BELARUS: ECONOMIC SUMMARY

KEY TENDENCIES

▪ Recovery of economic activity
▪ Growth of foreign trade volumes
▪ Depreciation of the national currency
▪ Reduced inflation rate
▪ Growth of bank lending in national currency

MAIN EVENTS

Belarus

The first session of the Belarusian People’s Congress, as the highest representative body in accordance with the amendments made to the Constitution of the Republic of Belarus in February 2022, is scheduled for April 24-25, 2024.

Amendments have been made to the Law of the Republic of Belarus “On State Regulation of Trade and Public Catering”, which, among other things, expands the regulation of online trade, including ensuring its compliance with the requirements of legislation on protection of consumer rights.

In accordance with Decree of the President of the Republic of Belarus dated March 4, 2024 No. 77, technological equipment, alternatives of which are not produced in Belarus, included in the list determined by the Council of Ministers of Belarus, to be exempt from paying value added tax when imported into the country.

Amendments to the Decree of the President of the Republic of Belarus of March 14, 2022 No. 93 “On additional measures to ensure the stable functioning of the economy” have identified cases of disposal of real estate and shares in the authorized capital of Belarusian organizations without obtaining permission and paying a contribution to the budget by their owners from foreign states committing unfriendly actions. The list of such states (hereinafter referred to as unfriendly states) was approved by Resolution of the Council of Ministers of Belarus dated April 6, 2023 No. 209.

The suspension of certain provisions of international agreements on the avoidance of double taxation and an increase in the income tax rate for foreign organizations from unfriendly states for the period until December 31, 2026 are provided for by Resolution of the Council of Ministers of Belarus dated March 7, 2024 No. 164.

Production in Belarus of passenger electric vehicles on the basis of serial production of passenger cars is provided for by amendments to the Comprehensive Program for the Development of Electric Transport for 2021–2025, approved by Resolution of the Council of Ministers of Belarus dated April 4, 2021 No. 213.

The ban on the import of certain goods into the territory of Belarus through automobile checkpoints on the border with Lithuania was established from April 1 to October 1, 2024 by Resolution of the Council of Ministers of Belarus dated March 14, 2024 No. 182 “On the application of a special restrictive measure” in response to the closure of Lithuania two automobile checkpoints on the border with Belarus from March 1, 2024.

Latvia has banned the import of certain agricultural products from Belarus.

Development Bank of the Republic of Belarus (DBRB)

The procedure for conducting a financial and economic assessment by the DBRB, determining the financing structure, monitoring and supporting the implementation of investment projects is established by Resolution of the Council of Ministers of the Republic of Belarus dated February 28, 2024 No. 131.

Alexander Egorov, who has held the position of Chairman of the Board of the DBRB since March 2021, has been appointed Deputy Head of the Administration of the President of the Republic of Belarus.
REAL SECTOR AND EXTERNAL TRADE

Since 2022, the Belarusian economy has been operating under conditions of geopolitical tension and unprecedented sanctions imposed on Belarus by the EU, the USA and other unfriendly states. On the way of adaptation to new operating conditions, economic activity has been restoring. After a decline in GDP by 4.7% y/y in 2022, it grew by 3.9% in 2023, and by 4.0% in January-February 2024 (Figure 1).

The recovery of GDP is ensured by high growth rates of industrial production that were boosted by external demand and grew by 7.7% y/y in 2023, in January-February 2024 - by 7.1%. All the while, the Belarusian industry continues to work under the ban of unfriendly states on the import and transit of such principal export goods as oil products, fertilizers, wood and steel products, car and tractor machinery, tyres.

Agricultural production continues to grow. In 2023 it grew by 1.1% y/y, in January-February 2024 - by 6.9% due to increased production in livestock farming.

After a decrease in 2022 by 25.4% and 2023 by 17.7% y/y, transport freight turnover began recovering and increased by 1.6% in January-February 2024. Passenger turnover continues to grow, increasing by 7.8% in 2023 and by 8.3% y/y in January-February 2024. As before, Belarusian transport companies do not carry out transport operations in the direction of Ukraine. They are prohibited to carry out road transportation of goods to the EU countries and to use the airspace of the EU, the USA and a number of other countries for air transportation. As well, sanctions pressure negatively affects the information and communications sector; its number of employees and share in GDP have been declining since 2022.

Investments in machinery, equipment and vehicles are growing rapidly, which increased by 32% in 2023 and by 17.8% y/y in January-February 2024, overcoming the decline in 2022 that was caused by sanctions restrictions on external financing and imported supplies of equipment. Total investments in fixed assets grew by 14.8% in 2023, and by 3.4% y/y in January-February 2024, but remain below the 2021 level.

The increase of real disposable incomes (by 6.3% in 2023 and 5.1% y/y in January 2024) and a growth of consumer lending contributes to the high growth of retail trade (by 8.5% in 2023 and by 12.6% y/y in January-February 2024) and the volume of paid services to the population (by 7.6% in 2023).

The volume of foreign trade in goods recovered in 2023, exceeding the level of 2021, due to a further increase in exports to Russian Federation and other CIS countries (in 2023 - by 4.1% y/y), restoration of exports to other countries (by 6%) and a significant increase in imports from non-CIS countries (by 29.3%). The change in the export logistics resulted in the growth of service imports (by 12.8% y/y in 2023), while their export declined (by 7.9%).

In January 2024, exports of goods and services increased by 1% y/y while imports remained at the level of January 2023. As a result, the positive balance of foreign trade increased from USD 59.2 million in January 2023 to USD 98.5 million in January 2024 (Figure 2).

Figure 1. GDP trends

![GDP trends chart](www.belstat.gov.by)

Figure 2. Foreign trade

![Foreign trade chart](www.nbrb.by, www.belstat.gov.by)
The high foreign trade surplus in goods and services was a major factor in the improvement in the balance of payments of Belarus in 2021-2022, when the current account surplus exceeded 3% of GDP. In 2023, the current account returned to a deficit of USD 1 billion, or 1.4% of GDP (Figure 3). It was associated with a deterioration in the balance of foreign trade in goods and services, which was partially offset by a decrease in the outflow of investment income and an increase in general government sector income.

The current account deficit has traditionally been financed by foreign direct investment inflow, more than half of which in 2023 were reinvested earnings. The use of reserve assets to finance the balance of payments in 2023 was insignificant, owing to net borrowing of trade loans and advances after an improvement in the situation with settlements in foreign trade. In 2023, Belarusian enterprises accumulated external accounts payable and decreased external accounts receivable, while in 2022 they were forced to use predominantly advance payments. All the while, international payments continue to be impeded by sanctions on the banking system of Belarus.

A number of Belarusian banks stay disconnected from the international financial information system (SWIFT) and use the Russian financial information system to conduct external transactions.

Gross external debt kept declining. In 2023 it decreased by 7.3% and amounted to USD 36.9 billion (51.4% of GDP) as of January 1, 2024, of which government debt accounted for USD 16.9 billion, or 46% of gross external debt, and 23.6% of GDP (Figure 4).

Sanctions by unfriendly states against the financial sector of Belarus have narrowed feasibility of attracting external financing, including government borrowing in the global financial market. The prohibition of operations with the assets of the National Bank of Belarus limited options for making payments on external public debt, so obligations to international financial organizations and Eurobonds obligations are redeemed in Belarusian rubles. As a result, the international rating agencies Fitch Ratings and S&P Global Ratings have downgraded the credit ratings of Belarus to the “default” level, and later withdrew (suspended) the credit ratings. The Russian Analytical Credit Rating Agency (ACRA) has also withdrawn the long-term credit rating of Belarus on the international scale, previously assigned to the level of “B+” with a “developing” forecast.

The execution of the republican budget in 2024 is planned with an increase in the deficit to 1.9% of GDP (versus 1.5% planned for 2023), however, this is lower than the deficit in 2022 (2.1%). To finance the deficit, the budgetary surpluses of previous years are used and new borrowings are attracted, and work is also underway to restructure the debt on government loans to the Russian Federation. In 2023, an issue of government bonds in the amount of 10 billion Russian rubles was placed on the Russian financial market, and funds were also received from a loan of the Government of the Russian Federation, an agreement on the provision of which in the amount of 105 billion Russian rubles was signed in 2022 to finance cooperation projects.

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**Figure 3. Balance of current account**

**Figure 4. External debt**

Source: [www nbrb by](http://www nbrb by)
DOMESTIC CURRENCY MARKET

Since 2015, the National Bank of Belarus have been following the floating exchange rate policy, which allowed for limited foreign exchange interventions in order to smooth out strong fluctuations in the exchange rate and to replenish gold and foreign exchange reserves. The official exchange rates of the Belarusian ruble against foreign currencies included in the basket were formed on the base of the results of trading on the Belarusian Currency and Stock Exchange. Considering changes in the foreign trade structure, along with the Russian ruble and the US dollar, the Chinese yuan has been included in the foreign currency basket since July 2022, and the euro has been excluded since December 2022.

In 2021, liberalization of foreign exchange regulations was completed, providing for lifting restrictions and simplifying the procedure for conducting foreign exchange transactions and executing foreign trade agreements. Among other changes, the compulsory sale of a part of foreign exchange earnings by enterprises was canceled, Belarusian enterprises and individuals got possibility to open current accounts in foreign banks and conduct foreign exchange transactions related to the movement of capital without permits from the National Bank of Belarus, legal requirements on timing and methods of completion of export-import operations were lifted.

Since 2021, the domestic foreign exchange market of Belarus has been operating in conditions of foreign currency surplus, but in 2023 it decreased to USD 200 million with an average monthly turnover of the foreign exchange market of USD 8 billion. The bulk of the excess supply of foreign currency is formed by non-residents, while Belarusian enterprises and banks buy more foreign currency than they sell. Individuals remain net sellers of foreign currency, but demand for it increases as the Belarusian ruble weakens against the US dollar.

The Belarusian ruble continues to weaken against the US dollar, following the devaluation of the Russian ruble, associated with a deficit in the foreign exchange market of the Russian Federation due to a decrease in exports and a recovery in imports. Simultaneously, the Belarusian currency is strengthening against the Russian ruble, the exchange rate of which to foreign currencies increased in 2022 as a result of a record surplus in the balance of payments, as well as adopted currency and monetary regulation, including the mandatory sale of a portion of foreign currency earnings by exporters, restrictions on purchases and withdrawal of foreign currency abroad. In February 2024, the weighted average exchange rate of the Belarusian ruble against the US dollar decreased by 14.1% and increased by 7.2% y/y against the Russian ruble (Figure 5).

In the beginning of 2022, the National Bank used a part of gold and foreign exchange reserves to support the exchange rate of Belarusian ruble in response to increased demand for foreign currency, caused by a surge in devaluation expectations after the outbreak of hostilities in Ukraine and the tightening of sanctions against Belarus and the Russian Federation. Subsequently, the of part of the obligations on public debt denominated in foreign currency was fulfilled in Belarusian rubles, including, in February 2023, the repayment of USD 800 million of Eurobonds placed in 2017. This, along with the purchase of excess foreign currency, allowed to maintain the level of gold and foreign exchange reserves. As of March 1, 2024, international reserve assets amounted to USD 8.2 billion, of which 43% were monetary gold and 40% were foreign currency reserves (Figure 6).

Figure 5. Average exchange rate

Figure 6. Foreign and gold reserves

Source: www.nbrb.by, cbr.ru

Source: www.nbrb.by
MONETARY POLICY

In 2021–2022, monetary policy measures were unable to limit the rise in inflation; consumer prices increased by 10% on average per year (Figure 7). It was associated with the depreciation of the Belarusian ruble and the persistence of high inflation expectations, as well as the influence of external factors, such as growth of world prices for energy resources, raw materials and food, the increase in the costs of enterprises in a result of the adjustment of logistics and production chains, and import of inflation from the Russian Federation. In order to curb price growth, starting from October 2022, for a wide range of consumer goods, the mandatory approval of growth of manufacturer prices by government bodies was introduced, and the size of markups for importers, wholesale and retail trade was limited.

The preservation of extensive price regulation in 2023, the strengthening of the Belarusian ruble against the Russian ruble, low growth rates of food prices and a decrease in prices for non-food products allowed for a slowdown in consumer price growth in December 2023 to 5.8% y/y versus 12.8% in December 2022.

In February 2024, the consumer price index increased by 5.6% y/y versus 11.7% in February 2023. From January 1, 2024, Belarusian manufacturers are allowed to increase prices for consumer goods subject to state price regulation by no more than 0.3% per month without approval from government agencies.

In order to restrain inflation and devaluation processes, the National Bank of Belarus pursues the monetary targeting policy, controlling the money supply. From June 28, 2023, the refinancing rate remains at 9.5% per annum. From January 3, 2024, constantly available and bilateral operations for regulating bank liquidity, which had not been carried out since September 2020, has been resumed, as well as, if necessary, auction operations on the open market, which were discontinued in mid-2022. This contributed to an increase in the average interest rate of the interbank market to 4.51% per annum in February 2024 against 2.17% per annum in December 2023 (with overnight loan and deposit rates of 10.5% and 4% per annum, respectively). From January 1, 2024, the required reserve ratio of banks for funds raised in foreign currency has been increased from 16 to 18%.

The Belarusian banking system continues to operate in conditions of liquidity surplus, which restrains the growth of interest rates on deposits and loans in Belarusian rubles. The average interest rate for new term bank deposits of individuals was 9.63% p.a. in February 2024 against 8.69% p.a. in February 2023, new bank loans to legal entities (excluding soft loans and interbank loans) - 9.94% p.a. against 9.67% p.a.

In 2022–2023, the National Bank of Belarus adopted a number of prudential regulation measures aimed at increasing the capabilities of banks to finance the economy. Along with the liquidity surplus, this contributes to the growth of banks’ claims on the economy in Belarusian rubles, which as of February 01, 2024 increased by 35.6% y/y, while claims in foreign currency decreased (in US dollar equivalent - by 20% y/y) (Figure 8).

![Figure 7. Inflation and money supply](source: www.belstat.gov.by, www nbrb.by)

![Figure 8. Banks' claims on the economy](source: www nbrb.by)
BELARUS INVESTMENT OPPORTUNITIES

In 2023, the real sector of the Belarussian economy received USD 7.7 billion of foreign investments, including USD 5.8 billion of direct investments. The major volume is invested to trade sector (33% of all foreign investments), industry (31%), transportation (17%), information and communication (9%), and construction (4%). The main investors to Belarus were companies from Russian Federation (67% of all foreign investments), Cyprus (15%), China (2%), and Germany (2%).

As of January 1, 2024, the accumulated stock of foreign direct investment in the form of equity participation and equated investment to the economy of Belarus amounted to USD 13.7 billion (19.1% of GDP).

Belarus in International rankings

<table>
<thead>
<tr>
<th>2022 Human Development Index</th>
<th>2020 Human Capital Index</th>
<th>2023 Legatum Prosperity Index</th>
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<tbody>
<tr>
<td>Poland</td>
<td>36</td>
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<tr>
<td>Russia</td>
<td>56</td>
<td>Belarus</td>
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<tr>
<td>Kazakhstan</td>
<td>67</td>
<td>Russia</td>
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<tr>
<td>Belarus</td>
<td>69</td>
<td>Ukraine</td>
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<tr>
<td>Ukraine</td>
<td>100</td>
<td>Kazakhstan</td>
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</tbody>
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Source: UNDP (Human Development Index)  
Source: World Bank (Human Capital Index)  
Source: Legatum Institute (Legatum Prosperity Index)

ADVANTAGE POINTS

✓ Strategically advantageous geographical position. Belarus, located in the center of Europe, is on the optimal route, which connects, on the one hand, the countries of the European Union, on the other, the Eurasian Economic Union (EAEU), Central and East Asia. Belarus actively participates in China’s Belt and Road Initiative, which provides for the establishment of a transport corridor that will directly connect China with European countries.

✓ The common market of five EAEU countries (common customs territory, free movement of goods, services, capital, and labor), the free trade regime with the majority of Commonwealth of Independent States countries (CIS), free trade agreements of the EAEU with Vietnam, Iran, Serbia, and Singapore.

✓ Skilled labor. More than 90% of young people receive higher education, which is comparable to countries such as Finland and Australia and above Norway, Germany, and Japan.

PROTECTION OF FOREIGN INVESTMENT

✓ The legislation of Belarus guarantees equal rights for national and foreign investors, unimpeded repatriation and disposal of investment income, protection against gratuitous nationalization or requisition of investment objects.

✓ Belarus is a full member of the Multilateral Investment Guarantee Agency, and has also entered into about 60 bilateral agreements with other countries around the world to facilitate the implementation and mutual protection of investments.

INVESTMENT ASSISTANCE

✓ Belarus offers special legal (preferential) regimes in six free economic zones (located in Minsk and all regional centers), the Great Stone Industrial Park, the Hi-Tech Park, the Southeast district of the Mogilev region, the Orsha district of the Vitebsk region (including the special economic zone Bremino-Orsha), as well as in the territory of medium and small urban settlements and in rural areas.
**Focus Industries and Sectors in Belarus**

<table>
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<tr>
<th>Industry/Field</th>
<th>Description</th>
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<tr>
<td><strong>Electronics and telecommunications</strong></td>
<td>The China-Belarus industrial park Great Stone is created. The park is a special economic zone, located 25 kilometers from the capital of Belarus – the city of Minsk, with a special legal regime that provides comfortable business environment for companies with capital of any country of origin. 120 companies with capitals from 15 countries are registered as residents of the park, with a total declared investment over USD 1.3 billion. In 2022, the industrial production in the park increased by more than 1.5 times, the export of goods - by 31% as compared to 2021. According to the Decree of the President of the Republic of Belarus of December 22, 2018 No.490, the park has become one of two free economic zones possible in Belarus, where the free customs zone procedure is applied in accordance with the Customs Code of the EAEU.</td>
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<td><strong>IT industry</strong></td>
<td>In 2005, the Hi-Tech Park was created, the special legal regime of which operates throughout the territory of Belarus. More than a thousand companies with a total number of over 60 thousand employees are residents of the Hi-Tech Park, more than a third of them were created with the participation of foreign capital. There are more than 100 R&amp;D centers of foreign corporations in the Park. In 2022, the export of the residents of the park amounted to USD 2.7 billion. Since March 28, 2018, the Decree of the President of the Republic of Belarus No. 8 “On the Development of the Digital Economy” dated December 21, 2017, has been in effect. The Decree aims at further development of the High-Tech Park and in general the creation of a modern digital economy in Belarus.</td>
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<td><strong>Pharmaceuticals</strong></td>
<td>The Belarusian pharmaceutical industry belongs to actively developing segments and is attractive for investors due to growing market of medical services, equipment and medicines in Belarus and other EAEU countries. To support producers, certain types of pharmaceutical products and medical equipment are exempted from value added tax.</td>
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<td><strong>Biotechnologies</strong></td>
<td>The biotechnology industry in Belarus has a great scientific potential, including the development of the National Academy of Sciences of Belarus and higher education institutions in the field of genomic biotechnology, veterinary medicine, and agricultural biotechnology. The Scientific and Technological Park BelBiograd was established in 2016.</td>
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<td><strong>Wood processing</strong></td>
<td>Forestry in Belarus fully meets the demand of woodworking industry for raw materials (most of the territory of the country is covered with forests), and the industry is in the lead on structural changes and technological innovations. Private investments are actively channeled into it.</td>
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<td><strong>Infrastructure</strong></td>
<td>The National Infrastructure Plan of the Republic of Belarus for 2017-2030 determines the country's investment needs for the creation of social, transport and energy infrastructure in the total amount of USD 68.5 billion. Some projects are planned to be implemented on the principles of public-private partnership.</td>
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<td><strong>Banking and Finance</strong></td>
<td>According to international experts, the banking sector of Belarus is one of the most promising in the CIS and Eastern Europe. Capitals from Germany, Russia, Austria, Ukraine, Great Britain, the Netherlands, Switzerland, Luxembourg, Kazakhstan, Latvia, Ireland, the USA, the Czech Republic and other countries participate in the authorized funds of Belarusian banks.</td>
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ABBREVIATIONS AND CONVENTIONS

GDP  gross domestic product
p.a.  per annum
p.p.  percentage point
USD  United States dollar
y/y  year to year (a period of the year to the corresponding period of the previous year)

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