

# Belarus Watch: GDP on a declining path, sanctions-hit still ahead

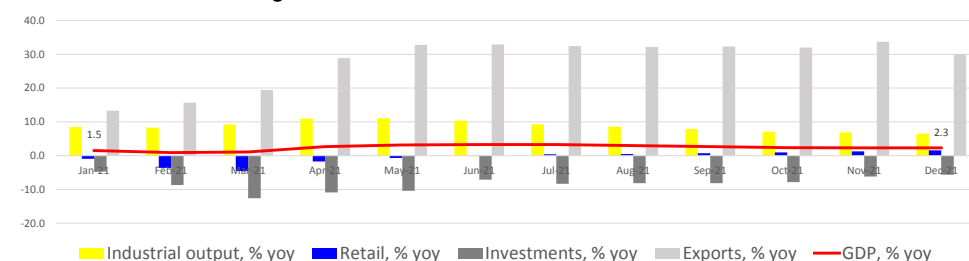
Despite Western sanctions pressure, Belarus' GDP grew by 2.3% in 2021. At the same time, the former GDP supporters such as domestic consumption and agriculture lost their influence, while industrial output and foreign trade became the main drivers of GDP growth in the past year.

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## Sanctions retarded GDP growth



National Bank of Belarus, Belstat, RBI/Raiffeisen Research

12M 2021 Exports estimation

According to the first official estimate, in 2021 **GDP grew by 2.3%** yoy and reached USD 57.6 bn. Throughout 2021, **the main drivers of GDP were industrial production and foreign trade**. Industrial output growth was mainly driven by the counting statistical effect of the "low 2020 comparison base". At the same time, from the 11.1% yoy May high, the manufacturing growth rate declined to 6.5% yoy by the end-2021. The industrial deceleration may be caused by "2020 low base" effects diminishing and the rising prices of raw material exports. Regarding foreign trade, Western sanctions did not have a significant effect on it in 2020-2021. Moreover, **exports grew by more than 33%** and the foreign trade *surplus of goods and services almost reached USD 4 bn*, while the **chronic foreign trade deficit of goods decreased more than 12 times** to USD 0.12 bn in 11M 2021 vs USD 1.47 bn in 11M 2020.

Domestic demand used to be a significant factor supporting GDP. However, in 2021 it lost its importance. Retail was negative during 1H 2021. A slight **1.6% yoy retail growth failed to underpin GDP** in H2 2021.

Simultaneously, in 2021 some previous years' GDP drivers lost their influence. Thus, **agriculture and investment in capital had negative dynamics of -4.2% yoy and -5.6% yoy**, respectively, by the end of 2021.

**2022 may turn out to be more challenging** for the Belarusian economy. On the one hand, Belarus retained its policy of no restrictive COVID-19 measures and abolished the

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measures adopted earlier, thereby supporting producers within the country. Likewise, Russian economic support persists via funding and providing access of Belarusian manufacturers to their domestic tenders. On the other hand, strengthening of the Western sanctions in 2022, primarily on the part of the United States, may lead to a significant foreign trade drop, and as a consequence, **further reduction of GDP growth to 0.5% in 2022.**

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
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
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
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
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