

Global economic challenges- implications for Belarus

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Agenda

- Global outlook and challenges
- Russian collateral damage
- Belarus outlook and priorities



Global outlook/challenges



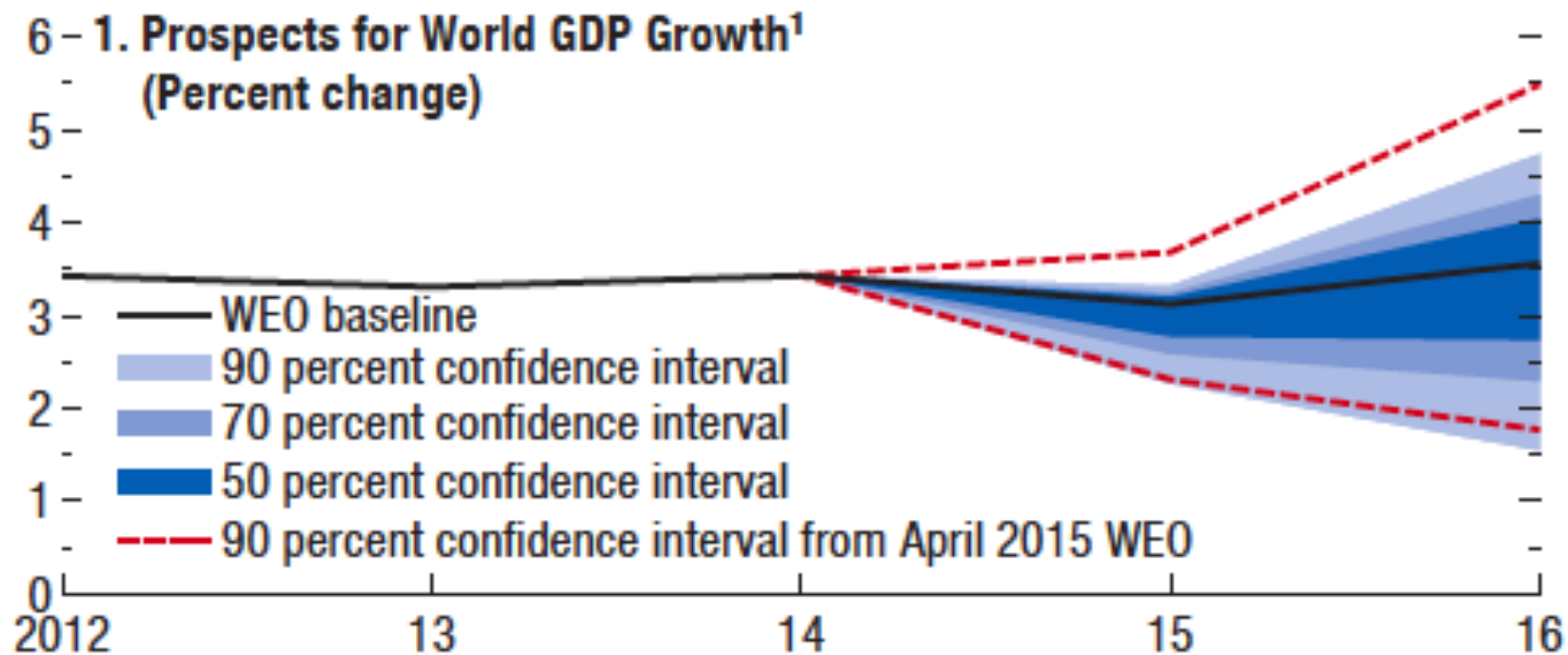
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Global growth prospects

Table 1.1. Overview of the *World Economic Outlook* Projections
(Percent change, unless noted otherwise)

	2014	Projections		Difference from April 2015 <i>WEO</i> ¹	
		2015	2016	2015	2016
World Output	3.4	3.1	3.6	-0.4	-0.2
Advanced Economies	1.8	2.0	2.2	-0.4	-0.2
Emerging Market and Developing Economies	4.6	4.0	4.5	-0.3	-0.2
Commonwealth of Independent States	1.0	-2.7	0.5	-0.1	0.2
Russia	0.6	-3.8	-0.6	0.0	0.5
Excluding Russia	1.9	-0.1	2.8	-0.5	-0.4
Emerging and Developing Asia	6.8	6.5	6.4	-0.1	0.0
China	7.3	6.8	6.3	0.0	0.0
India ³	7.3	7.3	7.5	-0.2	0.0
ASEAN-5 ⁴	4.6	4.6	4.9	-0.6	-0.4
Emerging and Developing Europe	2.8	3.0	3.0	0.1	-0.2
Latin America and the Caribbean	1.3	-0.3	0.8	-1.2	-1.2
Brazil	0.1	-3.0	-1.0	-2.0	-2.0
Mexico	2.1	2.3	2.8	-0.7	-0.5

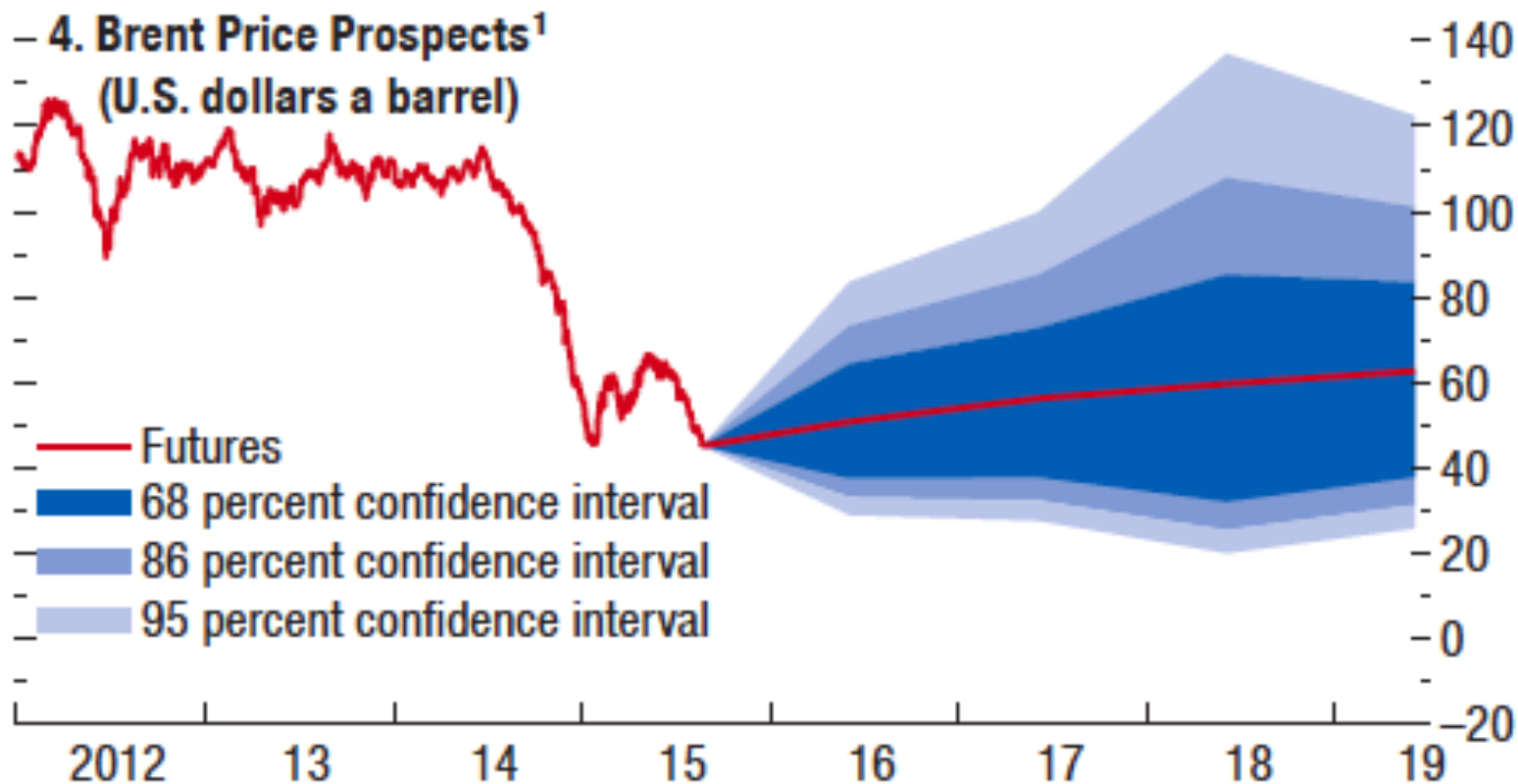
Growing uncertainty(?)



IMF WEO Oct 2015



Oil price uncertainty



IMF WEO Oct 2015



Key features of global outlook

- Low growth projections have been lowered further
- Uncertainty high for both growth and key commodity prices, including oil
- U.S. interest rate hike when?
- Health of financial systems (again...)
- Very significant geopolitical issues to be solved

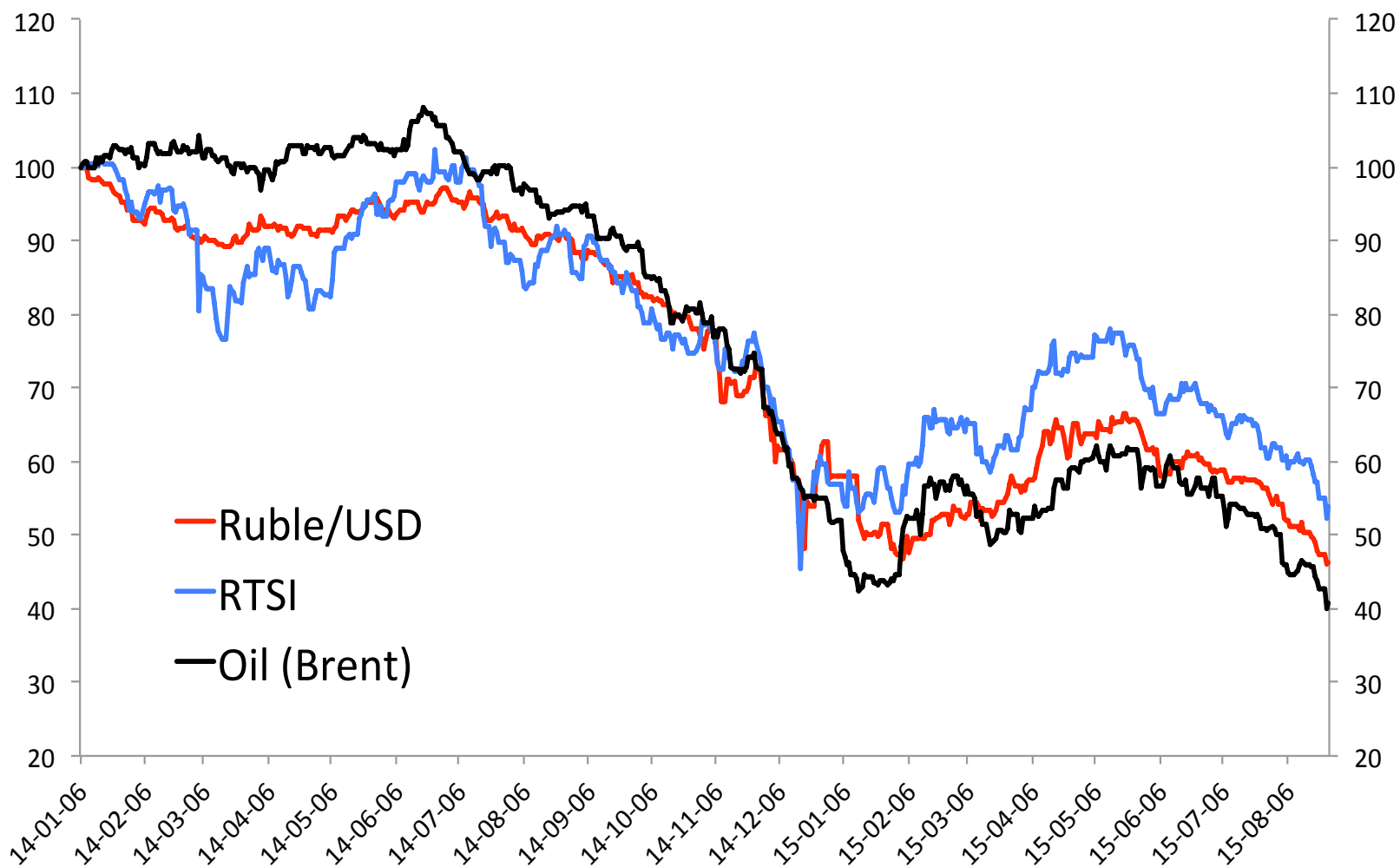


Russian collateral damage

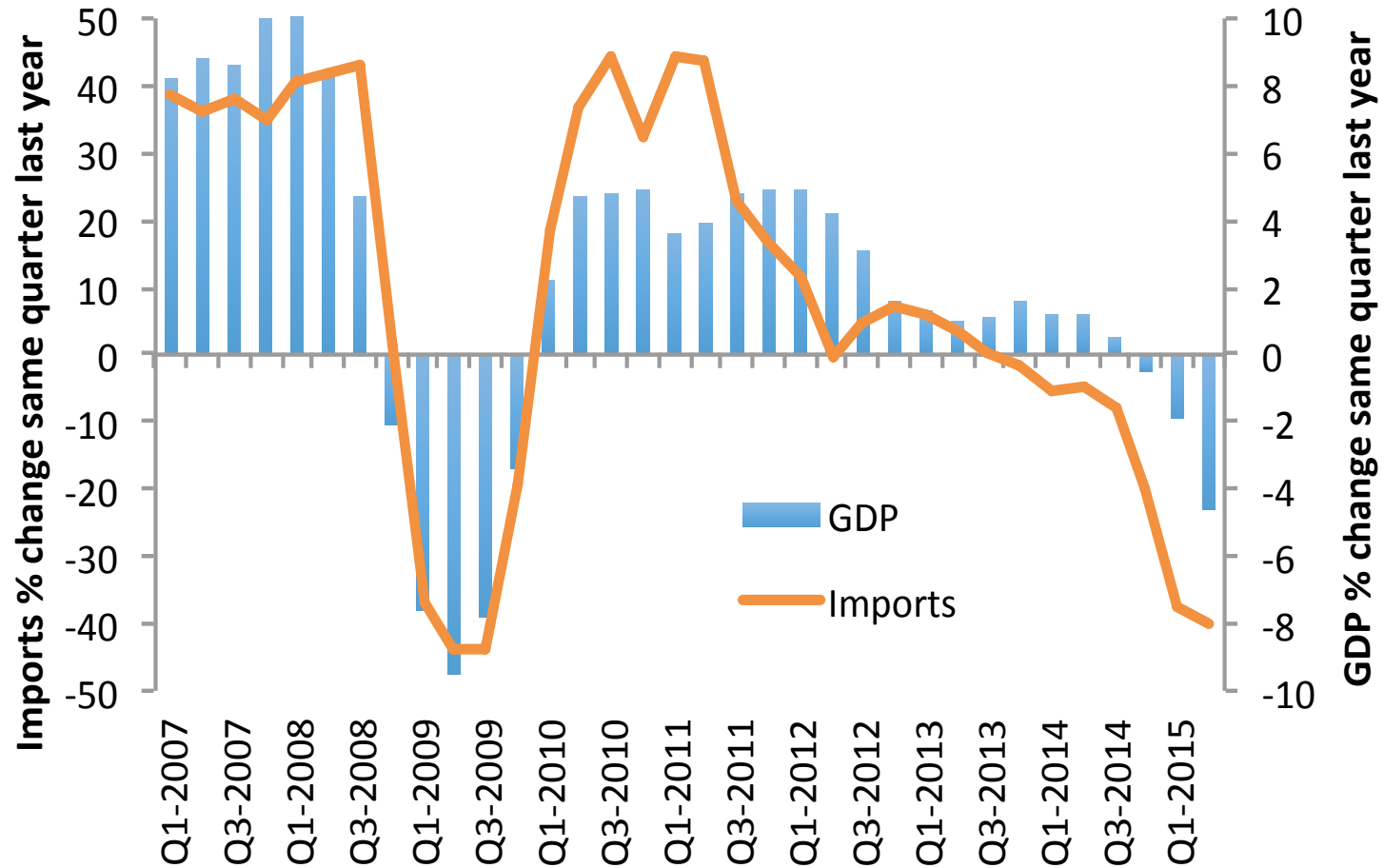


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Russian roller-coaster mostly down



Russian GDP could fall further

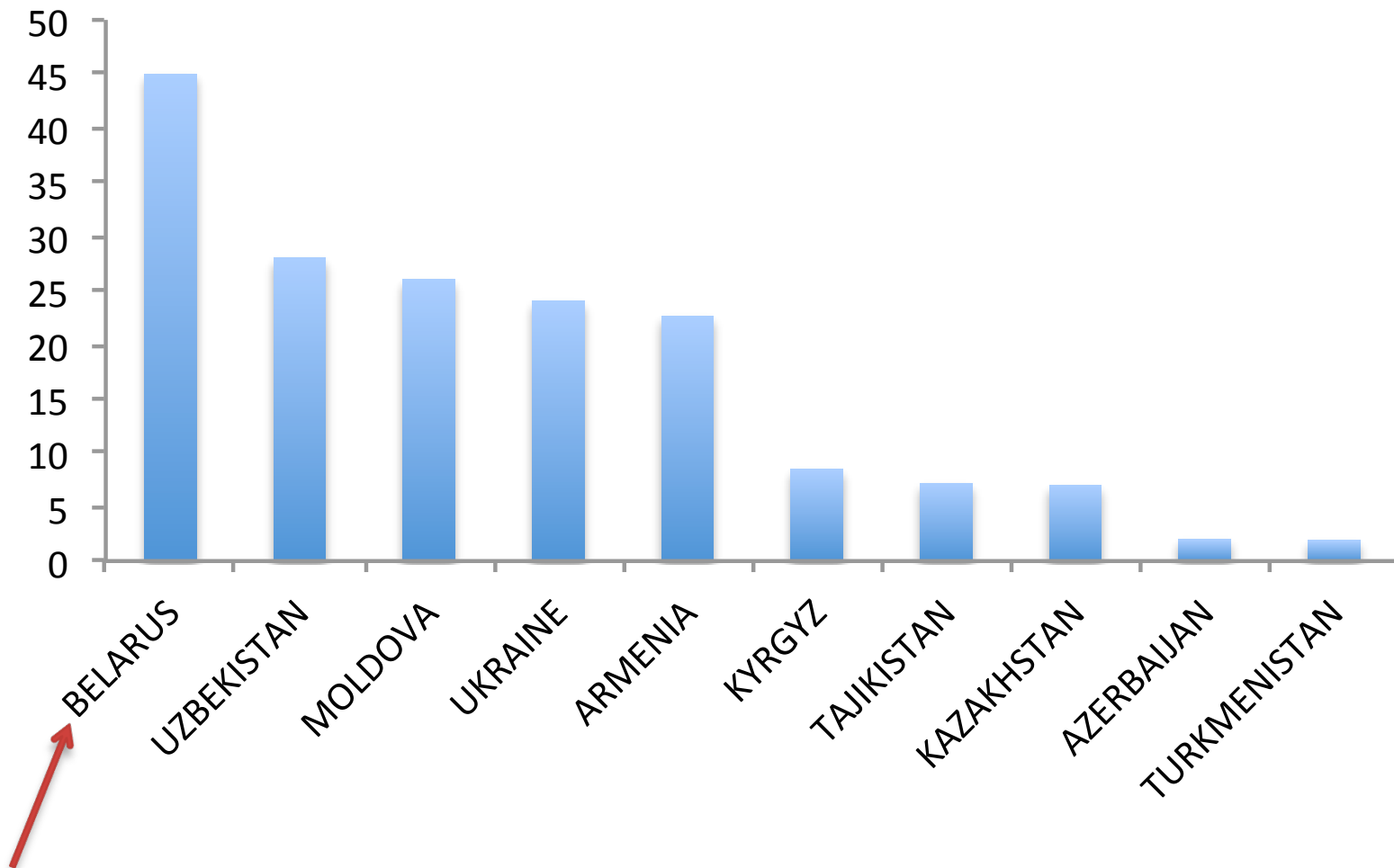


Total Russian trade to June 2015

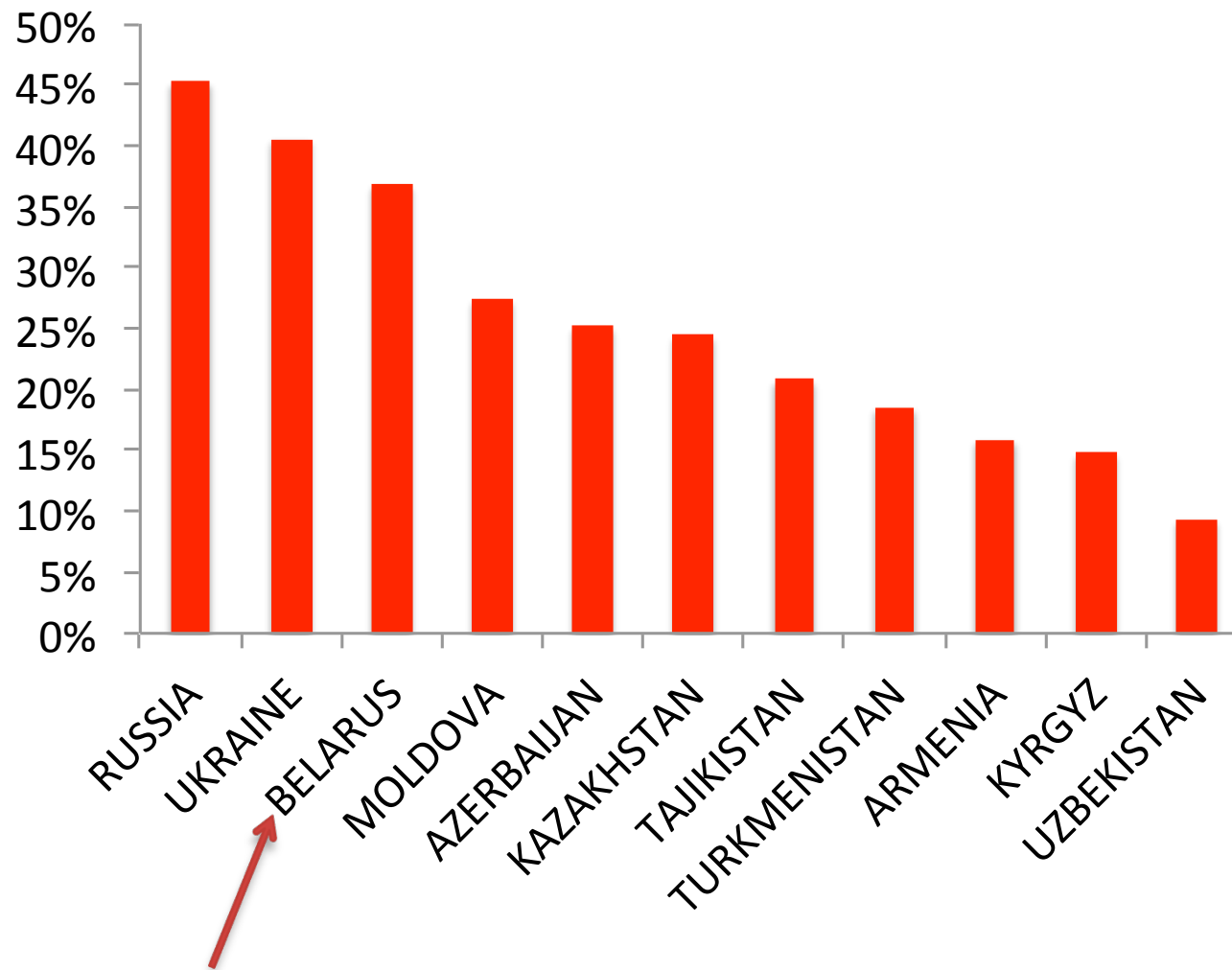
	Share in 2014	June 2015/ June 2014
Total	100	69
EU	48	66
APEC	27	70
CIS	12	60
ROW	13	86



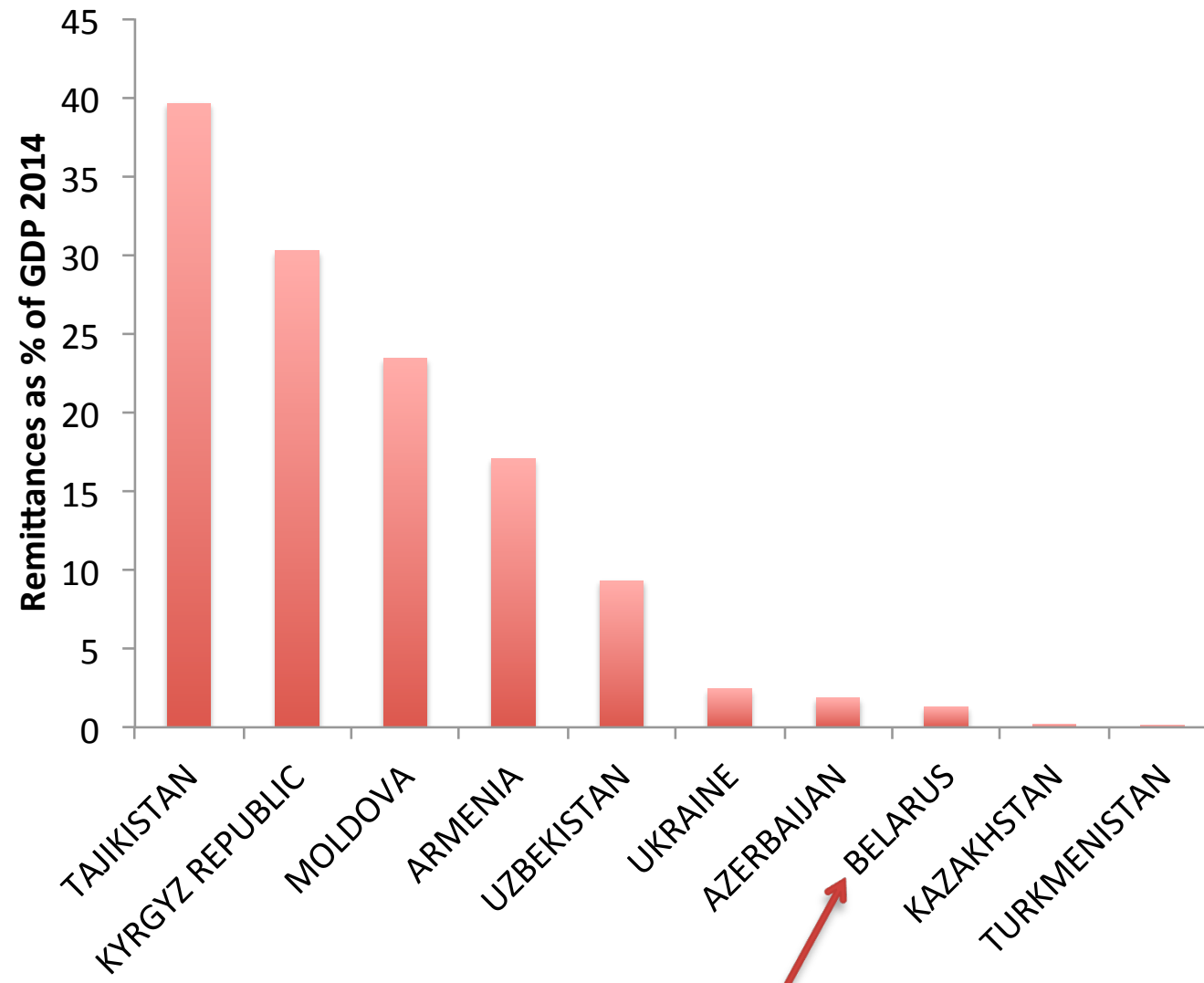
Share of CIS countries' exports going to Russia



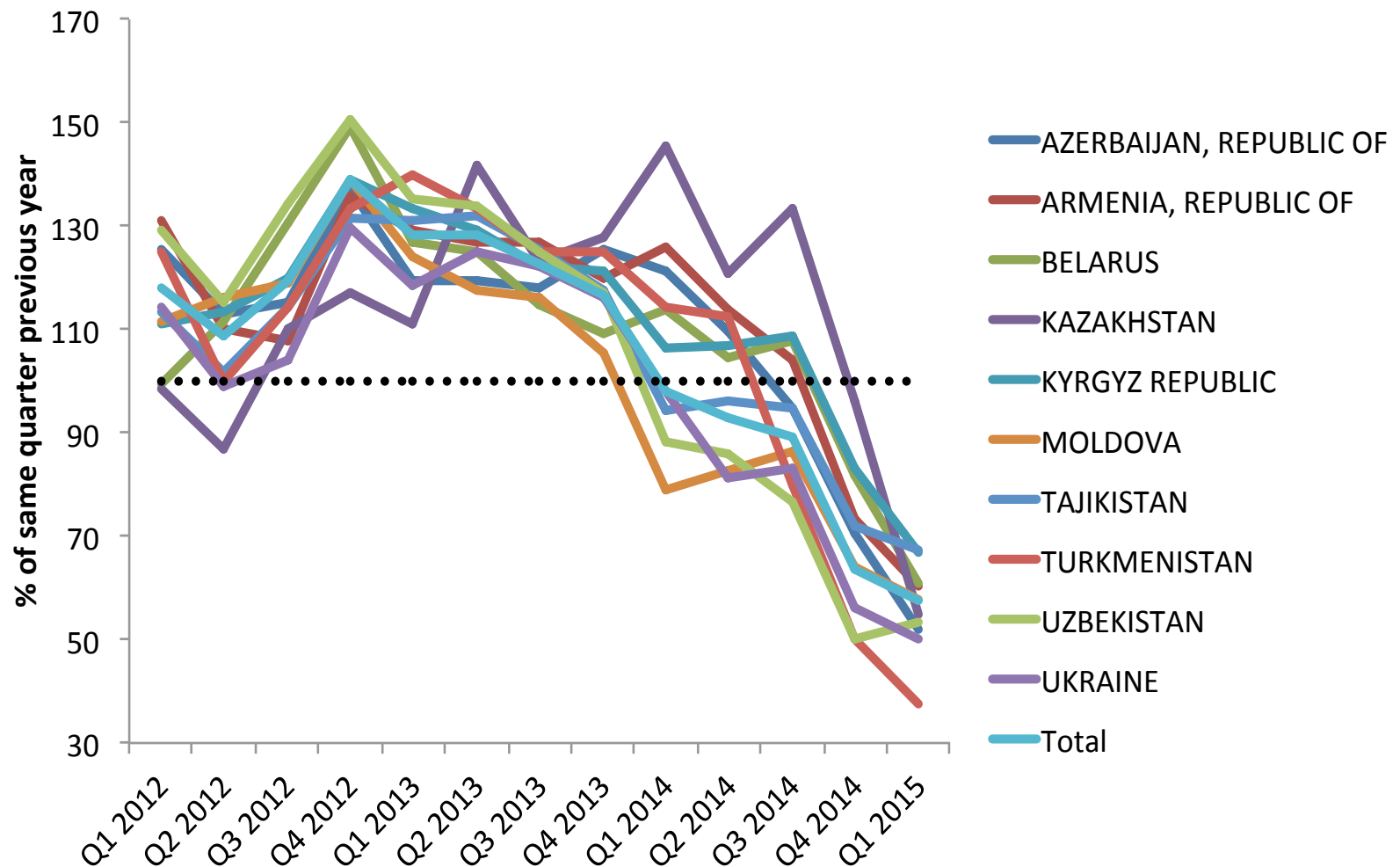
Currency depreciations last 12 months among CIS countries



Remittances from Russia to CIS countries



Remittances from workers in Russia to CIS countries, recent trends



CIS outlook (IMF WEO Oct 2015)

(Annual percent change, unless noted otherwise)

	Real GDP			Consumer Prices ¹		
	2014	Projections		2014	Projections	
		2015	2016		2015	2016
Commonwealth of Independent States⁴	1.0	-2.7	0.5	8.1	15.9	8.9
Net Energy Exporters	1.5	-2.3	0.4	7.5	13.9	8.4
Russia	0.6	-3.8	-0.6	7.8	15.8	8.6
Kazakhstan	4.3	1.5	2.4	6.7	6.3	8.6
Uzbekistan	8.1	6.8	7.0	8.4	9.7	9.2
Azerbaijan	2.8	4.0	2.5	1.4	5.0	4.2
Turkmenistan	10.3	8.5	8.9	6.0	7.0	6.0
Net Energy Importers	-2.6	-5.5	1.1	12.2	30.9	12.6
Ukraine ⁵	-6.8	-9.0	2.0	12.1	50.0	14.2
Belarus	1.6	-3.6	-2.2	18.1	15.1	14.2
Georgia	4.8	2.0	3.0	3.1	3.7	5.0
Armenia	3.4	2.5	2.2	3.0	4.3	3.4
Tajikistan	6.7	3.0	3.4	6.1	10.8	8.2
Kyrgyz Republic	3.6	2.0	3.6	7.5	8.3	9.0
Moldova	4.6	-1.0	1.5	5.1	8.4	7.4



Belarus outlook and priorities



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Belarus options to generate growth

- Pray for better external conditions... **not very promising!**
- Fiscal policy... **limited funding sources**
- Monetary policy... **not much space**
- ... **AND avoid costly crises**
- **Structural reforms vital!**... but don't replace public monopolies with private ones => liberalized markets/prices and competition policies in place when privatizing



Cost of shocks in EM (% of GDP)

Financial and macroeconomic shocks

Currency crisis	68
Banking crisis	35
Debt crisis	101
Sudden stop in capital flows	64

Country specific external shocks

Terms of trade shock	24
Disaster	18

Sociopolitical

War	10
Political shock	235

Global shocks

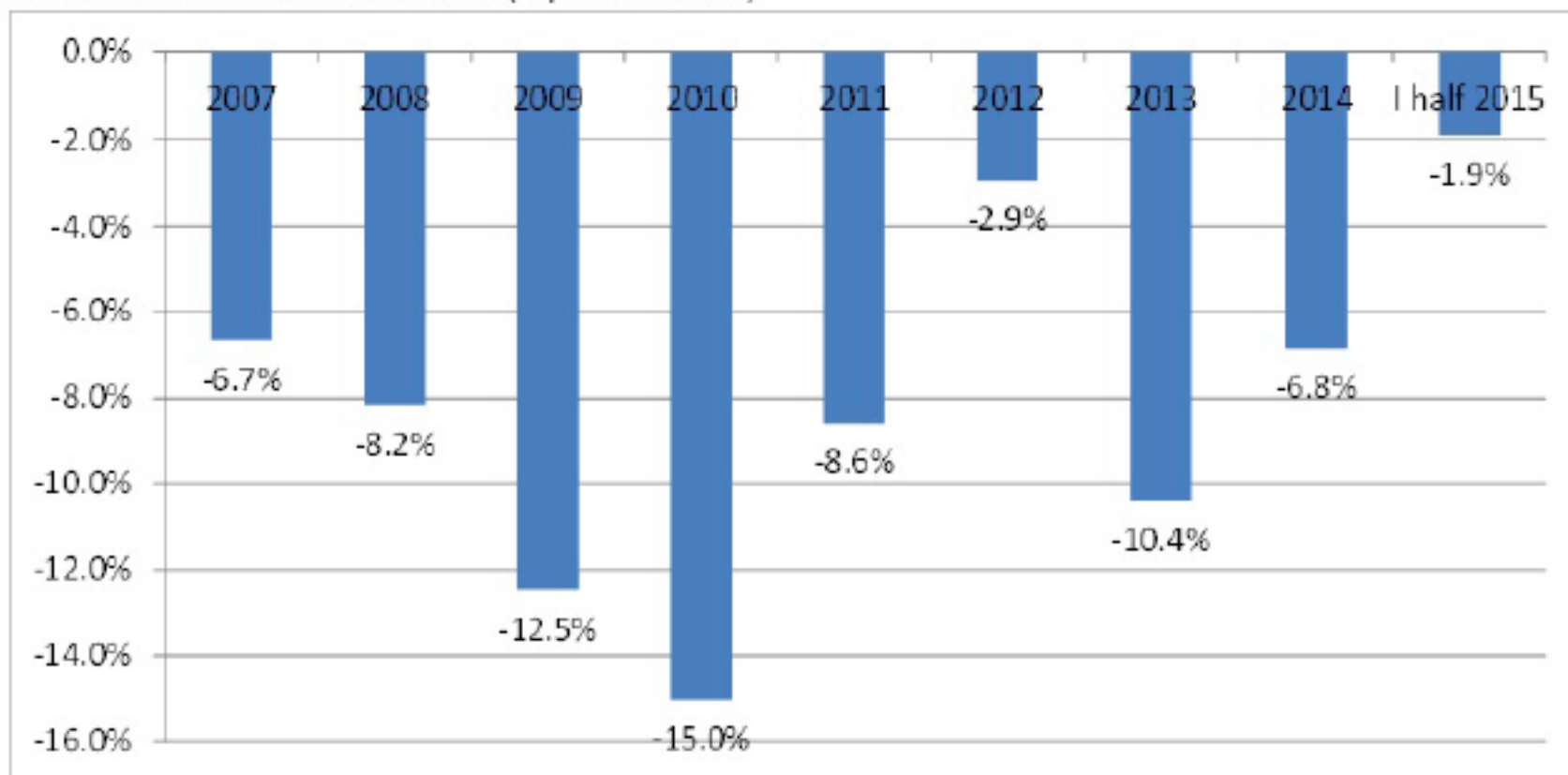
Global interest rate hike	36
Oil price hike	27

(Becker and Mauro 2006) => **AVOID CRISES!**



Good news or sudden stop?

Current account deficits in 2007-2015 (in percent of GDP)



Source: the National Bank of Belarus

Basics of sudden stop crises

- Sudden stop crisis very harmful for economies, cost over 50% of GDP for EM
- $Y=C+I+G+X-M$
 - Dynamics, multipliers
- $CA=FDI+dEquity+dDebt+dReserves$
 - CA deficit today can mean higher interest payments tomorrow
 - Without funding, no CA deficit
 - CA “improving” often means less imports
 - Multipliers in reverse=>output collapse
- **External funding needed!**

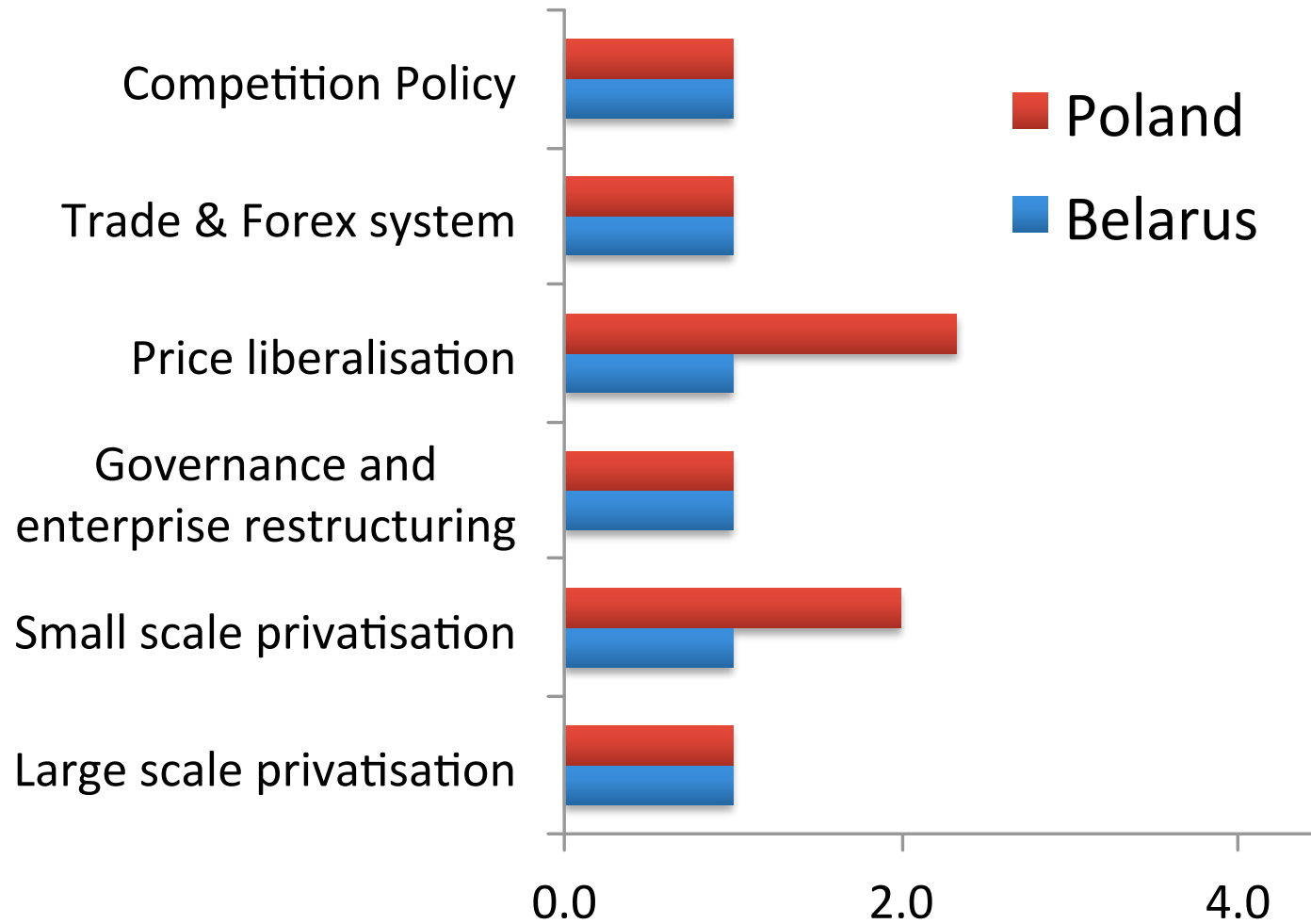


Need for structural reforms

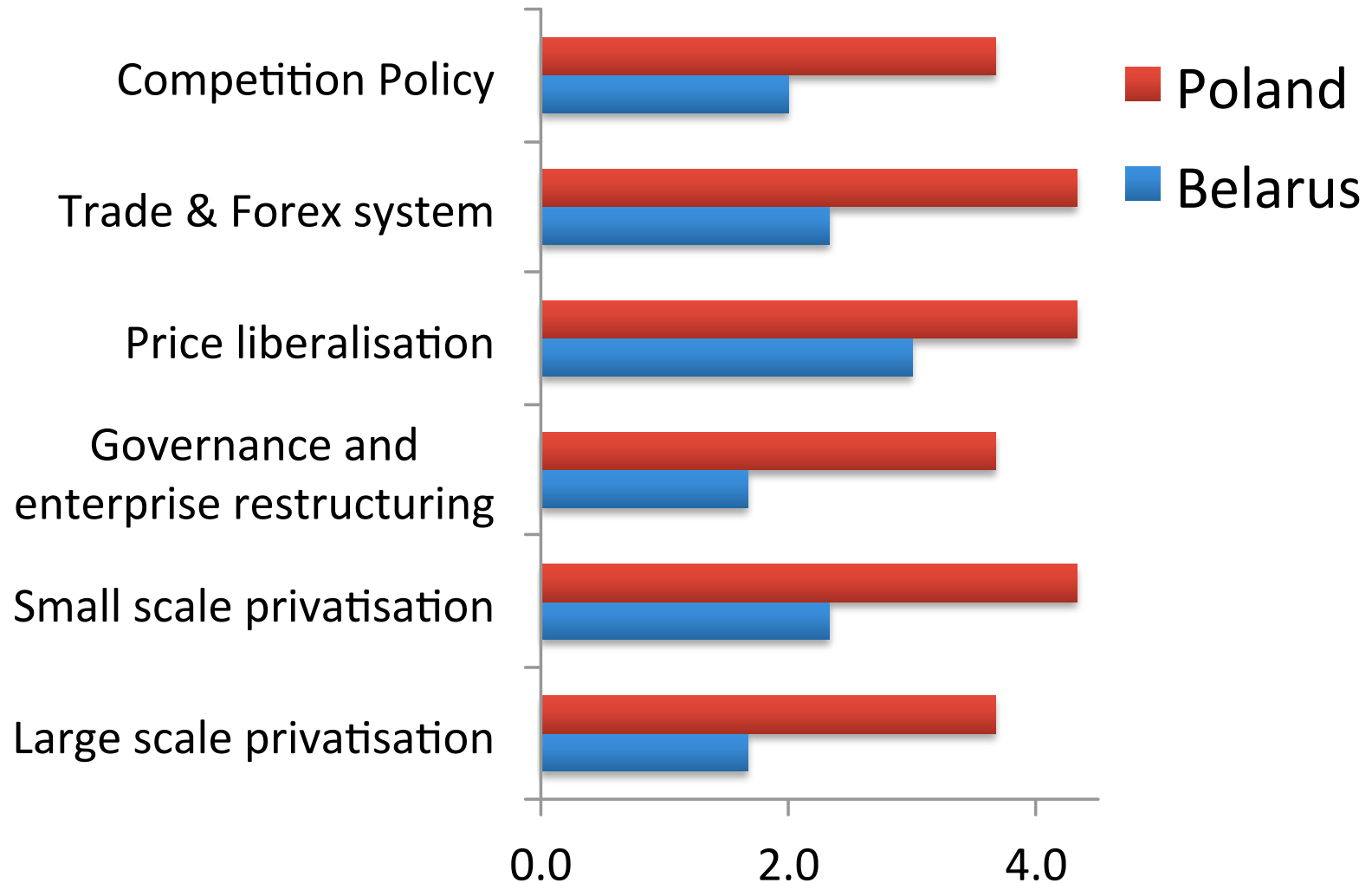


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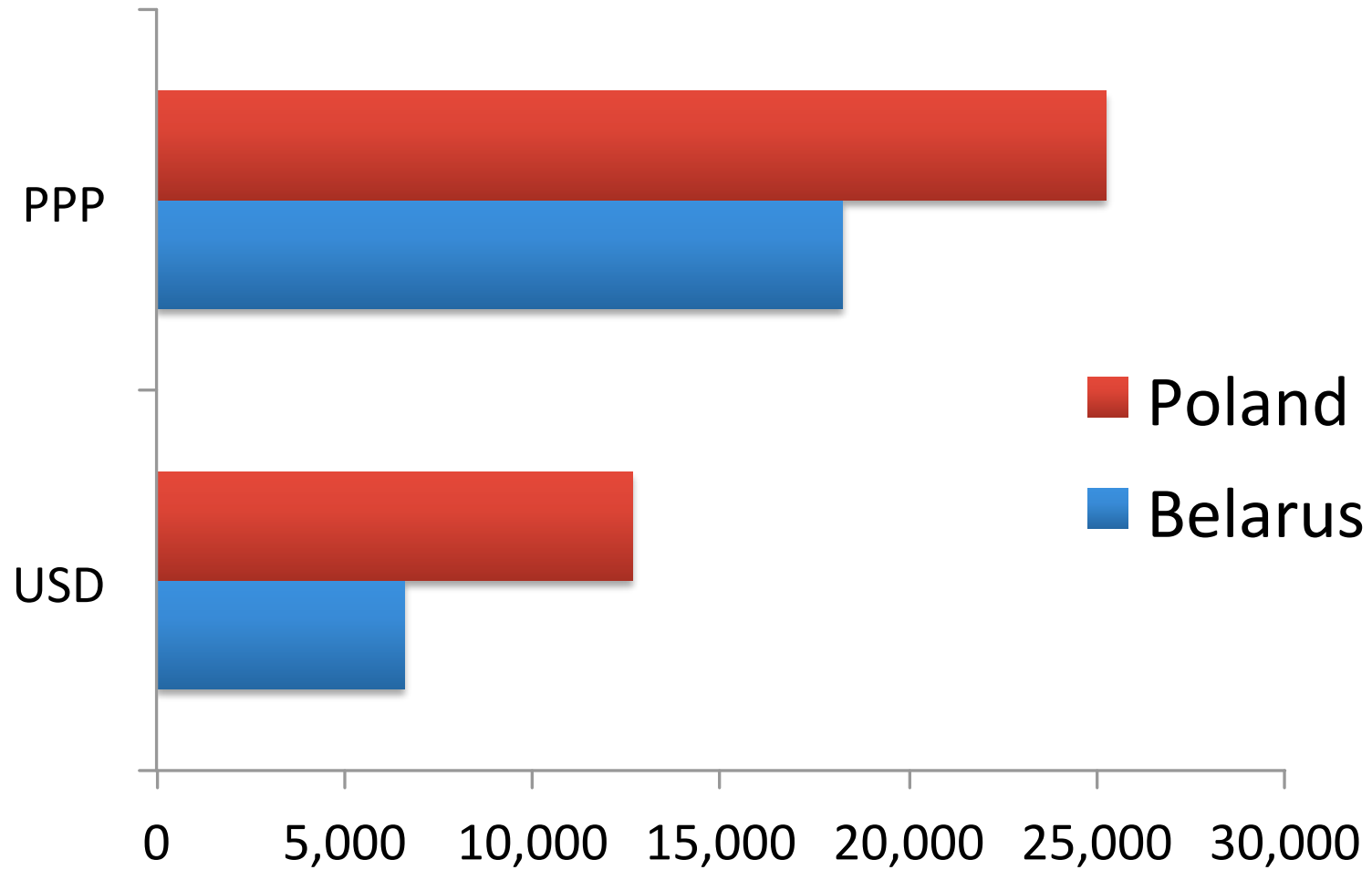
EBRD indicators 1999



EBRD indicators 2014



GDP per capita 2014



Privatization

- What are the real objectives?
- Improving fiscal position in short run ok...
- ...but long-term it has to be about efficiency, growth and welfare



In sum—what should be done

- Avoid more costly crises by good macro and financial management
- Get external funding to avoid sudden stop crisis
- Time to implement structural reforms!!!
 - **BUT** Don't replace public monopolies with private ones => liberalized markets/prices and competition policies should be in place when privatizing





Thanks!

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