

# BELARUS

**Table 1** **2023**

Population, million	9.2
GDP, current US\$ billion	74.8
GDP per capita, current US\$	8156.6
International poverty rate (\$2.15) <sup>a</sup>	0.0
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	0.1
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	1.3
Gini index <sup>a</sup>	24.4
School enrollment, primary (% gross) <sup>b</sup>	94.7
Life expectancy at birth, years <sup>b</sup>	72.4
Total GHG emissions (mtCO2e)	88.9

Source: WDI, Macro Poverty Outlook, and official data.  
 a/ Most recent value (2020), 2017 PPPs.  
 b/ WDI for School enrollment (2022); Life expectancy (2021).

*On the back of a strong recovery in 2023, the economy has now reached its capacity limits and is navigating the challenges stemming from economic sanctions targeting key currency-earning sectors, impeding exports and altering trade routes. The growth trajectory faces further hurdles due to constraints and efficacy concerns surrounding price controls, monetary policies, and external demand from Eastern markets. With monetary and fiscal policies nearing their limits, there is a growing risk stemming from the country's decreasing potential growth.*

## Key conditions and challenges

Strong economic growth in 2023 exceeded expectations, but it stretched the country's production capacities and the limits of economic policies. Extensive administrative measures, combined with expansionary monetary and fiscal policies, were crucial to bolster domestic demand. However, potential GDP declined following the prolonged effects of sanctions and subpar investment activity.

To adapt to sanctions, the economy established new trade routes and redirected exports, particularly of potash fertilizers and refined oil products, through Russia, albeit at higher logistical costs. In the medium term, the authorities' focus is on addressing supply issues and enhancing local production by substituting imports. However, heightened reliance on the Russian market, amidst escalating competition facing Belarusian products, poses a notable risk and exposes Belarus to vulnerability stemming from weakened external demand, particularly in the event of a deteriorating economic outlook in Russia. Addressing labor market rigidities will become increasingly imperative, alongside necessary investments aimed at stimulating potential growth.

Heightened security concerns and geopolitical tensions add further strain to the economic outlook, especially with the potential introduction of additional sanctions, such as the closure of the western

border for passenger and cargo transportation. Prolonged adherence to accommodative policies presents challenges, necessitating a delicate balance between preserving social benefits, wages, economic support, and overall stability. This, coupled with a deteriorating current account, exchange rate and price controls, and labor force constraints, heightens the risk of significant inflationary pressures.

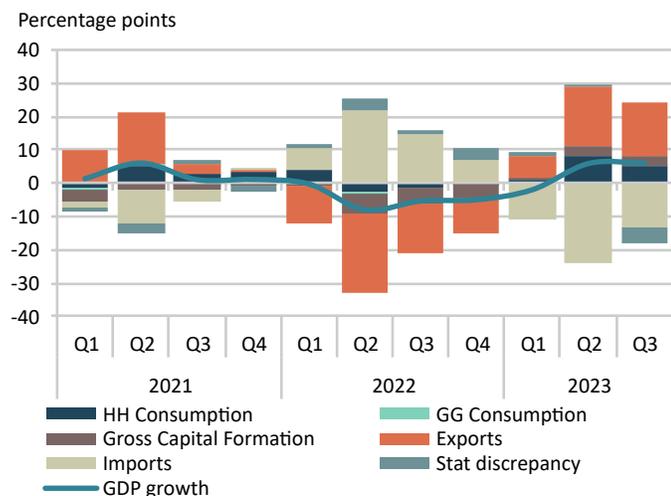
Finally, Belarus's economy grapples with its Soviet-era structure and a focus on quantitative growth, with diminishing prospects for economic diversification.

## Recent developments

In 2023, Belarus's economy expanded by 3.9 percent. Key drivers were the manufacturing industry, particularly machinery and equipment, (9.2 percent), trade (12.7 percent) and the construction sector (11 percent). Conversely, the IT and transport sectors decreased by 14.2 percent and 2.8 percent, due to sanctions and labor migration, while the agricultural sector marginally declined. On the demand side, private consumption, boosted by subdued inflation and increased demand from consumer lending and wages (11 percent real increase), was the main contributor. A modest investment recovery, primarily from budgetary and quasi-budgetary sources, also contributed to growth.

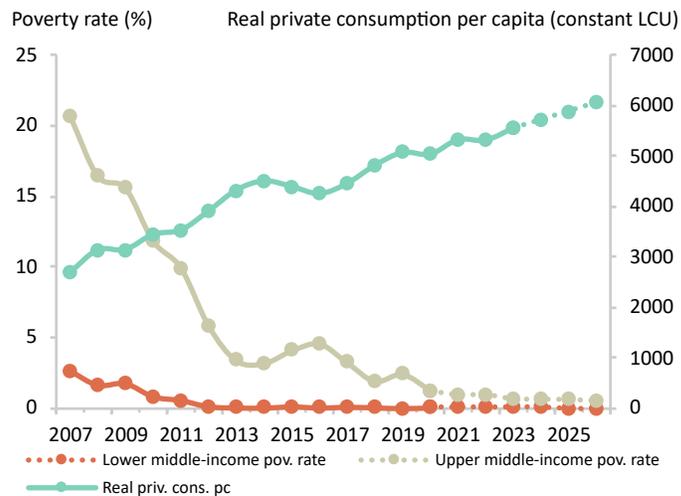
Inflation slowed to 5.8 percent due to base effects and price controls, prompting a base interest rate reduction from 12 percent in January to 9.5 percent in June 2023.

**FIGURE 1 Belarus / Quarterly real GDP growth and contributions to real quarterly GDP growth**



Source: World Bank calculations based on Belstat data.

**FIGURE 2 Belarus / Actual and projected poverty rates and real private consumption per capita**



Source: World Bank. Notes: see Table 2.

The exchange rate fluctuations are largely in tandem with the fluctuating value of the Russian ruble against major currencies. Belarusian ruble depreciated against major hard currencies while conversely modestly appreciating against the Russian ruble, as Russia being Belarus' largest export destination country.

The financial sector exhibited resilience, marked by a notable 30 percent surge in banking sector profits, predominantly driven by state-owned banks. The primary source of this growth stemmed from investments in state bonds. Concurrently, the proportion of non-performing assets remained stable.

Growing domestic demand and sanctions weakened the external position, leading to a current account deficit of 2 percent of GDP in Q1-Q3 2023. The trade surplus declined by 90 percent, driven by imports (17.7 percent), surpassing export growth (4.8 percent). Furthermore, a double-digit decline in remittances exacerbated the current account, leading to a shift from a USD2.2 billion surplus the previous year to a USD1 billion deficit, primarily funded by foreign direct investments. Despite this, there was no significant impact on external debt (-8 percent) or on foreign reserves (USD8.2 billion as of March 2024).

In 2023, households' real disposable income rose by 6.3 percent, from a 3.6 percent decline in 2022. Although employment fell by 1.5 percent, this was balanced by increases in real wages and pensions. Poverty, measured by the national poverty line, decreased from 3.9 percent in 2022 to 3.6 percent in 2023.

## Outlook

With production capacities maxed out and inventories rising due to slower export growth, economic prospects look grim. Mounting inflationary pressures and trade flow concentration pose significant risks. In 2024, growth is expected to hinge on expansionary policies, support for state-owned enterprises, targeted lending, domestic borrowing, and sustained growth in disposable income. GDP growth is forecasted at 1.2 percent as the economy fully recovers from recession. Consumption will remain the primary driver of demand, albeit at a reduced intensity, with more modest public wage increases and social spending indexation compared to 2023. Similarly, investments, still below pre-2022 levels, are anticipated to contribute positively. Despite

strong domestic demand and restricted foreign trade, imports are expected to surpass export growth, resulting in a negative net export contribution.

In the medium term, as economic stimuli effectiveness wanes, growth is expected to lag potential. While macroeconomic stability is upheld administratively, inflation and exchange rate volatility pose challenges. Inflationary pressures and market distortions resulting from price controls is likely to dampen consumer confidence. Investments, except in sectors aligned with Russian exports such as oil, fertilizers, and defense, are projected to slow down as the economy remains isolated. Consequently, the economy may face a trajectory of close to zero growth. Inflation is forecast to rise to 7.4 percent in 2024 and remain above historical averages in the medium term if administrative measures persist.

Lower external demand and commodity prices are expected to weigh on the current account balance, leading to currency pressures. The fiscal outlook is anticipated to deteriorate, with fiscal deficits expected as the government pursues economic stimulus and job preservation measures. Despite higher inflationary pressures, poverty levels are forecast to remain relatively unchanged in 2024 and 2025.

**TABLE 2 Belarus / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
<b>Real GDP growth, at constant market prices</b>	2.4	-4.7	3.9	1.2	0.7	0.5
Private consumption	4.9	-1.2	4.1	2.5	2.0	1.9
Government consumption	-0.8	-0.1	1.4	0.2	0.0	0.0
Gross fixed capital investment	-5.5	-13.3	12.1	1.8	1.4	1.3
Exports, goods and services	10.1	-12.3	23.1	3.2	2.6	2.5
Imports, goods and services	5.7	-11.4	29.1	4.7	4.1	4.0
<b>Real GDP growth, at constant factor prices</b>	2.4	-4.7	3.7	1.4	0.7	0.5
Agriculture	-4.1	4.4	-0.4	2.0	2.3	2.3
Industry	3.1	-6.2	8.0	1.9	1.2	1.2
Services	3.0	-5.1	1.1	0.8	0.0	-0.4
<b>Inflation (consumer price index)</b>	9.5	15.2	5.1	7.4	6.1	5.8
<b>Current account balance (% of GDP)</b>	3.1	-0.6	-3.4	-4.8	-5.2	-6.0
<b>Net foreign direct investment inflow (% of GDP)</b>	1.9	1.8	2.7	1.9	1.9	1.8
<b>Fiscal balance (% of GDP)</b>	0.0	-2.1	1.7	0.4	-0.6	1.1
<b>Revenues (% of GDP)</b>	37.5	33.9	35.8	36.7	36.2	36.0
<b>Debt (% of GDP)</b>	35.8	38.7	37.7	37.1	38.2	33.6
<b>Primary balance (% of GDP)</b>	1.7	-0.5	2.8	1.3	0.3	1.9
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	0.1	0.1	0.1	0.1	0.0	0.0
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	1.0	1.0	0.7	0.7	0.6	0.5
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	7.0	-4.3	0.6	-0.3	-0.2	-0.3
<b>Energy related GHG emissions (% of total)</b>	63.9	62.9	63.0	62.7	62.5	62.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2020-HHS. Actual data: 2020. Nowcast: 2021-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2020) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU.