



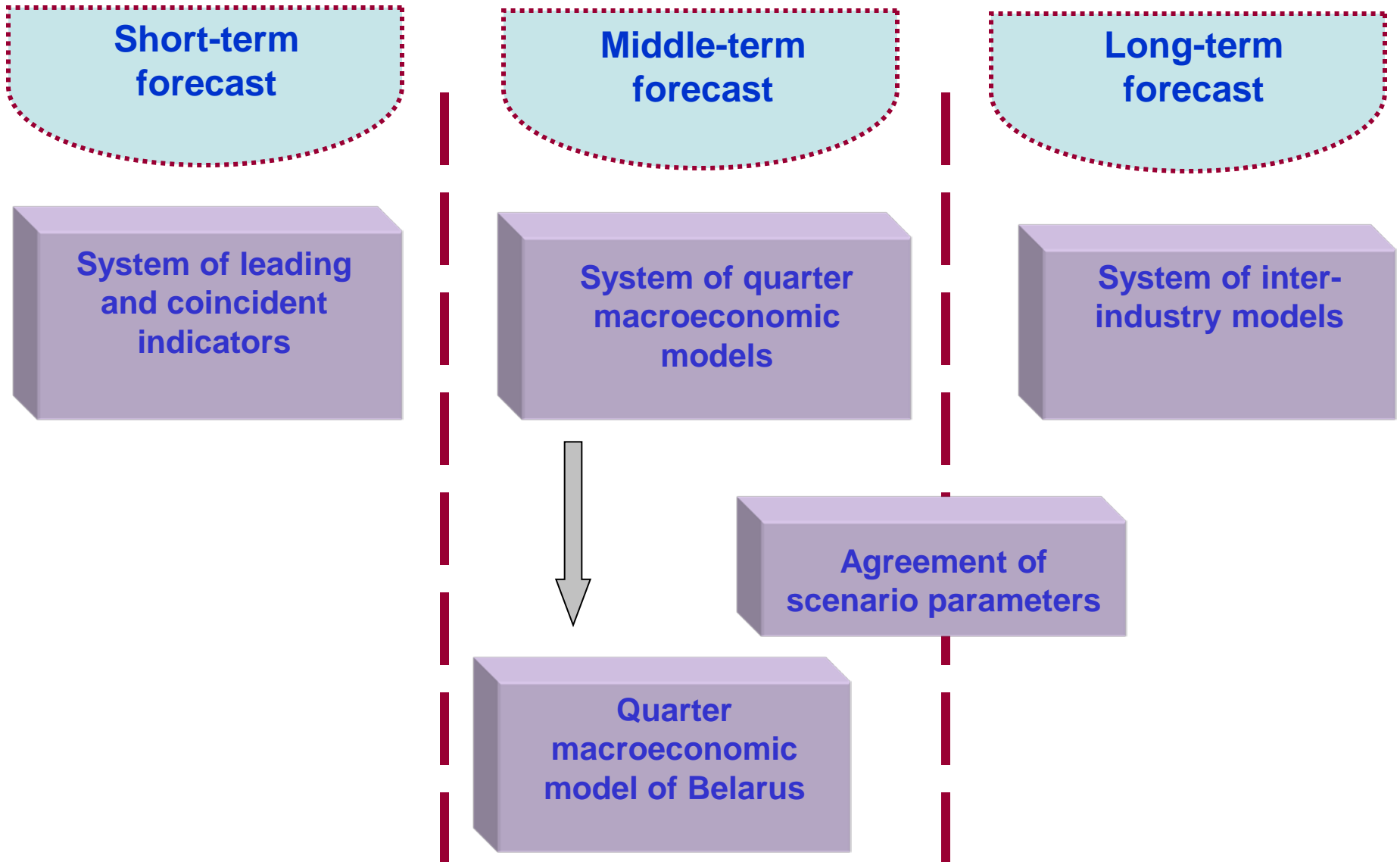
Belarus Economy as part of Common Economic space: analysis and forecast

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Common Economic Space (CES)

- Participants: Russian Federation, Belarus, Kazakhstan
- Date of creation: 1st January, 2012
- Main Purposes:
 - structure changes of economy
 - tax free trade
 - monetary policy directed to using Russian and Belarus rubles as well as Kazakh currency (tenge) in all Common Economic Space

Systems of models for Common Economic Space



Some Facts about Belarus:

- Population: 9,464 mln. persons (2012)
- 15% of companies are state (2012)
- About 65% of employed work in the state companies
- GDP per capita (by PPP): \$15,5 thousands or 33% to USA level (2008)
- Common borders with Russia, Ukraine, Latvia, Lithuania, Poland
- External trade turnover: \$92,5 billions or about 5% of CES turnover (2012)



Belarus economy: GDP, inflation

	2005	2007	2009	2011	2012
GDP, real growth rate, %	9,4	8,6	0,2	5,5	1,5
personal consumption	15,0	6,6	0,1	2,3	10,9
government consumption	0,3	-0,2	-0,1	-3,6	-1,2
gross capital formation	19,2	7,6	3,9	13,9	-9,8
exports	-1,2	2,8	-11,9	29,5	10,6
imports	-3,1	3,5	-12,2	15,8	9,4
CPI, %	8,0	12,1	10,1	108,7	21,8

The Belarus economy was rather successful in 2000-2008: the average rate of the GDP growth was about 6% per year till 2003 and about 10% in 2004-2008. Problems started in 2009 when the export decreased by 12%. This situation was determined by falling demand in Russia, Ukraine and Baltic countries, which share in the Belarus export is about 50%. In 2011-2012 the Belarus economy met new difficulties: the CPI exceeded 100% in 2011 and was more than 20% in 2012.

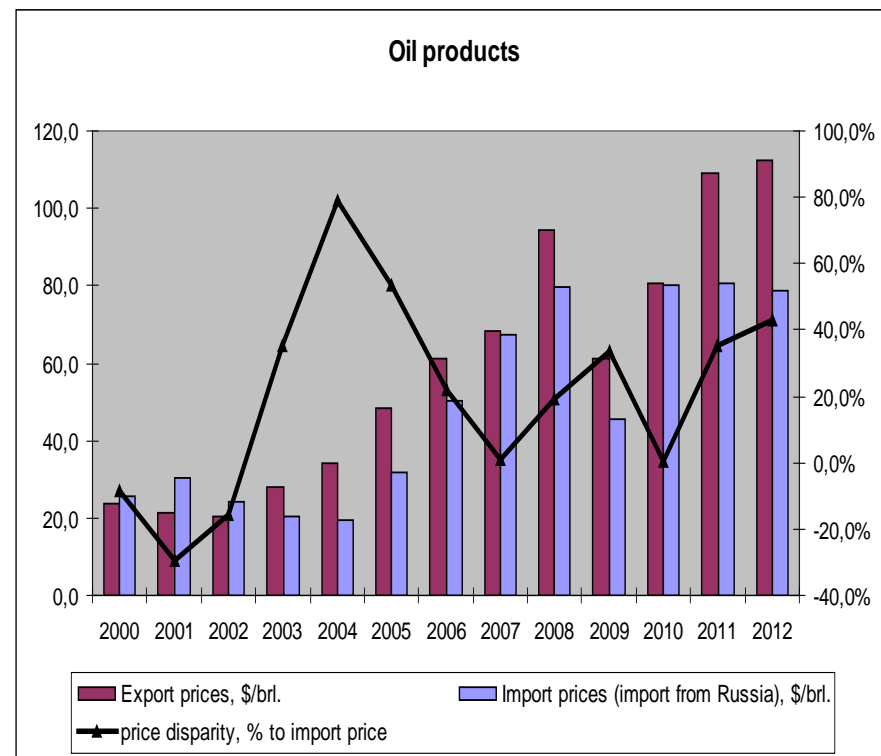
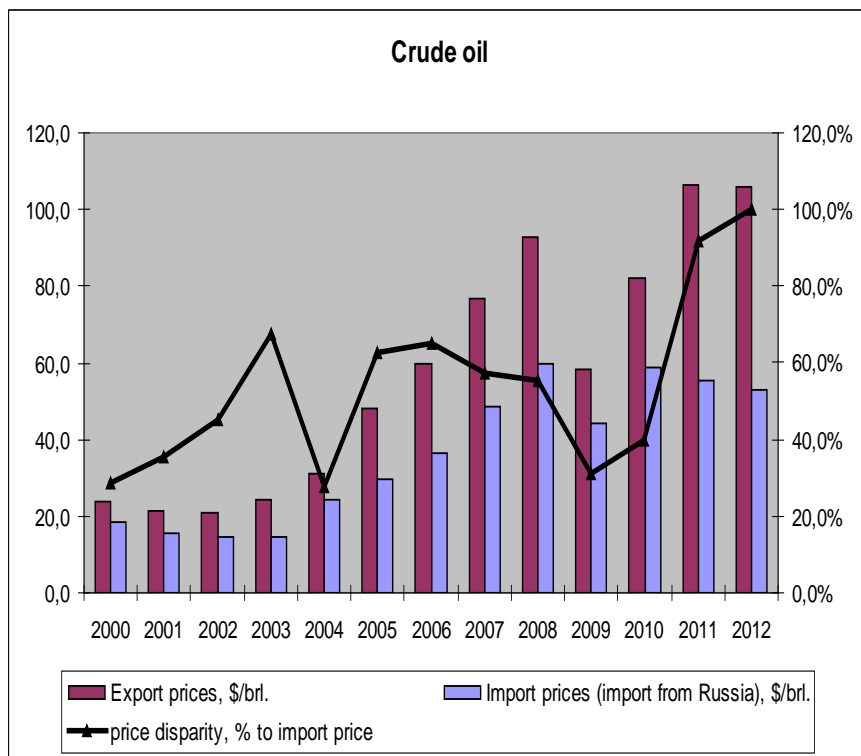
Belarus foreign trade structure (by commodities)

	2000	2005	2007	2009	2011	2012
Exports (without services), bln. \$	6,6	16,1	24,4	21,4	41,4	45,5
crude oil (% to total)	0,9	3,0	2,0	3,5	3,2	2,8
oil products (% to total)	20,5	30,1	31,3	32,8	30,7	31,9
Imports (without services), bln. \$	7,6	16,7	28,4	28,3	45,1	46,3
crude oil (% to total)	21,6	25,2	25,5	24,9	20,8	18,0
oil products (% to total)	2,8	0,9	1,7	4,7	7,7	12,0
gas	7,5	6,0	7,6	9,5	12,0	7,4
Trade balance, bln. \$	-0,9	-0,6	-4,0	-7,0	-3,7	-0,8

Belarus foreign trade structure (by countries)

	2000	2005	2007	2009	2011	2012
Exports (without services)						
to Russia (% to total)	50,7	35,8	36,6	31,5	34,8	35,3
Imports (without services)						
from Russia (% to total)	64,2	60,4	60,0	58,5	54,0	44,9

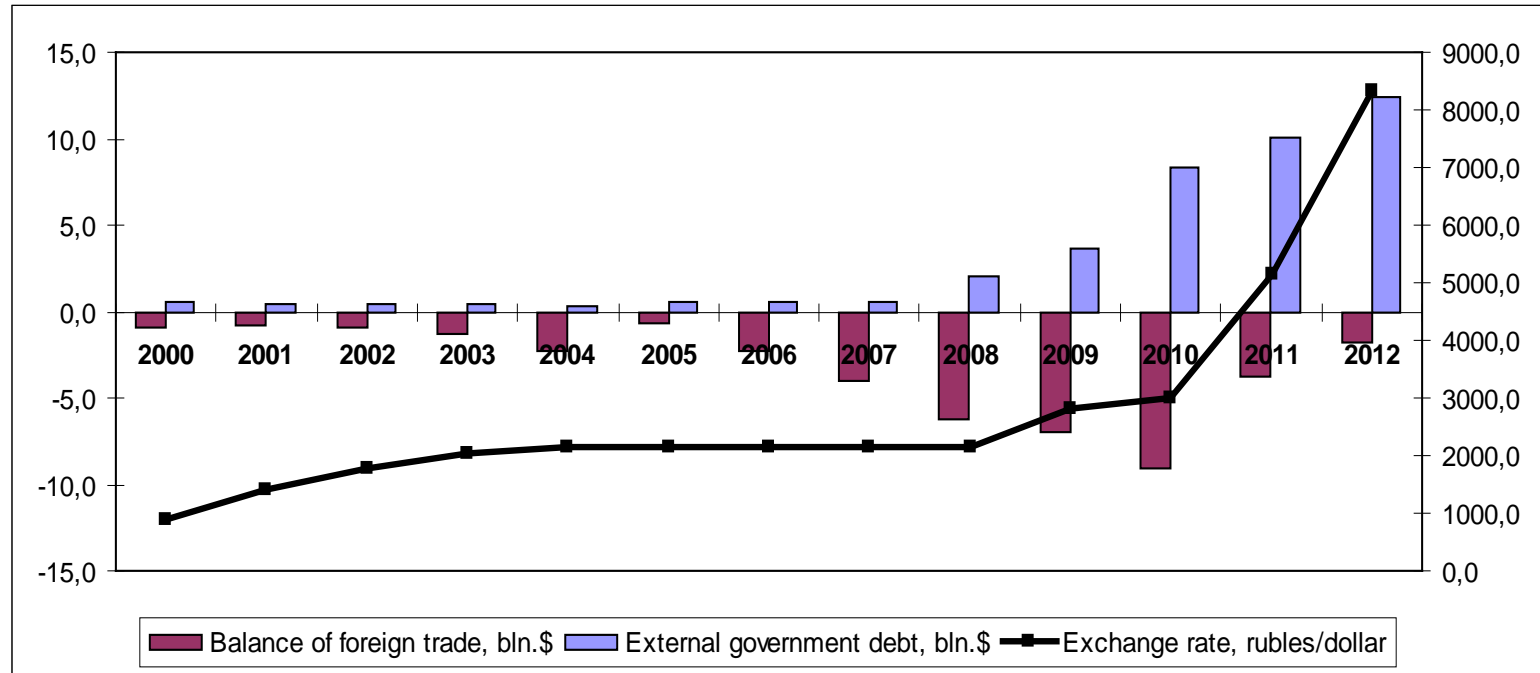
Import and export prices



Disparity in the import and export prices for energy resources:

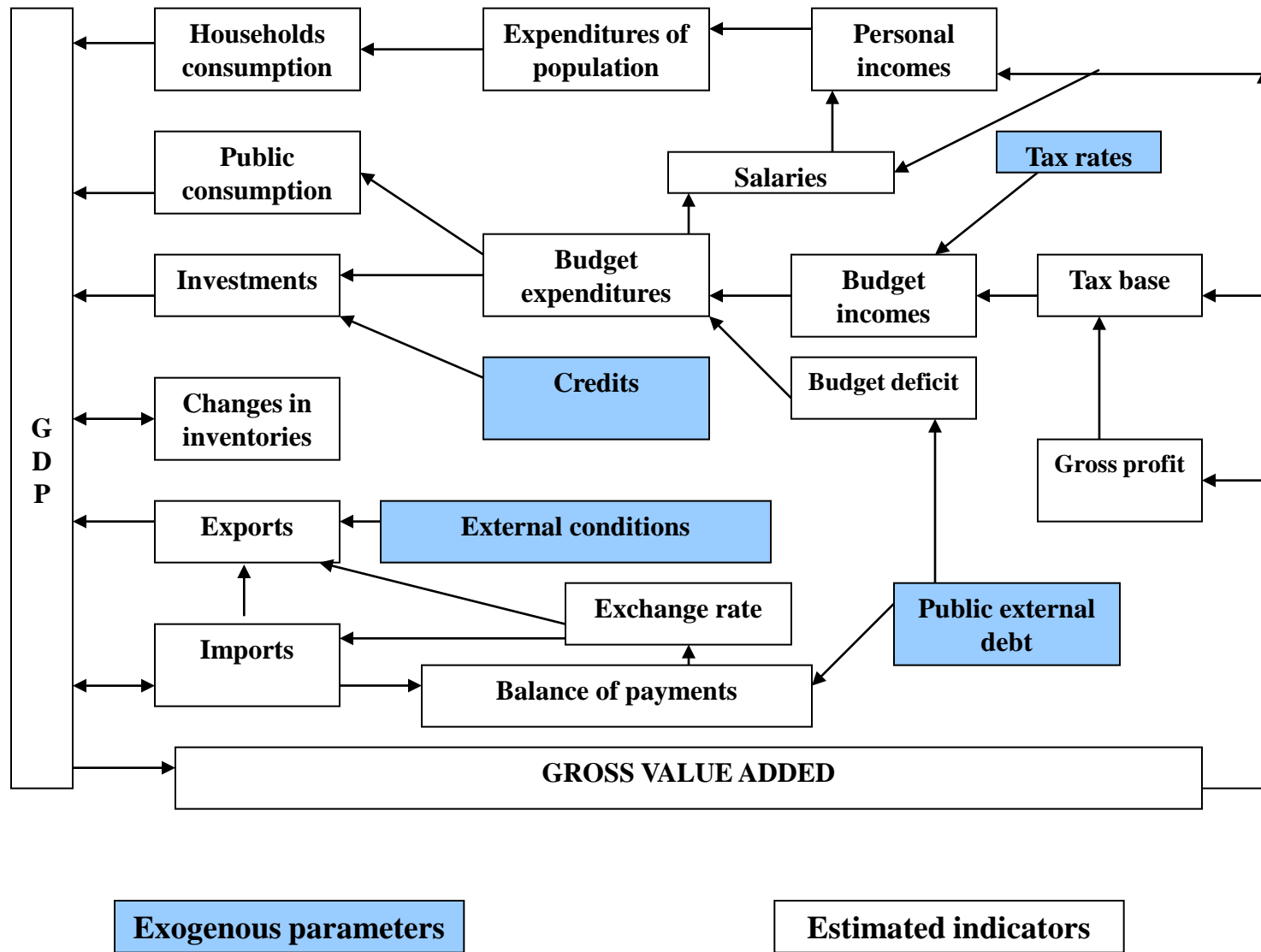
- export prices are equal to the world prices level
- oil import prices are less than export ones by 1,5-2 times
- price disparity for oil products is about 40%

Belarus economy: exchange rate, external debt and balance of foreign trade

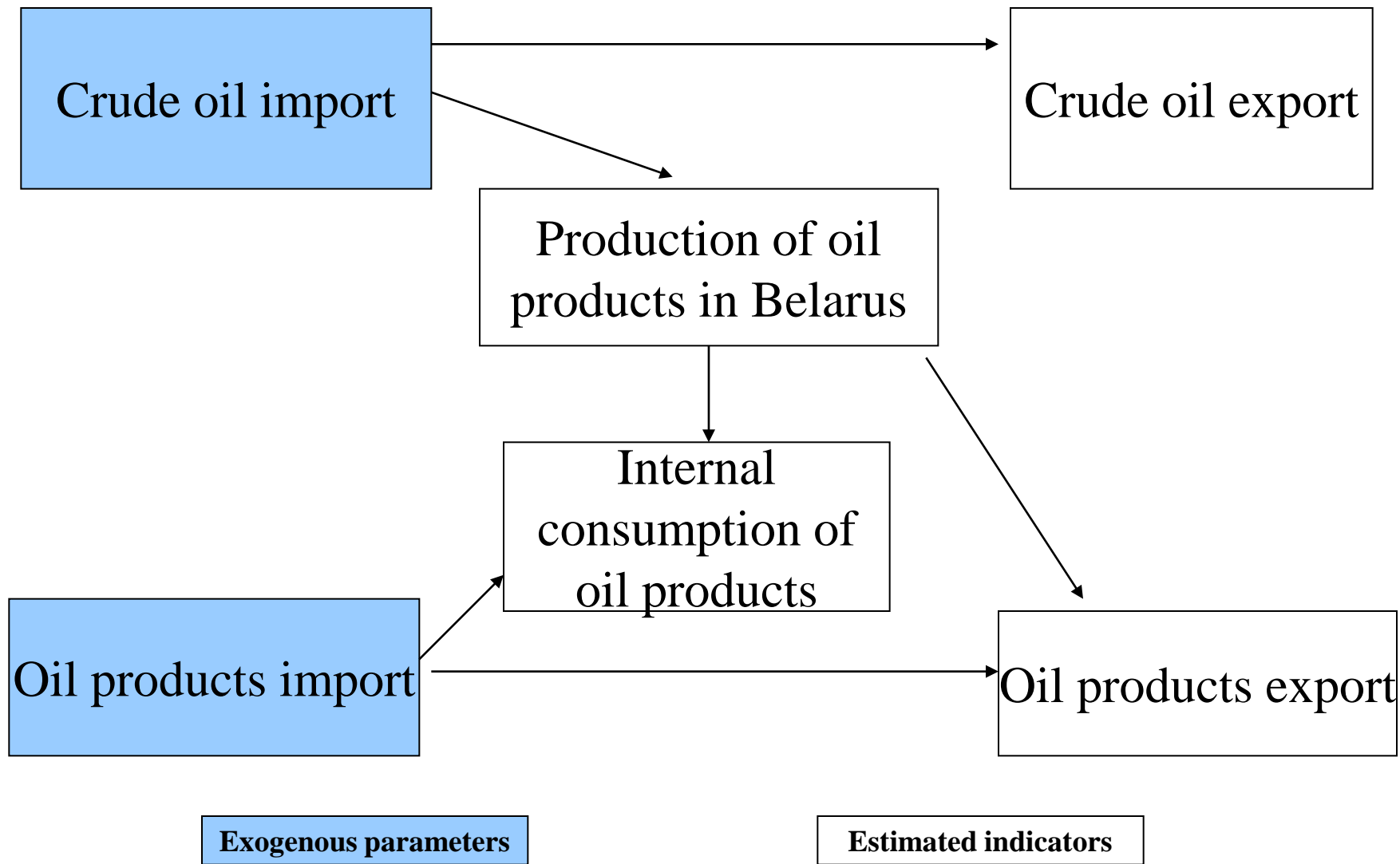


- in 2007-2010 the balance of foreign trade was negative and its absolute value increased from \$4 bln. to \$9 bln. (or about 35% to the export volume)
- in 2011-2012 the negative trade balance reduced to \$2 bln.
- at the same time the foreign investments decreased by 40-60% per year
- exchange rate increased from 2200 ruble/dollar in 2007-2008 to 8400 rubles/dollar in 2012
- Belarus ruble weakening required rising of the public external debt from 5% to GDP in 2007 to 34% in 2011

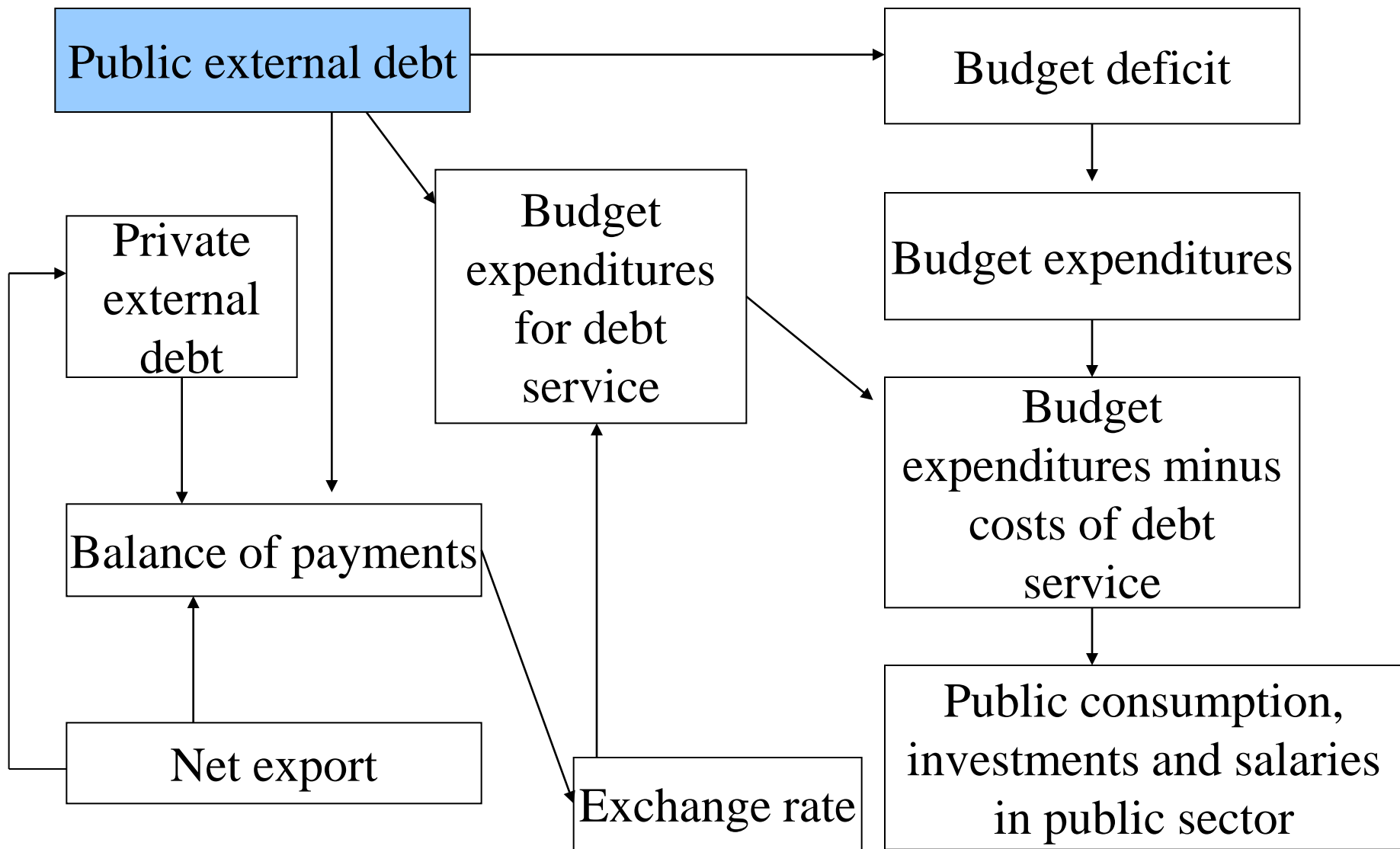
Scheme of Belarus economy model



Foreign trade and oil products production (in natural units)



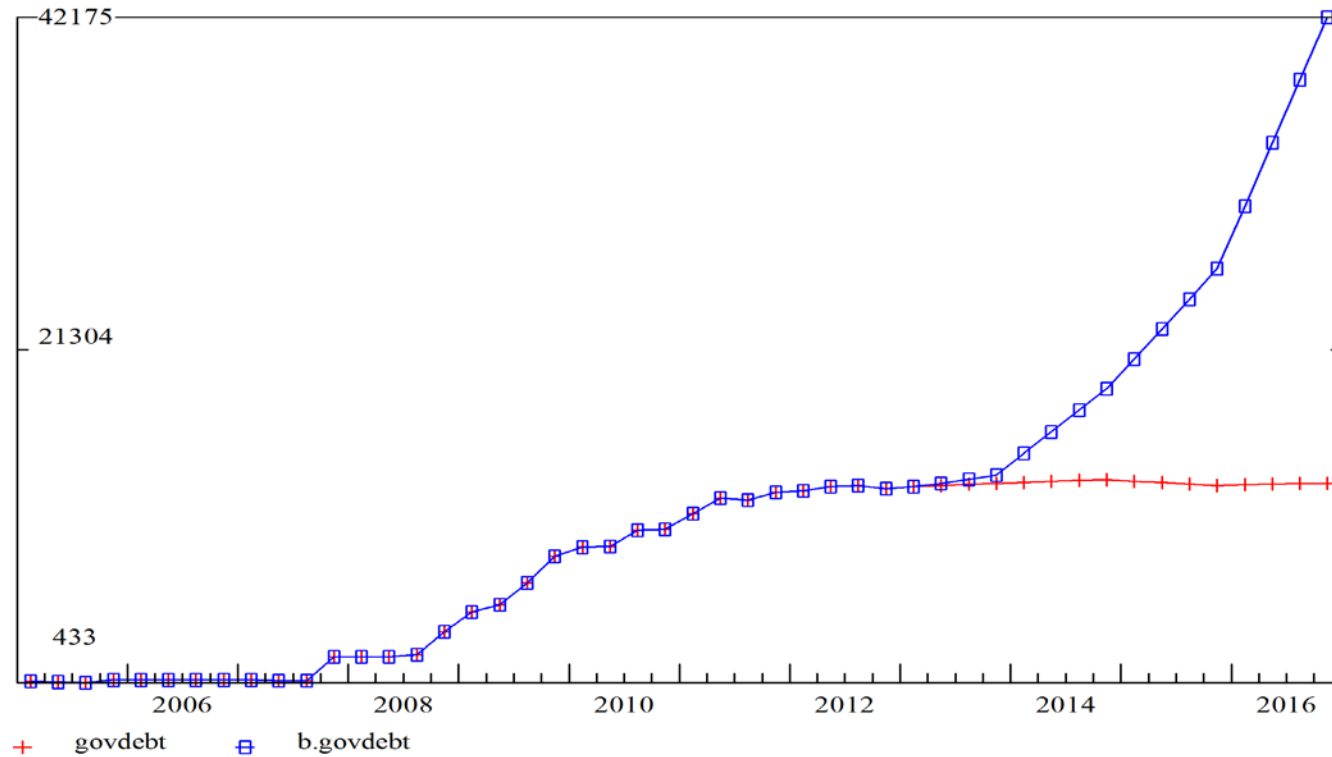
Balance of payments, external debt and exchange rate



Inertial scenario - results

	2012	2013	2014	2015	2016
GDP dynamics in 2008 prices, %					
GDP	1.5	2.4	4.1	4.2	3.8
Households consumption	10.9	2.4	3.3	7.5	5.6
Public consumption	-1.2	1.8	0.5	0.5	0.3
Investments	-9.8	2.3	5.3	3.9	3.4
Exports	10.6	-15.4	6.0	2.9	3.0
Imports	9.4	-13.2	5.6	5.4	4.1
Rate of inflation, %	21.8	6.2	26.5	29.6	43.7
CONSOLIDATED BUDGET					
Incomes (% to GDP)	41.4	40.8	37.5	36.4	34.8
Expenditures (% to GDP)	40.8	42.7	37.9	36.8	34.8
incl. public debt service (% to GDP)	1.4	1.5	1.5	1.4	1.3
BALANCE OF PAYMENTS, mln. \$					
Balance of current account	-1819.3	-5608.0	-5181.1	-6245.1	-6624.5
% to GDP	-29.8	-99.3	-94.6	-105.8	-102.6
Changes in reserve assets	81.0	-4251.7	-4404.8	-6278.1	-6515.4
FINANCIAL INDICATORS					
Exchange rate (ruble to dollar)	8351.6	9153.6	12708.5	16496.5	22111.6
Public external debt, mln.\$	12568.6	12901	13151	12800	12923
% to GDP	20.4	25.5	25.9	24.2	21.8

Scenario of optimum public debt growth – exogenous parameters



Red line – inertial scenario

Blue line – scenario of public debt growth

The optimum debt: the debt services costs will not decrease the budget expenditures for other purposes (consumption, investments and salaries).

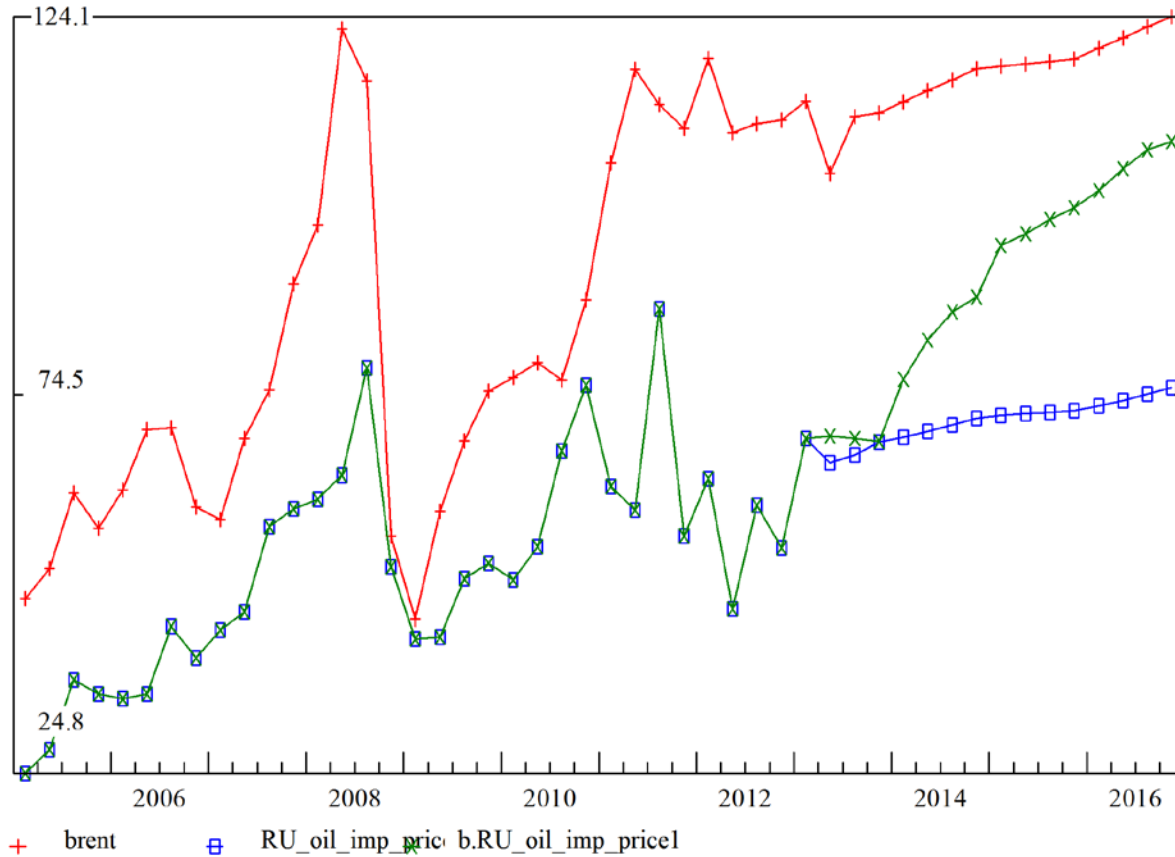
Scenario of optimum public debt growth – results

	2012	2013	2014	2015	2016
GDP dynamics in 2008 prices, %					
GDP	1.5	2.4	4.1	4.2	3.8
	1.5	2.5	5.7	6.9	2.1
Households consumption	10.9	2.4	3.3	7.5	5.6
	10.9	2.6	6.1	12.3	2.6
Public consumption	-1.2	1.8	0.5	0.5	0.3
	-1.2	1.9	0.7	0.7	0.0
Investments	-9.8	2.3	5.3	3.9	3.4
	-9.8	2.5	8.2	9.4	2.6
Exports	10.6	-15.4	6.0	2.9	3.0
	10.6	-15.4	6.0	2.4	2.1
Imports	9.4	-13.2	5.6	5.4	4.1
	9.4	-13.1	7.5	8.7	2.6
Rate of inflation, %	21.8	6.2	26.5	29.6	43.7
	21.8	6.3	24.6	19.4	33.8

Scenario of optimum public debt growth – results

	2012	2013	2014	2015	2016
CONSOLIDATED BUDGET					
Incomes (% to GDP)	41.4	40.8	37.5	36.4	34.8
	41.4	40.8	37.5	36.9	35.9
Expenditures (% to GDP)	40.8	42.7	37.9	36.8	34.8
	40.8	43.0	39.8	40.3	40.7
incl. public debt service (% to GDP)	1.4	1.5	1.5	1.4	1.3
	1.4	1.5	1.9	2.2	3.0
BALANCE OF PAYMENTS, mln. \$					
Current account	-1819.3	-5608.0	-5181.1	-6245.1	-6624.5
	-1819.3	-5667.2	-6125.5	-9152.1	-9302.8
% to GDP	-29.8	-99.3	-94.6	-105.8	-102.6
	-29.8	-100.2	-106.6	-132.5	-119.2
Changes in reserve assets	81.0	-4251.7	-4404.8	-6278.1	-6515.4
	81.0	-3847.2	-954.6	-2264.8	4444.4
FINANCIAL INDICATORS					
Exchange rate (rubles to dollar)	8351.6	9153.6	12708.5	16496.5	22111.6
	8351.6	9153.8	12248.8	13287.4	15269.2
Public external debt, mln.\$	12568.6	12901.0	13151.0	12800.0	12923.0
	12568.6	13448.0	18828.0	26359.0	42175.0
% to GDP	20.4	25.5	25.9	24.2	21.8
	20.4	26.5	33.6	39.9	55.4

Scenario of import oil prices growth – exogenous parameters



Red line – Brent oil price

Blue line – oil import prices (import from Russia) – inertial scenario

Green line – oil import prices (import from Russia) – scenario of oil prices growth

Scenario of import oil prices growth – results

	2012	2013	2014	2015	2016
	GDP dynamics in 2008 prices, %				
GDP	1.5	2.4	4.1	4.2	3.8
	1.5	2.9	-0.6	-2.6	0.4
Households consumption	10.9	2.4	3.3	7.5	5.6
	10.9	2.6	1.8	0.2	2.2
Public consumption	-1.2	1.8	0.5	0.5	0.3
	-1.2	1.9	0.1	0.1	0.2
Investments	-9.8	2.3	5.3	3.9	3.4
	-9.8	3.2	1.0	-2.9	0.1
Exports	10.6	-15.4	6.0	2.9	3.0
	10.6	-14.6	4.8	3.4	3.3
Imports	9.4	-13.2	5.6	5.4	4.1
	9.4	-12.4	7.9	5.4	4.4
Rate of inflation, %	21.8	6.2	26.5	29.6	43.7
	21.8	6.2	29.2	39.6	52.4

Scenario of import oil prices growth – results

	2012	2013	2014	2015	2016
CONSOLIDATED BUDGET					
Incomes (% to GDP)	41.4	40.8	37.5	36.4	34.8
	41.4	40.8	37.8	36.9	35.2
Expenditures (% to GDP)	40.8	42.7	37.9	36.8	34.8
	40.8	42.6	38.2	37.2	35.1
inc. public debt service (% to GDP)	1.4	1.5	1.5	1.4	1.3
	1.4	1.5	1.5	1.5	1.4
BALANCE OF PAYMENTS, mln. \$					
balance of current account	-1819.3	-5608.0	-5181.1	-6245.1	-6624.5
	-1819.3	-5589.9	-6791.8	-7724.0	-8185.0
% to GDP	-29.8	-99.3	-94.6	-105.8	-102.6
	-29.8	-98.5	-125.3	-140.5	-138.1
Changes in reserve assets	81.0	-4251.7	-4404.8	-6278.1	-6515.4
	81.0	-4233.6	-6022.1	-7828.9	-8160.2
FINANCIAL INDICATORS					
Exchange rate (ruble to dollar)	8351.6	9153.6	12708.5	16496.5	22111.6
	8351.6	9153.4	12783.9	17817.7	24902.4
Public external debt, mln.\$	12568.6	12901.0	13151.0	12800.0	12923.0
	12568.6	12901.0	13151.0	12800.0	12923.0
% to GDP	20.4	25.5	25.9	24.2	21.8
	20.4	25.4	26.6	26.8	23.9

Conclusions

- **The Belarus economy depends on the trade with Russia in rather strong degree. This dependence is determined by the physical volumes of exports and imports as well as by ratio between the world resources prices and prices for oil and oil products imported from Russia**
- **The negative balance of payments is the main problem of the Belarus economy that causes the weakening of the national currency and high inflation rates**
- **According to the inertial scenario the GDP growth rate will be much less in 2013-2016 than it was in the pre-crisis period (before 2008)**
- **For acceleration of the economic dynamics the public external debt increase will be required that will allow to decelerate exchange rate and CPI dynamics. The optimum value of the public debt is estimated as 55% to the GDP**
- **The opportunity for the positive economic dynamics in Belarus is mainly defined by the situation when the Russian energy resources import to Belarus is much cheaper than the same import to Europe. If the price disparity become zero then the Belarus economy will reduce till 2016**

Thank you!

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