

Belarus in recession, banking sector in difficulties – Russia to the rescue

Stephan Barisitz¹

After a long period of economic growth, which weakened from 2012, Belarus slid into recession in 2015, which has continued into 2016. The downturn was triggered by a sharp contraction of exports to Russia, which itself had fallen into recession, largely on account of the plunge of the oil price. The Belarusian banking sector is mostly state-owned and has served as a conduit for directed lending to state-owned enterprises, the backbone of the economy. The currency devalued sharply in 2015, deposit and credit growth ground to a halt and banking activity started to contract, already high levels of dollarization increased further, nonperforming loans more than doubled, and profitability shrank to low levels. Meanwhile, periodic bank recapitalization measures (of an estimated 2% of GDP a year) have held capital adequacy at seemingly satisfactory levels. Major risks include exchange rate, credit, liquidity, and state solvency challenges. The salient shock-absorbing factor is Russia – essentially performing a function of external “lender of last resort” to Belarus and, a fortiori, to its banking sector. The outlook is for high short-term vulnerability, a sluggish recovery and continuing costly and externally financed muddling-through policies.

JEL classification: D14, F36, P2, P5, R21, R3

Keywords: residential property markets, housing finance, household survey, Central, Eastern and Southeastern Europe

After almost two decades of positive economic growth (according to official figures), which weakened to low levels from 2012, Belarus slid into a recession in 2015, which has continued into 2016. The banking sector, which has traditionally served as a conduit for state-directed lending, has been hard-hit by the crisis. Section 1 of this short study features an overview of macroeconomic developments in recent years (from 2012 to 2016), with a focus on the most recent difficult period. Within this framework, section 2 focuses on how the banking sector evolved from the pre-crisis years (2012–14) to the crisis years (2014–16). Section 3 deals with the current risk profile of the banking system and with existing shock-absorbing factors. A brief outlook is offered by section 4, which wraps up the study.

1 Macroeconomic overview: Belarusian “economic model” facing its limits

The Belarusian economic model has remained highly centralized and state-dominated until today. State-owned enterprises (SOEs) continue to account for around half of GDP and about two-thirds of employment. The pervasive use of government-determined production plans for SOEs and of administrative controls for “key” prices distort resource allocation. At the same time, the country continues to benefit from subsidized energy (oil and gas) deliveries from its main trading and investment partner, Russia.² Belarus is a member of the Eurasian Economic Union with Russia, Kazakhstan, Armenia and Kyrgyzstan. Crude oil is processed, and refined petroleum products are re-exported at world market prices, which

¹ Oesterreichische Nationalbank, Foreign Research Division, stephan.barisitz@oenb.at. The author wishes to thank Peter Backé, Markus Eller and Daniela Widhalm (all OeNB) as well as an anonymous referee for their valuable comments and suggestions. Opinions expressed by the author do not necessarily reflect the official viewpoint of the OeNB or of the Eurosystem.

² Belarus’ large eastern neighbor accounts for about 40% of the country’s exports, more than half of its imports, and almost half of foreign investment inflows into Belarus. The EU accounts for almost one-third of the country’s overall trade and for more than a quarter of investment inflows.

provides the country windfall gains (Triebe, 2015). The latter have fallen since the plunge of the oil price in 2014 and 2015, however. Compared to other former Soviet republics and to a number of other Central, Eastern and Southeastern European (CESEE) countries, Belarus boasts relatively low levels of poverty, income inequality and unemployment, and relatively high levels of per capita GDP.

The Belarusian authorities have traditionally aimed at high annual economic expansion by putting in place mandatory output and investment targets. Large-scale and subsidized “directed lending under government programs” (DLGP), carried out by state-owned banks (SOBs), has contributed to attaining these goals. Part of the lending is funded from earmarked government deposits, other parts are covered by banks’ own resources. SOBs are estimated to account for about two-thirds of the banking sector’s total assets. The focus of directed lending is on supporting residential construction, agriculture and heavy industry. An “activist wage policy” (AWP) by setting and executing centrally-fixed wage targets has been the second, demand-oriented, plank of the authorities’ growth strategy (Miksjuk et al., 2015; p. 8–9).

However, given deep structural rigidities, expansionary macroeconomic policies have increasingly fueled inflation and external imbalances; once temporary corrective interventions had alleviated the situation (somewhat), renewed growth-oriented loosening measures typically gained the upper hand again.³ In contrast to the past, these stop-and-go policies from 2012 only produced anemic annual growth of between 1% and 2%.⁴ Despite price controls, inflation was not brought down to single digits. After the current account deficit had swollen to over 10% of GDP in 2013, tightened policies reined it in somewhat in 2014. Meanwhile, gross international reserves had declined to less than two import months (see table 1). A Russian official loan of USD 2 billion in 2014 (corresponding to about 2.6% of Belarus’ GDP) assisted the authorities in navigating the external imbalances.

The oil price plunge-triggered collapse of the Russian ruble in late 2014 and early 2015 and a surge of imports from Russia forced the Natsionalny bank Respubliki Belarus (NBRB) to abandon its crawling peg regime against the U.S. dollar. It adopted a managed float (vis-à-vis a currency basket comprising the Russian ruble, the U.S. dollar and the euro) in the first half of 2015.⁵ As a result, from late 2014 to early 2016, the Belarusian ruble (BYR) lost about half of its value against the U.S. dollar. Meanwhile, stepped-up price controls held down inflation. Mandatory production targets were reined in and de jure moves were made to replace output targets with efficiency targets (IMF, 2016; p. 2). Government-led wage increases were suspended. Sharply reduced demand for exports due to the Russian recession in 2015–16, and tight fiscal and monetary policies pushed Belarus into recession in 2015 (GDP: –3.9%) and 2016 (from January to May:

³ Thus, an effort to boost the economy beyond its capacity had contributed to the outbreak of a currency crisis in 2011 (IMF, 2013; p. 4).

⁴ Given the nonmarket nature of a sizeable part of the economy, Belarusian statistical data have to be treated with caution. Thus, GDP deflators may be partially incomparable, as prices may not reflect the relative scarcity of goods because of extensive price controls, trade barriers and other administrative interventions (Dabrowski, 2016; p. 5). In some cases, e.g. with regard to centrally-driven quasi-fiscal activities, which play an important role in the Belarusian context, the IMF provides specific quantitative estimates (see table 1).

⁵ This only happened after heavy initial administrative interventions in December 2014 and January 2015, which were subsequently discontinued or phased out (EBRD, 2015).

–2.8% year on year). This contributed to cutting the current account shortfall, while gross external debt, which is largely public debt, rose substantially (as a ratio of GDP), and gross international reserves further eroded to a very low level (1.5 import months, see table 1) comparable to the one attained on the eve of the currency crisis of 2011. In the first half of 2015, the authorities managed to raise loans of about USD 2.5 billion⁶ from the Russian government and Sberbank (of Russia) to cover external repayment needs (Dobrinsky, 2016; p. 57).

Table 1

Belarus: macroeconomic indicators (2012–2016)

	2012	2013	2014	2015	2016 (latest)
GDP growth (in real terms, %)	1.7	1.0	1.7	–3.9	–2.8 (Jan.–May)
Consumer prices (year-end, %)	21.8	16.5	16.2	12.0	12.4 (end-May)
Consumer prices (annual average, %)	59.2	18.3	18.1	13.5	14.0 ³
Current account balance (% of GDP)	–2.9	–10.4	–6.7	–3.8	–2.7 ³
NBRB policy rate (general refinancing rate, %, end of period)	30.0	23.5	20.0	25.0	24.0 (end-May)
Net FDI inflows (% of GDP)	2.1	2.8	2.4	2.7	..
Gross external debt (% of GDP)	53.1	55.3	52.5	69.9	80.0 ³
Gross international reserves (year-end, % of GDP)	12.7	9.3	6.6	7.6	..
in USD billion	8.10	6.65	5.06	4.18	4.27 (end-May)
in GNFS import months	2.1	1.8	1.7	1.5	..
General government budget balance (% of GDP)	0.7	0.1	1.1	1.5	1.8 (Jan.–Mar.)
Augmented general government balance ¹ (% of GDP)	–6.3	–5.8	–3.5	–6.9 ²	..
Unemployment rate (LFS, %)	0.6	0.5	0.5	1.0	2.0 ³
Memo items:					
GDP (nominal, BYR trillion)	530.4	636.8	778.1	869.7	..
Exchange rate (BYR/USD, period average)	8,336	8,876	10,216	15,864	20,316 (Jan.–May)

Source: Natsionalny bank Respubliki Belarus, IMF, wiiv.

¹ Including outlays for new directed lending and for bank recapitalizations and outlays related to called guarantees of publicly guaranteed debt.

² IMF forecast April 2015.

³ wiiv forecast March 2016.

The Belarusian ruble's exchange rate stabilized somewhat in spring 2016, which was probably linked to the stabilization of the oil price (for the time being) and the easing of Russia's economic difficulties. While Belarus' external position has remained very vulnerable due to its continuing high external financing needs, in March 2016, the Russia-led Eurasian Fund for Stabilization and Development (EFSD) approved a new USD 2 billion financing facility for Belarus and disbursed its first tranche of USD 500 million. Negotiations on a possible loan from the IMF have been going on since 2015 and have yet to produce tangible results (Standard & Poor's RatingsDirect, 2016; p. 2–3).

2 Banking developments

2.1 General aspects and pre-crisis developments: directed lending and high dollarization

SOBs account for the majority of banking sector total assets (see table 2), with Belarusbank (the big savings bank, 42.9% of total assets at end-2015), Belagroprombank (14.8%) and Belinvestbank (5.9%) playing the most important role. Foreign-owned banks (FOBs) make up around 30% of the sector's total

⁶ This sum would correspond to about 4.6% of Belarus' GDP of 2015.

assets, with Russian credit institutions comprising the lion's share: BPS-Sberbank (10.4% of total assets), Belvneshekonombank (5.5%), and Belgazprombank (5.0%). The largest non-Russian FOB is Priorbank, a subsidiary of Austria's Raiffeisen Group, accounting for about 4.3% of total assets (Raiffeisen Research, 2016; p. 55).⁷ The largest share of the banking sector's loans (about 40%–45% in total) goes to SOEs and the general government,⁸ followed by private firms (about one-quarter) and households (around 15%).

When the Development Bank of the Republic of Belarus (DB) was established in 2011, it originally offered the prospect of reining in directed lending by combining the latter in a single policy entity and winding it down step-by-step, while allowing other banks to operate on commercial terms. However, apart from absorbing a minor transfer of DLGP loans, the DB actually turned into a new vehicle for performing directed lending, existing next to traditional channels. Moreover, a presidential decree of 2013 vested the DB with the assignment to finance strategic investment projects and supply subsidized credit to the export sector. DLGP has declined (from about 7% of GDP in 2012 to 3%–4% in 2015), but at this level still partly crowds out more viable commercial lending (IMF, 2015; p. 9). The accumulated stock of directed credits makes up around 40% of total lending. The ratio of large exposures to banking capital steadily increased over the years, as shown in table 2.

After still growing by 8% (in real terms and exchange rate-adjusted) in 2012, deposits slightly declined in the next two years.⁹ Belarusian banking activities have been characterized by strong and rising deposit and loan dollarization tendencies. Prior to the plunge of the national currency and the country's slide into recession in 2015, dollarization was already on the rise (to 52% of total deposits and 53% of total loans at end-2014), supported by a steady weakening of the Belarusian ruble, partly due to the crawling peg regime, itself aimed at upholding Belarus' competitiveness. The high share of foreign currency (FX)-denominated loans and the expansion of FX lending (spurred by a large interest rate differential on loans denominated in Belarusian ruble) has raised concerns because many loans apparently go to unhedged borrowers. The latter are corporate borrowers, but hardly any households, because only very little retail lending is FX-denominated (see table 2). Dollarization grew despite various NBRB measures (e.g. a hike in reserve requirements for FX deposits, restrictions on short-term FX lending), which may point to challenges in the combination of policy measures (policy mix).

2.2 Crisis mode and policy intervention (from late 2014): deteriorating credit quality and high recapitalization needs

The acceleration of the Belarusian ruble's devaluation and the country's plunge into recession in 2015 put banks under increasing pressure amid already high dollarization. Some jittery savers withdrew household deposits in Belarusian ruble and converted them into foreign currency. Some liquidity drained out of the sector, which weakened banks' liquid assets-to-total assets ratio. The contraction

⁷ Austrian banks' exposure to Belarus amounts to about 0.5% of their total exposure to CESEE countries.

⁸ While the share of SOEs in total loans has remained more or less constant at about one-third in recent years, the state has doubled its share from 6% (at end-2012) to 12% (at end-March 2016).

⁹ Expressed in nominal exchange rate-adjusted annual terms, deposits and loans expanded until mid-2015, and only thereafter slightly decreased (table 2).

of deposits (in real terms and exchange rate-adjusted) gathered momentum in 2015 and the first quarter of 2016 (–12% to –15%). This happened despite increasing deposit interest rates; the latter even exceeded inflation, which was held back by price controls. Under the impact of subdued credit demand, lending behaved similarly, although the rates of contraction in 2015 and early 2016 were somewhat less pronounced. In order to rein in excessive FX demand the NBRB implemented countermeasures in early 2015, including a ban on the use of FX for a range of domestic transactions. Also, the key interest rate (the refinancing rate) was hiked by 500 basis points to 25%.

While panic reactions were kept in check, monetary tightening had an additional negative impact on lending. Also, negative balance sheet effects from exchange rate adjustment could not be avoided. As of end-March 2016, the share of FX-denominated deposits had risen to 67% of total deposits, and FX-denominated loans came to 65% of total loans. As shown in table 2, NPL ratios jumped from 4% (end-2014) to 12% (end-March 2016) of the credit volume, and further worsening is expected. Moreover, official NPL ratios likely understate the true share of problem loans because of widespread loan rescheduling by SOBs (including pervasive evergreening practices of directed credits), an elevated share of publicly guaranteed loans, and recurrent transfers of impaired loans to the Development Bank (IMF, 2014; p. 5).¹⁰ Unsurprisingly, overdue debt is a greater problem in the corporate than in the retail sector (The Banker, 2015; p. 47). The ratio of large exposures to banking capital took a big leap in 2015 and early 2016 (from 141% at end-2014 to 204% at end-March 2016). Banks' established reserves for bad assets did not at all keep pace (end-2014: 3%, end-March 2016: 5%) with the sharp increase of NPLs. While recorded profitability remained relatively modest up to end-2014, it further declined, but was still positive, in the crisis year 2015 and in early 2016 (end-March 2016: ROA: 1.4%, ROE: 11.4%).¹¹

The total number of banks operating in the country fell from 31 at the beginning of 2015 to 26 at end-March 2016, owing to the withdrawal of the licenses of five smaller entities on account of the erosion of their capital bases. These withdrawals, as well as repeated and systematic bank recapitalization measures – coming to an estimated average amount of 2% of GDP annually and mostly carried out by the state (IMF, 2013; p. 35) –, are responsible for the fact that, despite a small decline, reported capital adequacy ratios remain at seemingly comfortable levels (16%–17% in early 2016). Although the erosion of deposits – notably of FX-denominated ones – picked up again in late 2015 and the first months of 2016, the NBRB decided to reduce the key interest rate step by step from April to July 2016 by 5 percentage points to 20% (back to where it had stood in late 2014) in order to combat the continuing recession. Russia's Alfa Bank in January 2016 arranged a syndicated loan of USD 250 million for Belarusbank, Belarus' largest credit institution (see above). Against the backdrop of its tight budgetary situation, the government in

¹⁰ Most recently, the authorities have reportedly taken a new initiative to assign DLGP loans to the DB, while other banks are to be alleviated from directed lending obligations.

¹¹ Considerable monitoring difficulties thus reflect regulatory forbearance practices and weaknesses of banking supervision in Belarus. Here one can add conflicts of interest for the NBRB as a supervisor of one of the smaller to medium-sized banks, the Moskva-Minsk Bank (1.4% of total banking assets), purchased by the NBRB in 2014 from VTB of Russia following failed attempts by the VTB to sell it to a private investor (IMF, 2015; p. 14).

Table 2

Belarus: banking sector-related indicators (2012–2016)

	End-2012	End-2013	Mid-2014	End-2014	Mid-2015	End-2015	End-03 16
Total assets (BYR trillion)	321.2	395.2	434.2	481.5	557.7	630.5	650.9
Total assets to GDP (%)	60.6	62.1	61.7	61.9	66.6	72.5	..
Market share of SOBs (% of total assets)	65	63	..	64
Total deposits (of resident sectors, excl. interbank, BYR trillion)	206.8	244.4	270.5	306.2	361.1	392.9	398.7
Annual growth (nominal, exchange rate-adjusted, %)	+31.1	+12.4	+15.0	+12.6	+7.9	-1.9	-3.6
Annual growth (in real terms, exchange rate-adjusted, %)	+7.7	-3.5	-4.2	-3.1	-4.7	-12.4	-14.5
Share of FX deposits (incl. interbank)	48.1%	49.5%	49.4%	51.5%	57.1%	65.0%	67.3%
Total loans (to resident sectors, excl. interbank, BYR trillion)	271.2	335.7	364.9	406.3	471.3	520.0	539.5
Annual growth (nominal, exchange rate-adjusted, %)	+23.4	+17.7	+15.9	+8.5	+3.5	-0.6	-2.0
Annual growth (in real terms, exchange rate-adjusted, %)	+1.3	+1.0	-3.4	-6.7	-8.6	-11.2	-13.1
Share of FX loans (incl. interbank)	45.5%	49.6%	51.3%	52.6%	59.2%	61.7%	65.1%
Loans to state-owned enterprises	92.2	123.0	129.6	144.1	168.2	169.9	176.8
of which: FX loans	53.6%	60.2%	60.3%	60.0%	66.1%	67.2%	69.7%
to private enterprises	66.6	79.4	90.0	103.3	120.2	132.0	140.8
of which: FX loans	60.2%	67.6%	69.8%	67.5%	75.5%	71.7%	73.0%
to households	40.2	54.0	57.4	62.9	64.7	68.8	68.6
of which: FX loans	3.0%	1.5%	1.4%	1.3%	1.4%	1.3%	1.3%
Directed lending (net flow, % of GDP)	6.6	5.0	..	3.9	..	3.5	..
Loan-to-deposit ratio (%)	131.1	137.4	134.9	132.7	130.5	132.3	135.3
Nonperforming loans ¹ to total gross loans (%)	5.5	4.5	4.7	4.4	5.5	6.8	11.6
Watch loans ² to total gross loans (%)	12.6	9.6	..	8.6
Established reserves for assets subject to credit risk (%)	3.9	3.6	3.5	3.4	3.8	4.7	4.8
Liquid assets to total assets (liquid assets ratio, %)	33.2	30.0	30.0	29.7	29.7	26.0	23.4
Liquid assets to short-term liabilities (%)	96.3	89.6	96.0	89.9	81.6	75.8	79.8
Large exposures to capital (%)	109.6	127.6	131.2	140.7	201.5	193.8	203.7
Return on assets (%)	2.2	2.3	2.0	2.1	1.7	1.3	1.4
Return on equity (%)	14.8	16.2	14.5	15.3	13.3	10.4	11.4
Capital adequacy ratio ³ (%)	20.8	15.5	14.8	17.4	16.8	18.7	16.3
Tier 1 capital ratio ⁴ (%)	16.2	11.5	11.6	12.9	13.2	14.7	13.4

Source: Natsionalny bank Respubliki Belarus, IMF, Raiffeisen Research.

¹ Share of substandard, doubtful and bad assets in assets subject to credit risk.

² Watch loans include loans with delinquencies, negative information on the borrower, or insufficient collateral.

³ Regulatory capital to risk-weighted assets.

⁴ Regulatory tier 1 capital to risk-weighted assets.

May 2016 decided to prepare a sell-off (privatization) of up to 25% of Belarusbank until end-2017 (Ostwirtschaftsreport, 2016).

3 Risk profile and shock-absorbing factors

3.1 Major risks: exchange rate, credit, liquidity, and state solvency risk

The major risks the Belarusian banking sector is currently facing include, in order of importance: exchange rate risk, credit risk (including directed lending risk), and liquidity risk. State solvency risk is a salient underlying risk, given that the state is a majority shareholder and key decision maker in the banking sphere.

While the Belarusian ruble has stabilized most recently, a renewed plunge of the oil price, a worsening of the economic situation in Russia, or difficulties with further disbursements of the EFSD facility, in the absence of other financial support forthcoming, could easily weaken its exchange rate again. The Belarusian currency remains very fragile against the backdrop of the country's weak external position, characterized by a persistent – if smaller – current account deficit, a high level of external debt and a very low – if recently stabilized – level of international

reserves. A new substantial slide of the Belarusian ruble would push up dollarization and NPLs even further and in the worst case could trigger bank runs and sizable deposit withdrawals.

Given that recorded nonperforming loans more than doubled in the year to end-March 2016, credit risk has sharply increased in the current recession. This is particularly valid for directed lending, which typically follows politically-determined targets instead of furthering the efficient allocation of resources. Doubtlessly, increased credit risk will eventually raise the need for transferring impaired loans to the Development Bank (DB) and step up recapitalization requirements for credit institutions, which in turn will further expand quasi-fiscal costs.

Liquidity risk/funding risk plays a role notably in connection with exchange rate risk as referred to above: Triggered by a renewed significant slump of the currency or another negative event, depositors could quickly take recourse to more conversions of holdings in Belarusian ruble into FX holdings, or if some savers lost confidence, they could try to take their funds out of banks. Given all these risks, the NBRB's above-mentioned considerable monitoring difficulties are a cause for concern.

Because of SOBs' predominant position in the sector and their role as instruments of government-directed lending policies, the risk of the government running into financial or other difficulties in fulfilling its bank ownership functions constitutes an immediate business risk which is all the more serious against the background of the authorities' current crisis-triggered tight financial situation (see also below).

3.2 Shock-absorbing factors: dwindling quasi-fiscal resources, external “lender of last resort”

The shock-absorbing factors for the Belarusian banking sector are essentially of a domestic and external nature. Because banks' capital adequacy ratios are periodically propped up by capital injections from public resources, the still “comfortable” level of these ratios is of an artificial nature and not sustainable without continuing transfers of means within the given framework. The state budget itself, more precisely in its version of the “augmented general government balance” (IMF, 2015; p. 26, 42) includes such recapitalization outlays and thus constitutes an important shock-absorbing factor. Yet the financial straits of the Belarusian state (high “augmented” deficit, elevated external debt, international reserves of less than two import months), which the recession of 2015–16 exacerbated further, seriously calls into question the solidity of this shock absorber.

This leaves external support as the major second supporting pillar of the country's economy and its banking sector. Sources of external support can principally be financial assistance from the IMF or financial assistance from Russia directly and/or from the Russia-led Eurasian Fund (ESFD), or from supplementary sources (e.g. China). An IMF loan would bear the advantage of diversifying Belarus' financial dependence, while its structural conditionality would be relatively strict and mandate market-oriented institutional reforms (probably including the phase-out of mandatory targets and of directed lending) that do not enjoy unambiguous support at the highest echelons of power in the country. Russia is currently overcoming a recession, therefore its available financial means are more limited than in the past. However, some assistance from the ESFD has been forthcoming lately, based on a conditionality that is weaker than the IMF's (containment of wage and

directed lending growth, maintenance of international reserves etc). For geo-economic reasons (strong trade and investment links with Minsk, see above) and geopolitical reasons (continuing sanctions-countersanctions stand-off with the West in the Ukrainian crisis), one can expect Moscow to uphold assistance to Belarus, including its banking system.¹²

4 Outlook: high short-term vulnerability, costly muddling through probably unsustainable in the long term

While Belarus' short-term economic prospects are bleak, Russia's weakening recession in 2016 and expected return to growth in 2017, as well as the EU's positive if lackluster growth prospects in 2016–17 will probably slowly improve Belarus' external economic environment, even if the uncertainty generated by the U.K.'s decision to leave the EU may be a drag on this improvement. The Belarusian economy may stagnate in 2017 and return to growth only in 2018. These prospects for a sluggish recovery are not likely to provide any substantial stimulus to the banking sector in the medium term. In the immediate future the ongoing recession and devaluation pressures should cause NPLs to swell further, which in turn should push up recapitalization needs. The high level of dollarization can only be stabilized and reversed once external disequilibria are overcome, which is yet far from the case.

Belarus will in all likelihood continue to depend heavily on its big eastern neighbor for financial, economic and political support. In this sense, Belarus' external funding needs – at least in 2016 – are liable to be covered by loans from Russia or from official sources associated to Russia. Part of this assistance is another USD 600 million tranche of the EFSD facility (of a total of USD 2 billion, see above) which is earmarked for the second half of 2016, once performance criteria are met. If negotiations with the IMF take longer than planned or fail, Minsk may consider other sources of quasi-official support (such as SOBs) from Russia or China (Standard & Poor's RatingsDirect, 2016; p. 3).

Summing up, the Belarusian authorities and the NBRB do not yet appear to be prepared for profound institutional and structural reforms (which would not only require the termination of heavy-handed state interventionism but also substantial progress in price and wage liberalization and the privatization of SOEs and SOBs). As long as Moscow is prepared to go on – within some limits – financing the Belarusian model and, a fortiori, the country's banking sector, costly muddling-through strategies will probably continue. The financial burden of this policy choice may be unsustainable in the long run.

¹² This assistance may come at a price, though. The authorities might have to agree to sell more state-owned assets to Russian interests.

References

- The Banker. 2015.** Belarus' Small Salvation. November. 46–48.
- Dabrowsky, M. 2016.** Belarus at the Crossroads. Bruegel Policy Contribution. Issue 2016/2. January.
- Dobrinsky, R. 2016.** Belarus: Recession Continues. In: Adarov, A. et al. Growth Stabilizes: Investment a Major Driver, Except in Countries Plagued by Recession. wiiw Forecast Report Spring 2016. March. 55–59.
- EBRD. 2015.** Transition Report – Rebalancing Finance. Online Country Assessments: Belarus (<http://2015.tr-ebrd.com/en/countries/>).
- IMF. 2013.** Republic of Belarus – 2013 Article IV Consultation and Fourth Post-Program Monitoring Discussions. May 9.
- IMF. 2014.** Republic of Belarus – Fifth Post-Program Monitoring Discussions. November 25.
- IMF. 2015.** Republic of Belarus – Staff Report for the 2015 Article IV Consultation. April 27.
- IMF. 2016.** Belarus: Staff Concluding Statement of the 2016 Article IV Mission. June 30.
- Miksjud, A., S. Ouliaris and M. Pranovich. 2015.** The Game of Anchors: Studying the Causes of Currency Crises in Belarus. IMF Working Paper 15/281. December.
- Natsionalny bank Respubliki Belarus. 2014.** Biulleten bankovskoy statistiki. No. 12 (186).
- Natsionalny bank Respubliki Belarus. 2016.** Statisticheskyy biulleten. No. 3 (201).
- Ostwirtschaftsreport. 2016.** Belarusbank soll teilprivatisiert werden. No. 20. May 17. 11.
- Raiffeisen Research. 2016.** CEE Banking Sector Report – 2016: "New Normal" and 10% thresholds. June.
- Standard & Poor's RatingsDirect (ed). 2016.** Research Update: Republic of Belarus 'B-/B' Ratings Affirmed on Continued Russian Support; Outlook Stable. April 8.
- Triebe, B. 2015.** Alles hört auf sein Kommando – Unter Präsident Lukaschenko balanciert Weissrussland zwischen West und Ost, zwischen Marktwirtschaft und Planwirtschaft. In: Neue Zürcher Zeitung. September 29. 28.