

BEST'S COUNTRY RISK REPORT

Belarus CRT-5

August 22, 2018

Region: Europe

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Belarus, a CRT-5 country, has a high level of economic and political risk and very high level of financial system risk. The country suffered economic contractions in 2015 (-3.8%) and 2016 (-2.5%), but returned to growth in 2017. GDP is forecast at 2.8% for 2018 and is expected to range between 2.0% and 2.5% over the medium term.
- A.M. Best categorizes the majority of countries in the map as CRT-1 and CRT-2. Notable exceptions include many of the Eastern European countries such as Bosnia and Herzegovina, Romania, and Ukraine.



- Country Risk Tier 1 (CRT-1)** Very Low Level of Country Risk
- Country Risk Tier 2 (CRT-2)** Low Level of Country Risk
- Country Risk Tier 3 (CRT-3)** Moderate Level of Country Risk
- Country Risk Tier 4 (CRT-4)** High Level of Country Risk
- Country Risk Tier 5 (CRT-5)** Very High Level of Country Risk

Regional Summary: Eastern Europe

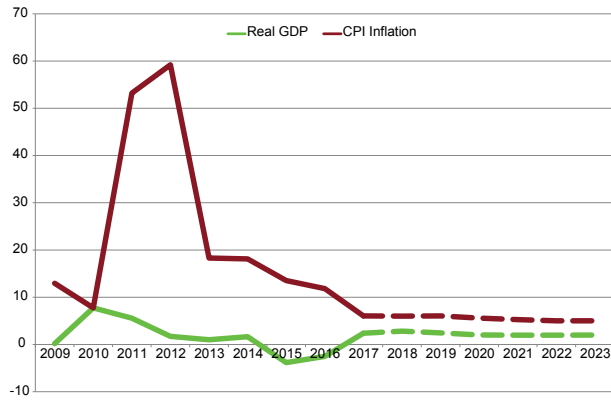
- The Eastern European countries are at various stages of bringing their legal, economic and political frameworks to be more in line with European Union standards. The region has economic potential, as it further integrates with the global markets of the European Union, but all of its countries would ultimately benefit from more transparent and less cumbersome regulatory environments.
- Economic growth in 2017 was robust and is expected to continue in 2018 on growing domestic consumption, fueled by rising wage and falling unemployment rates. Additionally, funds provided by the EU's Structural and Investment Funds will continue to drive public spending.
- Although many Eastern European countries are classified as emerging markets or frontier markets, reforms have enhanced economic stability and regional political power.
- Risks for the region include the potential for tightening global financial conditions, currency volatility, an increase in government influence on state-run institutions potentially undermining independence, and high levels of corruption.

| Vital Statistics 2017 | | |
|-------------------------------|---------------------------------------|-------|
| Nominal GDP | USD bn | 54.44 |
| Population | mil | 9.5 |
| GDP Per Capita | USD | 5,760 |
| Real GDP Growth | % | 2.4 |
| Inflation Rate | % | 6.0 |
| United Nations Estimates | | |
| Literacy Rate | % | 99.7 |
| Urbanization | % | 77.4 |
| Dependency Ratio | % | 43.8 |
| Life Expectancy | Years | 73.0 |
| Median Age | Years | 40.0 |
| Insurance Statistics | | |
| Insurance Supervisory | | |
| Insurance Regulator | Department, under Ministry of Finance | |
| Premiums Written (Life) | USD mil | 53 |
| Premiums Written (Non-Life) | USD mil | 501 |
| Premiums Growth (2016 - 2017) | % | 11.5 |
| Regional Comparison | | |
| | Country Risk Tier | |
| Belarus | CRT-5 | |
| Kazakhstan | CRT-4 | |
| Poland | CRT-2 | |
| Russia | CRT-4 | |
| Slovenia | CRT-2 | |
| Ukraine | CRT-5 | |

Source: IMF, UN, Swiss Re, Axco and A.M. Best



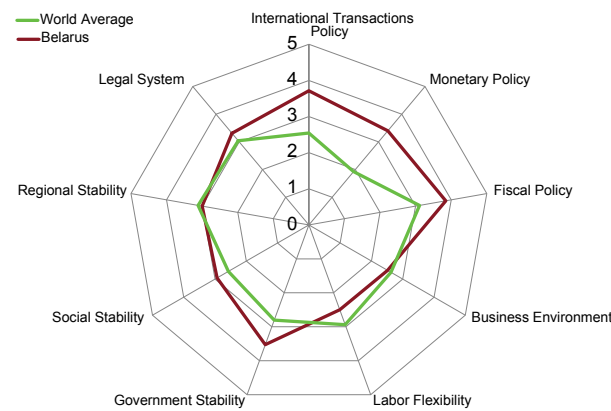
Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

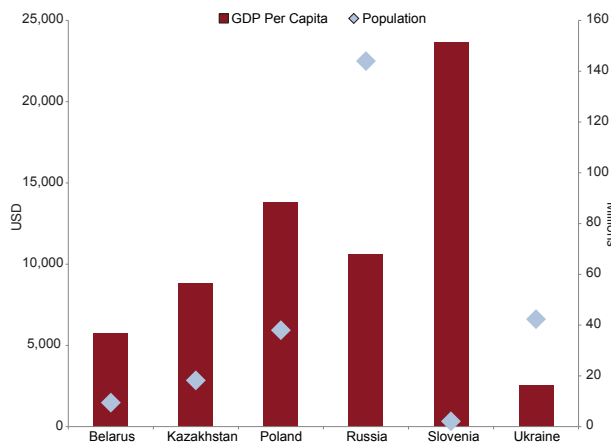
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: High

- Improving external demand for exports, particularly in Russia, rising domestic consumption, and a growing manufacturing sector have helped end Belarus' two-year recession.
- The majority of the country's industry is state-owned and characterized by structural rigidities and inefficiencies. Estimates are that approximately 80% of all industry is state-owned.
- State-owned enterprises rely heavily on direct and indirect state support and protection. State-owned enterprises generally have easier access to credit and receive better terms than private companies.
- Belarus' economy remains vulnerable owing to its dependence on exports to fuel growth and a narrow set of trading partners. To lower its exposure to external shocks, Belarus should diversify its economic base and pursue bilateral trade agreements with additional countries.

Political Risk: High

- President Aleksandr Lukashenko has been in power since 1994 and is expected to retain the post for the duration of his current term, which ends in 2020. His authoritarian-style rule and suppression of opposition has met widespread criticism from human rights groups and the international community.
- Belarus attained independence from Russia in 1991 but maintains close political and economic ties with the country. Russia has a history of providing Belarus external financing, most recently with a USD700 million loan given in 2017. Additionally, Russia and Belarus have close military relations.
- Approximately two-thirds of the country's employees work for the state. High wage costs and social benefit spending have resulted in rising levels of debt.

Financial System Risk: Very High

- The Insurance Supervisory Department, part of the Ministry of Finance, regulates the insurance industry. The insurance industry is relatively small and is dominated by non-life insurers.
- In June 2017, Belarus was able to issue sovereign debt for the first time since 2011, when it issued a USD1.4 billion bond, followed by the issuance of a USD600 million eurobond in February 2018. The debt was largely issued to improve the country's liquidity.
- The state is heavily involved in the financial services sector. The government controls an estimated 70% of banking system assets.
- According to the IMF, the country should continue to strengthen supervision and banking regulations. Additionally, the National Bank of the Republic of Belarus should divest its share of holdings in commercial banks, to strengthen performance and limit conflict of interests.