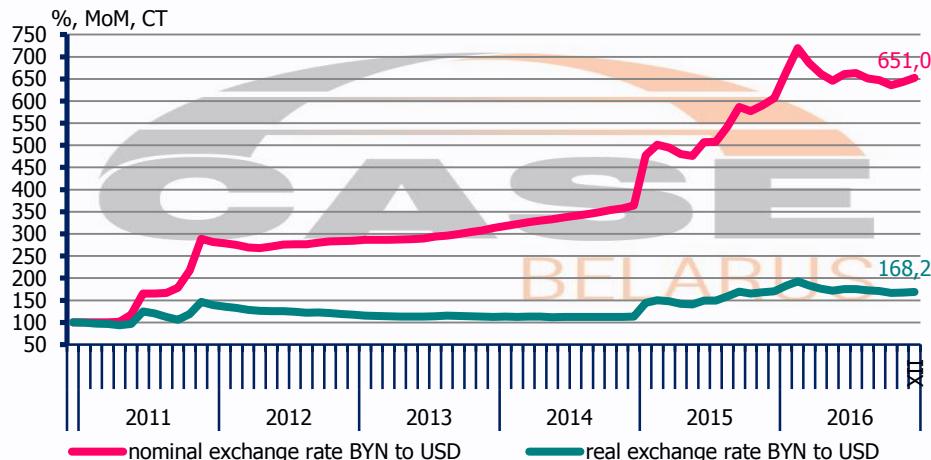
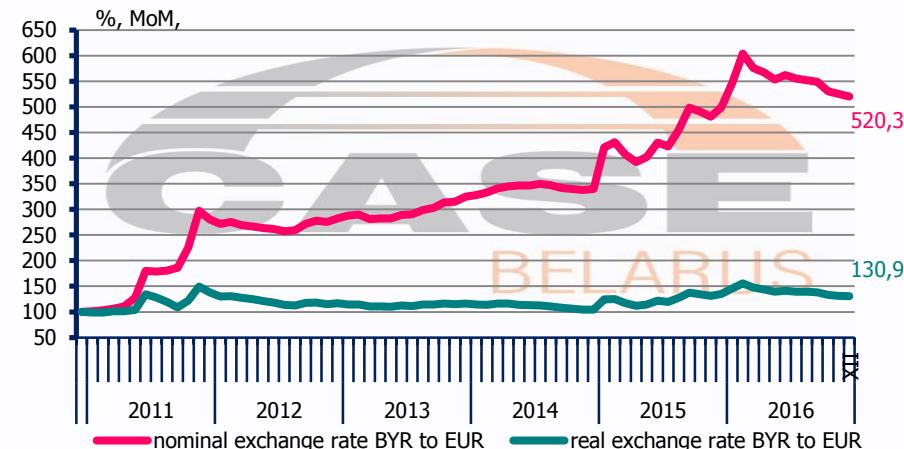


Fig. 4.20 – Short-termed GED by financial instruments

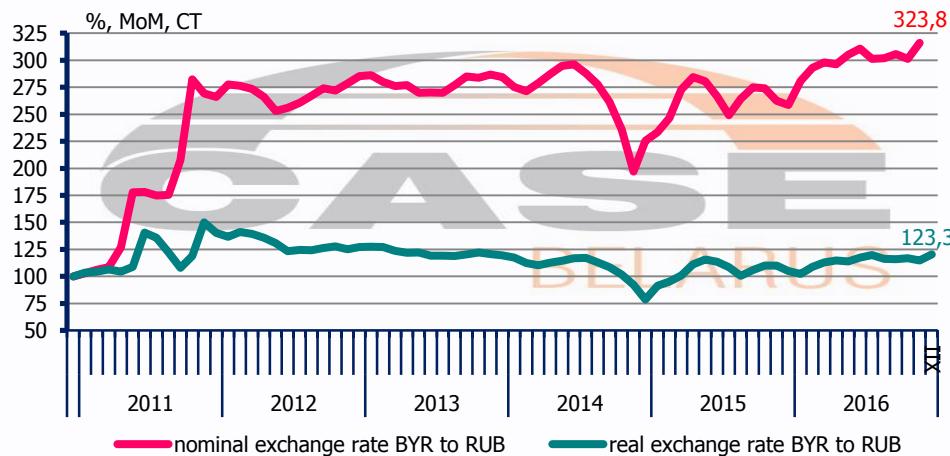
4.6 Real exchange rate and price competitiveness



**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)**

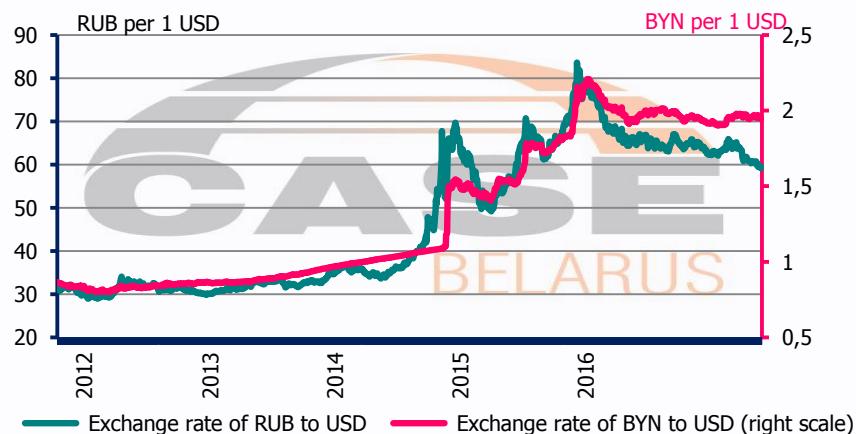


Fig. 4.24 – Exchange rate of RUB and BYN to USD

4.7 Foreign-exchange reserves

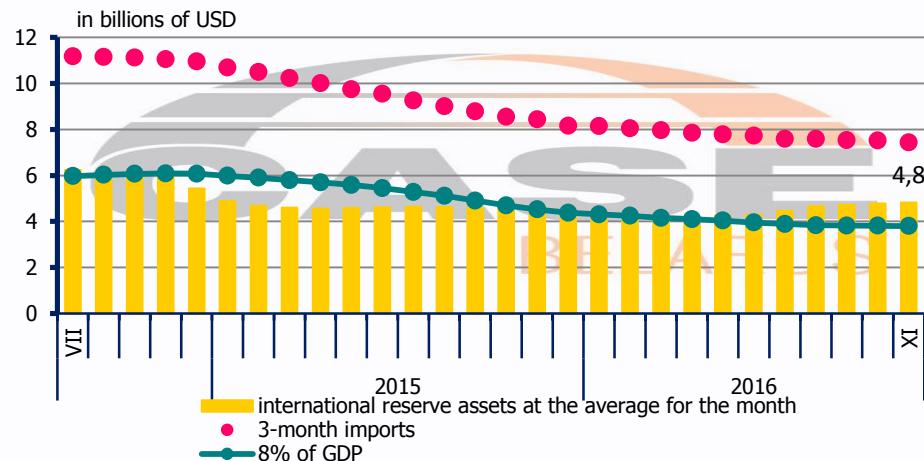


Fig. 4.25 – The level of adequacy of the reserves

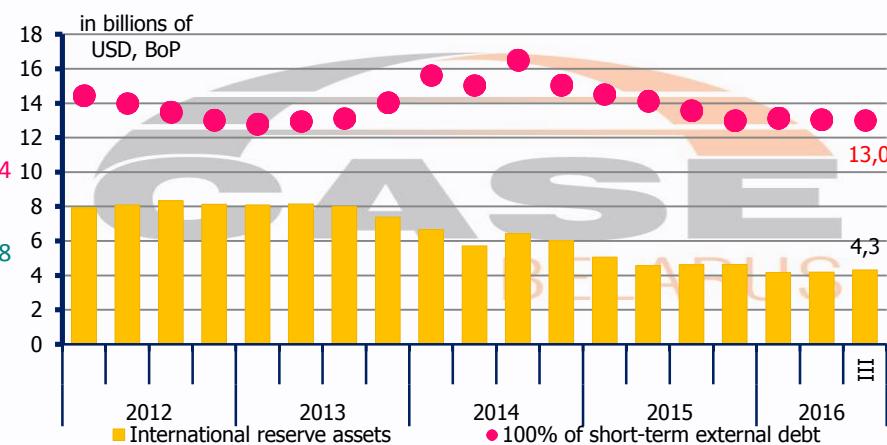


Fig. 4.26 – The level of adequacy of reserves

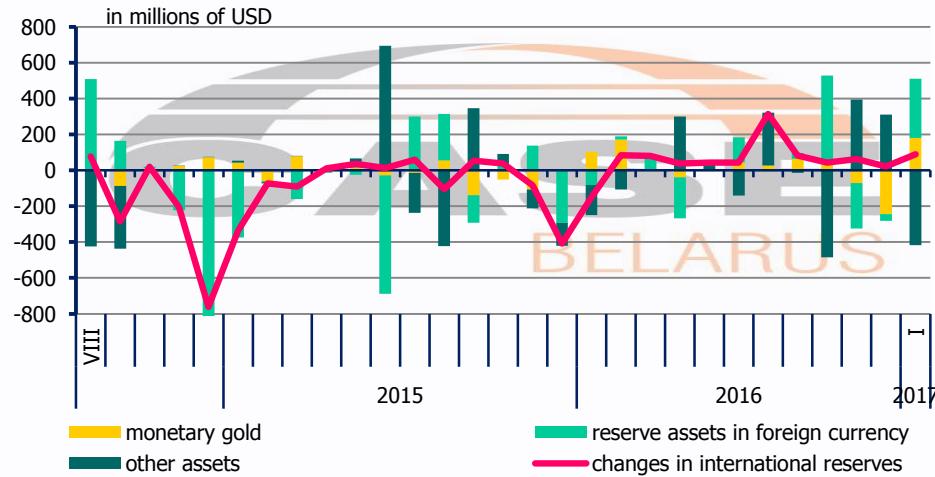


Fig. 4.27 – IRA structure

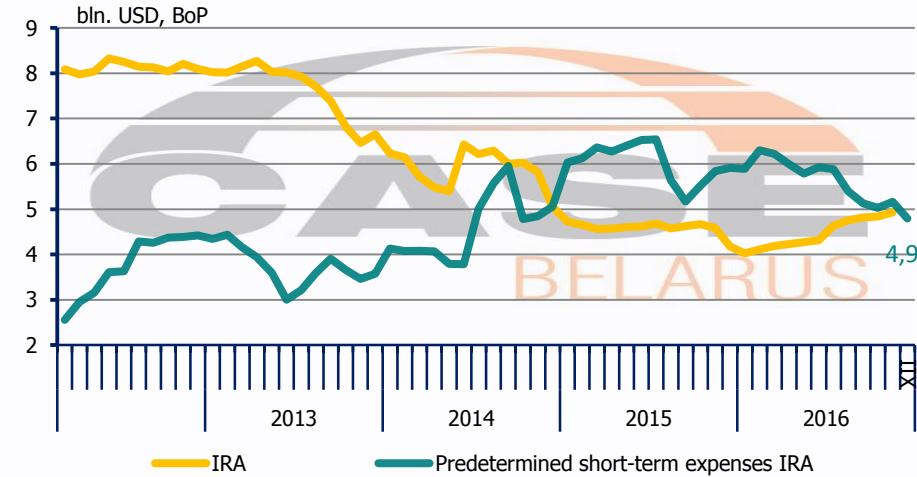


Fig. 4.28 – Predetermined expenses of IRA during the year

5.1 Internal sectoral imbalances

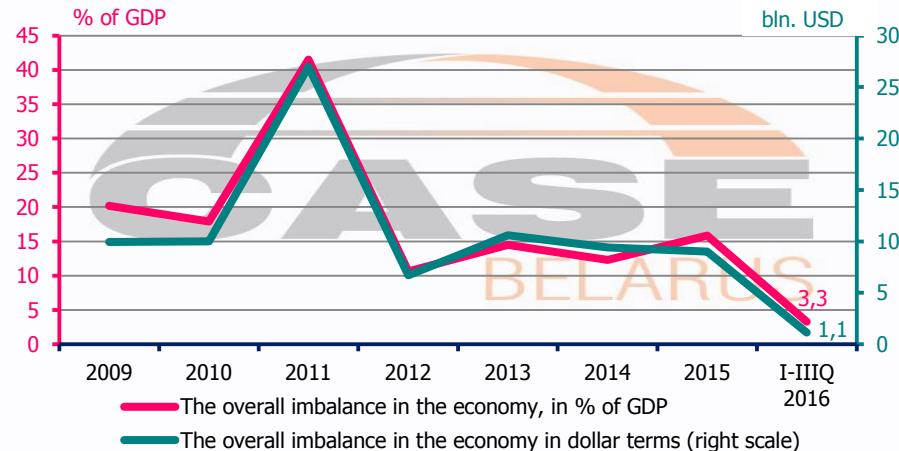


Fig. 5.1. – The overall imbalance in the economy

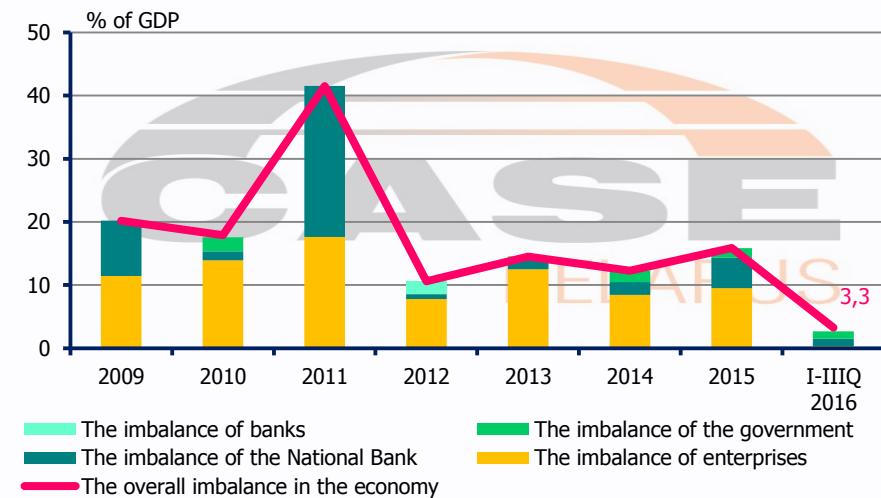


Fig. 5.2 – Agents that create an imbalance

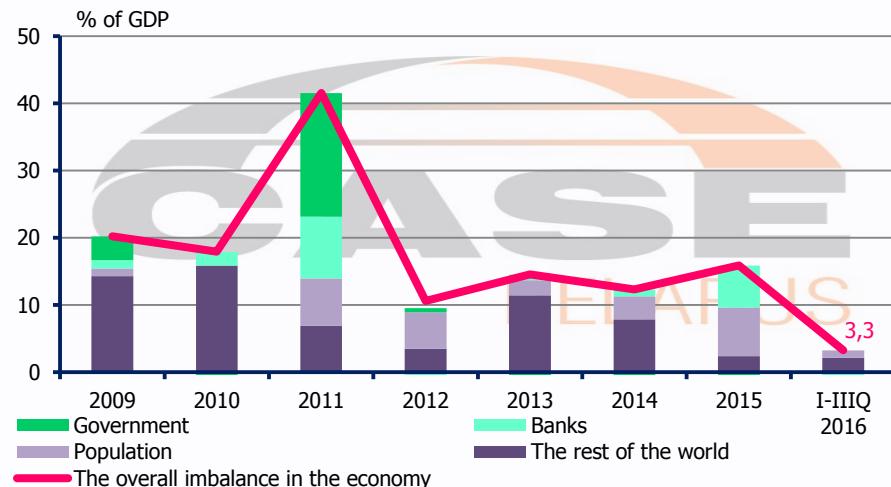


Fig. 5.3 Agents that fund imbalance

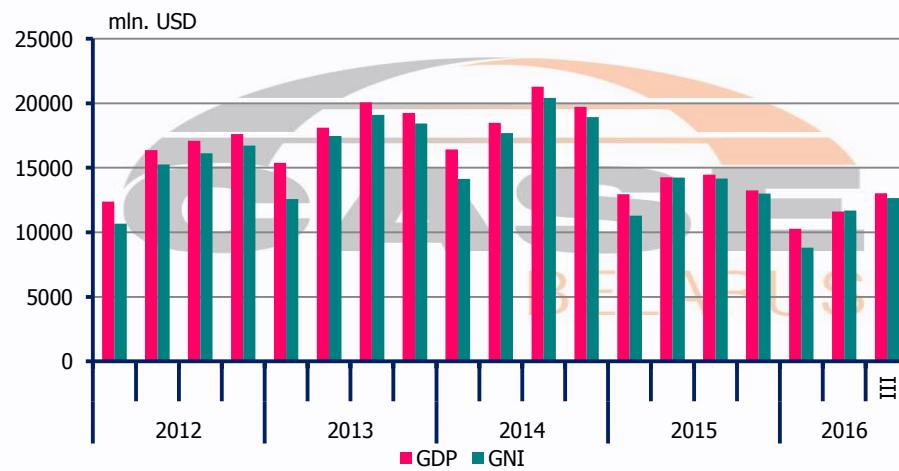


Fig. 5.4 – GDP и GNI

5.2 The linkages between monetary and external sectors

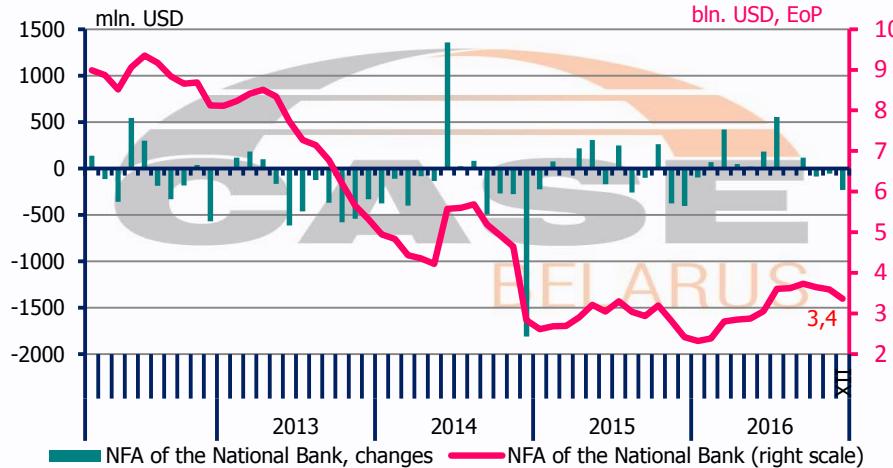


Fig. 5.5 – NFA of the National Bank

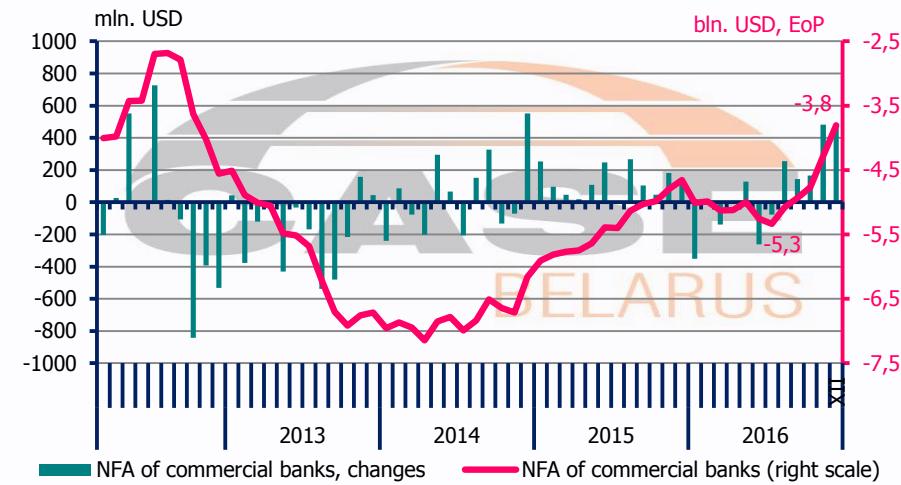


Fig. 5.6 – NFA of commercial banks

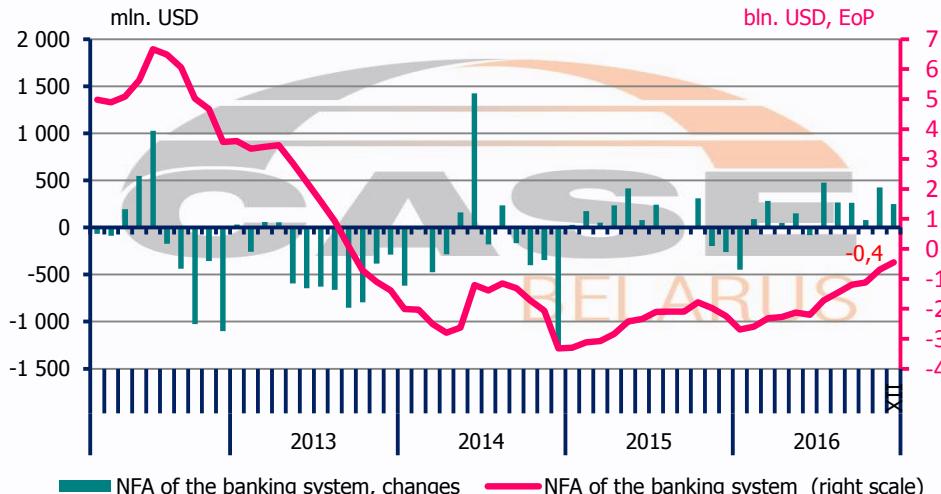


Fig. 5.7 – Changes in NFA of the banking system

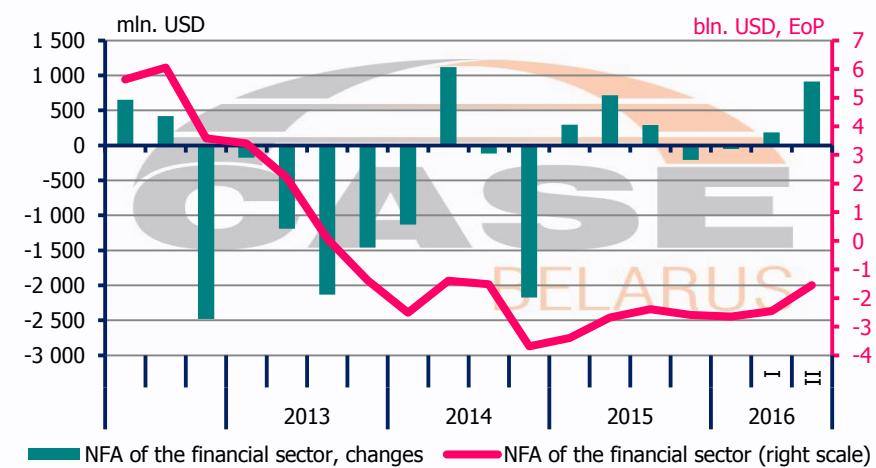


Fig. 5.8 – NFA of the financial sector

5.2 The linkages between monetary and external sectors

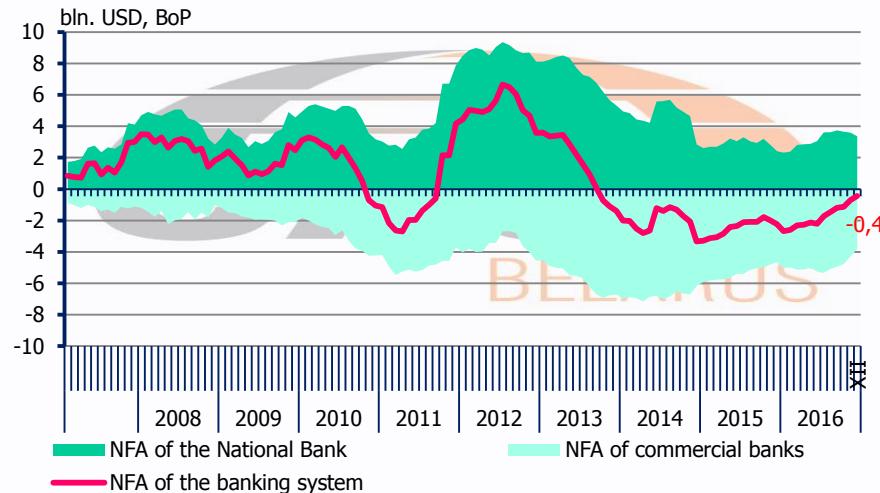


Fig. 5.9 – NFA of the banking system

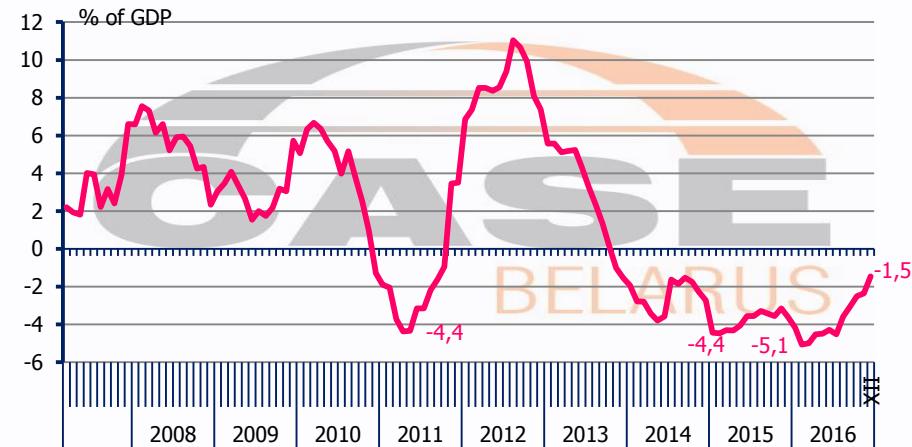


Fig. 5.10 – NFA of the banking system in % to GDP

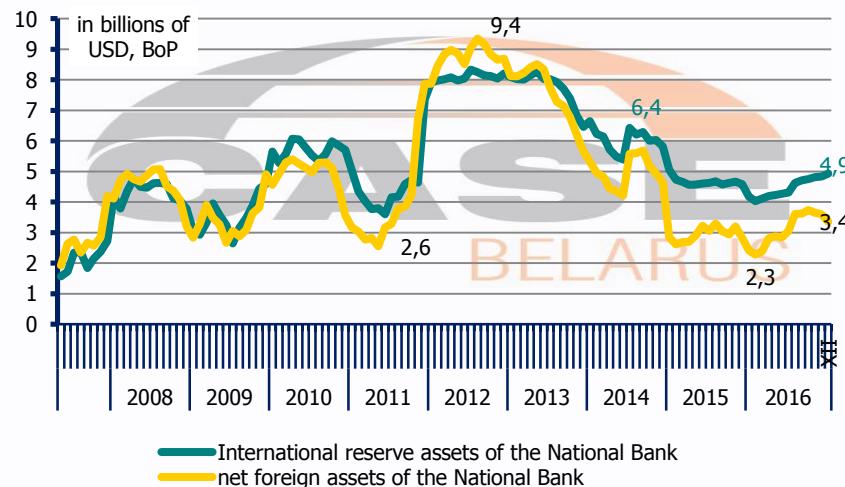


Fig. 5.11 – IRA and NFA of the National Bank

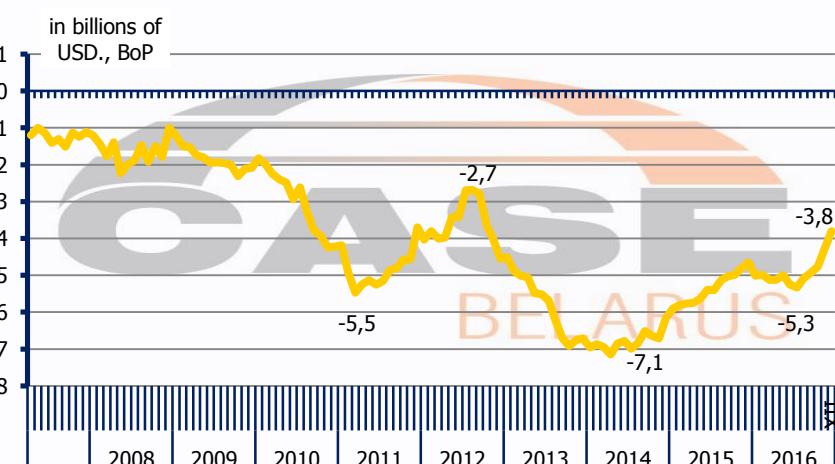


Fig. 5.12 – NFA of commercial banks

5.3 Separate financial flows between the National Bank, banks and Ministry of Finance

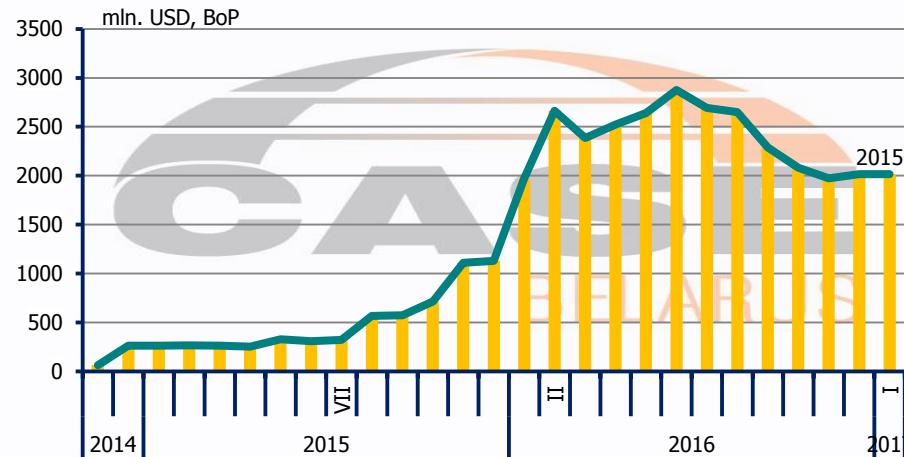


Fig. 5.13 National Bank foreign currency denominated bonds in the portfolio of banks

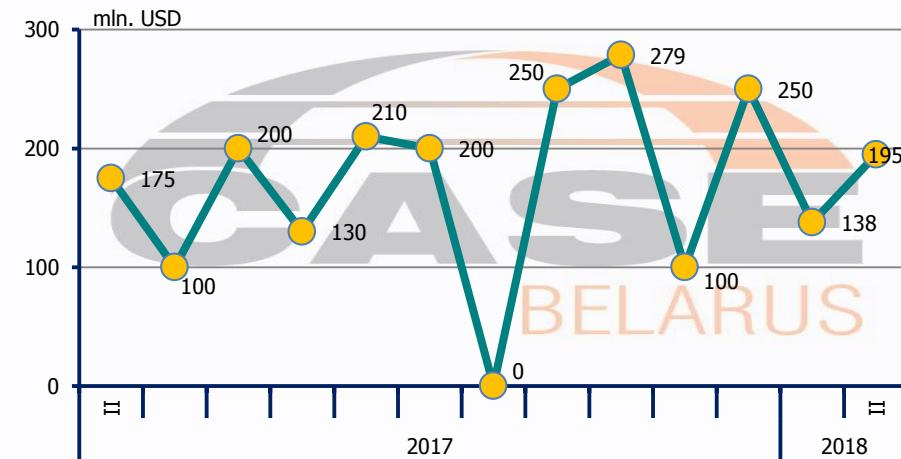


Fig. 5.14 – Upcoming National Bank repayment of foreign currency bonds

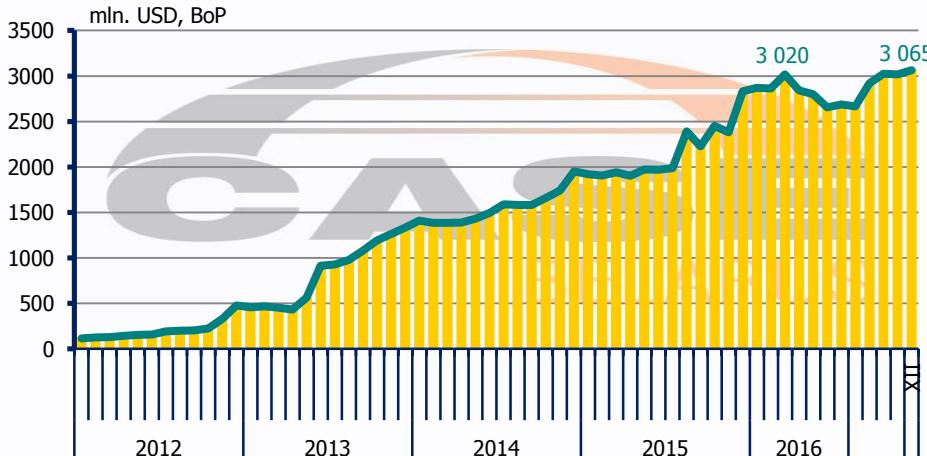


Fig. 5.15 – Ministry of Finance foreign currency denominated bonds in the portfolio of banks

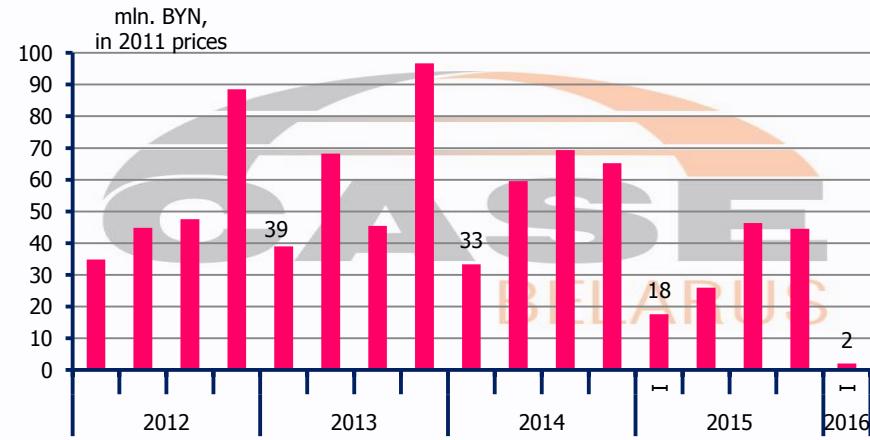


Fig. 5.16 – Subsidising of interest rates on banking loans by the Ministry of Finance

5.4 External imbalance

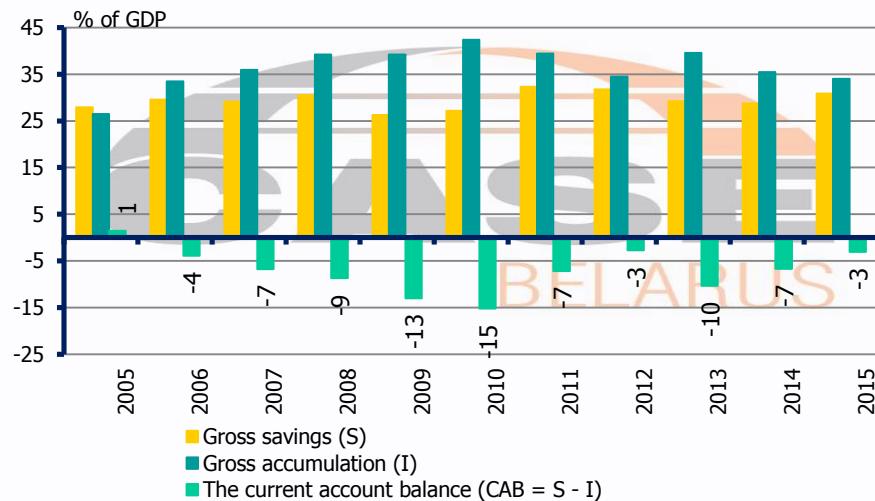


Fig. 5.17 – The resource gap

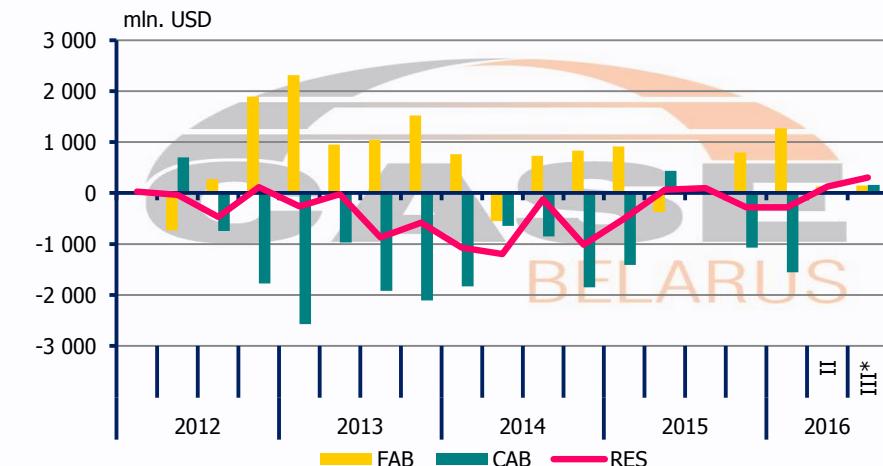


Fig. 5.19 The sources of financing balance of payments deficits

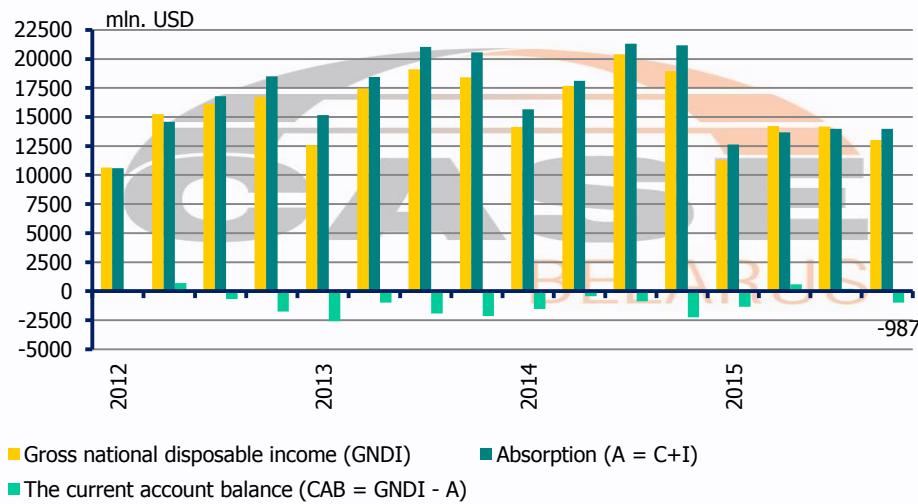


Fig. 5.18 – GNDI and absorption

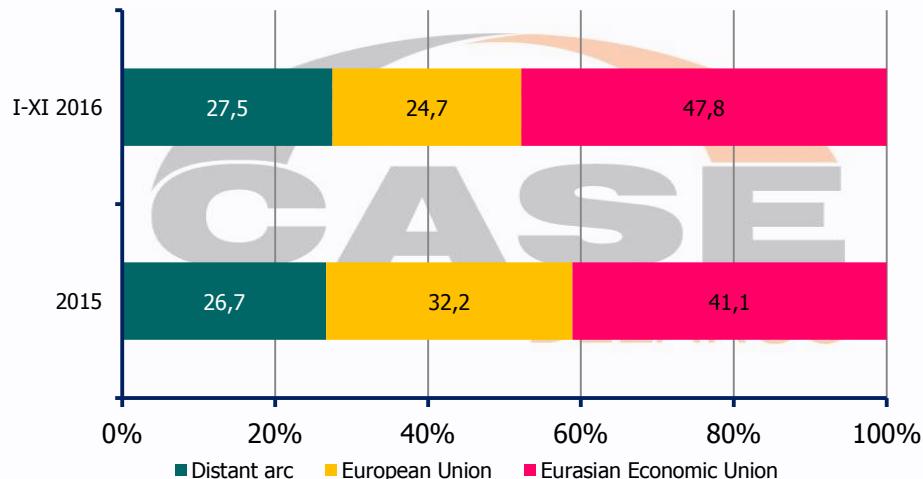


Fig. 5.20 – Diversification of Exports

Table. Dynamics of key macroeconomic indicators

Real sector	Units	IV 2015	I 2016	II 2016	III 2016	IV 2016
Production sector	%, Q /Q, cp	-6,7	-7,9	-1,9	-3,4	
Services sector	%, Q /Q, cp	-1,7	-0,8	-1,7	-3,9	
Industrial output	%, Q/Q, cp	-5,1	-4,7	-2,5	-6,8	-1,3
Production of machinery and equipment	%, Q/Q, cp	-25,2	-3,9	6,2	9,1	
Production of vehicles	%, Q/Q, cp	-13,7	-0,3	7,6	-3,0	
Production of electronic equipment	%, Q/Q, cp	-6,7				
Chemical industry	%, Q/Q, cp	6,3	-13,3	-11,2	-8,9	
Fixed capital investment	%, Q/Q, cp	-17,3	-33,4	-13,0	-21,7	-18,3
Gross capital formation	% to GDP	33,5	21,6	23,7	25,8	
Investment in machinery, equipment and transport vehicles	%, Q/Q, cp	-23,4	-31,0	-10,8	-27,7	
Fixed capital investment by foreign loans increasing external debt	mln. USD	494	495	13	-64	
Foreign direct investment (FDI)	mln. USD	130	1064	-201		
Reinvested revenues	mln. USD	66	980	-321		
FDI excluding the reinvested revenues	mln. USD	64	84	120		
Real wages in BYR	%, Q/Q, rp	-3,2	-3,8	-3,8	-3,7	-3,5
Real wages in USD	%, Q/Q, rp	-10,0	-4,5			
Real pensions in BYR	%, Q/Q, cp, EoP	-5,2	-6	-5,2	-9,2	
Paid services for population	%, Q/Q, cp	-2,3	-4,4	-4,5	-4,7	
Consumer price index (CPI)	%, QoQ	2,5	5,7	0,6	0,2	1
Consumer price index (CPI)	%, annualized	12,0	12,8	12,0	11,1	10,7
GDP deflator	QoQ, %	10,8				
Producer price index (PPI)	%, QoQ	1,7	6,4	0,7	0,9	1,6
Employment	%, QoQ	-0,3	-0,9	-0,9	-0,2	-0,1
Balance of hired (+) and fired (-) workers	th. pers.	-20,2	-30,6	-50,3	-10,8	-16,4

Table. Dynamics of key macroeconomic indicators

Fiscal sector	Units	III 2015	IV 2015	I 2016	II 2016	III 2016
Revenues of consolidated budget	% to GDP	30,0	30,6	30	30,8	29,6
Expenditures of consolidated budget	% to GDP	27,4	28,8	27,9	29	27,6
Surplus (+) / deficit (-) of consolidated budget	% to GDP	2,6	1,8	2,1	1,8	1,9
Revenues of the Social Protection Fund (SPF)	% to GDP	10,2	12,1	13,5	12,9	12,6
Expenditures of the Social Protection Fund (SPF)	% to GDP	9,1	12,4	13,1	13,1	12,4
Deficit (-), surplus (+) of the SPF	% to GDP	-2,9	-0,3	0,4	-0,2	0,2
Revenues of the central government budget balance	% to GDP	52,4	42,7	42,8	43,4	42,1
Expenditures of the central government budget balance	% to GDP	52,2	41,2	40,5	41,6	40,0
Deficit (-), surplus (+) of the central government budget balance	% to GDP	0,1	1,4	2,3	1,6	2,1
Changes of volume of foreign currency bonds issued by the Ministry of Finance in banks' portfolios	mln. USD	464	418	-29	-154	339
Monetary sector	Units	IV 2015	I 2016	II 2016	III 2016	IV 2016
Monetary base	%, QoQ	-1,1	-9,0	1,1	9,1	1,5
Monetary aggregate M1	%, QoQ	-2,5	-9,8	10,5	-89,3	16,8
Ruble money (monetary aggregate M2*)	%, QoQ	-5,8	-7	9,9	6	10,3
Broad money (monetary aggregate M3)	%, QoQ	0,9	3,0	-0,4	-2,5	3,8
Banks' requirements to economy	%, QoQ	-0,7	5,5	-0,6	-4,6	-3,3
Share of preferential loans in total volume of claims	as % of total	16,2	19,0	17,1	15,7	
Preferential loans of banks on the economy	%, Q/Q, rp	45,1	-55,1	-6,5	58,6	
Financial sector claims on the economy	%, QoQ	-1,1	6,1	-1,1	-4,8	
Selling and buying volumes of foreign exchange market by households	mln. USD	-246,3	148,2	485,9	796,7	463,2
Selling and buying volumes of foreign exchange market by companies	mln. USD	-373,1	-161,5	18	14,8	-77,4
Selling and buying volumes of foreign exchange market by nonresidents	mln. USD	11,5	143,8	83,5	103,8	121,5
Total selling and buying volumes of foreign exchange market; (-) excess of demand	mln. USD	-607,9	130,5	587,3	915,3	507,3
Change in amount of the National Bank foreign currency bonds in the portfolio of banks	mln. USD	1256,8	553,5	170,7	-613,4	-65,3

Table. Dynamics of key macroeconomic indicators

Monetary sector	Units	IV 2015	I 2016	II 2016	III 2016	IV 2016
Average daily turnover of foreign currency on the Belarusian Currency and Stock Exchange	mln. USD	50	42	36	38	36
Average daily turnover of foreign currency on the curb market	mln. USD	248	343	137	216	198
Average daily turnover of foreign currency on the spot currency market	mln. USD	34	28	32	30	30
Average daily turnover of foreign currency on the foreign exchange market	mln. USD	332	414	206	284	265
External sector	Units	III 2015	IV 2015	I 2016	II 2016	III 2016
Current account balance (the resource gap)	bln. USD	0	-1,1	-1,6	0	0,2
Current account balance (the resource gap)	% to GDP	-0,1	-8,0	-15,2	-0,2	1,7
Net inflow (-), outflow (+) on the financial account	mln. USD	-51	-556	1498	455	327
Net inflow (-), outflow (+) on the financial account	% to GDP	-0,4	-4,2	-14,6	3,9	2,5
Deficit (-), surplus (+) of the balance of payments	mln. USD	98	-281	-283	125	303
Deficit (-), surplus (+) of the balance of payments	% to GDP	-0,7	-2,1	-2,7	1,1	2,4
Changes of IRA in the definition of IMF	mln. USD	98	-281	-283	125	303
Foreign loans for financing of current balance deficit	mln. USD	0	0	0	0	0
Net capital inflow increasing debt	bln. USD	-0,3	0,5	0,5	0	-0,1
Net capital inflow not increasing debt	bln. USD	-0,2	0,0	0,9	-0,1	-0,2
Net inflow of foreign capital	bln. USD	-0,5	0,5	1,4	-0,1	-0,3
Borrowing of foreign loans	bln. USD	2,9	1,4	1,1	1,9	2,9
Repayment of foreign loans	bln. USD	1,4	0,7	0,9	1,9	3
Repayment of interest on foreign loans	bln. USD	439	212	409	239	415
The balance of foreign exchange inflow from export and outflow for import; (+) the inflow of currency	mln. USD	956	183	516	640	834

Table. Dynamics of key macroeconomic indicators

External sector	Units	IV 2015	I 2016	II 2016	III 2016	IV 2016
Changes of NER of BYR to USD	%	8,7	16,5	-4,8	-0,3	-1,5
Changes of RER of BYR to USD	%	5,4	11,0	-5,2	-1,1	-3,6
Changes of NER of BYR to EUR	%	7,1	17,2	-2,4	0,3	-6,5
Changes of RER of BYR to EUR	%	4,4	10,8	-3,4	-0,7	-7,7
Changes of NER of BYR to RUB	%	4,0	2,5	8,2	1,6	0,9
Changes of RER of BYR to RUB	%	3,8	-1,0	7,7	1,4	0,1
Changes of NFA of the National Bank	mln. USD	-521	390	249	680	-376
Changes of NFA of commercial banks	mln. USD	371	-468	-132	322	1128
Changes of NFA of the banking system	mln. USD	-150	-78	117	1002	753
Changes of NFA of the financial sector	mln. USD	-207	-54	187	914	
Gross external debt (GED)	bln. USD, BoP	38,2	38,3	38,6	38,2	38
General government external debt (GovED)	bln. USD, BoP	14,7	14,7	15,1	15	15,1
GovED in the extended definition	bln. USD, BoP	22,3	22,6	22,8	22,3	22,5
Net external debt (NED)	bln. USD, BoP	25,3	25,8	26,3	25,9	25,5
Short-term GED by residual maturity	bln. USD, BoP	9,3	8,8	8,8	8,5	8,2

* 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.

AUTHORS:

AKULICH Uladzimir, YAFIMENKA Yuliya, RAMANIUK Uladzislau,

ALEKSIATOVICH Katsiaryna, SMALENSKAYA Viktoriya, ALACHNOVIČ Ales,

NAŪRODSKI Sierž,

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Responsible for release: RAMANIUK Uladzislau

Author of the picture on the cover: YAFREMENKA Lizaveta

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The information presented in the review is based on the data from official sources and calculations of CASE Belarus staff. When using the graphs presented in the review, reference to CASE Belarus is requested.

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