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CENTRE FOR EASTERN STUDIES 26.01.2011 www.osw.waw.pl

Belarus increases its level of foreign debt

On 19 January, the Belarusian Ministry of Finance reported the issue of Euro-bonds with a value of US$800 million. The government has thus once again raised the level of Belarus's external debt, which has been forced upon them by the need to repay the loans it had contracted previously.

This is the latest in a series of Euro-bond sales; the previous one, which yielded US$1 billion, took place last July and August. Seven-year Euro-bonds have an interest rate of 8.95%. As a result of this sale, the level of Belarus's external debt will top 50% of GDP, as according to official data the figure was already 48.8% (approx. US$25.5 billion) as of last 1 October. The need to repay earlier obligations has forced the Belarusian government to raise subsequent loans, and so the Euro-bonds just issued have a much higher interest rate than the loans made in previous years; this will all lead to damaging changes to the structure of Belarus's debt. But at the same time, it appears, the loans obtained will also help to supplement the country's constantly shrinking currency reserves, which result from the deepening negative balance in foreign trade, and the high demand for currency by the Belarusian public. Last year the level of reserves fell by around US$400 million (11%), and amounted to US$5 billion. As a result, Belarus is increasingly falling into a debt spiral, from which the only escape may be major economic reforms and privatisation. <Kam>