

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.

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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 section. 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: Fourth 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).

	1994	1995	1996	1997	1998		
					QI	QII	QIII
1. Prices and Wages							
(% Changes over Previous Period)							
Industrial Producer Prices	1866.7	140.3	29.3	90.9	10.4	9.2	23.3
Consumer Prices	1959.9	244.0	39.3	63.4	10.7	10.2	25.5
Consumer Prices (Period Average)	2221.0	709.0	52.7	63.8	9.4	10.5	14.9
Monthly Wages	1481.1	258.0	56.0	105.7	12.9	12.9	11.7
2. Money							
Velocity of Circulation - M3	8.2	9.6	8.4	8.0	7.5	8.0	8.3
Velocity of Circulation - M2	..	13.9	11.1	11.1	10.3	10.8	11.5
Broad Money - % Change	1851.7	164.1	51.5	111.4	6.8	23.4	29.2
Nominal Refinancing Rate % per annum	480.0	66.0	35.0	40.0	50.0	40.0	38.0
Interest Rate (Primary GKO Placement, end of period)	320.0	70.1	37.1	35.9	54.5	42.7	38.1
3. General Government¹ (% GDP)							
Government Balance	-2.6	-1.9	-1.6	-2.1	0.04	-1.4	-0.6
Total Revenues	47.9	42.5	41.8	32.1	40.2	41.0	37.7
Total Expenditures	50.5	44.4	43.4	34.2	40.2	42.4	38.3
Domestic Debt (BRB bn)	11.8	2109.5	5712.4	8619.6	1166.6	6284.1	6727.6
Domestic Debt (% GDP)	0.1	1.8	3.1	2.5	1.1	5.0	3.6
4. Balance of Payments (% GDP)							
Current Account	-12.4	-5.5	-3.9	-6.0	-11.6	-6.0	-5.4
Trade Balance	-13.7	-7.6	-8.6	-10.1	-15.2	-10.4	-8.4
Exports	61.6	45.6	43.6	54.5	55.6	53.6	41.3
Imports	75.3	53.2	52.2	65.3	70.8	64.0	49.6
External Debt Outstanding ² (USD m, End of Period)	1227	1518	947	958	985	994	1022
External Debt (% GDP) ³	25.1	14.6	7.1	7.2	7.7	7.4	7.2
External Debt (% GDP) ⁴	..	14.8	8.4	9.5	11.1	12.1	13.0
Gross official reserves (in months of imports)	0.4	0.9	0.7	0.5	0.3	0.3	0.1
5. BRB/USD Exchange Rate							
Minsk Interbank Currency Exchange	10600	11500	15500	30740	33700	37540	53300
% Change over the Period	51.6	8.5	34.8	98.3	9.6	11.4	42.0
Moscow Interbank Currency Exchange*	..	11702	26322	40790	53500	67000	121500
% Change over the Period	..	..	124.9	55.0	31.2	25.2	81.3

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

¹Including Extrabudgetary and Social funds, but excluding the Presidential Fund.

²Excluding gas arrears.

³GDP in US dollars at MICE rate.

⁴GDP 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. From this date B.E.T. uses instead the Reuters quoted interbank exchange rate.

1. Back to the beginning: the Need for Stabilisation in Belarus^{*}

- 1.1 Recent monthly BET Outlooks have highlighted developments in the global economy and the road-map of transition unfolding in the formerly planned-economies of Central and Eastern Europe, and the challenges faced by Belarusian policy-makers in Belarus. This monthly outlook, the final by CETRAN experts involved in the BET project since its outset in mid-1995, now considers these policy challenges and assesses the potential transition path for policy-makers in Belarus.
- 1.2 Belarus, like other FSU countries, was strongly affected by the breakdown of the Soviet economic area, COMECON. The Belarusian economy, geared as a production base, especially, although not exclusively, within the defence-complex was buffeted by three interlinked external shocks:
 - (i) the collapse of the command system as a mechanism for resource allocation and of payment and settlement systems within the rouble-zone.
 - (ii) the disruption of an exclusive trading area as formerly planned economies, particularly those in Central Europe, began to undertake rapid macroeconomic stabilisation and to shift their trade to the West.
 - (iii) a terms of trade shift resulting from the liberalisation of prices in the newly independent states, which for a country reliant on imported energy and raw materials led to a major terms of trade deterioration.
- 1.3 The challenge to policy-makers was then to adjust the economy to the new economic circumstances. When BET started in 1995 Belarus was a stabilising economy, with rapidly developing financial markets. Inflation was declining, through a tight monetary and exchange rate policy, and steps towards liberalisation were being undertaken. Today, at the end of 1998, however, the issue of stabilisation is still on the agenda. This contrasts with a number of reforming countries on Belarus' western front that are now consolidating structural changes and institutional restructuring towards, for instance, compliance with the EU *acquis*, as well as diverging from pronouncedly more market-based and sustainable economic policies being developed in the CIS.
- 1.4 Today Belarus has yet to stabilise macroeconomically, whilst structural and institutional changes for a market setting have effectively been frozen or repealed since 1995. The country is facing a potential onset of recession, as a direct consequence of the deliberate choice of economic model. The symptoms of this choice are a lack of external financing and the emergence of a surge in domestic inflation. The contrast is marked in relation to those central European and Baltic economies that have undertaken an alternative economic model – for example, whilst measured inflation in Belarus has risen significantly since August 1998 to above 20% per month, the Baltics have experienced deflation and annual inflation at around 3%, the same as current one-week inflation in Belarus.

^{*} Prepared by Rupinder Singh and Miguel de Freitas.

- 1.5** Why is that so? The failure in sustaining stabilisation resulted from the policy choice of not undertaking necessary restructuring of the real sector, including use of privatisation and appropriate changes in the legal system. Whilst the stabilisation plan of 1995 was successful in achieving nominal stability, no significant improvement was made in dealing with loss-making State enterprises or in introducing the required structural reforms. The opportunity to undertake this bold step was missed and an explicit policy decision was made to pursue a fundamentally planned approach to economic management. This approach implied a return to planned targets and the use of direct rather than market-based indirect instruments of economic control and management.

The commanded recovery

- 1.6** Under such an approach, monetary policy was made subservient to the satisfaction of the plan through access to subsidised and directed credits, particularly to sectors such as Agriculture and Construction, as well as direct financing to the Budget. Moreover, the palpable anti-market stance led to a cessation of the development of a nascent private sector. Without a private sector, the State could not effectively sell public debt to the public, which therefore fuelled the monetisation of fiscal deficits, through credits either from the NBB or from the State-owned banks, at controlled and sub-market interest rates. Lack of a coherent, consistent and reliable legal base and of economic rights led to almost negligible inflows of foreign direct investment, despite areas of comparative advantage in manufacturing, timber, chemicals and textiles, as well as endeavours to create free economic zones.
- 1.7** Nevertheless, this approach appeared to work as the decline in real GDP halted and even reversed in 1996. With widespread price-repression, measured inflation continued to be lower than the monetary expansion would have otherwise implied. The upturn in industrial production began to utilise the excess capacity, even accounting for the depreciated level of existing production lines. When stocks began to build, the authorities made strident efforts to secure agreements with Russian regions, in particular through barter-schemes to off-load this higher domestic production. The hesitant Russian position towards Belarusian energy arrears has continued with the exception of the period of the Kyrienko-administration in Russia, although several cuts in gas deliveries were experienced.

The trigger

- 1.8** BET has constantly argued that the economic model pursued in Belarus was essentially a short-term phenomena and could not be sustainable. In short, the Belarusian miracle was a “bubble”, which like all such phenomena are susceptible to collapses at some point. The onset of the financial crisis in South-East Asia and the consequent contagion that eventually embroiled transition countries, and most notably led to the Russian financial crisis in August, has exposed the limits of the current policy stance.¹
- 1.9** The crisis in Russia was the trigger for the inevitable economic adjustment. With the fall in industrial exports production levels could not be maintained, exacerbating the financial situation of firms. With Belarusian economic growth a function explicitly of Russian growth, the real sector shock has been compounded by the financial crisis, whereby Belarusian banks have lost from investments in Russian debt instruments and through the seizure of payment and settlement systems within the Russian financial system.
- 1.10** However, whilst the Russian problems may have been a catalyst to the problems in the Belarusian economy, contradictions between the approaches

¹ This was examined in the August 1998 monthly outlook.

of the two states were already creating bi-polar developments, even accounting for the significant problems within the Russian regions and the changes in government personnel in Moscow. Russia is and will become a member of international bodies such as the WTO and OECD. In order to do so, Russia will need to satisfy and then abide by conditions, which imply transition towards international norms in trade, finance and other economic relations. Moves toward these goals were in fact leading to a variance in the development of the two countries' economic models, which given the relatively small-large country axis and existing close-knit economic arrangements would eventually have forced Belarus towards convergence to its larger neighbour.

Pandora's Box?

- 1.11** Monthly inflation rose from 3.8% in August to 17.6% in September, 21% in October and 25% in November, thus giving a November-to-November inflation rate of exactly 100%. A paradox has been the sanguine price developments in the Baltics and price deflation concurrent with rapid price inflation in neighbouring Belarus. This is because with the reduction in the purchasing power in Russia, excess supplies in the domestic markets led to lower prices there. In contrast, price controls in Belarus meant prices of staples were below comparative prices in neighbouring countries, leading to incentives for "food flight". Moreover, Belarus undertook to provide food in exchange for writing-off owed gas arrears. This in turn has led to shortages of basic food products for which Belarus is a domestic producer, in part as a consequence of a shortfall in agricultural production this year due to bad weather conditions.
- 1.12** With net reserves depleted and import cover of 1 or 2 days, external finance frozen, policy-makers were left with an unpalatable choice: *status quo* or open the policy equivalent to Pandora's box, and lose all but one gift: hope, or in this case, the gift of stabilisation. *Status quo* implies a continuation of money creation and therefore continued acceleration in inflation, both open and repressed and rapid decline of the market value of the BRB.
- 1.13** Yet, opening the box would itself present possible political-economical problems. Would the political regime acquiesce the tightening of monetary policy that would be required by the multilaterals as part of the necessary track-record that the country would need in order to comply with conditions for access to any external financing, when any such measure would imply constraints for providing access to domestic financing to important political constituencies in agricultural and rural workers (kolkosniks) and those within industries (rabortniks), particularly in 1999, a possible year of Presidential elections in Belarus?
- 1.14** Moreover, if such a change is indeed feasible and brought about, how will economic policy-makers react to the very same challenges that such a policy would bring out now, at a time of regional and global economic downturn, when the same choice was rebuffed in 1995 against a healthier domestic platform and healthier international economic environment?
- 1.15** Belarus approached the IMF in October and applied for the Compensatory and Contingency Financing Facility loan (CCFF). Countries with Balance of Payments problems can apply for assistance if external shocks cause a sharp reduction of export earnings and if force-major circumstances cause increases in import expenditures (such as increase in expenditures for imports of grain due to a shock such as bad weather or a natural disaster). Belarus qualified under both qualifications: decline of exports earnings due to Russian crisis and increase in import expenditures for grain due to extremely poor harvest caused

by weather conditions. However, the conditions required for the possible release of potentially USD 100m require a significant monetary tightening until March 1, 1999. Partly due to the significantly unfavourable economic situation in QIV 1998, Belarusian authorities have implemented some movement on the exchange-rate front, allowing the cash-rate available to citizens at commercial banks to rapidly liberalise. Also, a special exchange rate of BRB/USD 220,000 was introduced for companies.

Policy Issues

- 1.16** Sustainable economic growth is the desired goal amongst economic agents. The recent output expansion was neither sustainable, nor has it impacted citizens.
- 1.17** A new road-map is required. Sustainable and equitable economic growth requires the development of a medium-term strategy that accommodates the mutual-inclusiveness of macroeconomic variables to economic decision-making and underscores the close links between macroeconomic stability, structural reform and appropriate institutional changes. Such a plan would see the substitution of direct controls by indirect instruments of economic policy, the separation of monetary and fiscal spheres and the development of a private sector. The implications of such a policy would be eventual liberalisation of prices in the goods and factors markets, and a reduced role of the State.
- 1.18** On a more technical level, in domestic policy circles there is the fear of a rapid liberalisation of the exchange rate toward some notional free-market level, due to a perceived onset of rapid inflationary tendencies. There are two points to be made in this context.
- 1.19** Firstly, it is valid that any agreement should account for the current difficult challenges facing policy-makers and that the gradual, but explicitly targeted, reform of the exchange rate policy may be more suitable than a one-time liberalisation.
- 1.20** Secondly, the Belarusian fear is over-blown and echoes the same argument made in 1996, which in short assumes a one-to-one relationship between BRB devaluation and BRB inflation. To the extent that the higher import prices impact inflation, it will be more on input prices and IPPI. Since industrial goods do not enter in any significant level into the composite CPI-basket, consumer inflation will not be impacted by the magnitude. Even so, BET is concerned as to the extent to which official price statistics have captured the effect of the exchange rate depreciation on prices. Incomplete coverage or lower-weighting accorded to goods outside non-State outlets lowers measured inflation. Given the scarcity of eggs, milk, etc. in State shops, the effective price change for consumers may be significantly higher than official price statistics may indicate.
- 1.21** Nevertheless, in a highly open economy like Belarus, a stable exchange rate should be a medium-run policy target. However, this will only be possible within a tight monetary stance, which in turn requires an appropriate set of sequenced structural reforms on the real economy side.
- 1.22** There is, therefore, today a genuine window of opportunity for the first time since 1995 to introduce a more balanced macroeconomic and reform agenda. It is vital that Belarusian policy-makers use this opportunity for a credible and sustainable global stabilisation and structural reform package along the following broad and tested principles to bring the Belarusian economy back toward internal and external equilibria:

- (i) stabilisation, to halt high inflation and exchange rate depreciation, to recover growth, to assure external balance and the solvability of the public debt;
- (ii) privatisation and liberalisation: reducing the weight of the State in microeconomic decisions. This requires the elimination of quasi-fiscal operations, price liberalisation, changes in ownership, the creation of strategic alliances with foreign partners so as to attract capital and technology;
- (iii) institutional and legal reform: the replacement of the command system by the market mechanism requires the existence of a general framework that enforces the allocative role of the market system. This requires the provision of a legal framework, prudential regulation of the banking system, the substitution of the old safety nets, based on firms, by a social security system.

1.23 Access to a larger pool of external financial package will require both official and non-official monies. Initialisation of an IMF-support package is generally seen as a catalyst for other forms of lending through private-sources. Thus, while the possible current loan is small relative to the needs of the country, the signal and catalytic value will prove to be much greater if policy-makers can establish and maintain a viable track-record for access to what is likely to be a sequenced term-structure for release of tranches over a period of time, perhaps bi-monthly or quarterly.

1.24 CETRAN experts on BET remain convinced that the stock of intellectual capital allied to the wealth of the existing infrastructure and industrial base within Belarus is an attractive and viable mix which corrective economic policies can assist in harnessing the wealth-creating capacities thereof. The present difficulties and economic situation is a short-run phenomena in the wider setting of longer term economic trends and it is hoped that such corrective economic policies will reduce the time and cost of adjustment necessary to return to the sustainable longer term growth-pattern of Belarus.

Chronology of Economic Events (October 21- November 20, 1998)

1. At the invitation of Belarusian government, the IMF mission has arrived to Belarus on October 21. The visit aimed to discuss loan possibilities for Belarus within compensation financing and force-major financing program. Belarus has by now received two tranches of the credit within the system reform program (USD 98m and USD 101,7m) and one stand-by tranche in amount of USD 70m.
2. Presidential Edict N16 of October 26 “On additional measures on withdrawing of arrears from legal entities” rules that in case of liquidation of the legal entity and the lack of property the left arrears are to be paid out by new owners which are to become subject of subsidiary responsibility. The Edict obliges the Council of Ministers to consider an order of discharging of financial arrears of bankrupt legal entities and to present a Draft Law “On Bankruptcy”.
3. By the Presidential Telegram of October 27, 1998 registration of legal entities that carry on *production activity* is renewed.
4. World Bank Vice President Johannes Linn visited Belarus on November 2-3. Mr. Linn met Prime Minister Ling for a discussion of the draft document on strategy of co-operation in the future.
5. A session of Parliamentary Assembly of Belarus-Russia Union took place in Yaroslavl on November 2-3. Parliamentarians passed a draft budget of Parliamentary Assembly for 1999. The total amount of expenditures is defined at 30m RUR, being broken down at slightly over 20m RUR to be taken up by the Russian side and nearly 10m RUR by the Belarusian side.
6. On November 4 Vice Prime Minister V. Kokorev directed a letter to RAO Gazprom with the request to increase daily gas supply during heating period.
7. By the NBB Telegram • 31-06/5967 of November 11, 1998 legal entities and corresponding banks are obliged to make BRB payments on corresponding accounts at non-resident banks subject to prior NBB permission The Telegram aims to reduce to minimum the amount of national currency abroad. By the end of October, on non-resident accounts held BRB 370bn. NBB aims to reduce this by 13% to BRB 100 bn.
8. The NBB telegram • 31-06/6014 of November 13, 1998 rules that authorized banks and legal entities which posses a license for currency exchange transactions are to set an exchange rate dependent on the demand and supply while dealing currency sell-buy transactions. The maximum rate should not exceed the one set by the National Bank more than at 1.5 times. The official NBB rate was set at 66,000 BRB/USD, as of 16 November.
9. The NBB telegram • 31-06/6048 of November 16 rules that local commercial banks are to issue credits to the state so that Belarus could pay for external energy supplies. These credits are to be paid off through buying currency at MICE where the credits are sold at the lower NBB rate.
10. All regions in Belarus have imposed stricter food rationing. In Brest Oblast, an individual may purchase only 0.2 kg of butter, 1 kg of sugar, and 1 kg of sausage on any single occasion. Butter, eggs, and sugar may be purchased in the oblast only in the evening, the departure of the last trains to Ukraine, to prevent the smuggling of foodstuffs out of the country, according to the authorities. Similar restrictions have also been introduced in Homel and

Vitsebsk Oblasts, on the border with Russia, as well as in some districts of Hrodna Oblast that border on Lithuania.

11. On November 16, 1998 the new "Rules on order on circulation of oil and coal products on the territory of the Republic of Belarus" comes into effect. The document sets new regulations of imports and transit of oil and oil products through the territory of the country as well as their realization inside. The document suspends the activity of non-residents on this market in Belarus and determines those not registered in tax committees as not legally operating on this market. However, non-residents have provided Belarussian oil-processing plants with raw materials (this year 46%-Mozyr NPZ and 25% for Naftan).
12. Presidential Decree N553 of November 19, 1998 "On regulation of veksel circulation in the Republic of Belarus" defines rules of veksel payments on the territory of Belarus and states that veksel can not be considered as means for budget payments. The Council of Ministers and the NBB are obliged to work out the procedure of implementing veksel in economy.

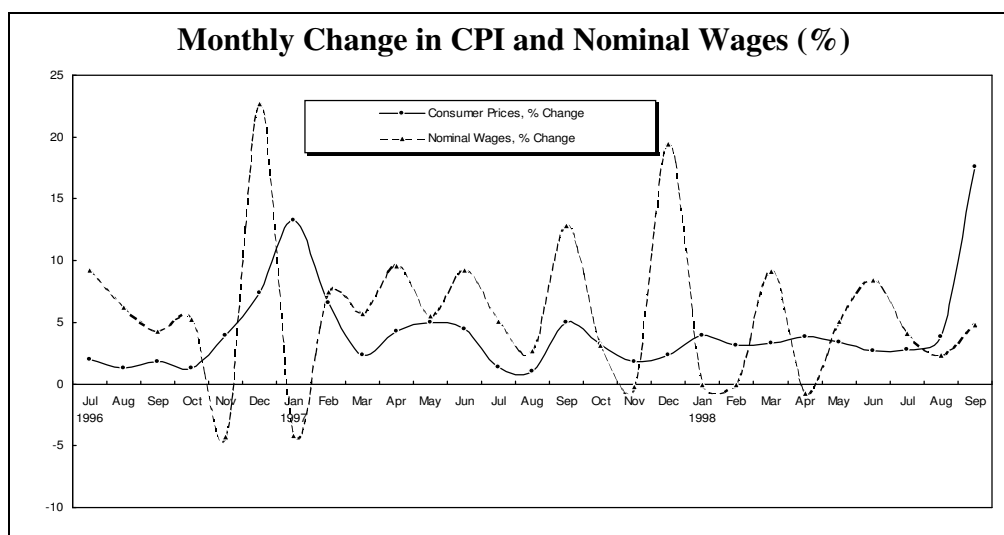
2. Prices, Wages and Inflation

	1994	1995	1996	1997	1998		
(% Change over Previous Period)					QI	QII	QIII
Industrial Producer Price Index (IPPI)	1866.7	140.3	29.3	90.9	10.4	9.2	23.3
Consumer Price Index (CPI)	1959.9	244.0	39.3	63.4	10.7	10.2	25.5
Food	2108.6	213.0	43.4	66.1	11.6	10.6	24.4
Nonfood	1565.5	258.8	30.3	49.4	7.8	7.4	40.7
Services	2240.9	477.0	29.6	66.3	8.7	11.6	10.0
Monthly Wages	1482.1	257.9	56.0	105.7	12.9	12.9	11.7
Minimum Wage (000 BRB)	20	60	100	162	250	250	250
Monthly Wages (USD, end of period)*	27	88	103	107	110	111	87

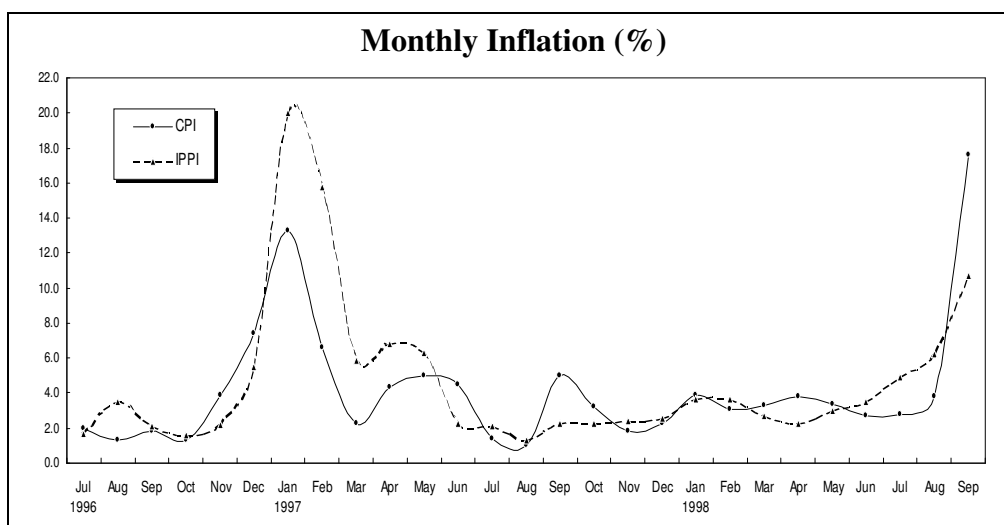
(Sources: Minstat and B.E.T. Staff Calculations).

* The Minimum Wage was increased from BRB 200,000 to BRB 250,000 in January 1, 1998.

** Monthly Wage in USD using the NBB exchange rate.



(Source: Minstat).



(Source: Minstat).

3. Money and Credit

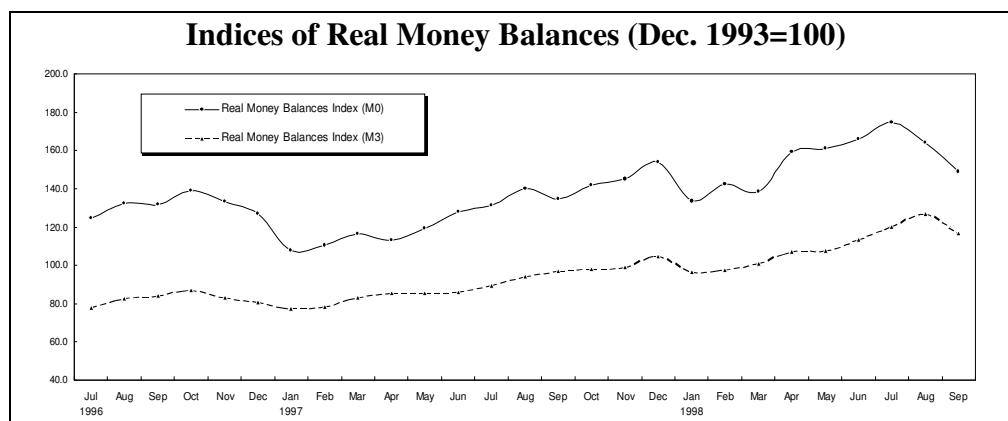
	1993	1994	1995	1996	1997	1998		
						Q I	Q II	Q III
Money and Credit								
(% change over the period)								
Reserve Money	..	1642%	341%	78%	108%	12%	24%	18%
M3	..	1852%	164%	52%	111%	7%	23%	29%
M2	..	1372%	311%	67%	103%	7%	25%	26%
Currency in circulation	..	1376%	412%	64%	98%	-1%	32%	13%
NBB loans to the G.Govn.	..	500%	7450%	66%	65%	11%	23%	32%
NBB claims on banks.	..	1377%	79%	188%	154%	22%	21%	43%
Credit to non-financial public enterprises	..	..	..	40%	100%	13%	28%	6%
Claims on private sector	..	..	..	67%	146%	11%	18%	38%
Bank Reserves (end of period)								
M3/Reserve Money	3.91	4.38	2.62	2.25	2.29	2.18	2.17	2.37
Req.reserves/Total deposits	0.05	0.06	0.10	0.14	0.16	0.17	0.16	0.13
Total Reserves/Total deposits	0.13	0.13	0.21	0.27	0.27	0.31	0.30	0.27
Money velocity (M3)								
Over the period ¹	..	8.5	9.2	8.4	8.4	7.1	7.5	8.2
Last month ²	8.6	8.2	9.6	8.4	8.0	7.5	8.0	8.3
Money velocity (M2)								
Over the period ¹	..	14.7	14.5	11.3	12.0	9.8	9.8	11.3
Last month ²	14.8	14.6	13.9	11.1	11.1	10.3	10.8	11.6
Refinance Rate, % per annum								
Real Refinance Rate, % per annum	..	480.0	66.0	35.0	40.0	46.7	41.3	38.7
	..	-79.9	7.8	-42.7	6.6	-2.2	-4.3	-44.1
Composition of M3 (% end of period)								
Currency in circulation	14%	11%	21%	23%	21%	20%	21%	19%
Dem and deposits	..	..	35%	35%	37%	38%	37%	41%
Time deposits	..	..	13%	18%	14%	15%	16%	13%
Foreign currency deposits	41%	55%	31%	24%	27%	27%	26%	27%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%

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

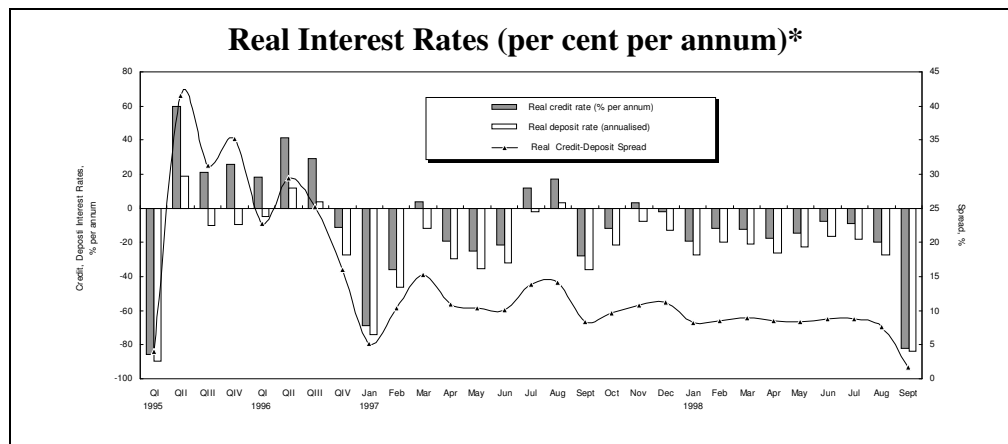
¹ Annualised GDP divided by M3 averaged over the corresponding period.

² Annualised GDP divided by midpoint M3 in the period.

.. data not available.



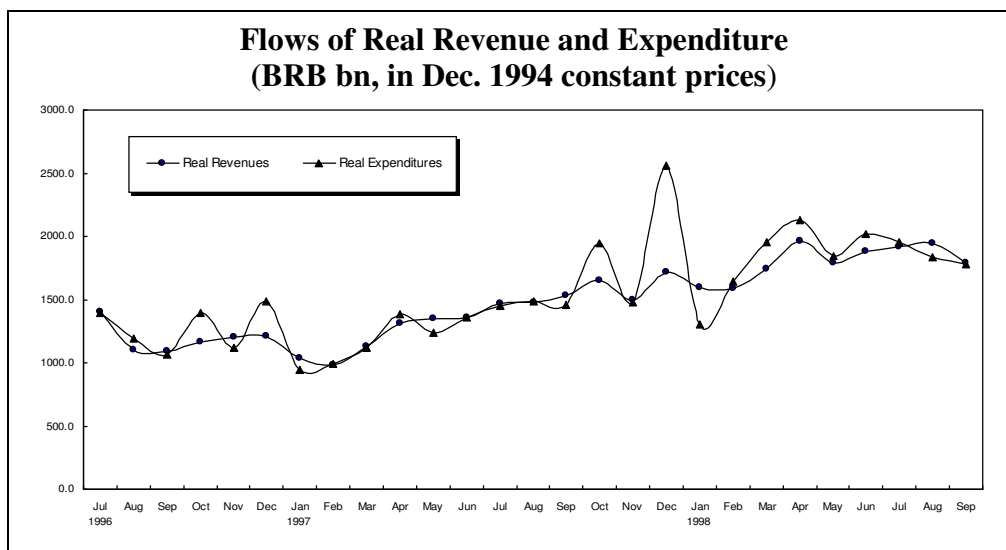
(Source: B.E.T. Staff Calculations on data provided by NBB).



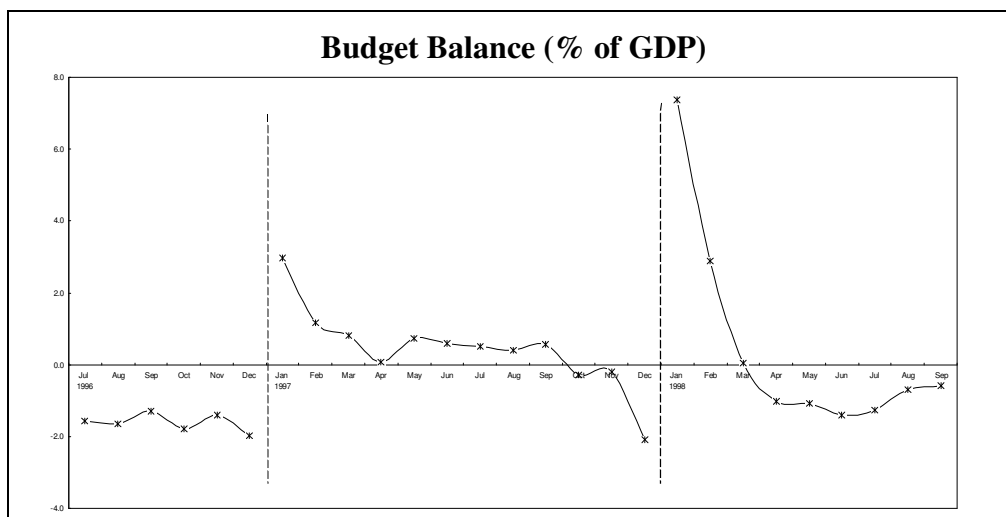
(Source: B.E.T. Staff Calculations on data provided by NBB).

* 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).

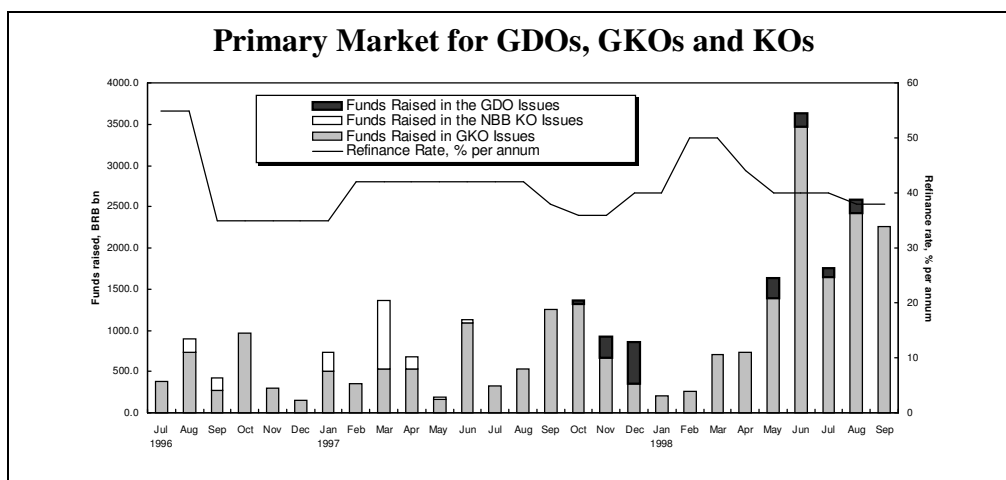
Tax Arrears (end of period)

	1993	1994	1995	1996	1997	1998		
						QI	QII	QIII
Total tax arrears (State budget)	7	119	1364	1722	1401	2042	2330	2458
as percent of GDP*	0.1	0.7	1.2	0.9	0.4	0.5	0.5	0.5
Taxes on income and profits	3	62	339	236	449	673	757	682
Personal income tax	..	..	2	7	5	9	12	15
Profit tax	3	62	329	228	439	655	737	660
Enterprise income tax	..	..	7	1	5	9	8	8
Chernobyl payroll tax	1	6	226	215	102	124	127	153
Taxes on property	..	2	126	443	188	221	286	479
Real estate tax	..	2	92	79	75	128	221	250
Land tax	..	..	34	364	113	93	65	229
VAT	3	39	531	546	456	821	1060	1033
Excises	1	7	73	40	59	97	79	91
Natural resource tax	..	..	15	75	47	40	5	5

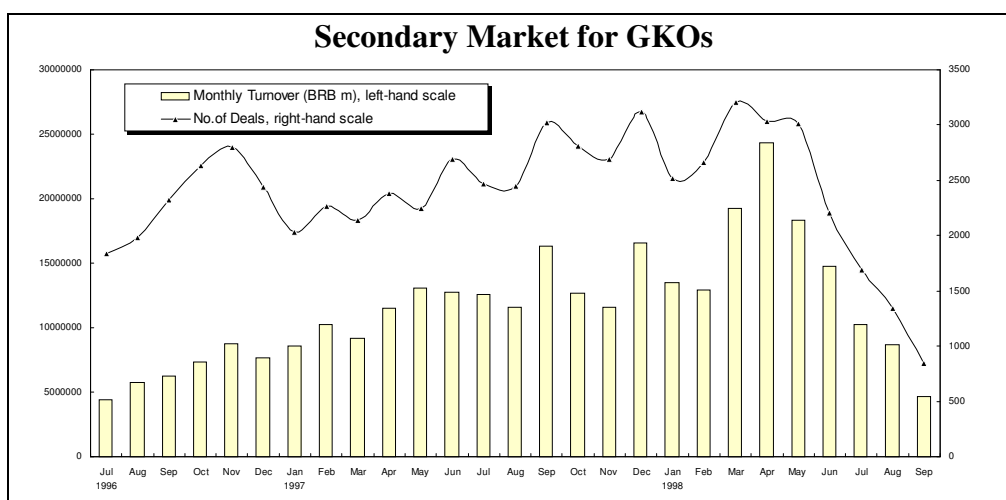
(Source: State Tax Committee).

*Accumulated tax arrears as percent of annual GDP.

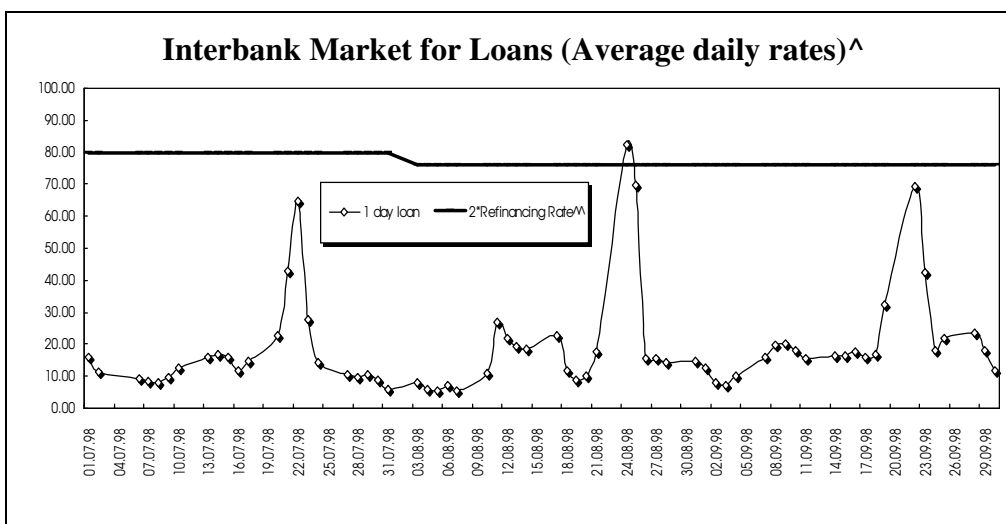
5. Financial Markets



(Source: NBB).



(Source: NBB).

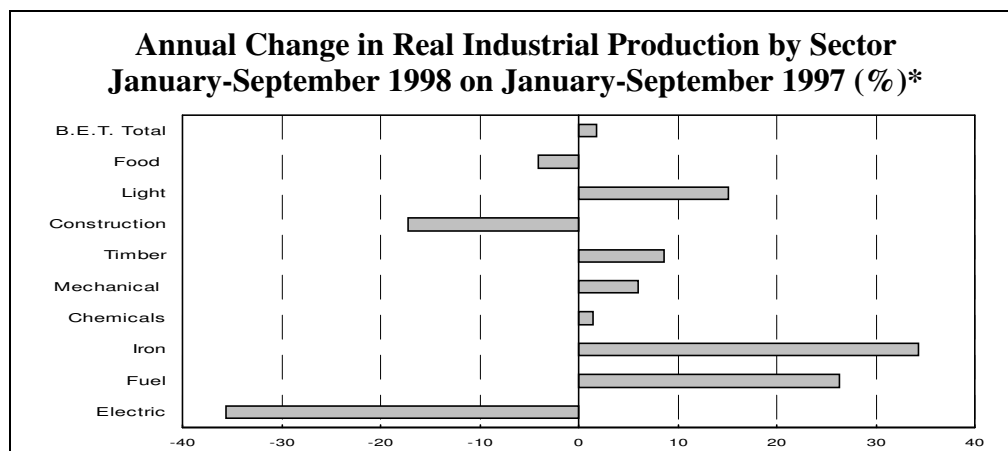


(Source: Financial News Agency, Belarus).

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

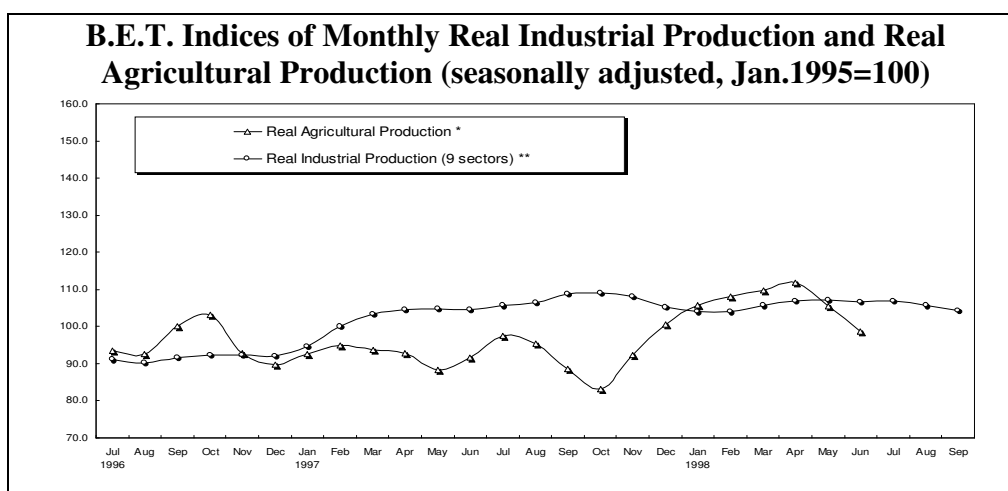
^{^^} Interbank loans in principle have a ceiling of 2*refinancing rate set by the NBB.

6. Production



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

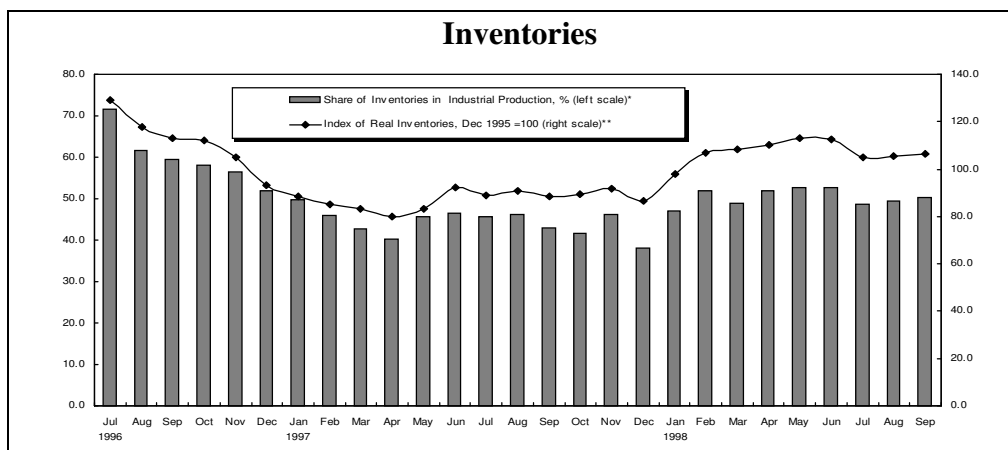
*Derived from B.E.T. Indices of Real Industrial Production (seasonally unadjusted).



(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 for Real Agricultural Production).

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



(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	QIII
Period Averages											
Population (thousand) ¹	10355	10327	10246	10216	10226	10218	10213	10206	10198	10192	10188
Labour force ²	4892	4829	4751	4608	4667	4631	4551	4586	4519	4542	4545
(% change)	..	-1.3	-1.6	-3.0	-1.5	-0.8	-1.7	0.8	-1.5	0.5	0.1
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	44.6
Employees in employment (thousand) ^{1, 4}	4696	4405	4360	4370	4165	4181	4179	4202	4208	4235	4254
(% change)	-2.6	-6.2	-1.0	0.2	0.1	0.4	-0.1	0.6	0.1	0.6	0.5
Total employment ²	4802	4713	4577	4453	4485	4466	4405	4456	4397	4433	4440
(% change)	1.0	-1.8	-2.9	-2.7	-1.5	-0.4	-1.3	1.1	-1.3	0.8	0.2
Unemployed (thousand) ¹	90.1	115.8	174.4	155.7	182.0	165.2	145.6	129.9	122.0	109.0	104.5
(% change)	..	28.6	50.5	-10.7	-1.5	-9.2	-11.8	-10.8	-6.1	-10.7	-1.2
Unemployment rate ¹	1.8	2.4	3.7	3.4	3.9	3.6	3.2	2.8	2.7	2.4	2.3
Vacancies	19.6	18.3	15.8	28.2	19.3	27.2	34.4	32.0	36.0	47.5	45.1
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	0.99
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	2.3

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

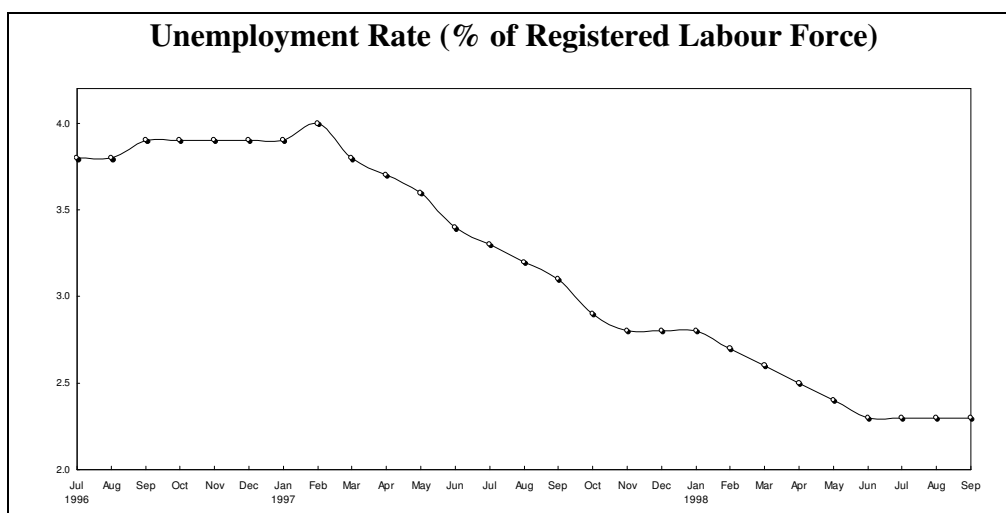
¹ Ministry of Statistics and Analysis Data.

² B.E.T. Staff Calculations.

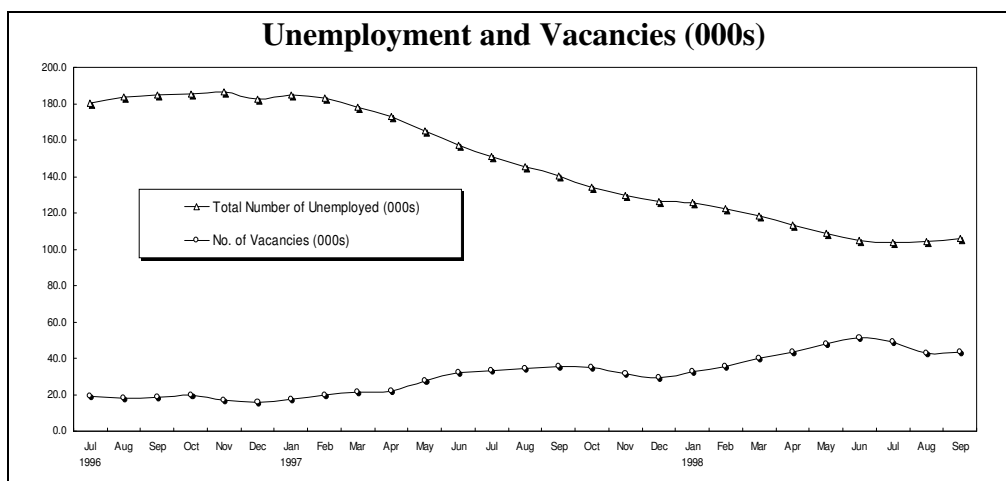
³ Labour force in percent of total population.

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)*

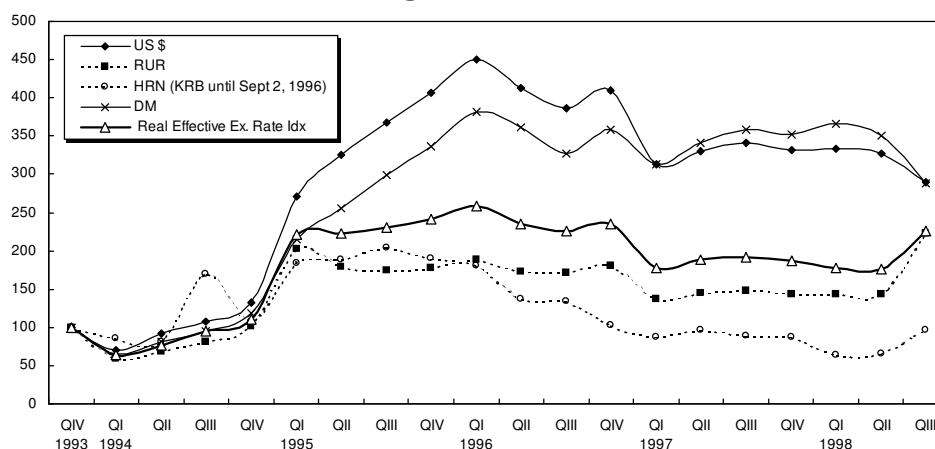
	Minsk Interbank Currency Exchange (MICE)				Moscow Interbank Currency Exchange (MICEX)			
	End of period	% change	Average	% change	End of period	% change	Average	% change
1995 QI	11500	8.5	11612	43.4	10650	..	11807	..
QII	11500	0.0	11500	-1.0	11790	10.7	11721	-0.7
QIII	11500	0.0	11502	0.0	11551	-2.0	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	37700	11.9	34867	8.1	67000	25.2	63010	35.5
QIII	53300	41.4	45524	30.6	205000	206.0	111773	77.4
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	35810	3.2	35299	3.0	66000	-1.5	65750	-0.9
Jun	37700	5.3	36605	3.7	67000	1.5	66545	1.2
Jul	42000	11.4	39551	4.9	74500	11.2	70211	5.5
Aug	50100	19.3	45288	7.8	121500	63.1	95448	35.9
Sep	53300	6.4	51732	3.3	205000	68.7	169659	77.8

(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.

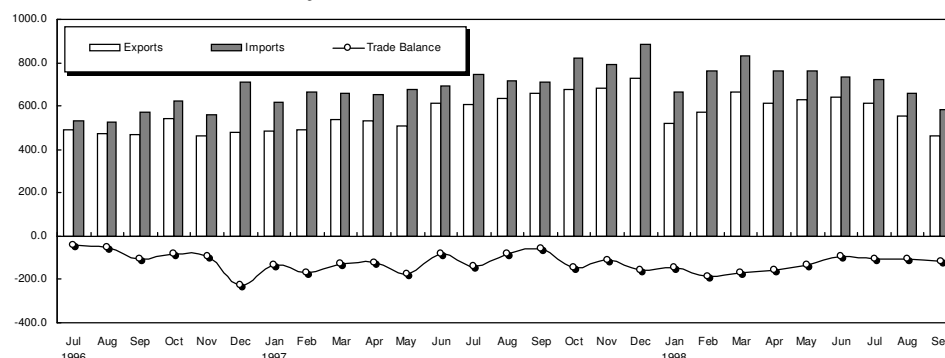
*The non-cash exchange rate in Belarus differs from the cash rate. The latter was 72,000/73,000 BRB/USD (Belarusbank exchange offices) at the end of September.

B.E.T. Real Exchange Rate Indices (Dec. 1993=100)



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

Monthly Flows on Trade Account (USDm)



(Sources: NBB and Minstat).

9. Privatisation and Structural Change

Transformation: Republican Property

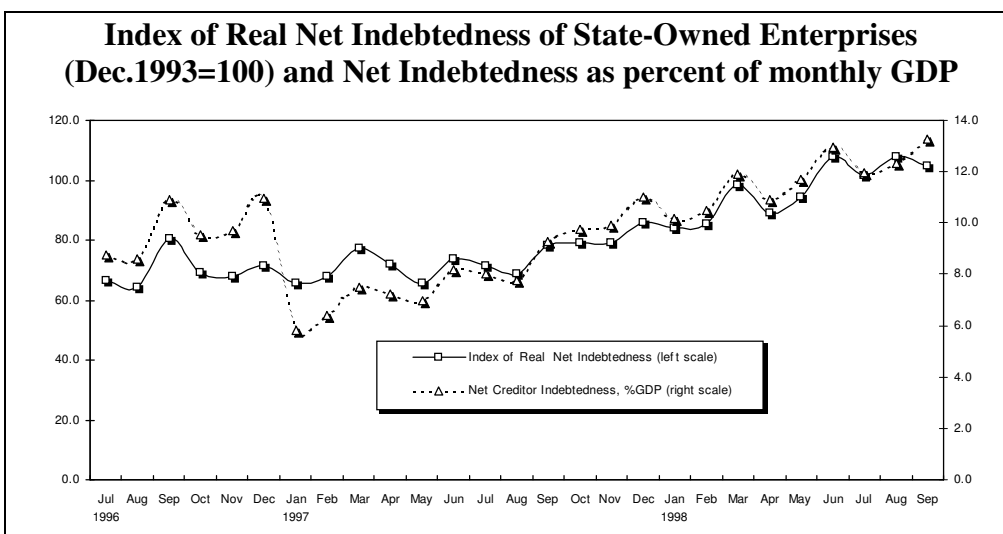
Indicator	Number of units							1998			Total
	1991	1992	1993	1994	1995	1996	1997	QI	QII	QIII	
TRANSFORMED REPUBLICAN TOTAL	19	32	140	184	53	131	192	23	13	17	804
By Branches											
Industry	12	23	68	58	15	37	74	9	3	6	305
Agriculture (incl. soviet and state farms)	1	0	9	9	27	23	20	1	2	4	96
Construction	5	4	28	40	3	22	34	4	1	2	143
Transport and Communications	0	0	9	10	1	24	26	2	1	2	75
Trade	0	0	1	14	3	6	3	0	0	0	27
Public Catering	0	0	0	1	0	0	2	0	0	0	3
Household Services	1	3	1	23	0	0	1	0	0	0	29
Housing and Communal Services	0	1	0	1	0	0	1	0	0	0	3
Health Services	0	0	0	0	0	3	0	1	0	1	5
Culture	0	0	0	0	0	0	1	2	0	0	3
Other	0	1	24	28	4	16	30	4	6	2	115
By Method of Privatisation											
Buyout of leased property by leaseholders	9	20	44	28	1	5	1	0	0	1	109
Buyout of state property by workers	6	8	10	1	0	0	0	0	0	0	25
Buyout of state property by individuals	0	1	0	0	0	0	0	0	0	0	1
Corporatisation (state or non-state)	3	3	68	152	52	92	96	0	0	0	466
more than 50% state ownership ¹	0	0	6	41	21	53	79	0	0	0	200
Sell at competition	1	0	11	3	0	0	0	0	0	0	15
Sell at auction	0	0	7	0	0	0	0	0	0	0	7
Alienation	0	0	0	0	0	34	95	23	13	16	181

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

Transformation: Communal Property

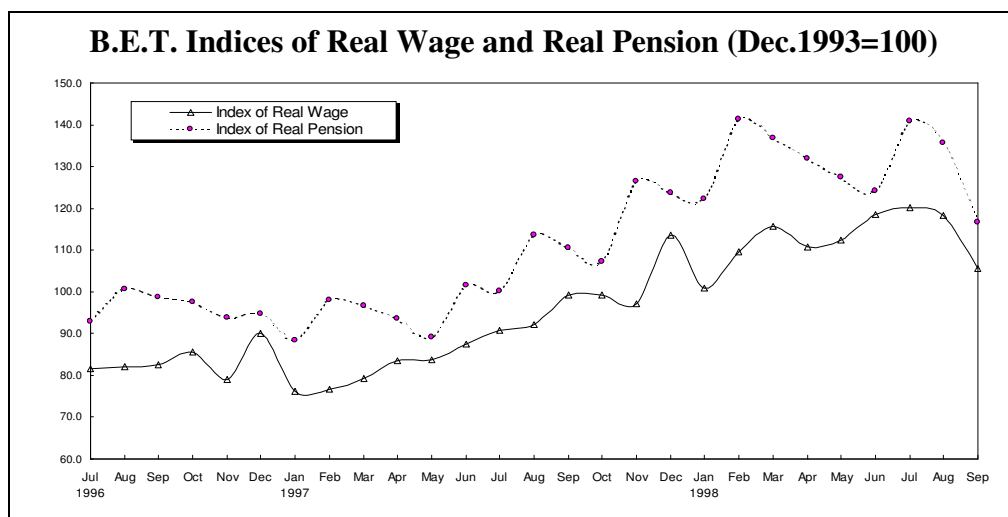
Indicator	Number of units							1998			Total
	1991	1992	1993	1994	1995	1996	1997	QI	QII	QIII	
TRANSFORMED COMMUNAL TOTAL	42	158	104	457	412	390	380	51	53	58	2105
By Branches											
Industry	11	12	1	5	2	0	5	14	5	0	55
Agriculture (excl. soviet and state farms)	0	0	3	39	191	103	57	4	1	0	398
Construction	2	5	3	3	2	3	6	0	0	1	25
Trade	5	49	30	222	128	173	184	12	24	39	866
Public Catering	16	5	7	57	30	31	43	3	3	2	197
Household Services	5	67	26	54	21	41	43	11	5	6	279
Housing and Communal Services	0	0	10	59	9	11	6	0	0	0	95
Culture	0	0	2	0	0	0	0	0	0	0	2
Public Education	0	0	6	0	0	0	6	0	0	0	12
Other	3	20	16	18	29	28	36	7	15	10	182
By Method of Privatisation											
Buyout of leased property by leaseholders	25	27	13	124	34	53	75	9	10	9	379
Buyout of state property by workers	7	79	14	11	1	0	0	0	0	0	112
Corporatisation (state or nonstate)	0	1	3	64	205	129	82	22	6	0	512
Sell at competition	10	50	40	93	32	42	41	7	7	6	328
Sell at auction	0	0	34	165	140	166	180	13	30	43	771

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



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

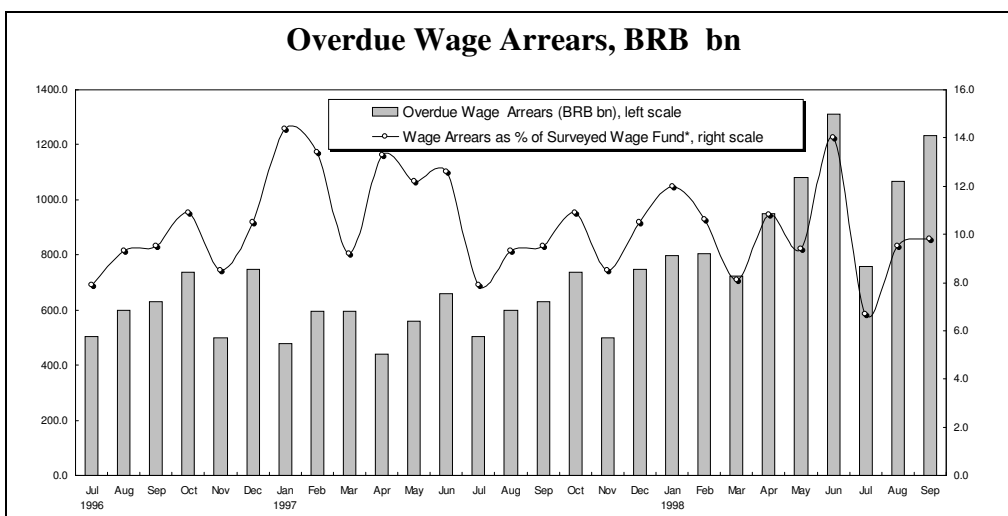
10. Living Standards



(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).

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

All data is at of period, unless otherwise indicated.