

Preface

Belarus Economic Trends acknowledges the assistance of all those in the Belarusian government and elsewhere who have helped in the preparation of this bulletin.

B.E.T. publications in both English and Russian are at present distributed at no charge, and are available in print or via e-mail from: "bulletin@bettacis.minsk.by". The latest monthly and quarterly bulletins are available for downloading from the Internet addresses given below.

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Belarus Economic Trends produce monthly and quarterly bulletins that aim to present economic and statistical coverage on the Belarusian economy. The Quarterly bulletin tackles in more detail policy issues raised in each. In addition, the B.E.T. team produces occasional policy papers and Technical Notes on key economic and statistical issues.

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Note: All data at end-of-period unless otherwise stated. Monthly bulletins are available for each calendar month. Quarterly Updates are published for quarters ending March, June, September and December.

Over the text reference is made to the sources of data using abbreviations:

Minstat: Ministry of Statistics and Analysis.

NBB: National Bank of Belarus.

Minfin: Ministry of Finance.

MICE: Minsk Interbank Currency Exchange.

Belarus Summary Statistics

Update: Third Quarter 1998

	1991	1992	1993	1994	1995	1996	1997
Population (m)	10.28	10.35	10.37	10.35	10.31	10.28	10.20
Unemployment Rate (% of total Labour Force)	0.1	0.5	1.4	2.1	2.7	3.9	2.8
National Accounts							
(% Change at comparable prices)							
GDP	-1.2	-9.6	-7.6	-12.6	-10.4	2.8	10.4
Total Consumption	-6.6	-10.3	-3.7	-10.8	-9.5	3.2	9.4
Private	-6.1	-7.9	-1.5	-13.4	-12.3	4.5	10.9
Public	-7.7	-15.3	-10.5	-3.0	-2.9	-0.2	6.0
Gross Fixed Investment	4.4	-18.1	-15.4	-17.2	-28.7	7.2	14.7

(Source: Ministry of Statistics and Analysis).

	1993	1994	1995	1996	1997	1998	
						QI	QII*
1. Prices and Wages							
(% Changes over Previous Period)							
Industrial Producer Prices	2315.5	1866.7	140.3	29.3	90.3	10.4	8.1
Consumer Prices	1996.5	1959.9	244.0	39.3	63.1	10.7	10.2
Consumer Prices (Period Average)	1190.2	2221.0	709.0	52.7	63.8	9.5	10.2
Monthly Wages	1230.7	1481.1	258.0	56.0	105.7	12.9	9.4
2. Money							
Velocity of Circulation - M3	8.6	8.2	9.6	8.4	8.0	7.5	8.0
Velocity of Circulation - M2	..	..	13.9	11.1	11.1	10.3	10.8
Broad Money - % Change	984.1	1851.7	164.1	51.5	111.4	7.0	13.0
Nominal Refinancing Rate % per annum	210.0	480.0	66.0	35.0	40.0	50.0	40.0
Interest Rate (Primary GKO Placement, end of period)	..	320.0	70.1	37.1	35.9	54.5	44.8
3. General Government¹ (% GDP)							
Government Balance	-1.9	-2.6	-1.9	-1.6	-2.1	0.04	-1.4
Total Revenues	54.7	47.9	42.5	41.8	32.1	40.2	41.0
Total Expenditures	56.6	50.5	44.4	43.4	34.2	40.2	42.4
Domestic Debt (BRB bn)	..	11.8	2109.5	5712.4	8619.6	1166.6	3591.7
Domestic Debt (% GDP)	..	0.1	1.8	3.1	2.5	1.1	2.9
4. Balance of Payments (% GDP)							
Current Account	-6.2	-12.4	-5.5	-3.9	-6.0	-11.6	..
Trade Balance	-7.7	-13.7	-7.6	-8.6	-10.1	-15.2	-21.0
Exports	28.6	61.6	45.6	43.6	54.5	55.6	50.7
Imports	36.1	75.3	53.2	52.2	65.3	70.8	60.6
External Debt Outstanding ² (USD m, End of Period)	980	1227	1518	947	958	985	994
External Debt (% GDP) ³	2.7	25.1	14.6	7.1	7.2	7.7	7.4
External Debt (% GDP) ⁴	..	..	14.8	8.4	9.5	11.1	12.1
Gross official reserves (in months of imports)	0.3	0.4	0.9	0.7	0.5	0.2	0.218
5. BRB/USD Exchange Rate							
Minsk Interbank Currency Exchange	6890	10600	11500	15500	30740	33700	37540
% Change over the Period	..	51.6	8.5	34.8	98.3	9.6	11.4
Moscow Interbank Currency Exchange**	..	..	11702	26322	40790	53500	67000
% Change over the Period	..	..	..	124.9	55.0	31.2	25.2

(Sources: Minstat, Minfin, NBB and B.E.T. Staff Calculations).

¹Excluding Extrabudgetary and Social funds from 1997. The Presidential Fund is excluded during the whole period.

²State Budget only for Revenues Expenditures and Government Deficit, excluding Extrabudgetary and Social funds.

³Excluding gas arrears.

⁴GDP in US dollars at MICE rate.

⁵GDP in US dollars at MICEX rate.

.. data not available.

Bold italic figures are B.E.T. estimations.

* From March 21, 1998 there is no quotation of BRB/USD at MICEX. B.E.T. uses instead the Reuters quoted interbank exchange rate.

1. Contagion and Impact on the Belarusian Economy*

- 1.1 In recent weeks, external political and economic events have impacted the Belarusian economy. Devaluation of the Russian rouble and default on its debt obligations were the principal joint shock in the international capital markets, which led to a sharp rise in risk-premia attached to emerging markets. Does this affect Belarus, and if so, in what form? This issue has been examined internally by the government and by some commentators in Belarus, and BET here provides a wider setting of the question with respect to changing trends in the global economy.
- 1.2 The international financial crisis that began with the devaluation in Thailand in 1997 and the consequent contagion thereof, was examined in the December 1997 BET monthly outlook and referred to in the March 1998 BET monthly outlook. The devaluations have impacted real sectors, with South East Asian (SEA) economies expected to contract in 1998. The compression of demand in turn has led to reductions in commodity prices world-wide. With the Japanese economy in a slump and a shake-out of the banking system still on the cards, the traditional regional anchor or “stabiliser” has not been effective. The decline in regional output and demand has also impacted producers of exports from other parts of the world to SEA, and led to downward adjustments on stock markets in the mature economies through a decline in the present value of future expected earnings.
- 1.3 A perceived improvement in emerging market risk in QII 1998 was witnessed as net lending to emerging markets began to rise, particularly on the back of confidence-enhancing financial assistance from multinational organizations. This trend was halted and reversed with the *de-facto* devaluation of the RUR by Russian authorities, the default on official debt and a moratorium on external debt held by Russian commercial banks. These actions have effectively terminated the flow of finance into Russia from private sources. Externally, the default has led to substantial losses by international banks, totaling billions of USD and to the bankruptcy of some. Total losses for private creditors could exceed USD 100bn.
- 1.4 The Russian default was the next trigger that made investors extremely risk-averse world-wide. The financial contagion has spread, with Latin America countries suffering loss of confidence. This led to devaluations in for instance Equador and Columbia and may yet absorb Brazil, where the fiscal adjustment required to validate the nominal stability achieved in the last few years has still yet to be completed. On the other hand, the general decline in commodity prices is impacting on economies producing primary goods, such as Canada, where changing economic conditions led to devaluation of the Canadian dollar. Australia has been impacted in the same manner and also through the decline in demand from SEA, as has New Zealand. Emerging markets in North Africa have too been affected.
- 1.5 Further risks abound. A possible Chinese devaluation may lead to another round of regional devaluations in SEA, and spread further to other continents, as well as possibly again buffeting Russia and other transition economies. Thus the financial contagion is a global phenomena, although there are national and regional differences in the extent of spillovers. In general, real sector implications have been less severe in mature economies to date.

* Prepared by Rupinder Singh and Miguel de Freitas.

- 1.6 Yet, over one-third of the world economy is now in recession and world output is forecast to decline in 1998 by USD 750 bn. The danger of inflation has been replaced by the worry of recession. Thus far the EU and the US economies have remained less affected by the global financial crisis. However, large exposure of some European and North American financial intermediaries to the emerging markets has raised concerns of potential illiquidity and insolvency for some, in particular the highly-leveraged hedge-funds. Germany, for example, has substantial DM loans and investments in East Europe and in particular to Russia, and may experience a greater rebound than expected by forecasters, following rises in provisions for loans to SEA economies.

Impact on the Belarusian Economy

- 1.7 Closer to home, Russia is the main regional economy in the FSU and its economic health is the key determinant for most transition countries, including Belarus. The contagion from the Russian crisis has impacted all transition countries, both within the FSU and those in central Europe. However, the extent of the impact on both financial and real sectors has varied. In general, transition countries which have moved faster toward market-based systems and implemented appropriate prudential regulations to protect banking systems have suffered less in terms of bank runs, currency crises and insolvency of banks, although their debt and stock markets have been negatively affected by the rise in emerging-market risk and liquidation of stocks.
- 1.8 The immediate consequence of the Russian crisis was depreciation of the BRB against foreign currencies on the unregulated exchange markets, both cash and non-cash. The official BRB/USD exchange rate devalued by 65% in the first eight months of 1998. The market rate, taken here as the interbank Reuters rate, fell by 300% to BRB 121,500 during the same period and is expected to accelerate. The growth rate of the exchange rate is in excess of monetary growth, and therefore represents “over-shooting”. One explanation is that expectations of higher inflation are being priced in by market participants. The gap of the officially set MICE rate to the interbank non-cash Reuters-quoted market rate in August was over 60%. B.E.T. expects monetary expansion to exceed 250% for 1998.
- 1.9 The dual impact of an inflationary monetary-stance in Belarus and the spillover of the RUR devaluation onto the BRB means that inflation will now be even higher than earlier projections. Measured monthly CPI was 3.8% in August but is expected to exceed double-digits in September and October.
- 1.10 The impact on the Belarusian financial markets has been limited in size due to the undeveloped state of financial markets in the country. However, Belarusian agents with assets in Russia have suffered losses. This will impact in particular the net wealth of the unrecorded holdings of RUR. It is possible that some banks over-extended in Russian securities may technically be bankrupt. Heavy state involvement in the banking sector may have led to a moral hazard problem, through *de facto* full-deposit guarantees. According to official estimates, Russian assets held by Belarussian banks amounted to USD 30-50m at the time of the crisis, most in the form of GKO's. Following default on repayment, the face value of Russian debt has declined by 85 –90%. The decline has therefore had a direct effect on Belarusian intermediaries exposed to Russian GKO's. Losses of the entire

banking system, including fall in asset prices, is expected to be USD 60-70m. According to NBB statements, 12 of the 38 domestic commercial banks do not satisfy prudential norms, and the combined capital of the Belarusian banking sector is ECU 135m. This suggests that the true contagion of the financial crisis in Russia to the domestic banking sector may in fact be of a much higher level, and may have wiped out a significant part of bank capital, thus raising the levels of illiquidity and potential insolvency.

- 1.11 This also extends to other agents, such as non-bank financial institutions, which, according to some rough estimates may have lost a further USD 50m. Concerns about the sustainability of the banking system, the possible forced conversion of foreign currency deposits, and news of bankruptcy of a bank in Latvia caused a decrease in confidence in the banking system and significant deposit withdrawals by the population in August. The effective seizure of the payments system in Russia has impacted international settlements and left Belarusian counter-parties with further liquidity problems.
- 1.12 The Belarusian real sector is expected to be significantly affected because Russia is Belarus' main trading partner, accounting for 61% of its trade turnover. The Russian economy is expected to decline by 4-5% in 1998, impacting in Belarus through a substantial "income effect". Demand in Russia may simply disappear in the short run, since the decline in income among Russian agents is exacerbated through a liquidity crunch and non-payment between economic agents. The fall in Russian demand for imports may be accompanied by a structural shift in demand towards cheaper and lower quality goods, such as those produced in Belarus. Nevertheless, the net effect of the income fall in Russia is expected to lead to decline in demand for Belarusian goods.
- 1.13 Non-essential goods, such as durables, which are the bulk of industrial production are significantly affected by the income effect, and a sharp impact is expected in Belarus in QIV. A rise in inventories or cuts in the industrial production will be the policy-choices, as it is not likely that firms can redirect two-thirds of their production to alternative markets in the short-run. According to the Ministry of the Industry, the reduction in sales to Russia is expected to equal one month's industrial production or approximately 2.6% of GDP. This effect will be exacerbated through the adjustment of other regional economies. Ukraine is the second largest trading partner for Belarus and Ukrainian demand will decline also, and therefore have a second-order outcome on demand for Belarusian goods. The same logic extends to Belarus' trade with other regional economies. In sum, the termination of current trade contracts is expected to lead to a decline in Belarusian exports. The analysis suggests that domestic production targets will need to be revised downward or inventories allowed to build, itself a short-term solution.
- 1.14 The expected decline in Belarusian exports implies a second probable outcome in the form of a further shift of trade. Both Russia and other regional economies are likely to increase barter arrangements in the short- to medium-term, given the liquidity problems facing enterprises and consumers, particularly in Russia. The crisis has had an asymmetric impact upon enterprises – those that have been working through barter have generally been buffered in comparison to those that relied more on cash payment and who find themselves mired in the contagion of illiquidity. Inter-enterprise arrears with Russian enterprises are expected to rise.

- 1.15 The October monthly Outlook will present revised forecasts that factor in shifts in external demand for Belarusian exports and the downward revision in expected Belarusian growth.

Policy Issues

- 1.16 The first policy implication is that with international capital risk-averse, the limited possibility of access to external capital has eroded further. This means that financing for economic policy will continue to rely on domestic financing. Belarus is however faced with a policy dilemma.
- 1.17 The opportunity to involve international capital through undertaking sufficient and necessary reforms is now dissipated, at least until renewed confidence in emerging markets. The authorities, having opted for the short-run inflationary expansion in aggregate demand now face a decline in the growth rate. With monetary expansion rising, inflation will also rise, even with substantial price-repression and the use of rationing mechanisms. With restructuring delayed so long, an external economic shock today reduces the possibility of using transition as an absorber of internal adjustment in the real sector, with a potential private sector taking up excess labour. The cost of adjustment for Belarus has therefore risen.
- 1.18 The combination of unsustainable domestic policy-choices and the Russian crisis mean that Belarus is too entering a period of economic regression. What can policy-makers do? Monetary policy is already expansionary, yet the temptation will be to avoid the output decline through a further expansion of quasi-fiscal operations and easy credit to state enterprises. The impact of the shock will reduce living standards through a decline in real wages. The policy-response of raising wages will under the current economic environment simply fuel inflationary tendencies.
- 1.19 Although stabilization would require monetary tightening, this policy shift would burst the bubble and is likely to be unpalatable politically as it would imply a huge credit crunch internally and reduced access to directed credit for agriculture or other subsidized sectors. Hence policy-makers may simply opt for the policy of status quo with continued reliance on monetary expansion, at the cost of further inflation and the use of ever-more strict controls on economic activity. It is not obvious, however, that this will help to delay the recession. On the contrary, a decline in output is likely to occur whatever the policy mix, but the status-quo policy-stance raises expectations of hyperinflation.
- 1.20 A fundamental paradigm shift in Belarusian policy-making is required. There is no short cut to economic success without a development plan that takes steps to remove price-distortions in the market, a non-inflationary monetary-fiscal policy mix and an appropriately sequenced set of structural and institutional reforms.
- 1.21 The Russian crisis has simply speeded up the expected limit of the present Belarusian economic model. The Russian crisis does however offer policy-makers a scape-goat in order to introduce a more balanced macro-economic policy agenda.

Chronology of Economic Events (July 21-August 20, 1998)

1. On July 21, 1998 at the regular meeting of the Council of Ministers measures for the implementation of the proposals of the republican commission to secure national economic stability were discussed, as established by the presidential decree of March 21. Attention was focused on the regulation of the currency market and the exchange rate. In the second half of the year the Government aims to reduce the republican budget deficit. On the face of it, a further tightening might be expected to alleviate pressures on the domestic currency. However, the fiscal balance is tight because quasi-fiscal expenditures are conducted through an expansionary monetary expansion, and which has accelerated since February 1998. This suggests that, in the absence of a further compression of real expenditures, the expected downturn in real revenues is likely to be met through further expansion in domestic money supply. The latter policy option would if pursued further lead, through raising inflationary pressures, to a deterioration of the price of domestic currency in terms of foreign currency. The aim of stabilising the rate of devaluation of the BRB requires an appropriate policy-mix. The latter requires for an adjustment in the monetary policy rather than fiscal adjustment.
2. At the regular meeting of the Board of Governors of the NBB it was stated that by the end of October the NBB would reduce surrender requirements on the first trade session from 30% to 20%. At the same time their share on the additional session raised by 10% (from 10% to 20%). At the same meeting it was pointed out that by the end of 1998 Belarus plans to introduce one exchange rate in all sectors of economy. According to NBB estimations, by the end of 1998 the BRB exchange rate would not exceed BRB 70,000 per 1 USD. BET forecasts for July indicated that the equilibrium rate for the BRB, is likely to be within a band of 160,000 – 330,000 to the dollar by the year-end, depending on alternative policy assumptions. The stated NBB aim of introducing a convergent BRB rate is conditional upon a policy of raising reserves. The latter contradicts economic fundamentals –the NBB can never raise reserves sufficiently if it tries, in the absence of external capital, to control both the price and quantity of domestic currency. A rapid rise in quantity of money in circulation, without effective rise in money demand, leads to a decline in the price of BRB.
3. Following the decision of the Board of Governors of the National Bank of Belarus of July 22, 1998 from August 1st the base refinance rate is to be reduced to 38% p.a. The reduction of the refinance rate was justified by a fall in measured inflation.
4. This year, for the first time, ten insolvent farms are to be declared bankrupt. A government directive in May specified a full list of insolvent agricultural enterprises. The same document instructed the Ministry of Agriculture and the local 'vertical power structure' to work to develop a programme for restructuring and financially rejuvenating those collective farms that had practically already become bankrupt. The government list set their number at around 10% of the total number of farms in the republic. It is expected that the special measures will allow the enterprises to attain a reasonable financial condition within around eighteen months.
5. A government directive adopted on July 22 stipulates that from August 25 the state will impose fines on those supplying a range of strategic Belarusian goods for export at prices that are lower than those established by the

Ministry of the Economy. Minimum (indicative) prices were established on some exported goods before but their use was only recommended.

6. On July 28, after a break of almost two years, a republican voucher auction was held. Shareholdings were sold in 44 of the 50 joint-stock companies that were put forward but overall only 60% of the shares on sale were actually sold. Twenty companies applied to participate in the auction, including nine special investment funds. The physical entities that the Ministry of State Property was relying on did not show any interest. The Ministry of State Property has announced that the first auction of incomplete constructed objects will be held on August 21 using the 'Dutch' method, where prices are lowered during the auction. The price cannot be lowered by more than five times. However, the successful buyer should cover the costs of holding the auction at a rate of 4% of the object's starting price.
7. The Presidential Edict N12 of July 28, 1998 introduces new amendments to the Presidential Edict N6 of March 10, 1997 "On regulating the provision of tax and customs privileges for legal and physical entities". Thus, it rules that tax and customs privileges are defined by the President in accordance with existing laws. However, individual privileges are granted only by the President.
8. Presidential Edict N13 of August 5, 1998 "On a legal framework for foreign investments from CIS member states" defines a general procedure of establishment and of further activity of foreign companies from the CIS countries. It is signed in accordance with the Ashkhabad Agreement by the CIS member states on co-operation in the field of investment, of December 24, 1993. The Edict sets out that foreign investors from the CIS member states will have the right to take shares in founding legal entities with any form of ownership, as stipulated by Belarus laws, together with Belarusian legal and physical entities. In principle the Edict equalises the rights of non-CIS foreign investors with those from the CIS states. Additional tax and customs preferences can be granted by the President of Belarus.
9. On August 4 at the regular meeting of the Presidential Administration dedicated to the current situation on the market of unprocessed wood emphasized the necessity to introduce licensing for wood exports. It was pointed out that due to numerous legal entities operating on the wood material markets, prices on unprocessed wood in Belarus are much lower than in the neighboring countries.
10. Presidential Edict N 14 of August 5, 1998 "On some issues for using a streamlined taxation system for small business entities in 1998". It stipulates that commercial entities with revenues of no more than 2,500 minimum wages in a quarter have the right to move to a simplified taxation system.
11. On August 6, 1998 the head of RAO Gazprom Rem Viakhirev visited Belarus. On the agenda was a discussion on the resolution of Belarus' gas debt, which totals USD 250 m. Belarus proposed a plan, the main idea of which is to deliver goods not just for RAO Gazprom but for other Russian enterprises, including the defense ministry. RAO Gazprom proposed alternative propositions to settle gas arrears without cash payments. Among them is the construction of the Yamal-Europe pipe-line across the territory of Belarus. RAO Gazprom would prefer to receive 100% of payments in hard currency during the next two months.
12. A meeting of the board of directors of the National Bank has decided that from August 11, 1998 the National Bank will establish a special National Bank exchange rate based on the results of the Inter-Bank Currency Exchange's additional trading session. The special National Bank exchange

rate will be used in enterprises' accounts and reports to reflect foreign exchange bought at the additional trading session. The decision was taken in order to create favourable conditions for the foreign economic activity of Belarusian commercial entities buying foreign exchange at the additional session.

13. On 17 August, in the evening, an urgent meeting with participation of representatives from the Ministry of Finances, the Economy Ministry, and the banking sector was held at the NBB. The agenda included the situation of the Russian financial markets, its possible impact on the Belarusian economy, and the development of response measures. On 18 August the National Bank of Belarus released a statement with regard to the introduction of a new "currency corridor" in Russia. The NBB expressed support to the efforts being taken by the Russian Government in order to stabilize the country' s economy and finances and claimed that the Belarusian situation is under control.
14. From August 18, 1998 new amendments to the regulations on border crossing come into effect in Poland. According to these, citizens of Russia and Belarus are to have appoximately USD 30 for each day of stay in Poland and not less than USD 150 if the length of the stay period are unknown.

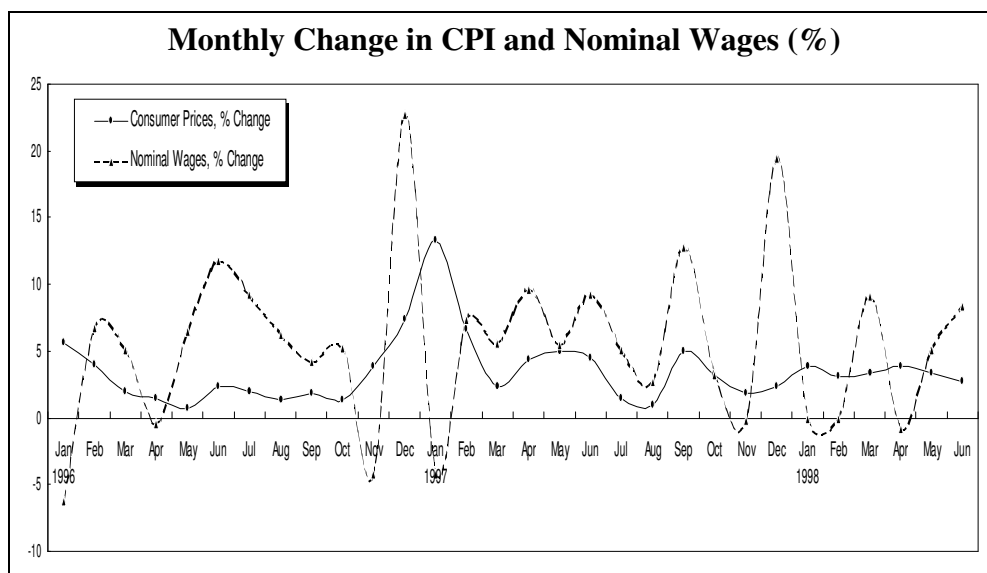
2. Prices, Wages and Inflation

	1994	1995	1996	1997	1997				1998	
(% Change over Previous Period)					QI	QII	QIII	QIV	QI	QII
Industrial Producer Price Index (IPPI)	1866.7	140.3	29.3	90.9	44.0	16.1	6.1	7.6	10.4	9.1
Consumer Price Index (CPI)	1959.9	244.0	39.3	63.4	23.6	14.4	7.5	7.5	10.7	10.2
Food	2108.6	213.0	43.4	66.1	23.5	17.2	6.4	8.0	11.6	10.6
Nonfood	1565.5	258.8	30.3	49.4	17.8	9.8	7.7	7.3	7.8	7.4
Services	2240.9	477.0	29.6	66.3	30.7	6.7	13.7	4.9	8.7	11.6
Monthly Wages	1482.1	257.9	56.0	105.7	8.8	26.3	21.8	23.0	12.9	12.9
Minimum Wage (000 BRB)	20	60	100	162	130	150	167	200	250	250
Monthly Wages (USD, end of period)*	33	88	104	108	76	82	96	108	110	111

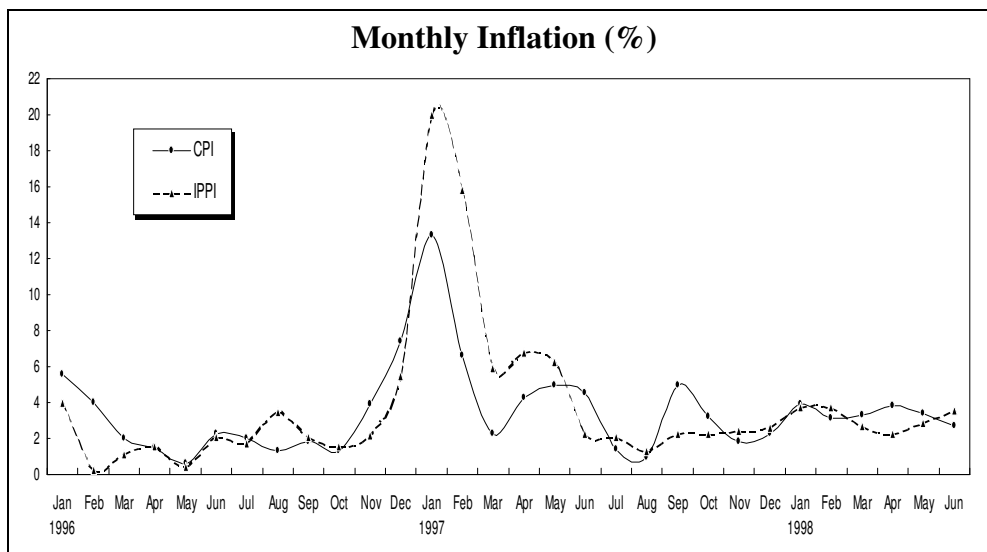
(Sources: Minstat and B.E.T. Staff Calculations).

* Minimum Wage was changed from BRB 200,000 to BRB 250,000 on January 1, 1997.

** Monthly Wage in USD using NBB exchange rate.



(Source: Minstat).



(Source: Minstat).

3. Money and Credit

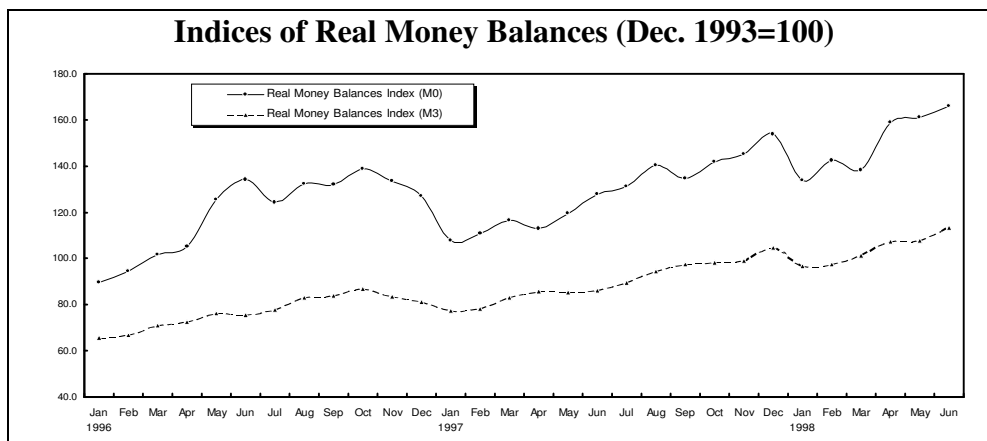
	1993	1994	1995	1996	1997	1997	1997	1997	1997	1998	1998
						QI	QII	QIII	QIV	QI	QII
Money and Credit											
(% change over the period)											
Reserve Money	..	1642%	341%	78%	108%	5%	31%	25%	21%	12%	24%
M3	..	1852%	164%	52%	111%	27%	19%	21%	16%	7%	23%
M2	..	1372%	311%	67%	103%	13%	7%	24%	18%	7%	25%
Currency in circulation	..	1376%	412%	64%	98%	13%	26%	13%	23%	-1%	32%
NBB loans to the G.Govn.	..	500%	7450%	66%	65%	28%	8%	-10%	32%	11%	23%
NBB claims on banks.	..	1377%	79%	188%	154%	23%	21%	51%	13%	22%	21%
Credit to non-financial public enterprises	..	..	..	40%	100%	30%	9%	7%	32%	13%	28%
Claims on private sector	..	..	..	67%	146%	41%	21%	36%	6%	11%	18%
Bank Reserves (end of period)											
M3/Reserve Money	3.91	4.38	2.62	2.25	2.29	2.71	2.46	2.40	2.29	2.18	2.17
Req.reserves/Total deposits	0.05	0.06	0.10	0.14	0.16	0.14	0.15	0.15	0.16	0.17	0.16
Total Reserves/Total deposits	0.13	0.13	0.21	0.27	0.27	0.18	0.21	0.25	0.27	0.31	0.30
Money velocity (M3)											
Over the period ¹	..	8.5	9.2	8.4	8.4	7.6	8.4	9.6	7.9	7.1	7.5
Last month ²	8.6	8.2	9.6	8.4	8.0	7.7	9.5	9.5	8.0	7.5	8.0
Money velocity (M2)											
Over the period ¹	..	14.7	14.5	11.3	12.0	10.7	12.4	13.7	11.0	9.8	9.8
Last month ²	14.8	14.6	13.9	11.1	11.1	11.2	13.7	13.4	11.1	10.3	10.8
Refinance Rate, % per annum											
Real Refinance Rate, % per annum	..	480.0	66.0	35.0	40.0	42.0	42.0	38.0	40.0	46.7	41.3
	..	-79.9	7.8	-42.7	6.6	8.1	-16.3	-23.2	6.6	-2.2	-4.3
Composition of M3 (% end of period)											
Currency in circulation	14%	11%	21%	23%	21%	20%	21%	20%	21%	20%	21%
Demand deposits	..	..	35%	35%	37%	32%	34%	37%	37%	38%	37%
Time deposits	..	..	13%	18%	14%	16%	14%	14%	14%	15%	16%
Foreign currency deposits	41%	55%	31%	24%	27%	32%	30%	29%	27%	27%	26%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

(Sources: NBB data and; B.E.T. Staff Calculations on data provided by NBB).

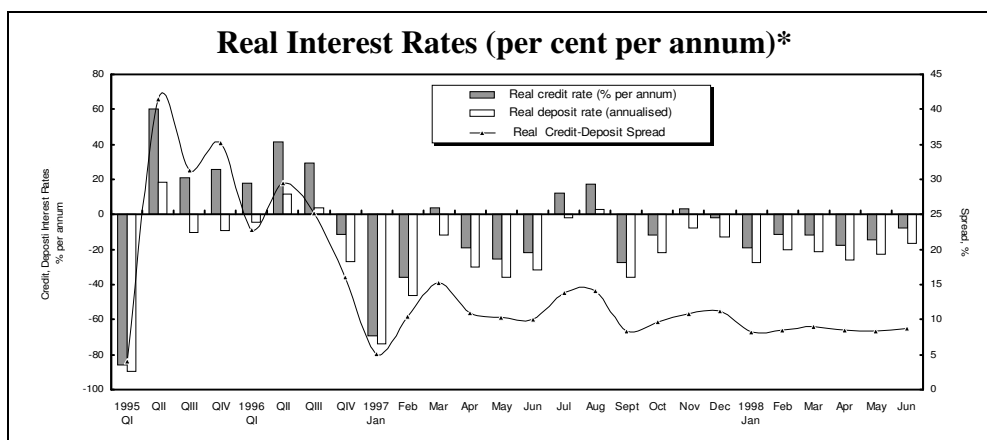
¹ Annualised GDP divided by M3 averaged over the corresponding period.

² Annualised GDP divided by midpoint M3 in the period.

.. data not available.



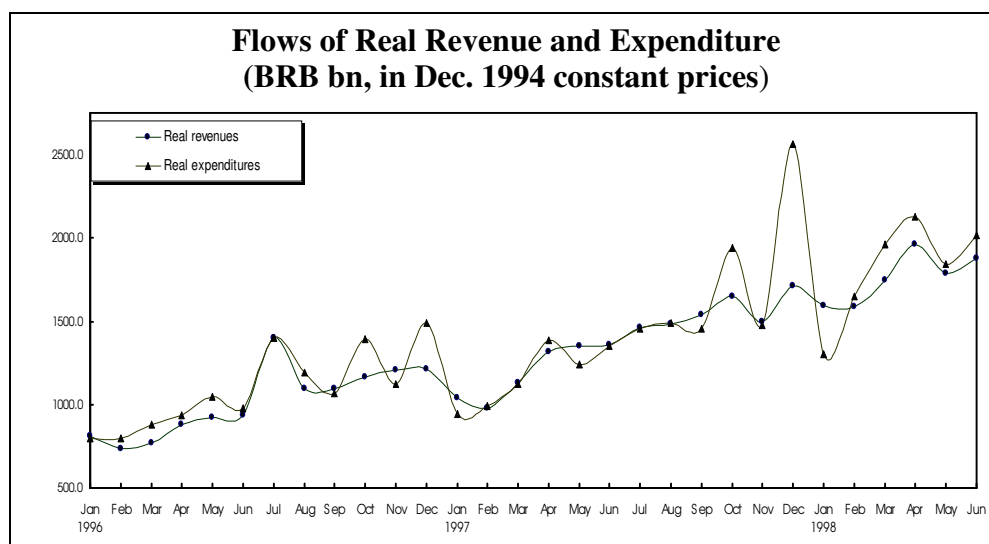
(Source: B.E.T. Staff Calculations on data provided by NBB).



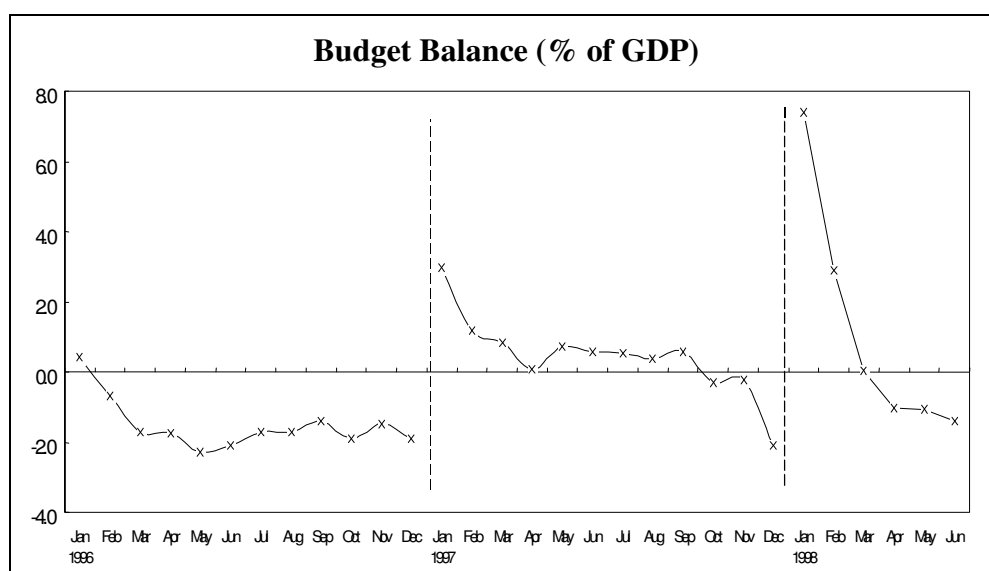
(Source: B.E.T. Staff Calculations on data provided by NBB).

* Nominal interest rates deflated by monthly annualised inflation rates.

4. Government Finance



(Source: B.E.T. Staff Calculations on data provided by Minfin and Minstat).



(Source: Minstat).

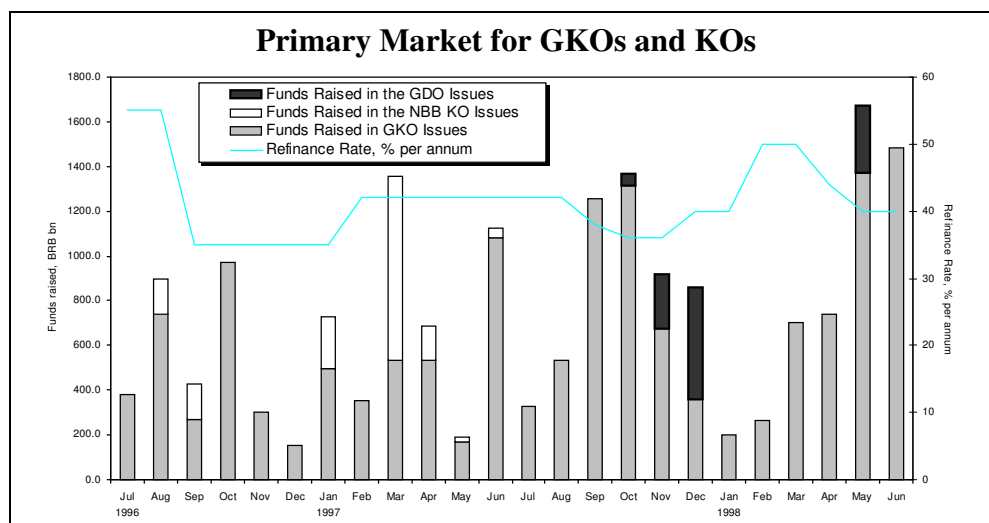
Tax Arrears (end of period)

	1993	1994	1995	1996	1997	QI	QII	QIII	QIV	1998	QI
Total tax arrears (State budget) BRB bn	7	119	1364	1722	1401	1672	2031	2478	1401	2042	2330
as percent of GDP*	0.1	0.7	1.2	0.9	0.4	0.5	0.6	0.7	0.4	0.5	0.5
% of total tax arrears:	100	100	100	100	100	100	100	100	100	100	100
Taxes on income and profits	42.86	52.10	24.85	13.70	32.05	21.11	27.87	31.80	32.05	32.96	32.49
Personal income tax	..	..	0.15	0.41	0.36	0.48	0.34	0.36	0.36	0.43	0.50
Profit tax	42.86	52.10	24.12	13.24	31.33	20.33	27.28	30.99	31.33	32.08	31.62
Enterprise income tax	..	..	0.51	0.06	0.36	0.30	0.25	0.44	0.36	0.45	0.36
Chernobyl payroll tax	14.29	5.04	16.57	12.49	7.28	15.13	14.28	11.50	7.28	6.06	5.45
Taxes on property	..	1.68	9.24	25.73	13.42	13.22	10.68	12.27	13.42	10.84	12.29
Real estate tax	..	1.68	6.74	4.59	5.35	8.07	8.03	7.06	5.35	6.28	9.49
Land tax	..	..	2.49	21.14	8.07	5.14	2.66	5.21	8.07	4.56	2.80
VAT	42.86	32.77	38.93	31.71	32.55	42.52	39.24	37.97	32.55	40.19	45.47
Excises	14.29	5.88	5.35	2.32	4.21	2.69	3.99	2.38	4.21	4.77	3.40
Natural resource tax	..	..	1.10	4.36	3.35	2.57	2.26	1.94	3.35	1.95	0.21
Fund for Support of Agricultural Producers	..	..	13.56	24.27	22.70	28.41	31.76	27.64	22.70	14.05	14.78

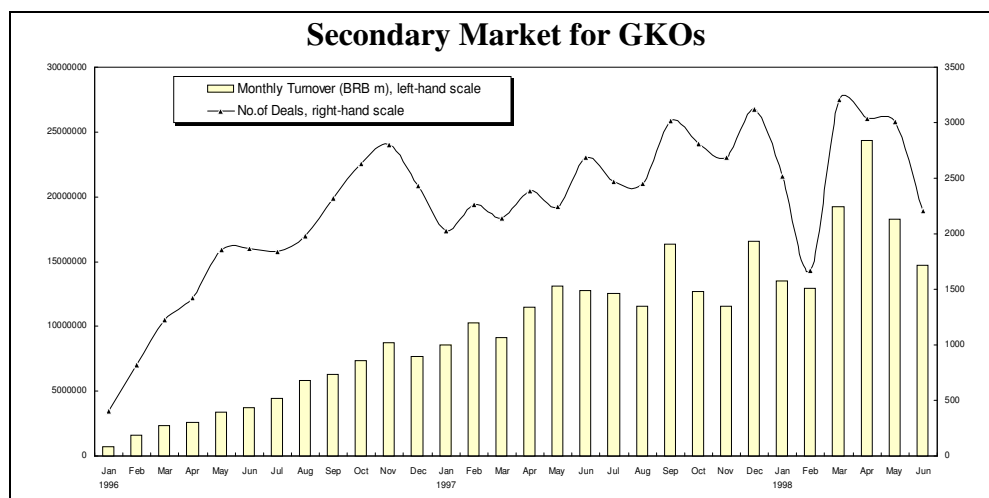
(Source: State Tax Committee).

*Accumulated tax arrears as percent of annual GDP.

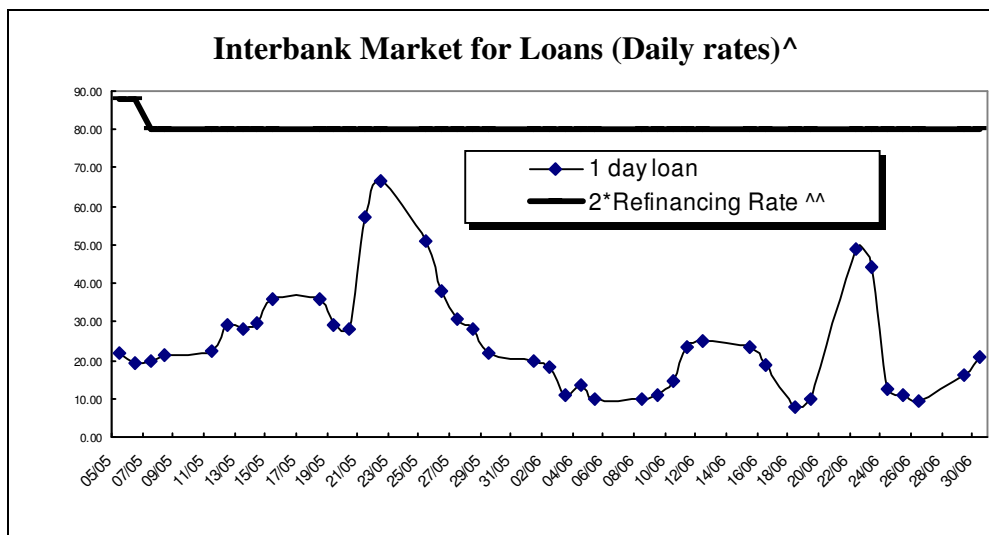
5. Financial Markets



(Source: NBB).



(Source: NBB).

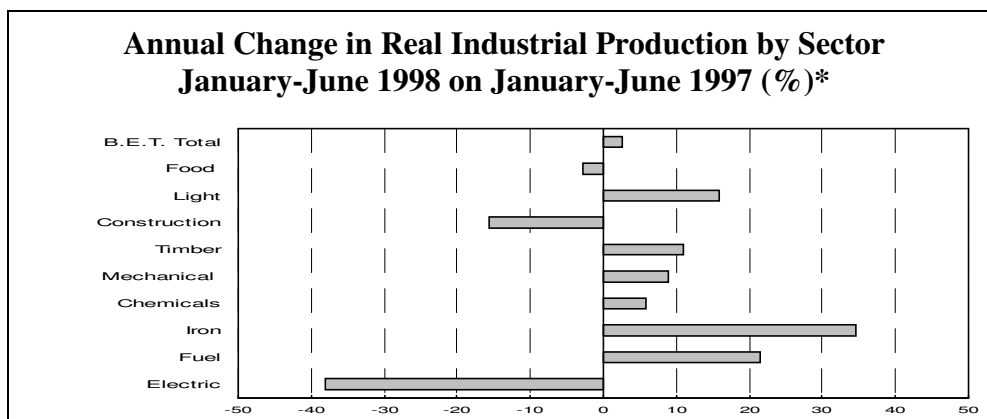


(Source: Financial News Agency, Belarus).

^ Annualised averaged rates for overnight loans (bid=offer).

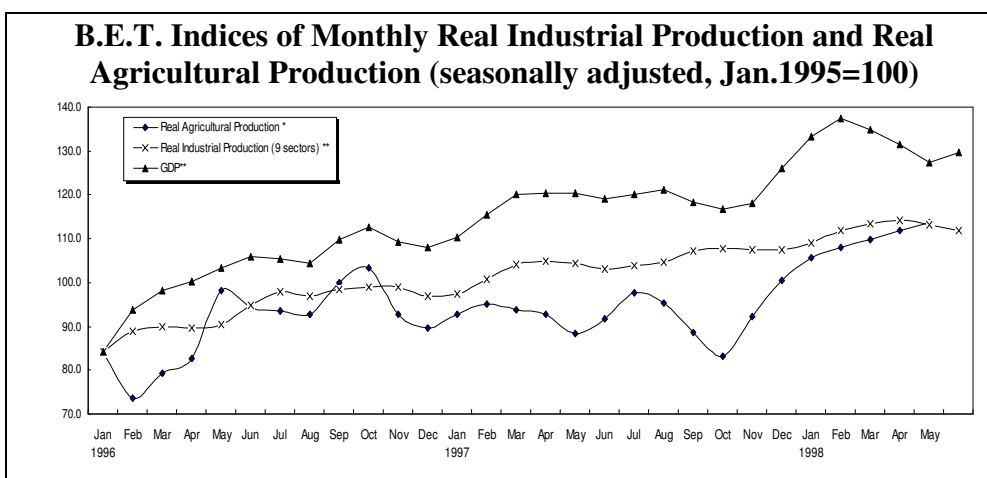
^^ Interbank loans in principle have a ceiling of 2*refinancing rate set by the NBB.

6. Production



(Source: B.E.T. Staff Calculations on data provided by MinStat).

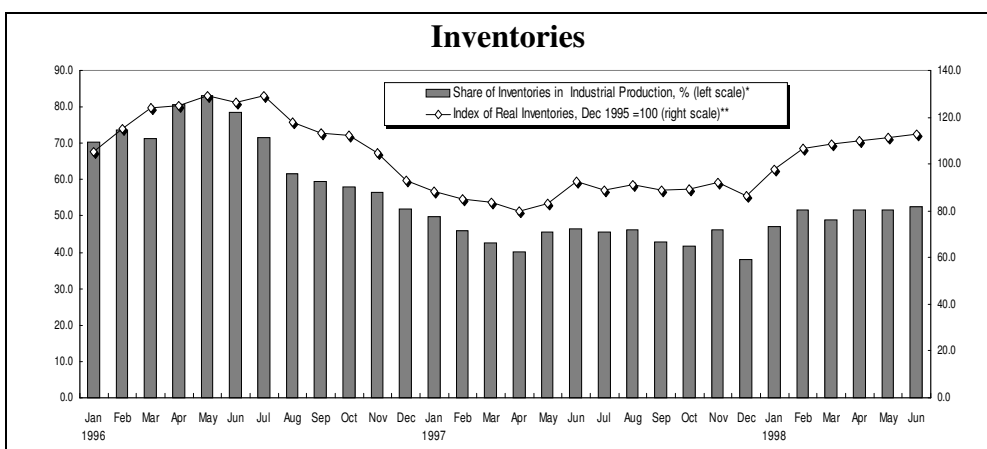
*Derived from B.E.T. Indices of Real Industrial Production (seasonally unadjusted).



(Source: B.E.T. Staff Calculations on data provided by MinStat).

*Deseasonalised applying differencing of lag 12 filter(Δ_{12}) and flat symmetric window of lag 3 method (see Statistical Table 6.2).

** Deseasonalised applying the method of flat symmetric window of lag 3 (see Statistical Table 6.1 for the Industrial Production series).



(Source: B.E.T. Staff Calculations on data provided by MinStat).

* Nominal inventories as a percentage of monthly industrial production.

** Nominal inventories data deflated by the IPPI index with subsequent conversion into index (see Stat. Table 6.3).

7. Employment and Labour Market

	1994	1995	1996	1997	1997				1998	
					QI	QII	QIII	QIV	QI	QII
Period Averages										
Population (thousand) ¹	10355	10327	10246	10216	10226	10218	10213	10206	10198	10192
Labour force ²	4892	4829	4751	4608	4667	4631	4551	4586	4519	4542
(% change)	..	-1.3	-1.6	-3.0	-1.5	-0.8	-1.7	0.8	-1.5	0.5
Participation rate (% of total population) ³	47.2	46.8	46.4	45.1	45.6	45.3	44.6	44.9	44.3	44.6
Employees in employment (thousand) ^{1,4}	4696	4405	4360	4370	4165	4181	4179	4202	4208	4235
(% change)	-2.6	-6.2	-1.0	0.2	0.1	0.4	-0.1	0.6	0.1	0.6
Total employment ²	4802	4713	4577	4453	4485	4466	4405	4456	4397	4433
(% change)	1.0	-1.8	-2.9	-2.7	-1.5	-0.4	-1.3	1.1	-1.3	0.8
Unemployed (thousand) ¹	90.1	115.8	174.4	155.7	182.0	165.2	145.6	129.9	122.0	109.0
(% change)	..	28.6	50.5	-10.7	-1.5	-9.2	-11.8	-10.8	-6.1	-10.7
Unemployment rate ¹	1.8	2.4	3.7	3.4	3.9	3.6	3.2	2.8	2.7	2.4
Vacancies	19.6	18.3	15.8	28.2	19.3	27.2	34.4	32.0	36.0	47.5
Vacancies rate (% of labour force)	0.40	0.38	0.33	0.61	0.41	0.59	0.76	0.70	0.80	1.05
End of Period										
Unemployment rate ¹	2.1	2.7	3.9	2.8	3.8	3.4	3.1	2.8	2.6	2.3

(Sources: Minstat and B.E.T. Staff Calculations on data provided by Minstat).

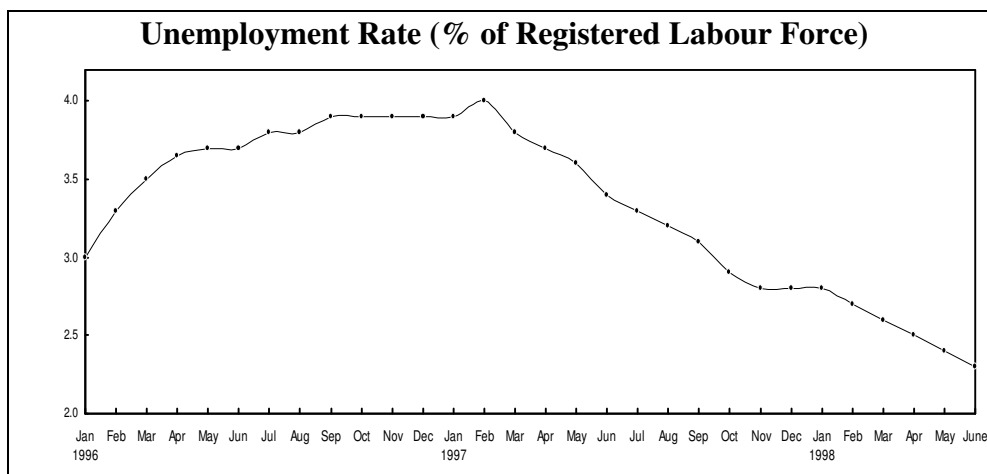
¹ Ministry of Statistics and Analysis Data.

² B.E.T. Staff Calculations.

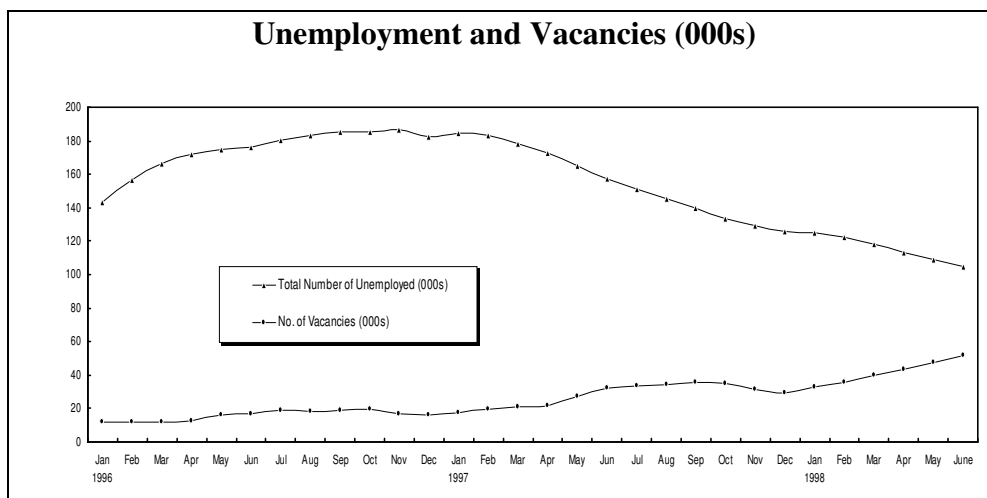
³ Labour force in percent of total population.

⁴ Employees at enterprises, institutions and organisations: annual data do not correspond to the average of quarters because MinStat makes a year-of-year correction only on annual data.

.. data not available.



(Source: Minstat)



(Source: Minstat).

8. Balance of Payments and Foreign Exchange

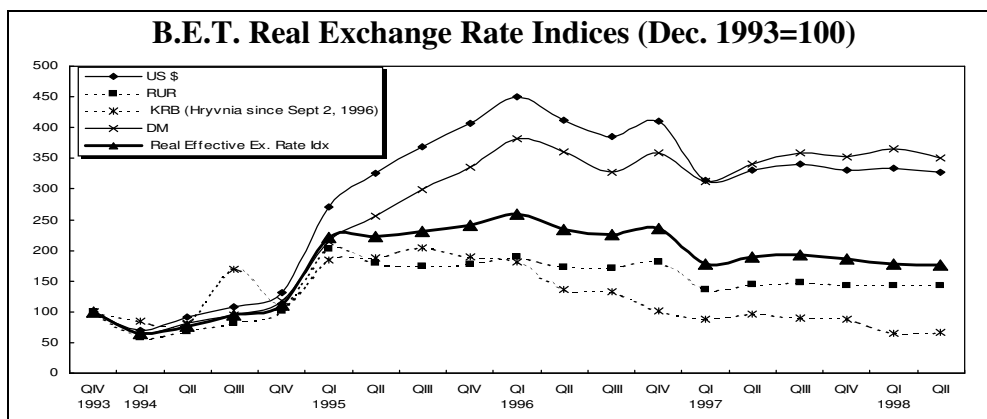
Non-cash Exchange Rate (BRB/USD)*

	Minsk Interbank Currency Exchange (MICE)				Moscow Interbank Currency Exchange (MICEX)			
	End of period	% change	Average	% change	End of period ²	% change	Average	% change
1995 QI	11500	8.5	11612	43.4	10650	..	11807	..
QII	11500	0.0	11500	-1.0	11790	10.7	11721	-0.7
QIII	11500	0.0	11502	0.0	11551	-2.0	11487	-2.0
QIV	11500	0.0	11500	0.0	11702	1.3	11558	0.6
1996 QI	11500	0.0	11500	0.0	14299	22.2	12374	7.1
QII	13100	13.9	12750	10.9	14181	-0.8	14591	17.9
QIII	14650	11.8	15183	19.1	19304	36.1	16825	15.3
QIV	15500	5.8	15433	1.6	26322	36.4	21845	29.8
1997 QI	24850	60.3	21615	40.1	30800	17.0	29693	35.9
QII	26980	8.6	26494	22.6	32100	4.2	33784	13.8
QIII	27830	3.2	27360	3.3	37890	18.0	34970	3.5
QIV	30740	10.5	29450	7.6	40790	7.7	40277	15.2
1998 QI	33700	9.6	32247	9.5	53500	31.2	46513	15.5
QII	37540	11.4	34867	8.1	67000	25.2	63010	35.5
1998								
Jan	31800	3.4	31197	2.6	43350	6.3	42155	3.6
Feb	32740	3.0	32239	3.3	45809	5.7	43953	4.3
Mar ¹	33700	2.9	33304	3.3	53500	16.8	53431	21.6
Apr	34710	3.0	34259	2.9	67000	25.2	66314	24.1
May	35760	3.0	35299	3.0	66000	-1.5	65750	-0.9
June	37540	5.0	36605	3.7	67000	1.5	66545	1.2

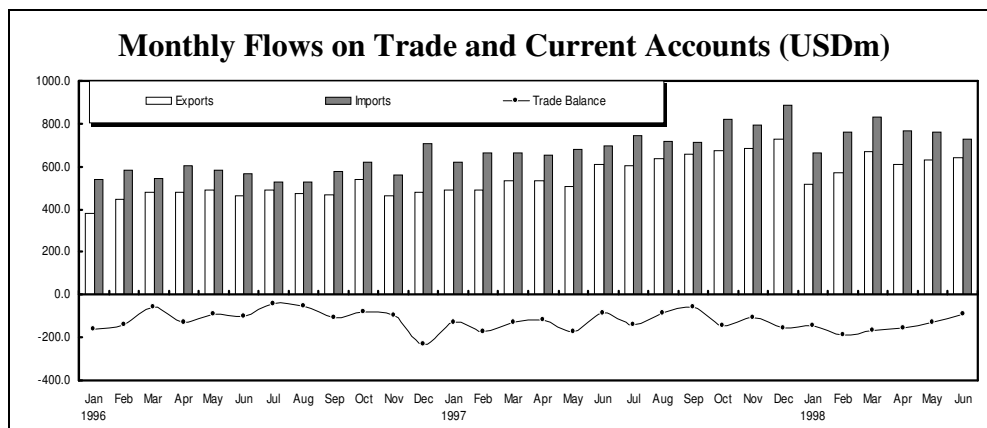
(Sources: MICE, NBB and B.E.T. Staff Calculations).

¹ From March 21, 1998 there is no quotation of BRB/USD at MICEX. From April 98 the recommended rate at the parallel Interbank market, quoted by Reuters, is used as the de facto market rate.

*The non-cash exchange rate in Belarus differs from the cash rate. The latter was 50,000/51,000 BRB/USD (Belarusbank exchange offices) at the end of June.



(Source: B.E.T. Staff Calculations).



(Sources: NBB and Minstat).

9. Privatisation and Structural Change

Transformation: Republican Property

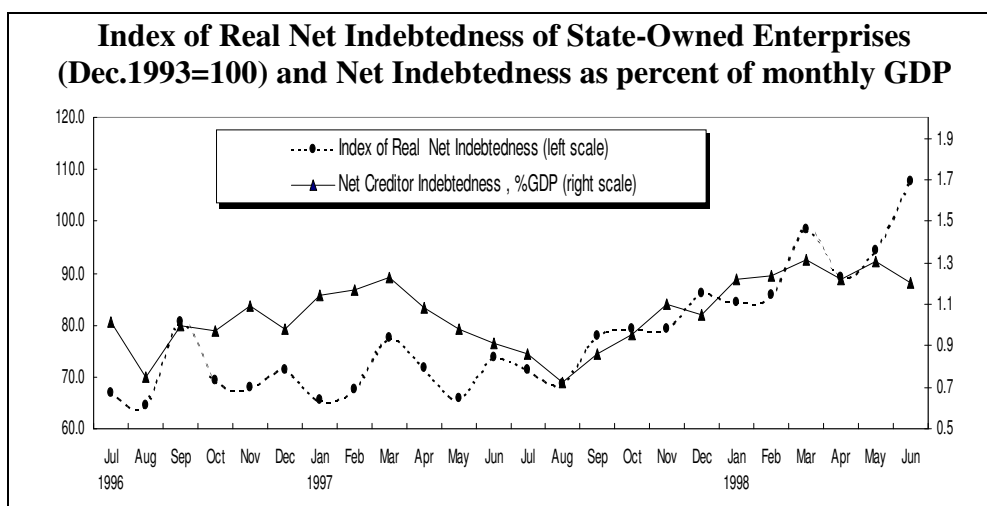
Indicator	Number of units										Total
	1991	1992	1993	1994	1995	1996	1997	1998	Q2		
	Q1										
TRANSFORMED REPUBLICAN TOTAL	19	32	140	184	53	131	192	23	11	762	
By Branches											
Industry	12	23	68	58	15	37	74	9	2	289	
Agriculture (incl. soviet and state farms)	1	0	9	9	27	23	20	1	2	91	
Construction	5	4	28	40	3	22	34	4	1	137	
Transport and Communications	0	0	9	10	1	24	26	2	1	71	
Trade	0	0	1	14	3	6	3	0	0	27	
Public Catering	0	0	0	1	0	0	2	0	0	3	
Household Services	1	3	1	23	0	0	1	0	0	29	
Housing and Communal Services	0	1	0	1	0	0	1	0	0	3	
Health Services	0	0	0	0	0	3	0	1	0	3	
Culture	0	0	0	0	0	0	1	2	0	1	
Other	0	1	24	28	4	16	30	4	5	108	
By Method of Privatisation											
Buyout of leased property by leaseholders	9	20	44	28	1	5	1	0	0	108	
Buyout of state property by workers	6	8	10	1	0	0	0	0	0	25	
Buyout of state property by individuals	0	1	0	0	0	0	0	0	0	1	
Corporatisation (state or non-state)	3	3	68	152	52	92	96	0	0	466	
Sell at competition	1	0	11	3	0	0	0	0	0	15	
Sell at auction	0	0	7	0	0	0	0	0	0	7	
Alienation	0	0	0	0	0	34	95	23	11	140	

(Source: Ministry of Management of State Property and Privatisation).

Transformation: Communal Property

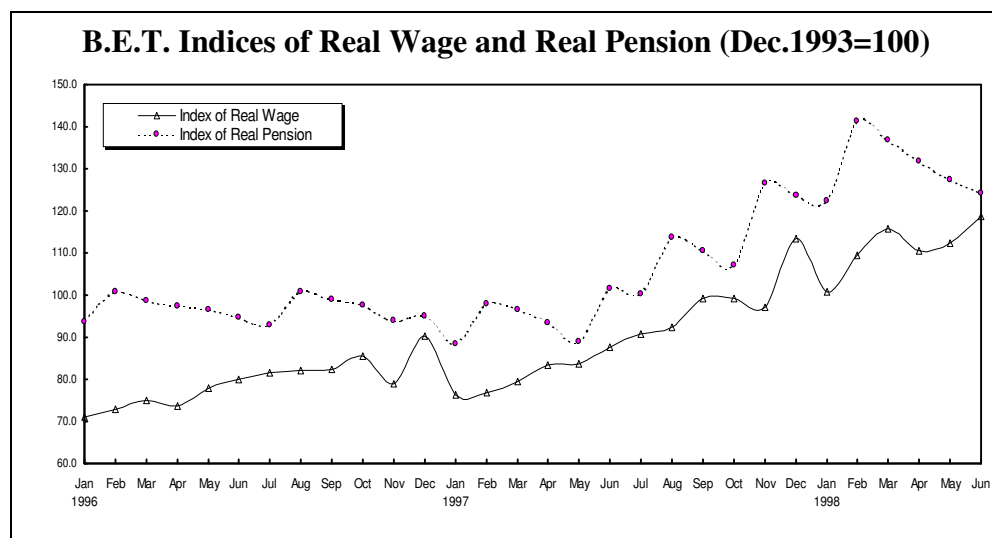
Indicator	Number of units										Total
	1991	1992	1993	1994	1995	1996	1997	1998			
	QI	QII									
TRANSFORMED COMMUNAL TOTAL	42	158	104	457	412	390	380	51	53	2 047	
By Branches											
Industry	11	12	1	5	2	0	5	14	5	55	
Agriculture (excl.soviet and state farms)	0	0	3	39	191	103	57	4	1	398	
Construction	2	5	3	3	2	3	6	0	0	24	
Trade	5	49	30	222	128	173	184	12	24	827	
Public Catering	16	5	7	57	30	31	43	3	3	195	
Household Services	5	67	26	54	21	41	43	11	4	272	
Housing and Communal Services	0	0	10	59	9	11	6	0	0	95	
Culture	0	0	2	0	0	0	0	0	0	2	
Public Education	0	0	6	0	0	0	6	0	0	12	
Other	3	20	16	18	29	28	36	7	16	173	
By Method of Privatisation											
Buyout of leased property by leaseholders	25	27	13	124	34	53	77	9	10	372	
Buyout of state property by workers	7	79	14	11	1	0	0	0	0	112	
Corporatisation (state or nonstate)	0	1	3	64	205	129	82	22	6	512	
Sell at competition	10	50	40	93	32	42	41	7	7	322	
Sell at auction	0	0	34	165	140	166	180	13	30	728	

(Source: Ministry of Management of State Property and Privatisation).

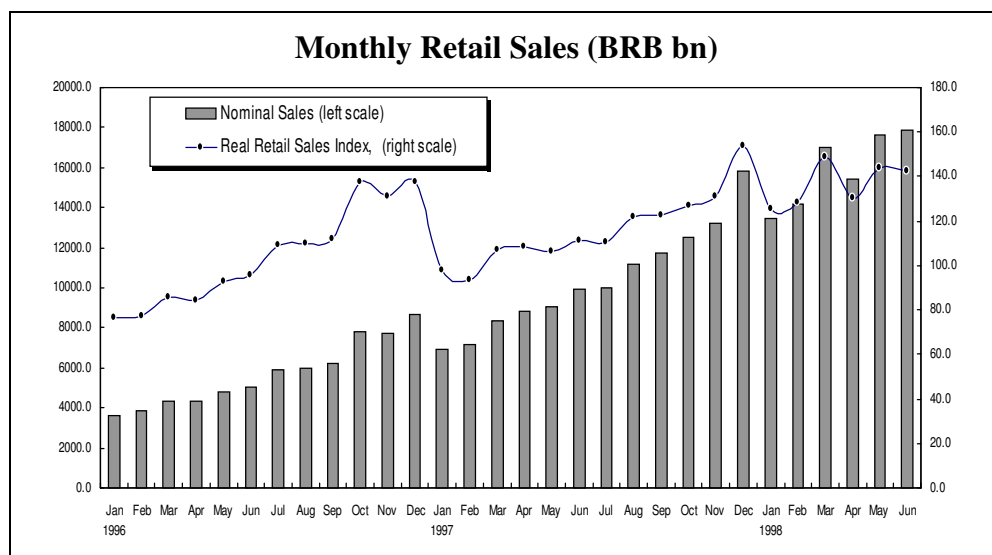


(Source: B.E.T. Staff Calculations on data provided by Minstat).

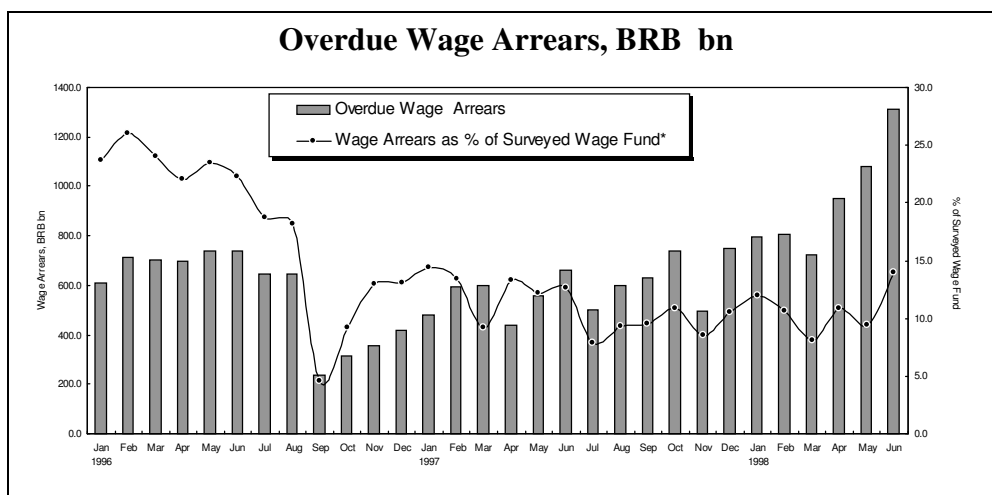
10. Living Standards



(Source: B.E.T. Staff Calculations on data provided by Minstat).



(Source: B.E.T. Staff Calculations on data provided Minstat).



(Source: B.E.T. Staff Calculations on data provided by Minstat).

*Surveyed Wage Fund approximately comprises 85-90% of the total national payroll fund).

- 2.1 Consumer Price Indices
- 2.2 Industrial Producer Price Indices by Sector
- 2.3 Wages and Pensions
- 3.1 Monetary Survey (End of Period, BRB bn)
- 3.2 Real Money Balances and Money Velocity
- 3.3 Interest Rates (BRB)
- 4.1 The State Budget (Cumulative, BRB bn)
- 4.2 Revenues of the State Budget (Per Period Figures)
- 4.3 Expenditures of the State Budget (Per Period Figures)
- 5.1 Auction of Treasury Bills (GKO and GDO) and NBB Securities (KO) on the Primary Market
- 5.2 Secondary Market for Treasury Bills (GKO)
- 5.3 Interbank Market for Loans (equilibrium interest rates ,
% per annum)
- 6.1 Indices of Real Industrial Production
- 6.2 Indices of Real Agricultural Production
- 6.3 Indices of Real Stock of Inventories
- 7.1 Unemployment
- 8.1 Trade Balance (\$US m)
- 8.2 Balance of Payments (Annual and Quarterly 1992-97, \$US m)
- 8.3 Foreign Currency Exchange Rates (Non-cash BRB)
- 8.4 Foreign Exchange Trading by Volume
- 8.5 BRB Real Exchange Rates
- 9.1 Net Creditor Indebtedness (BRB bn)
- 9.2 ****Financial Performance of State-Owned Enterprises**
- 10.1 Retail Sales (BRB bn)

**Tables are numbered so as to cross-reference with the relevant section in the text.*

***New data series added.*

All data is at of period, unless otherwise indicated.