# Belarus Watch: GDP keeps falling

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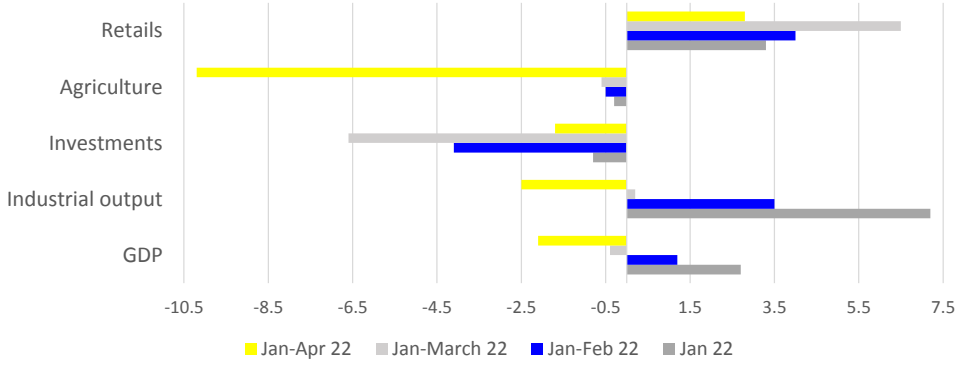
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In the four months of 2022, the scale of GDP decrease extended to 2.1% yoy. The usual key GDP supporters such as industrial output and exports dropped, while also the retail sector recorded a significantly reduced growth rate. In the rest of 2022, GDP decline will extend further.



**GDP decline accelerates**




*Belstat, RBI/Raiffeisen Research*

*% yoy*

As expected, **GDP continued its downward spiral**. In January-April 2022, the economy **shrank by 2.1%** yoy vs. a 0.4% decline in Q1 2022. **Domestic consumption and the IT sector remain the only substantial GDP supporters**. And while **IT** and telecommunications, **with an 8.3% contribution to GDP and over 9% yoy growth**, provided significant backing for the economy and kept it from falling considerably, domestic consumption has started to decline. **Retail grew by 2.8%** yoy in 4M 2022 compared to 6% yoy growth in 1Q 2022. At the same time, **industrial output, agriculture, and fixed capital investment were trending negatively, falling by 2.5% yoy, 1.7% yoy, and 10.2% yoy,** respectively. In addition, under the sanctions pressure, exports dropped since February 2022 (see **"Belarus Insights: Foreign trade under extreme sanctions pressure"**), while it provided essential boost to the economy in 2021.

**A 3.3% drop in manufacturing,** which contributes more than 87% to total industrial output, **drove the industry down**. Water supply declined by 0.7%, while mining and electricity grew by 4.3% and by 0.4% correspondingly. However, their combined contribution to the industry is less than 11%, which didn't sufficiently support the sector as a whole.

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GDP deflator amounted to 14.3% yoy in 4 M 2022 against 15.5% in Q1 2022.

At the same time, the **household disposable income also kept shrinking**. In Q1 2022 its growth was 0.2% yoy vs. 2.8% yoy growth in the same period of 2021. Further decline in household incomes will continue to have a negative impact on domestic demand.

We assume that the Belarusian economy is already under almost maximum possible sanctions pressure. Therefore, **the most significant GDP reduction will occur in H1 2022.** While in H2 2022, the rate of economic downturn will slow down, the decline will continue. At the end of 2022, **GDP may decrease by 4%** yoy, mostly due to the western sanctions that cut off the main markets for Belarusian oil refining and chemical products and restricted USD and EUR payments, while also making transportation significantly more expensive.

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