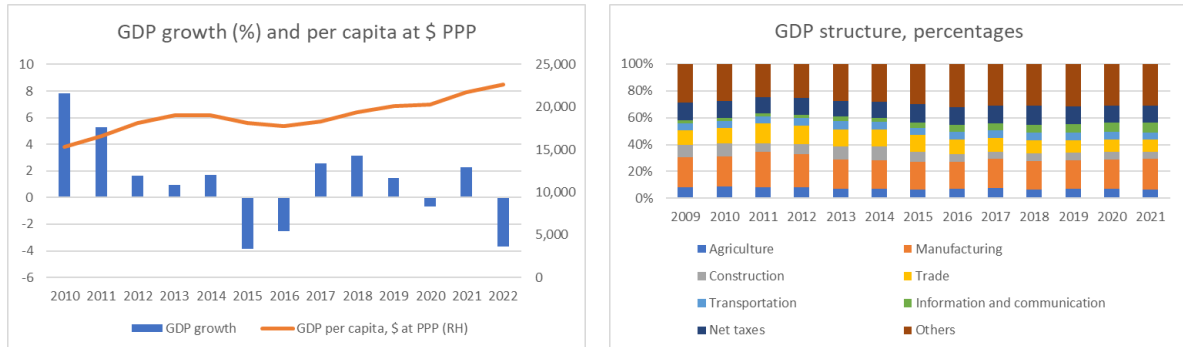


BELARUS

An uncertain outlook

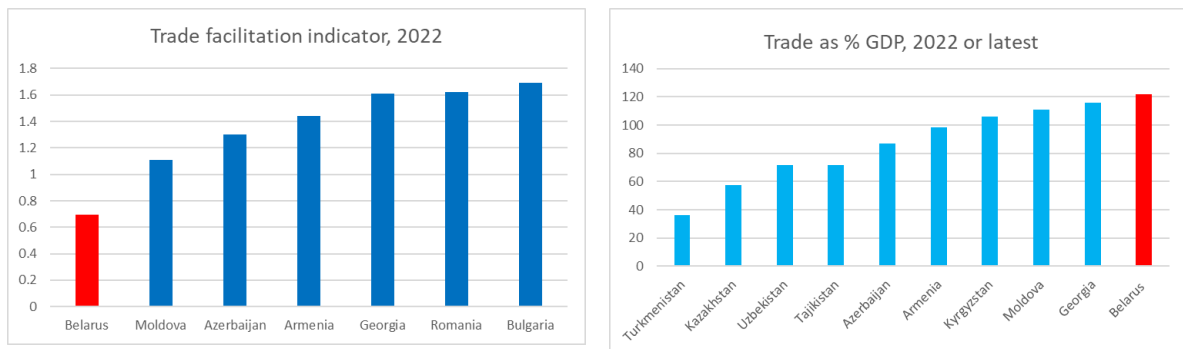
Belarus economic performance has deteriorated over the last decade, amid stronger financing constraints that made unviable the previous extensive growth model. Increasingly tighter economic sanctions have led to the loss of financing options and exports markets, darkening the economic outlook. Its immediate future is closely linked to the fortunes of the Russian economy, with which it maintains strong ties. Belarus has a developed human capital and manufacturing base. However, the current geopolitical circumstances severely constrain development prospects.



Source: IMF, National Statistical Committee of the Republic of Belarus

Sanctions will lead to trade reorientation

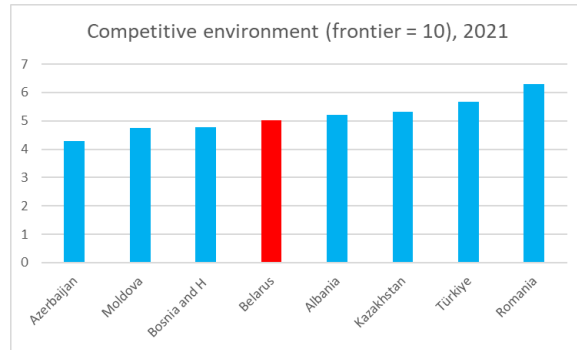
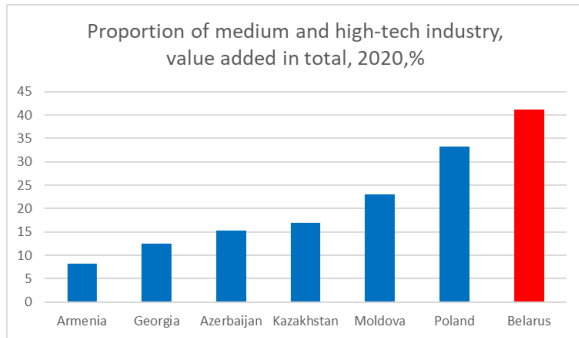
Belarus is a small open economy, with exports that are relatively diversified in relation to regional peers. However, trade facilitation indicators show that there is still significant room for improvement. Transportation, which was a significant source of foreign currency revenues, has been disrupted by the sanctions. Existing constraints will prompt trade reorientation and the search for alternative transport routes. These efforts would yield better results if accompanied by further improvement in the trade, transport and logistics infrastructure.



Source: OECD, World Bank Development Indicators

A stronger private sector would facilitate economic diversification

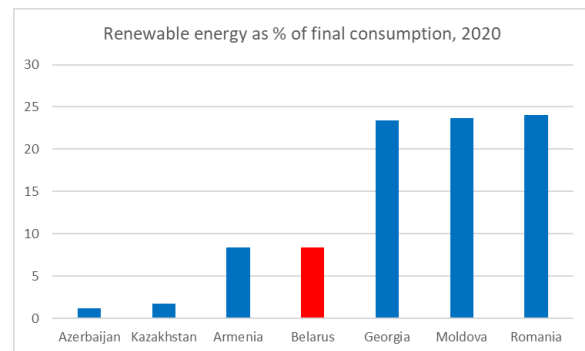
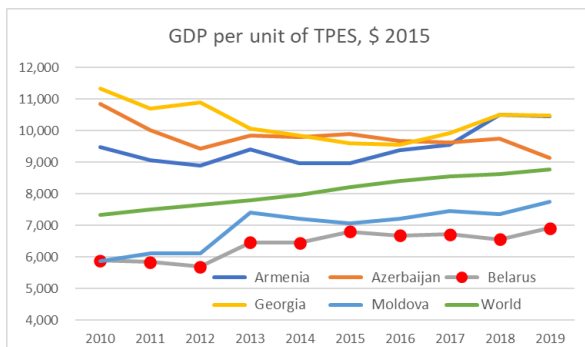
Belarus's economy has a relatively sophisticated manufacturing sector, which provides the foundation for further technological upgrading. Although the competitive environment has improved, it remains well behind best performers. Regulatory quality indicators compare badly with peers, while the state influence in the economy remains large and the SME sector is weak. Despite a highly skilled labour force, these shortcomings prevent faster productivity growth and better innovation performance. The rapid development of the ICT sector in recent years, which has benefited from particular policy attention, shows the potential of the economy to shift to a faster development path.



Source: SDG UNECE database, EBRD

The ongoing shift to greener economy requires further impetus

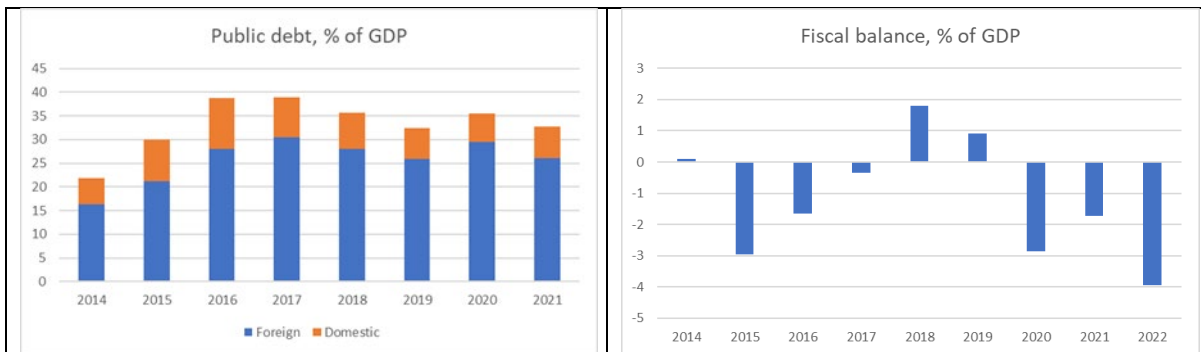
Energy efficiency is very low, including in comparison with other countries in the region, although it has been displaying an improving trend. Energy needs are largely met through imports from the Russian Federation. Fossil fuels subsidies, which are mainly concentrated on electricity, are low and have been declining for some time, thus supporting an increase in energy efficiency. Renewable energy uptake remains low, but a feed-in tariff has been introduced to attract investments to the sector. The recovery rate for secondary raw materials of municipal waste has increased steadily.



Source: IEA, SDG UNECE database

A challenging outlook for public finances

The growth of public debt has been driven by increased access to external financing, but this dynamic has been partly reversed in recent years. The large share of external debt is a source of vulnerability. Belarus has lost access to international capital markets, following the introduction of sanctions and the technical default on its Eurobond obligations. In addition, other sources of international public finance have also dried out. The public deficit widened in 2020-2021, reflecting mostly the impact of the COVID-19 pandemic, but fiscal consolidation is likely to resume, given limited financing options.



Source: Ministry of Finance of the Republic of Belarus, World Bank, IMF