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A substantial decline in Belarus's foreign trade

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In the first quarter of this year Belarus reported a 29.8% fall in its foreign trade year on year. This applies both to exports (-31.4%) and imports (-28.3%). The sharp downward trend hit Belarus's trade with the countries from the Eurasian Economic Union (EEU). The decrease in trade with Russia was especially significant since it is Belarus's main trading partner and accounted for 49% of all Belarus's trade last year. In January and February this year trade between Belarus and Russia decreased by 34.7%. This was mainly due to a fall in Belarus's exports by 39.9% (imports fell by 31.3%). Trade between Minsk and Kazakhstan, which is quite small compared to trade with Russia, fell by 49%, and trade with Armenia by 23.9%. Belarus also recorded a 29.3% decrease in trade with the EU (exports fell by 23.3% and imports by 38.9%). The reduced foreign trade volume and revenues in the first quarter of the year were accompanied by a 2% decline in Belarus's GDP and a 7.3% drop in industrial production.

Commentary

- The reduced value of Belarus's exports is above all due to the economic recession in Russia that has caused a decline in demand for many Belarusian goods. Furthermore, a strong depreciation of the Russian ruble at the end of last year contributed to falling revenues from the export of many categories of goods, even when the volume of such trade increased. Belarus has been reporting a constant decline in trade, including with Russia, since 2012 and with the present situation and the lack of prospects for improvement, it should be assumed that this trend in both cases will be maintained or will even worsen. This seems even more likely since the many statements made by the Belarusian government about the need to diversify the country's exports and to reduce its dependence on the Russian market remain nothing more than declarations.
- The decline in revenues from Belarus's key petrochemicals industry, which accounts for approximately 30% of export revenue, has been caused mainly by a sharp fall in prices of oil and of petroleum products. Although the quantity of petrochemicals exported (mainly to the West) increased in January and February this year by 26.5%, the value of exports in total decreased by 30.6% (from US$ 1.81 to 1.26 billion) year on year. Negotiations accompanying the establishment of the EEU agreed that all customs from the export of petrochemicals made with Russian oil will go to the Belarusian budget this year. However, in the longer term the current fall in the value of these exports will also lead to smaller revenues (from approximately US$ 2.5 to 1.5 billion) from customs on these

products.

- The state exports are in bears considerable impact on the entire Belarusian economy (last year exports represented approximately 60% of the nominal value of its GDP). According to the International Monetary Fund's estimates, Belarus's GDP will contract by 2.3% this year. Also Moody's downgraded its forecast for Belarus's credit rating (to Caa1 – indicating a very high risk, and the rating outlook is negative). This signifies that a further fall in foreign trade volume and revenue will pose additional threats to the country's economic condition and may further aggravate downward trends.