SOLVING OLD PROBLEMS, OVERCOMING NEW CHALLENGES:
REGIONS IN THE CONTEXT OF SANCTIONS

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SUMMARY

- Sanctions are working. Their negative impact is visible at the regional level, even after taking into account the positive effects of the so-called "exports miracle", the reorientation of exports, and revenues from oil refining.

- The negative effects increased sharply in the first half of 2022: this is reflected in the fall in real wages, the relocation of IT specialists abroad, and the overall decline in business activity.

- The secondary effects of sanctions may turn out to be more painful for the Belarusian economy than the restrictive measures themselves.

- Sanctions restrictions carry both new threats to the national economy at the level of regions and single-industry towns (relocation, loss of growth points), and strengthen the effect of traditional negative factors (demographic problems, social contradictions in society).

- The capital and regional growth points have become the most vulnerable parts of the economy under the latest round of sanctions.

- The relocation of highly qualified young specialists from the capital will have long-term negative consequences for Belarus.

- The problem of local budgets being the basis for financing social security at the local level is exacerbated. Local budgets remain extremely reliant on subsidies, and the possibilities of their support from the republican budget are reduced. At the same time, the dependence of the republican budget on the support from the Russian Federation is growing.

INTRODUCTION

Contrary to the popular belief that the Belarusian economy is homogeneous, there are significant differences in how certain regions of the country develop, and how they react to external shocks and growth opportunities. Our study is aimed at considering precisely these features of socio-economic development.

The Belarusian economy remains unstable. The sanctions pressure, self-evidently, is not strengthening the economy, but only exacerbating its accumulated problems and imbalances. This largely concerns regional development and is expressed in the emergence of local poverty traps. This difficult situation is already recognized at the state level, but, apparently, the state has failed to find suitable or effective remedies.

Despite the positive macroeconomic situation, based on the favorable situation for Belarus in foreign markets in 2021, the regions in general and individual cities in particular continue to experience difficulties in their development. The year 2022 brought new challenges, including the need to diversify markets and circumvent sanctions restrictions. The past two years have shown that macroeconomic, demographic, and social problems may recede for a while, but more often they worsen, and growth prospects become uncertain.

Against this background, the government's proposals for advancing modernization at the regional level (it says that an investment project should be realized in each district) increase the accumulated imbalances, and carry threats of non-payments, rising inflation, and growing poverty. In this note, we continue to study how sanctions affect regional development, assessing which cities and regions appear the most vulnerable.

HOW WE CONDUCTED OUR STUDY

Our goal was to assess the impact of sanctions on the economy of cities and regions. First, we analyzed the location of the largest sanctioned enterprises, and their influence on the local economy and labor market. Then we examined which areas are most dependent on the republican budget, which will primarily suffer from the application of broad sectoral sanctions. Such an analysis takes into account the data of a previous study, updating and supplementing it to cover present circumstances.

Our previous study, "How sanctions affect the regions: The impact on employment and budgets, the growth of polarization in society", was based on data from 2020. It identified individual cities and regions as key growth points and diagnosed a number of problems faced by them. The present study is intended to supplement the previous one, to assess whether its forecasts turned out to be correct or not, as well as to predict new development trends.

The basis for the study was analytical notes about Belarusian regional development, statistical data of the National Statistical Committee of the Republic of Belarus for 2020-2022, reports of sanctioned enterprises, and a wide range of Belarusian and foreign analytical materials on the development of the Belarusian economy.

In addition, we conducted several in-depth interviews with experts. Their assessments of the impact of sanctions on the economy of Belarus in general and the regions in particular are given in this study.

SANCTIONS AND COUNTER-SANCTIONS *AS THE MAIN FIELD AND BACKGROUND OF THE CONFRONTATION*

Massive human rights violations, begun during the 2020 election campaign, led to the expansion of restrictive measures against the Belarusian economy as a whole, as well as a wide range of sanctions on individuals. They were introduced by the European Union (EU), the United States (US) and other countries, including former friends of Belarus, such as Serbia. A peculiarity of a significant number of the restrictive measures ("sanctions") was the delayed nature of action, and therefore their negative effects began to appear much later than their announcement.

The sanctions imposed on Belarus mainly affect foreign trade, which the sanctioning states see as the most vulnerable point of pressure. Given the structure of foreign trade, the most tangible are restrictive measures by the EU and the US. In the case of the EU, this manifests both in reducing the ability to trade with partners from this market, and in curtailing the possibility of Belarusian goods transiting the EU in order to reach the markets of third countries. The US restrictions are dangerous because of the threat of secondary sanctions, since in this case not only the sanctioned enterprises or individuals, but also their counterparties, can suffer the consequences. In addition, the US sanctions complicate payments in dollars – the main currency in international markets.

A new raft of sanctions restrictions were imposed on Belarus after Russian troops invaded Ukraine in February 2022. Official Minsk's support for the Russian Federation in the conflict means that Belarus now routinely and automatically becomes an additional target of restrictive measures imposed on the aggressor. As a result, the list of companies, individuals and entire sectors of the economy that came under additional sanctions has significantly expanded. The new restrictions seriously affected the financial and transport sectors, further reduced the export opportunities of Belarusian enterprises, and made it difficult for Belarusians to obtain visas.

Experts with whom we spoke during the course of the study believe that the impact of sanctions on the Belarusian regions is heterogeneous. There are sanctioned enterprises located in all regions, but the severity of sanctions affects them differently. For example, in Minsk the biggest effects do not stem from the general sanctions background, but from the toxic status of Belarus in the marketplace. This has led to a serious drop in salaries – with the exodus of IT specialists from the country playing a role.

By contrast, the regions with oil refineries are affected in a different way. The economic situation there began to deteriorate in April-May 2022; an indirect effect was a real wages decline. However, from the second half of the year, as the situation in oil refining improved, the impact of sanctions began to decrease, judging by wages. In the regions that are more focused on woodworking, by contrast, there has been no such improvement.

For the Minsk region, the production of potash fertilizers is important. Their exports are subsided, but export volumes today are still much lower than the pre-war or even pre-sanctions volumes. The biggest blow to the potash industry was inflicted not in the war months, but earlier, when a ban on transshipment through the territory of Lithuania was introduced. This is the main sanction against the potash industry. Wages were falling and there were difficult periods, but now, as exports through Russia increase, the situation seems to be more or less improving. Volumes have not yet been restored, but there is not the significant decline in real income as seen in other sectors.

The list of companies that fell under EU sanctions is provided in Annex 1. It details six packages of restrictive measures against Belarus.

THE EUROPEAN UNION SANCTIONS

Restrictive measures on the part of the EU were introduced in packages, and by the end of 2022 there had been six packages. The sanctions, which apply to 243 individuals and 32 legal entities, provide for the freezing of European assets of companies and individuals, bans on issuing visas, and they also restrict or prohibit European counterparties' cooperation with Belarusian legal entities.

In addition, new restrictions from June 2021 provide for the introduction of sectoral sanctions, which only intensified after the outbreak of the war in Ukraine. At the moment, this is an extremely painful measure for the Belarusian side, as it extends the effects to entire sectors of the economy, and not only to specific enterprises. Such restrictions of the EU included military and dual-use goods, goods for the production of tobacco products, petroleum products, and a number of products containing potassium.

The EU also imposed restrictions on access to European financial markets for the Belarusian government and state financial institutions, and suspended funding for joint projects with the Belarusian public sector. Restrictions were imposed on the supply of the Belarusian economy with cash dollars and euros, and a number of Belarusian banks were disconnected from SWIFT

Given the protracted nature of the conflict between Russia and Ukraine, we can expect that, first, the existing restrictions will be extended, and, secondly, as tensions increase, new sanctions could well be imposed. A new threat to Belarusian companies is the blocking of channels for supplying sanctioned goods to Russia.

THE UNITED STATES SANCTIONS

The US was an important trade partner of the Republic of Belarus, but the share of foreign trade has never been significant. Nevertheless, the restrictive measures imposed by the United States are extremely painful due to the influence of the US in the global financial system, settlements in dollars, and the threat of secondary sanctions.

In June 2021, the American side imposed restrictive measures on a number of state-owned enterprises of the petrochemical complex, and later it announced the introduction of sectoral sanctions for such areas as defense and security, energy, construction, transportation, and trade in potash fertilizers and tobacco products.

Since February 2022, the US has repeatedly expanded the list of sanctioned enterprises and individuals in Belarus. In particular, the new measures were designed to deprive Belarusian enterprises of the opportunity of purchasing American-made goods or importing products made with the help of US technologies or software.

There have also been tangible restrictions on flights of aircraft owned or operated by Belarus. According to an order of the US Department of Commerce, companies around the world are prohibited from servicing, repairing or otherwise using American parts or equipment for servicing the fleet of Belavia, the state flag carrier. As a result, the number of aircraft operated by the Belarusian airline has significantly decreased. In addition, Belarusian carriers had already lost flight paths to the EU and through the territory of Ukraine.

OTHER COUNTRIES' SANCTIONS

A number of European countries outside the EU, like the United Kingdom (UK) and Switzerland, joined the sanctions against Belarus. So too did a number of other countries round the world, including Canada, Australia, Taiwan, South Korea, the Bahamas, New Zealand and Japan.

Here, the most painful for the Belarusian economy are the restrictive measures from the UK and Switzerland. For example, the UK has imposed sectoral sanctions on Belarusian potash and petroleum products, on products used in the manufacture of cigarettes, and on dual-use technologies. Restrictions also affected the financial sector.

During our research interviews, experts shared an opinion that, on the one hand, the impact of sanctions on the Belarusian economy had tangible negative consequences, but on the other hand there was a counter-effect – a positive impact, which is largely related to the external environment. If we break down the figures, the net effect of restrictive measures could cost the economy of Belarus 10-12% of production output. However, in fact, the counter-effects could compensate for the major part of the negative impact, as a result of which the decline looks more modest.

Among the positive aspects that mitigated the impact of sanctions, we can point to the growth of price competitiveness of Belarusian products in the Russian market. Here the effect consists of two components. First, the sharp appreciation of the Russian ruble against foreign currencies since June 2022 has widened the room for maneuver regarding the impact on the exchange rate for the Belarusian National Bank, and generated a tendency for the Belarusian ruble to depreciate against the Russian ruble. Secondly, the jump in prices after the imposition of sanctions on consumer and industrial goods on the Russian market was significantly higher than in Belarus.

The gap in national price levels between Belarus and Russia traditionally plays into the hands of Belarusian producers in many positions of consumer and industrial goods, and in 2022 this difference increased even more. Moreover, both factors (the exchange rate component and the price factor) renforced each other.

COUNTER-SANCTIONS

The reaction of Belarus to the restrictive measures imposed against it deserves a few words. In April 2022, Belarus adopted a list of unfriendly foreign states. It includes all 27 EU member States, as well as the Commonwealth of Australia, Canada, the Principality of Liechtenstein, the Kingdom of Norway, New Zealand, the Republic of Albania, the Republic of Iceland, the Republic of North Macedonia, the United Kingdom of Great Britain and Northern Ireland, the United States of America, Montenegro, and the Swiss Confederation.

Individual companies from unfriendly countries are prohibited from selling their shares in the authorized funds of Belarusian companies. This measure stopped the potential outflow of capital, the closure of enterprises with foreign capital, or the termination of their work in the country. At the same time, it has caused long-lasting damage to the investment climate and the potential interest of foreign investors. These measures, of course, complicated the position of China and its Belarusian project, the “Great Stone” Industrial Park.

In addition, the counter-measures impeded foreign companies’ ability to use Belarus’s territory for transit. This has only deepened the contradictions as new conflicts with neighboring countries, primarily with Poland and Lithuania, have arisen.

SANCTIONS
AND SINGLE-INDUSTRY TOWNS

The problems of the Belarusian economy, especially at the regional level, are largely based on the geographical distribution of the country’s industrial and agricultural potential. The Soviet heritage underpins the economic structure. In that era, the economy was not so much focused on Belarus as on serving the entire socialist bloc.

Key industries and enterprises, such as petrochemicals (Navapolack, Mazyr), machine-building (MAZ, BelAZ) and mining (Belaruskali), as well as the enterprises of the defense complex (AGAT, MZKT, repair plant #140), are a legacy of the Soviet economy.

This is where the problem of single-industry towns and single-industry-dependent districts originated. The problem of these towns and districts is becoming more acute under the sanctions regime owing to the export-oriented nature of these enterprises, which constitute the basis of the industrial potential of single-industry towns. The main impact of sanctions often falls on such enterprises. However, a separate group of sanctioned enterprises comprises those whose activities are associated with the support of the authorities (Bremino Group, ENERGO-OIL and others).

As a result of the sanctions, many cities in Belarus face not only the obvious problems characteristic of the Belarusian economy as a whole (an aging population, emigration of qualified specialists, and insufficient funding), but also restrictions on access to foreign markets. The enterprises are therefore forced to look for new niches for the sale of products, which is more expensive, time-consuming, and ultimately less profitable. However, regions and cities with sanctioned industries feel the negative impact differently.

The regions in which the sanctioned enterprises are located can be divided into two categories. The first category comprises regions where sanctioned enterprises are "city-forming" or critical to the local economy. The second category covers those regions where sanctioned enterprises are important for the local economy, but do not play a critical role.

Cities with the highest employment in sanctioned enterprises as a share of total local employment*

District	Average annual number of employees**, number of people	Employed at sanctioned state-owned enterprises**, number of people	Share in employment
Salihorsk district	68137	16,527 at JSC "Belaruskali"	24%
Smaliavicy district (incl. Zodzina)	54589	10,614 at OJSC "BelAZ"	19%
Polack district (incl. Navapolack)	90014	9,873 at OJSC "Naftan", 3,452 at OJSC "Polotsk-Steklovokno".	15%
Babruisk district (including Babruisk)	92356	8,239 at JSC "Belshina"	9%
Mazyr district	56992	4,956 at JSC "Mozyr Oil Refinery"	9%

**The full list can be found in Annex 5.*

***Data for 2020. The population data for 2021 are of dubious value due to possible distortions in, or incompleteness of, the official statistics.*

Following the classification adopted in this study, we can see that the economy of cities such as Navapolack, Zodzina, Mazyr, Salihorsk and Babruisk largely depends on the efficiency of the sanctioned enterprises. For Hrodna, Lida, Cervien, Barysau and Orsa, the local enterprises that came under sanctions are not crucial to the local economy in the same way.

The most vulnerable among the enterprises in question, from the point of view of the labor market and potential reductions, are "BelAZ" in Zodzina – 19% of the local labor market, "Belaruskali" in Salihorsk – 24%, and "Naftan" in Navapolack along with "Polotsk-Steklovkno" in Polack – 15% in total.

EMPLOYMENT IN VULNERABLE SINGLE-INDUSTRY TOWNS

At the end of 2021, the number of people employed in the economy decreased in all of the vulnerable areas listed. In Zodzina, the number of employees decreased by 2.4%; in Salihorsk and the corresponding district employee numbers were down by 2.1%; in Navapolack they decreased by 2.1%; and in Polack district – by 1.4%. In the case of Polack and Salihorsk, the figure includes both the city itself and the wider district, so the numbers are not fully comparable with other cities listed. Furthermore, it should be noted that the Covid-19 pandemic led to a decrease in the population, including the working age one. Nevertheless, even taking into account these two factors, the decreases in employed population in these districts with sanctioned enterprises significantly outpaced the national average (-0.9%).

In 2022, the trend of decreasing employment in Belarus continued, and, in most of these vulnerable districts/cities, the decline was once again more pronounced than the national average. The general decrease in the numbers employed for the year nationally was 1.6%, while in the Salihorsk district it decreased by 1.8%, in Navapolack by 2%, and in the Polack district by 1.5%. In Zodzina, on the contrary, employee numbers increased by 1.8%. Consequently, mechanical engineering in 2022 was able to adapt to the current situation in the economy better than the production of fertilizers (in Salihorsk) or oil refining and petrochemicals (in Navapolack and Polack).

WAGES IN VULNERABLE SINGLE-INDUSTRY TOWNS

The situation with wages in the cities and districts under consideration improved in 2021 compared to 2020. In Zodzina, wage growth in real terms was 11.9%, while in the Salihorsk district real growth was 4.6%, and in Polack – 5.4%. Real wages in Navapolack, by contrast, decreased in real terms in 2021 compared to the previous year by 0.5%. The national average was 5.1% wage growth.

A key reason for this growth was linked to an increase in Belarusian exports in 2021. The so-called "exports miracle" made it possible to support the budget and find funds, if not for the development of enterprises, then for solving acute problems in wage payments through the redistribution of funds.

Earnings in the cities and districts in question in 2022 showed a mixed picture. On the one hand, in the Salihorsk district, real terms earnings fell by 14.8% compared to last year, surpassing the national average drop in earnings of only 1.8%. A decline in real wages outpacing the national average was also recorded in Navapolack (-4.9% compared to 2021).

On the other hand, in the Polack district in 2022, there was an increase in wages by 0.7%, and also in Zodzina (5%). In the former, it seems, support for the economy of the Polack region was provided by enterprises unrelated to petrochemicals. In the case of Zodzina, it is likely the result of restored deliveries of engineering products to Russia, or through Russia to third countries' markets.

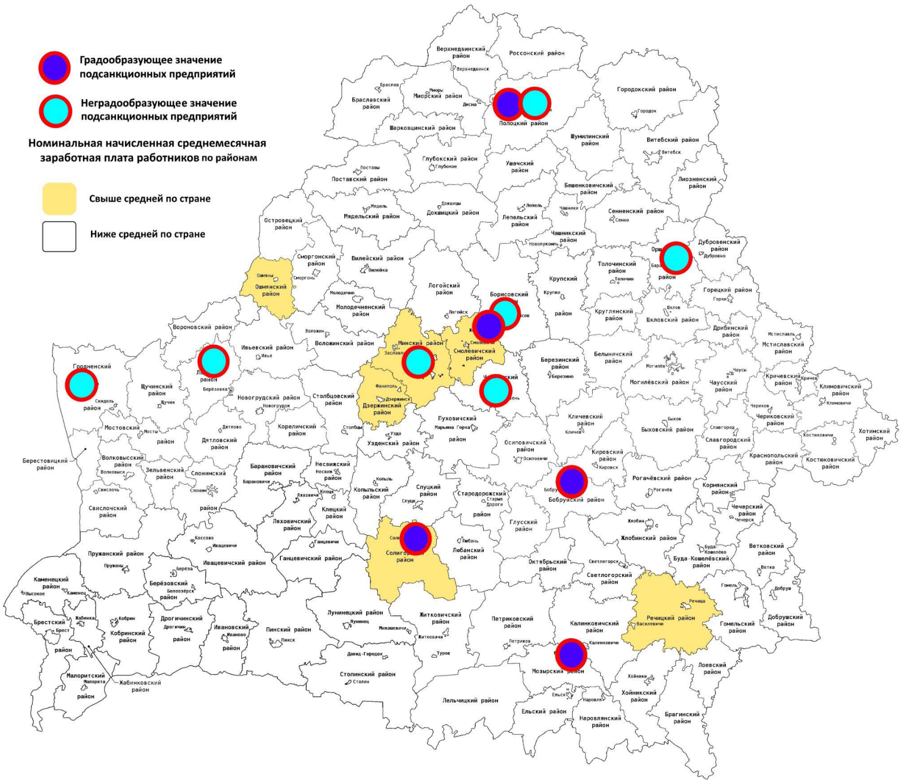


Figure 1. Distribution of nominal accrued average monthly wages in 2020 and the locations of cities with the largest sanctioned enterprises.

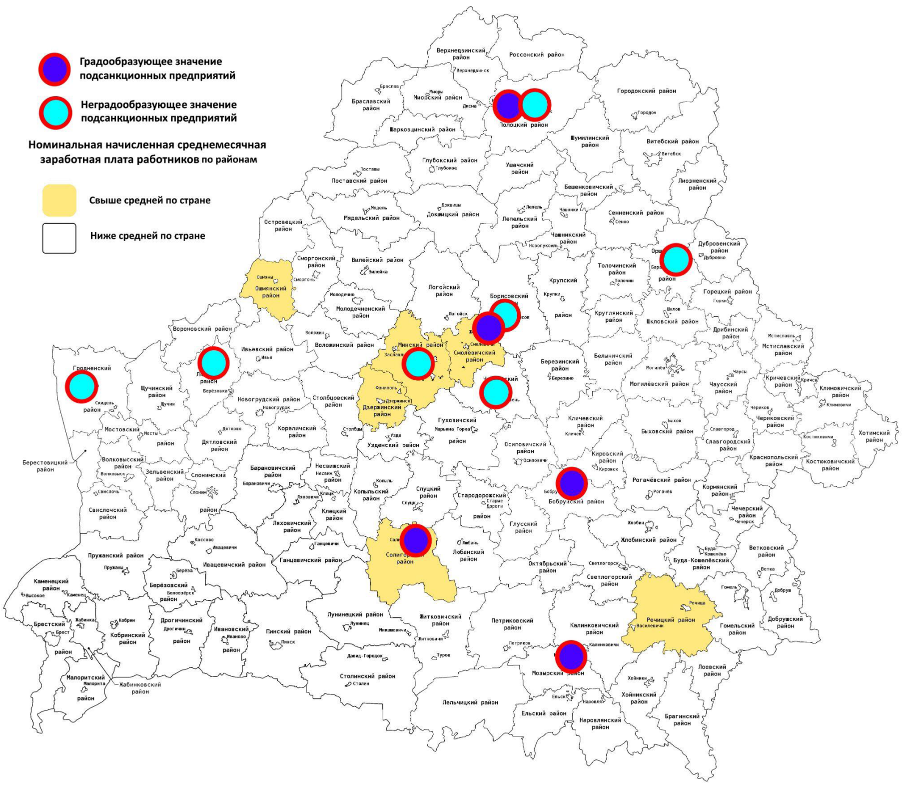


Figure 2. Distribution of nominal accrued average monthly wages in 2021 and the locations of cities with the largest sanctioned enterprises.

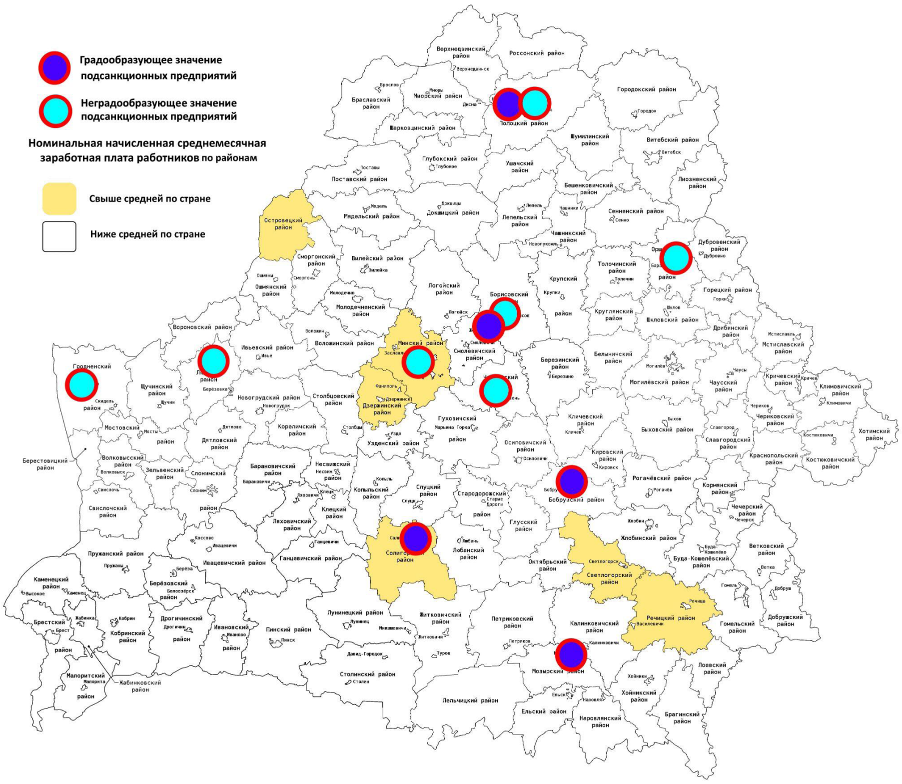


Figure 3. Distribution of nominal accrued average monthly wages in 2022 and the locations of cities with the largest sanctioned enterprises.

> *In everyday terms, the nominal accrued average monthly salary in 2020 for the Republic of Belarus was 1,255 rubles, and in 2021 it was 1,444 rubles. The wage index in real terms in 2021 was 105.1% compared to the previous year. The nominal accrued average monthly salary in 2022 for the Republic of Belarus amounted to 1,630.9 rubles. The decrease in wages in real terms in 2022 was 1.8% (see Annex 4).*

FEATURES OF EARNINGS DYNAMICS IN 2021 AND 2022

In summary, in most regions and cities where the main sanctioned enterprises are located, the wages situation did not change significantly during 2021. In all cases, the wage rate increased in nominal terms, which was not always accompanied by real growth. In such places it was not possible to achieve growth levels above the national average.

In 2022, wages grew more often in nominal terms, while in real terms they decreased by an average of 1.8% in the country. Earnings did not keep up with price increases during the period March-November 2022. And this was felt especially strongly in Minsk and the Minsk region, and in the Salihorsk district as well.

Given that the “exports miracle” of 2021 has come to naught, and the reorientation to new markets in 2022 was no panacea, the problems of sanctioned enterprises will continue to affect both wages and the labor market negatively. A decrease in real wages will reduce local budgetary revenues and, in turn, possibilities for financing the local social spending. In 2022, this turned out to be especially noticeable in terms of wages in the regions where potash fertilizer production, oil refining, and petrochemicals production were located.

In research interviews, experts expressed an opinion that the wage growth (both across the country and in the regions) observed in the second half of 2022, and especially at the end of that year, resulted from several factors:

The first factor was expectations regarding inflation. Many companies expected high inflation, but it actually decreased. As a result, wages were raised in some places, focusing on a potential price increase of 16% or more, even though the real level of inflation turned out to be less.

The second factor is the labor market and the rapidly decreasing number of people employed in the economy. There are natural causes, such as population aging and mortality, but emigration also had an effect. And, most likely, the wave of professional emigration in 2022 was even greater than in 2020 at the peak of the political crisis.

The demand for certain specialists has grown strongly, and the country has historically low unemployment. Clearly, there are not enough specialists and this leads to enterprises trying to keep their wages competitive, pushing them up. Surveys of entrepreneurs and large-business managers reveal efforts by businesses to reduce costs, but they are not reducing wages because it is so difficult for businesses to find qualified personnel.

Experts do not expect a serious increase in wages in the foreseeable future, since the economy of Belarus is still stagnating. In contrast to wage statistics, a rather depressing picture of the GDP outlook is observed. However, the trend in wage growth may change due to the actions of the government to launch unsecured emissions.

The plans for 2023 include an increase in investment in fixed assets by 22.3%, an increase in the ceiling of the state debt, an expansion in the number of emission channels (e.g., the Development Bank, the money of the National Bank in the accounts of commercial banks, and the purchase of foreign currency by the regulator without its sterilization). This emission can lead to short-term wage growth and economic growth even in real terms. However, the rise in prices after the fact will eat into this, as has been observed in Belarus's recent history.

CITIES WITH SANCTIONED ENTERPRISES AS POINTS OF INSTABILITY

The dynamics of wages in 2021-2023 allows us to see clearly the impact of economic growth points on the overall income level in the country. First of all, this concerns the capital and a number of flagship enterprises in export-oriented industries (e.g., petrochemicals or production of potash fertilizers). Since many of these industries were on the sanctions list, and since they have been the drivers of growth in the local economy, they have become sources of uncertainty.

In 2021, against the backdrop of the "exports miracle", only the city of Zodzina was among those Belarusian locations where the level of wages was higher than the national average. In 2022, as a result of a better reorientation to new markets, the same region showed growth, unlike Salihorsk or Navapolack. And this, despite the fact that the world economy was recovering from the pandemic, gave impetus at the expense of deferred demand for export growth from many developing countries, including in the fuel and energy sector.

According to experts, a significant part of falling Belarusian exports could be reoriented to Russia. They also note that some of the losses from exports, which were not reoriented, were largely compensated by the growth of competitiveness of Belarusian goods in the Russian market. The departure of Western manufacturers and suppliers from Russia freed up niches for Belarusian enterprises to occupy in Russia, and it also gave Belarusian enterprises opportunities to increase supplies.

As a result, in June-August 2022, the competitiveness index of Belarusian goods in the Russian market, calculated by BEROC, was at its maximum. However, by the end of 2022, the effect began to fade, and due to the equalization of prices in the two countries, the Belarusian ruble began to strengthen against the Russian one. In general, the root of these events was the considerable revenues of the oil and gas sector in Russia, which allowed the Russian ruble to strengthen in 2022. But now this factor has come to naught, and the compensatory mechanism – that served as a leveler of the effects of sanctions in Belarus – is fading together with it.

THE CAPITAL AND SANCTIONS: ONE STEP FORWARD, TWO STEPS BACK

Most of the enterprises that fell under sanctions are located in Minsk. They included several large state-owned enterprises: MAZ, "Agat – Electromechanical Plant", and MZKT. In total, employment only at these three state-owned enterprises is about 20,000 people. However, the economy of the capital, where the labor market comprises more than a million people, may not feel the ramifications of the impact on the sanctioned enterprises.

On the other hand, after the beginning of 2022, it became obvious that not only the sanctions themselves, but even more so their secondary effects, can have negative consequences. Given the type and form of restrictive measures and their long-term nature, sanctions significantly worsen the quality of economic growth, slow down business activity, and reduce investment attractiveness.

Secondary effects are more likely to harm the most advanced and export-oriented growth points. The greatest blow, therefore, falls on the capital. In such a situation, the direct damage incurred by sanctioned enterprises is less than the losses incurred by the most advanced sectors of the economy due to secondary effects.

At the regional level, the government has announced a formula for implementing an investment project in each district, but we have insufficient data to analyze these projects. The question of launching a new investment cycle is the feasibility of its practical implementation. Two factors play against it.

First, there was supposed to be a reincarnation of the modernization model for 2009-2013, with a new version to be implemented at the expense of funds from the market. But this now it seems out of the question given the economic environment. Secondly, at the local level, the transfer of responsibility for the implementation of new investment projects and their results to the grass-roots level may not be greeted with enthusiasm. Thirdly, the macroeconomic moment: the launch of a new investment cycle will open the gateway to the excess liquidity that has now accumulated in banks.

Stimulating modernization through lending to banks rests on maintaining the high risks of non-return and profitability that currently exist. Even for state-owned banks, this is a risk to price and exchange rate stability. Consequently, according to experts, the feasibility of large-scale investment plans at the regional level appears dubious.

SANCTIONS *AND THE LOSSES OF LOCAL BUDGETS*

The sanctions cause both direct damage to the targeted enterprises and indirect damage, which manifests in the decreased revenues to the budget. Given the high share of subsidies for most local budgets, these indirect damages can be the more serious ones in terms of their consequences for the economy and the social sphere.

The reduction of foreign trade and revenues from excise taxes is already affecting the filling of the republican budget so significantly that the relevant data has been classified and hidden from the public.

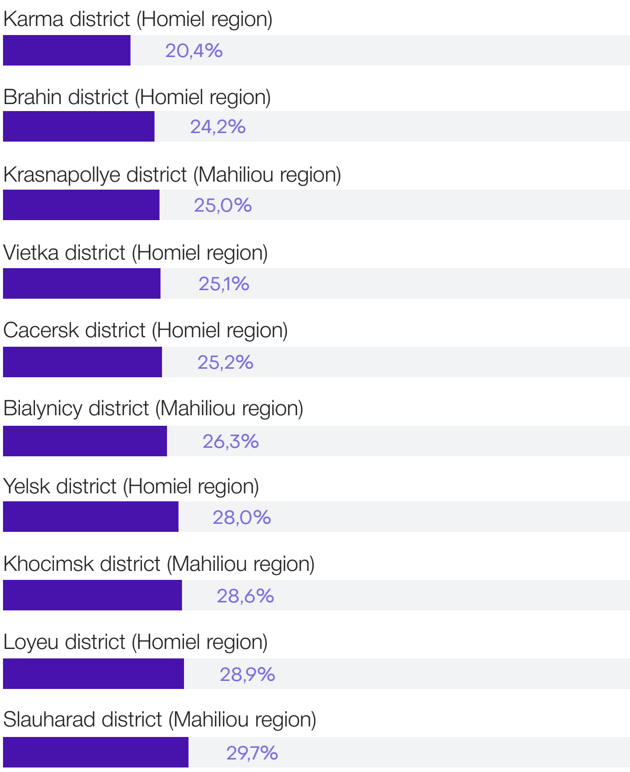
With the closure of foreign markets to Belarusian enterprises, the main blow is borne by the republican budget which receives taxes from foreign trade and excises. At the same time, the reduction of employment at the local level leads to a decrease in income tax revenues – the basis of own revenues of local budgets. As a result, at the local level, the volume of both own revenues and the volume of transfers from the republican budget will fall.

Even against the background of the "exports miracle", half of the districts depend on subsidies from the republican budget by more than 50%, while 49% of local budgets reduced the share of their own (locally-raised) revenues in 2021.

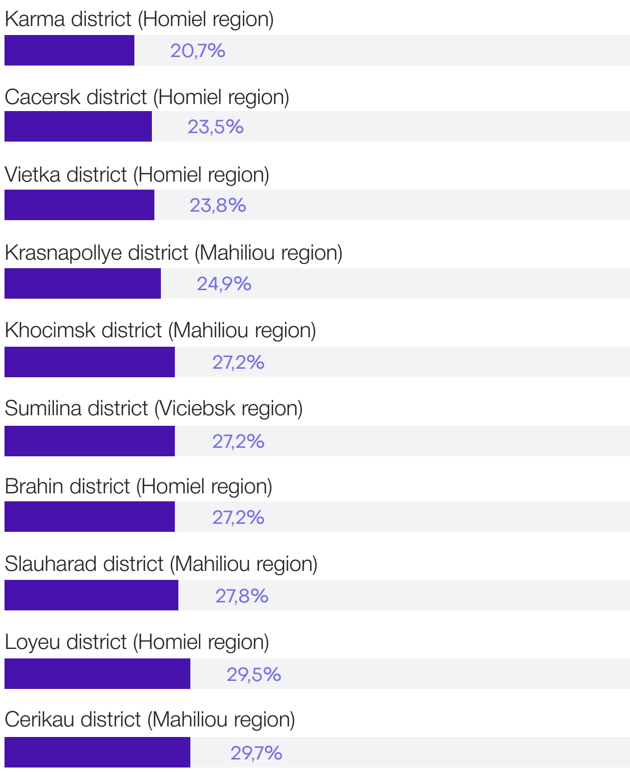
At the end of 2021, local budgets covered their expenses by an average of 75.2% from their own revenues. The missing funds of the city and regions at the local level are received from the republican budget. The amount of such support sometimes reaches 80% of the expenditure part of the local budget.

For 63 out of 129 local budgets, the amount of gratuitous income from the national budget exceeds 50%. These districts can be divided into three groups: in the first group the level of local income is in the range of 40-50%; in the second group, local revenues amount to 30-40% of the budget; and in the third group the level of local income is below 30% of the budget (see Annex 2).

Districts with the lowest level of provision of local budgets with their own revenues at the end of 2020



Districts with the lowest level of provision of local budgets with their own revenues at the end of 2021



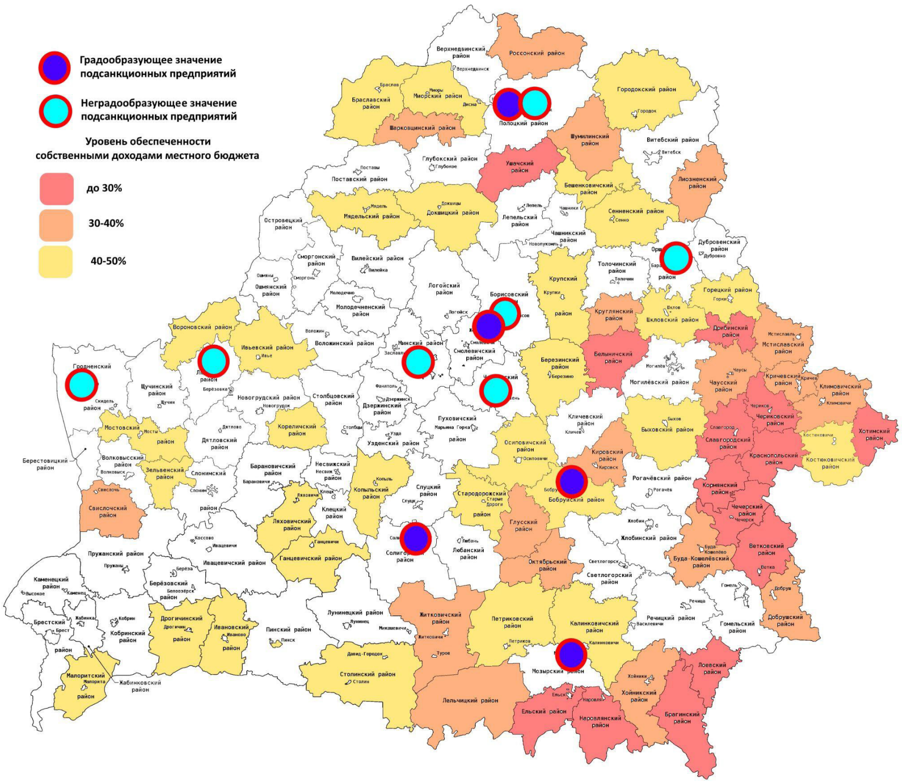


Figure 4. Location of cities with the largest sanctioned enterprises and their own possibilities of raising revenue for local budgets in 2020.

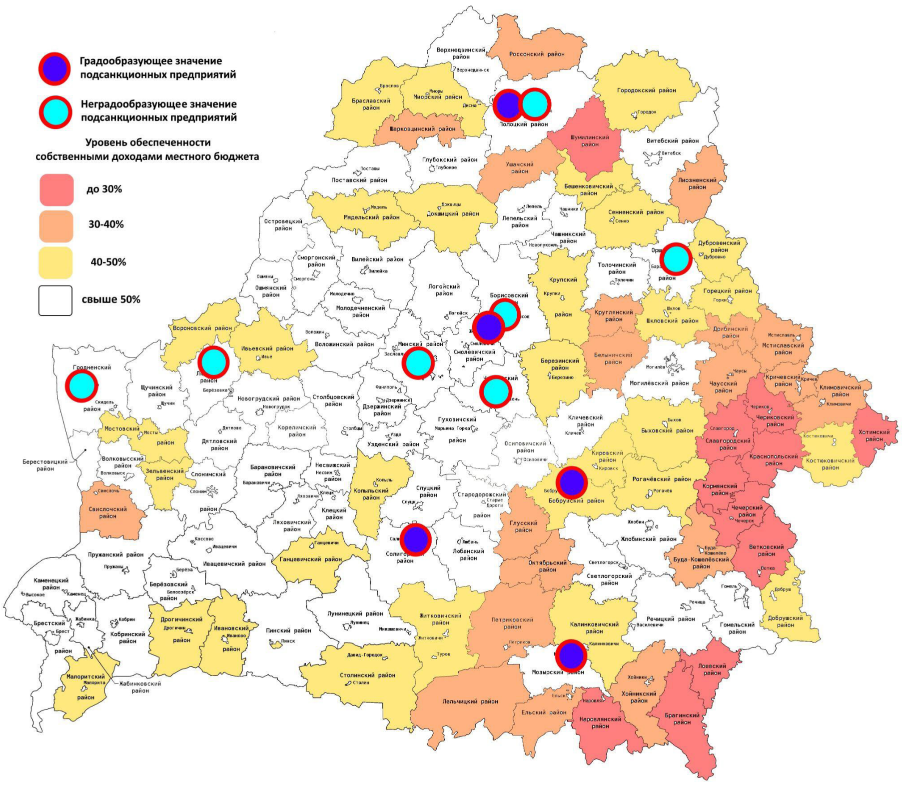


Figure 5. Location of cities with the largest sanctioned enterprises and their own possibilities of raising revenue for local budgets in 2021.

Regional budgets will feel the impact of the current situation. However, while there is currently no data on the breakdown of regional budgets, it is logical that revenues will sag and they will be in deficit. In fact, the entire component that will support the stability of the fiscal part of the budget of Belarus will depend on money transfers from Russia. In the republican budget, it makes about 10% of the revenue part. This will ultimately support the sustainability of local budgets, as domestic revenues will continue to fall.

THE PECULIARITIES OF SUBSIDIZED LOCAL BUDGETS

Large sanctioned enterprises are mainly located in districts and cities where the level of self-sufficiency is above average, or they are the leaders in self-reliance ratings for local budgets, as in the case of Minsk (see Annex 3.4). Thus, the restrictive measures affect local growth points, which, with the prolonged nature of sanctions pressures, will only aggravate the problems of Belarusian local poverty traps – increasing the deficit of local budgets in problem areas, and lead to an increase in the number of such poverty traps.

There is no data on the state of local budgets for 2022, since the Ministry of Finance stopped publishing a significant array of government finance statistics. Nevertheless, based on data concerning plans for financing regional budget deficits in 2023, as laid down in the republican budget for the next year, it can be judged that the levels of subsidies remains high. Moreover, the republican budget itself in 2023 depends on gratuitous revenues from the Russian Federation, amounting to a tenth of the total. This, in turn, makes the possibility of a higher budget for the maintenance of local budgets in the Republic of Belarus dependent on these Russian funds.

Experts say that sanctions restrictions can affect regional budgets. In cases where funds to support the local economy cannot be obtained from the republican budget, they may be asked to issue bonds and local problems will have to be solved locally. In the foreseeable future, the impact of restrictive measures on regional economies is difficult to predict. It all depends on the kind of sanctions involved.

Considering Russia as the main foreign partner of Belarus, then sanctions against the Russian oil sector will be the main ones affecting Belarus. With a decrease in revenues from this industry in Russia, demand will decrease, including for Belarusian goods – this is a macroeconomic effect. Similar prohibitive measures may affect the regions associated with Belarusian oil refining, since the enterprises refine Russian raw materials.

Those who will not suffer from restrictive measures are enterprises serving the military-industrial complex. Here, clearly, Russia is buying outputs at premium prices. This does not only concern the direct sale of weapons, but also the products of a wider range of enterprises, for example those producing uniforms, equipment, and food for the needs of the Russian army. The enterprises and regions where such enterprises are located will not suffer, and may even benefit. In such a situation, with Belarus bound tightly to the Russian economy, Belarus adopts all the latter's country risks.

NEW CHALLENGES
OR NEW OPPORTUNITIES?

Russia's invasion of Ukraine marked the beginning of a new phase of sanctions against the Belarusian economy. However, if earlier restrictive measures were imposed directly on Belarusian companies or individuals (or those who maintain close business ties to them), now Belarus is by and large a collateral object of restrictive measures imposed on Russia.

This new economic reality has forced the Russian Federation to put its economy into a state of mobilization. Sanctions both directly prohibit the acquisition of a wide range of goods and services from Russia and create conditions under which, even in the absence of restrictive measures against certain sectors of the Russian economy or business entities, foreign partners refuse to cooperate with Russian firms, fearing reputational damage to themselves. Secondary US sanctions restrict bilateral trade with third countries.

This situation creates risks, but also a specific window of opportunity for Belarusian enterprises. On the one hand, a large number of foreign companies, directly or indirectly competing with Belarusian ones, have left the Russian market. On the other hand, Belarus is not able to fill the resulting vacuum of goods and services fully. Belarusian cheeses cannot hope to substitute for Italian cheeses, nor Belarusian knitwear for products from France. Likewise, German equipment cannot be fully replaced with the equipment produced in Belarus where production is significantly inferior in terms of quality, product range, and service levels. These producers were never direct competitors, since the Belarusian ones sold in lower price market segments. However, paradoxically, the withdrawal of foreign companies from the Russian market, coupled with a decrease in the financial capabilities and "intelligibility" of local consumers, may play into the hands of Belarusian manufacturers. Goods produced in Belarus can find demand in the Russian market due to less competition, while reducing the demand for a high technological level – in other words, there could be an archaization of the economy.

By the end of 2022, trade turnover between Belarus and Russia had increased by almost 15%. At the same time, Russia accounts for the largest portion of Belarus's foreign trade. However, the expansion of the presence of Belarusian goods in Russia will depend on the ability to increase production capacities and maintain them in good condition. These needs will encounter the same sanctions restrictions that Russian manufacturers face and, therefore, it is too early to talk about the long-term prospects of expanding Belarusian producers' presence in the Russian market.

WILL TURNING TO THE EAST HELP?

For Belarusian cities, and especially single-industry towns, the growth of exports to the East means the preservation of production volumes and revenue of city-forming enterprises. This will reduce the negative effects of the restrictive measures of Western countries, but will not completely negate it. The Russian market is able to absorb a certain drop-down share of exports of goods and services, which previously found consumers in Western markets.

But the market of the eastern neighbor will not become a full-fledged replacement either in value terms or in volumes. Consequently, without finding new growth points and without a structural transformation of the economy, the long-term prospects for regional development are bleak: instead there will be a gradual degradation of industrial potential and the acceleration of the leaching of human capital. This is especially true for local growth points in the national economy.

Our previous study concluded that sanctions will hurt the regional centers of growth: those cities and areas where the local economy is not just developing on its own, but contributes to the development of the economy of the whole country due to the concentration of capital, significant volumes of production and foreign exchange earnings. That conclusion was borne out.

According to experts, the increase in lending to the economy in 2023, including at the expense of new Russian funds, will be uneven at the regional level. Loans will go toward import substitution projects, although there is still little information about where these are supposed to be located. Moreover, there will most likely be no real import substitution. New credit resources will be directed to large state-owned enterprises to close their financial holes. Accordingly, if in a given region there is a large state-owned enterprise, then there is a good chance that it will receive a share of the new loans. Meanwhile, the new $1.7 billion in credit funds from Russia represents a relatively small amount, and it is definitely insufficient to help all the districts.

Belarus has two natural advantages - its geographical location and its human potential. At present, the country is actively losing both of these advantages and any additional restrictions (for example, at the border with the EU), only hasten the erosion of them. Even the Chinese initiative “One Belt, One Road” is already working on bypassing Belarus, which cannot but affect relations and the potential for interaction with the PRC. There have been no secondary sanctions against Belarusian goods so far and, for example, potassium can be exported and sold. But the introduction of secondary sanctions could change this situation, which will immediately affect the Belarusian economy.

EXPORTS AND MONO-CITIES

The “exports miracle” and favorable price conditions in 2021 were able to offset the effects of restrictive measures in part. A successful one-off situation in foreign markets, especially in the face of growing restrictions on market access, does not cancel out the accumulated and deep-rooted problems of the Belarusian economy. At the same time, new ideas for modernization in the future will only worsen the financial condition of key enterprises in single-industry towns unless there is a radical change in the economic development model of Belarus.

In our previous study, we were able to talk about a likely decrease in revenues from foreign trade, which, in turn, would lead to a decrease in the ability of the republican budget to support subsidized areas and cities. A warning was also voiced about the risk zone – those regions where there is a high proportion of dependence on transfers from the republican budget and which also have large sanctioned enterprises.

A successful foreign economic situation for goods and services not under sanctions in 2020 and 2021 meant this forecast was not fully borne out. However, as shown by the state of local budgets, the threat did not recede. Despite the lack of data on local budgets for 2022, indirect data on plans for 2023 suggest that this problem remains relevant.

SECONDARY EFFECTS OF SANCTIONS

In 2020 and 2021, it seemed that the capital, Minsk, despite having a large number of its enterprises under restrictive measures, could absorb the impact of job losses. There was less stress on the local labor market. The subsequent situation only partially confirmed this forecast. The secondary effects, ultimately, have affected the capital more than direct restrictions have affected the local enterprises. As a result, losses from the outflow of highly-qualified personnel and businesses in the high-tech sector from the capital’s economy are greater than the losses from sanctions imposed on local industrial enterprises.

CONCLUSIONS

The picture of the impact of restrictive measures ("sanctions") on the economy of the Republic of Belarus reveals the peculiarities of their impact. First of all, the blow fell on the important growth points. In such places – due to the concentration of capital, significant volumes of production, and foreign exchange earnings – the local economy is not only developing on its own, but also contributes to the development of the country's economy as a whole. This was expressed, among other things, in the form of payments to the republican budget at the expense of taxes from foreign economic activity and excises. The impact of sanctions is visible in the losses suffered by the republican budget, as is evident in the data for 2020 and 2021.

Secondly, the secondary effects of the restrictive measures have been more painful in some places than others. Thus, as a result of sanctions on the Belarusian financial sector, settlements with foreign counterparties became more difficult in 2022. As a result, the IT sector suffered, and then the economy received an outflow of personnel and large high-tech businesses. These problems hit the growth rate of the capital, thereby reducing its ability to support the republican budget. Both problems threaten the stability of the regional economy, especially in single-industry towns dependent on a sanctioned enterprise. Problems in the form of declining revenues reduce the capacity of the republican budget to support chronically subsidized districts and cities. In such regions, the level of necessary support can constitute 80% of the revenue part of local budgets.

By the end of 2022, it is possible to observe a diverse picture of the most vulnerable single-industry towns in Belarus from the point of view of the labor market. Those related to oil refining and petrochemicals suffered more, which is reflected in the decline in the number of employees and wages to a greater extent than in the country as a whole. On the other hand, single-industry towns with enterprises in, say, the engineering sphere were able to rebuild part of their exports to Russia or through the Russian market, as a result of which employment and wages tended to increase.

Nevertheless, the global challenges for the regional economies of Belarusian single-industry towns in 2020-2022 have only intensified. The dependence on subsidies from the republican budget remains, and it, in turn, has become extremely dependent on gratuitous revenues from the Russian Federation. The same enterprises in these towns, which reconstructed their logistical flows, have only been able to do so by reorienting trade to the Russian market. In sum, the direct and indirect challenges facing dependent and vulnerable regions and many single-industry cities are only expanding.

The Center for New Ideas is a think tank dedicated to developing ideas on how to take advantage of the opportunities and respond to the challenges that Belarus faces in the 21st century. Our mission is to help political and social organisations build a more open, prosperous, and resilient Belarus.

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ANNEX 1

EU ECONOMIC SANCTIONS AGAINST KEY BELARUSIAN ENTERPRISES

Key: CJSC = Closed Joint Stock Company; LLC = Limited Liability Company; LLP = Limited Liability Partnership; OJSC = Open Joint Stock Company

02.10.2020

First package of the EU restrictive measures

44 individuals

06.11.2020

Second package of the EU restrictive measures

+15 individuals

Total: 59 individuals

17.12.2020

Third package of the EU restrictive measures

+ 29 individuals and 8 companies

1	"Beltechexport"
2	LLC "Dana Holdings"
3	FLLC "Dana Astra"
4	Chief Economic Administration
5	LLC "Synesis"
6	"AGAT — electromechanical plant"
7	Repair Plant # 140
8	MZKT — Minsk Wheeled Tractor Plant

Total: 88 individuals and 7 companies

21.06.2021

Fourth package of the EU restrictive measures

+ 78 individuals and 8 companies

9	LLP "Sokhra"
10	LLP "Bremino Group"
11	LLP "Globalcustom-management"
12	JSC "BelAZ"
13	JSC "Minsk Automobile Plant"
14	LLP "Logex"
15	CJSC "NOC" (New Oil Company)
16	"Belaeronavigacyja"

Total: 166 individuals and 16 companies

02.12.2021

Fifth package of the EU restrictive measures

+ 17 individuals and 11 companies

17	JSC “Air Company Belavia”
18	Republican Unitary Enterprise “CENTRKURORT”
19	JSC “Oskartur”
20	Hotel “Minsk”
21	OJSC “Planeta Hotel”
22	Separate Service Of Active Events (OSAM)
23	Cham Wings Airlines* (Syria)
24	VIP Grub* (Syria)
25	Branch “Khimvolokno Plant” OJSC “Grodno Azot”
26	State Production Enterprise “Belorusneft”
27	OJSC “Belshina”

Total: 183 individuals and 27 companies

21.06.2021

Sixth package of the EU restrictive measures

+ 12 individuals and 8 companies

28	OJSC “Belaruskali”
29	OJSC “Belarusian Potash Company”
30	LLC “Inter Tobacco”
31	OJSC “Naftan”
32	OJSC “Grodno Tobacco Factory Neman”
33	Republican Unitary Enterprise “Beltamozh-servis”
34	OJSC “Managing Company of the Holding “Belkommunmash”
35	Belteleradiocompany

Total: 165 individuals and 35 companies

ANNEX 2

THE LEVEL OF ENDOWMENT OF LOCAL BUDGETS WITH THEIR OWN REVENUES (BY REGIONS WITH A LEVEL BELOW 50%)

Region	District/city	2018	2019	2020	2021
For reference:	*Belarus (local budgets)*	*79,0%*	*77,8%*	*75,5%*	*75,2%*
Group 1: 40-50%					
Viciebsk region	Dubrouna district	54,8%	57,3%	52,1%	49,7%
Hrodna region	Iuye district	41,2%	48,2%	46,7%	49,2%
Minsk region	Krupki district	48,5%	49,4%	49,1%	49,0%
Brest region	Ivanava district	47,5%	46,5%	46,1%	47,5%
Viciebsk region	Miory district	45,3%	44,0%	47,1%	47,3%
Viciebsk region	Braslau district	49,3%	30,7%	47,2%	47,0%
Viciebsk region	Biesankovicy district	45,6%	41,8%	49,3%	47,0%
Homiel region	Zytkavicy district	38,5%	38,0%	38,2%	46,9%
Brest region	Pinsk	55,9%	52,8%	49,6%	46,6%
Hrodna region	Masty district	45,6%	44,1%	43,1%	45,8%
Hrodna region	Voranava district	44,4%	45,0%	45,5%	45,7%
Minsk region	Kopyl district	41,7%	47,1%	48,7%	45,2%
Minsk region	Miadzel district	40,3%	48,6%	43,9%	44,7%
Mahiliou region	Sklou district	48,7%	47,5%	44,8%	44,5%
Hrodna region	Zelva district	41,0%	39,2%	41,4%	44,4%
Minsk region	Berazino district	47,7%	44,7%	46,2%	44,2%
Homiel region	Rahacou district	53,9%	48,0%	50,6%	44,2%
Brest region	Malaryta district	43,7%	44,3%	45,0%	43,5%
Viciebsk region	Haradok district	43,9%	47,2%	44,7%	43,0%
Mahiliou region	Babruisk	54,4%	52,8%	43,7%	42,9%
Mahiliou region	Bykhau district	42,6%	40,8%	42,5%	42,5%
Brest region	Hancavicy district	39,9%	38,9%	40,1%	42,4%
Mahiliou region	Kirau district	42,9%	41,0%	38,3%	42,3%

Brest region	Stolin district	42,9%	41,3%	41,5%	42,1%
Homiel region	Dobrus district	41,0%	41,2%	34,5%	41,7%
Homiel region	Kalinkavicy district	49,0%	49,8%	45,1%	41,6%
Brest region	Drahichyn district	42,0%	42,0%	41,9%	41,5%
Mahiliou region	Horki district	48,7%	48,7%	43,6%	41,3%
Viciebsk region	Doksycy district	45,6%	39,6%	43,2%	41,0%
Mahiliou region	Babruisk district	48,2%	44,6%	41,5%	40,5%
Mahiliou region	Kasciukovicy district	51,3%	42,7%	40,0%	40,1%
Viciebsk region	Sienna district	44,7%	39,4%	40,9%	40,0%
Group 2: 30-40%					
Homiel region	Akciabrski district	43,4%	42,8%	39,9%	39,8%
Viciebsk region	Sarkauscyna district	38,1%	36,0%	36,3%	39,3%
Viciebsk region	Liozna district	38,0%	35,2%	37,3%	38,7%
Mahiliou region	Hlusk district	37,2%	28,7%	36,9%	38,2%
Homiel region	Pietrykau district	39,8%	25,5%	40,8%	37,6%
Hrodna region	Svislac district	34,3%	36,0%	34,4%	36,4%
Viciebsk region	Rasony district	43,7%	36,2%	37,4%	36,1%
Mahiliou region	Klicau district	39,8%	37,5%	38,6%	35,8%
Mahiliou region	Bialynicy district	37,0%	32,3%	26,3%	35,7%
Mahiliou region	Krycau district	51,2%	38,3%	38,6%	35,4%
Homiel region	Buda-Koseleva district	37,4%	33,6%	34,0%	33,4%
Mahiliou region	Kruhlaye district	37,7%	37,0%	34,1%	33,3%
Homiel region	Khoyniki district	34,0%	32,5%	32,4%	33,2%
Mahiliou region	Klimavicy district	36,7%	35,0%	35,0%	33,2%
Mahiliou region	Cavusy district	35,7%	34,1%	31,1%	32,2%
Viciebsk region	Vusacy district	31,7%	32,9%	29,9%	32,0%
Homiel region	Yelsk district	29,3%	30,6%	28,0%	31,7%
Mahiliou region	Drybin district	33,9%	31,5%	29,9%	31,1%
Mahiliou region	Mscislaul district	35,3%	33,5%	33,7%	30,9%
Homiel region	Lielcycy district	34,2%	33,4%	32,4%	30,4%

Group 3: below 30%					
Homiel region	Naroulia district	33,1%	30,4%	29,9%	29,8%
Mahiliou region	Cerikau district	34,6%	30,5%	29,9%	29,7%
Homiel region	Loyeu district	28,7%	27,0%	28,9%	29,5%
Mahiliou region	Slauharad district	34,8%	27,9%	29,7%	27,8%
Homiel region	Brahin district	16,8%	27,6%	24,2%	27,2%
Viciebsk region	Sumilina district	38,9%	37,4%	33,8%	27,2%
Mahiliou region	Khocimsk district	28,9%	24,7%	28,6%	27,2%
Mahiliou region	Krasnapollye district	25,7%	25,1%	25,0%	24,9%
Homiel region	Vietka district	30,3%	25,6%	25,1%	23,8%
Homiel region	Cacersk district	27,3%	24,4%	25,2%	23,5%
Homiel region	Karma district	21,1%	19,6%	20,4%	20,7%

ANNEX 3

THE LEVEL OF ENDOWMENT OF LOCAL BUDGETS WITH THEIR OWN REVENUES (BY REGIONS WITH LARGE SANCTIONED ENTERPRISES)

Region	District/city	2018	2019	2020	2021
For reference:	*Belarus (local budgets)*	*79,0%*	*77,8%*	*75,5%*	*75,2%*
Minsk	Minsk	99,2%	99,2%	99,1%	99,1%
Minsk region	Minsk district	96,5%	96,2%	99,1%	91,6%
Minsk region	Zodzina	94,3%	94,0%	96,8%	86,4%
Hrodna region	Hrodna	92,2%	96,8%	96,4%	97,4%
Minsk region	Salihorsk district	93,3%	86,6%	86,5%	83,0%
Minsk region	Barysau district	82,8%	80,2%	82,7%	78,3%
Viciebsk region	Polack district	79,4%	73,1%	72,5%	70,2%
Hrodna region	Lida district	79,4%	77,6%	71,6%	73,4%
Viciebsk region	Navapolack	92,2%	77,7%	68,3%	70,3%
Viciebsk region	Orsa district	63,7%	55,7%	56,2%	60,8%
Minsk region	Cervien district	60,4%	67,6%	54,5%	62,0%
Mahiliou region	Babruisk	54,4%	52,8%	43,7%	42,9%

ANNEX 4

NOMINAL ACCRUED AVERAGE MONTHLY SALARY IN 2020-2021

Territory	Nominal accrued average monthly salary, rubles			Change in real wages, percent	
	2020	2021	2022	2021 to 2020	2022 to 2021
Republic of Belarus	**1 254,6**	**1443,5**	**1 630,90**	**105,1**	**98,20**
Brest region	**1 054,6**	**1205,8**	**1 409,50**	**104,4**	**99,70**
Baranavicy	993,7	1140,4	1292,8	104,8	97,9
Biaroza	1 077,8	1215,1	1 429,40	102,9	102,40
Brest	1 042,9	1174,3	1 438,70	102,8	104,60
Hancavicy	894,0	1023,8	1164,7	104,6	98
Drahicyn	912,1	1053,9	1230,6	105,5	101,6
Zabinka	977,1	1129,2	1338,5	105,6	100,3
Ivanava	980,0	1122,5	1297,7	104,6	100,2
Ivacevicy	983,9	1134,5	1304,4	105,3	100,5
Kamianiec	1 058,6	1192,4	1 382,60	102,8	101,50
Kobryn	1 021,9	1159,9	1 373,40	103,7	100,90
Luniniec	984,9	1107,2	1313,9	102,6	102,3
Liakhavicy	975,3	1091,5	1240,3	102,2	99,5
Malaryta	917,0	1028,2	1185,7	102,4	100,1
Pinsk	953,6	1099,4	1248,8	105,3	101,2
Pruzany	1 017,4	1135,8	1 317,90	101,9	101,00
Stolin	863,9	969,1	1159,4	102,5	103,5
Brest	1 225,2	1409,6	1 633,80	105,1	98,20
Baranavicy	1 027,3	1169,8	1 331,30	104,0	99,00
Pinsk	1 003,7	1167,3	1 338,20	106,2	99,00
Viciebsk region	**1 038,3**	**1181,0**	**1 363,10**	**103,8**	**99,10**
Biesankovicy	866,4	994,1	1119,5	104,7	100,4
Braslau	859,9	992,0	1126,7	105,4	99

Vierkhniedzvinsk	976,2	1130,8	1326,4	105,8	101,8
Viciebsk	1 002,9	1139,9	1 280,40	103,8	97,30
Hlybokaye	933,9	1063,1	1193,9	103,9	99,3
Haradok	861,5	993,4	1105,8	105,3	98,9
Doksycy	933,9	1066,4	1198,7	104,3	97,6
Dubrouna	902,6	995,2	1172,9	100,7	102,7
Liepiel	958,0	1105,3	1175,6	105,4	96,8
Liozna	871,7	985,5	1112,9	103,3	96,9
Miory	866,6	970,0	1115,1	102,2	101,1
Orsa	999,5	1125,0	1290,9	102,8	100,6
Polack	1 029,4	1209,2	1 402,90	107,3	100,70
Pastavy	914,8	1045,2	1196,4	104,4	101,8
Rasony	860,1	1029,1	1156,4	109,2	98,8
Sienna	851,1	962,9	1103,8	103,3	101
Talocyn	965,0	1093,6	1239,7	103,5	99,1
Vusacy	844,8	976,6	1111,5	105,6	99,4
Casniki	1 037,7	1190,5	1 394,70	104,7	101,80
Sarkauscyna	776,1	882,9	1005,5	103,9	102,3
Sumilina	860,1	990,9	1166	105,2	101,2
Viciebsk	1 113,3	1270,0	1 461,50	104,2	99,20
Navapolack	1 411,6	1539,1	1 717,10	99,5	95,10
Homiel region	**1 079,4**	**1248,5**	**1 452,10**	**105,7**	**98,90**
Brahin	902,4	1008,3	1143,3	102,0	98,3
Buda-Koseleva	903,9	986,5	1156,8	99,6	102,6
Vietka	854,5	957,4	1106,4	102,3	100,4
Homiel	956,2	1071,3	1273,7	102,3	101,7
Dobrus	845,9	977,2	1166,3	105,5	104,5
Yelsk	891,6	1010,2	1123	103,5	97,4
Zytkavicy	914,9	1049,9	1194,7	104,8	100,3
Zlobin	1 099,0	1316,6	1 482,50	109,4	97,00

Kalinkavicy	968,4	1123,9	1264,1	106,0	96,4
Karma	793,1	890,1	1007,6	102,5	99,4
Lielcycy	874,7	983,7	1103,6	102,7	97,4
Loyeu	893,2	1015,0	1140	103,7	98,3
Mazyr	1 234,5	1378,1	1 608,80	101,9	99,10
Naroulia	953,7	1095,1	1236,7	104,8	99,2
Akciabski	869,8	963,9	1091,1	101,2	97,9
Pietrykau	933,4	1131,1	1294,8	110,7	98,3
Recyca	1 294,0	1553,0	1 817,20	109,6	100,20
Rahacou	926,3	1046,7	1211,6	103,2	100,3
Svietlahorsk	1 200,2	1422,5	1 674,70	108,2	100,50
Khoyniki	889,9	1021,1	1132,5	104,7	97
Cacersk	924,1	1051,2	1195,4	103,9	101,3
Homiel city	1 143,6	1318,9	1 505,80	105,3	98,20
Hrodna region	**1 062,1**	**1216,7**	**1 437,70**	**104,7**	**101,10**
Bierastavica	1 016,2	1171,2	1 400,80	105,3	104,20
Vaukavysk	992,8	1105,1	1322	101,6	104,8
Voranava	902,8	1013,0	1184,3	102,5	103,5
Hrodna	1 094,7	1249,6	1 528,30	104,2	103,90
Dziatlava	918,0	1071,9	1271,6	106,7	104
Zelva	922,7	1036,7	1206,6	102,6	102,4
Iuye	878,0	1002,5	1142,6	104,3	99,3
Karelicy	909,4	1017,7	1197	102,2	103,6
Lida	992,5	1122,6	1296,5	103,3	101,1
Masty	931,0	1092,0	1264,5	107,1	99,9
Navahrudak	955,1	1089,2	1241	104,1	101,3
Astraviec	1 308,8	1565,3	1 924,60	109,2	105,20
Asmiany	949,4	1078,2	1268,7	103,7	102
Svislac	892,4	1030,2	1156,8	105,4	100,1
Slonim	973,7	1115,5	1321,1	104,7	103,9

Smarhon	1 052,6	1234,9	1 390,00	107,1	99,30
Scucyn	977,1	1135,6	1314,8	106,1	101
Hrodna city	1 211,5	1392,8	1 616,40	105,0	99,20
Minsk	**1 753,4**	**2024,1**	**2 299,20**	**105,4**	**96,80**
Minsk region	**1 223,5**	**1414,3**	**1 611,90**	**105,6**	**97,60**
Berazino	967,7	1123,9	1273,6	106,0	100,1
Barysau	1 080,3	1236,6	1 381,30	104,6	99,00
Vilejka	962,3	1117,3	1244,3	106,0	99,4
Valozyn	978,9	1149,3	1308,2	107,2	100,3
Dziarzynsk	1 305,9	1502,2	1 733,20	105,0	99,00
Klieck	994,7	1136,0	1311,3	104,3	99,6
Kapyl	982,5	1140,6	1337	106,0	101,6
Krupki	1 014,3	1158,8	1 364,70	104,3	101,60
Lahoisk	1 146,3	1310,6	1 504,50	104,4	99,10
Lyuban	998,5	1174,4	1345,8	107,4	100,6
Minsk	1 454,7	1678,2	1 958,90	105,4	99,00
Maladziecna	1 037,0	1187,3	1 360,20	104,6	98,40
Miadzel	925,6	1098,8	1265,5	108,4	102,5
Niasviz	1 102,5	1268,6	1 473,50	105,1	100,50
Pukhavicy	1 123,5	1288,0	1 566,60	104,7	104,90
Sluck	1 025,5	1176,9	1 386,90	104,8	102,50
Smaliavicy	1 294,9	1598,8	1 616,50	112,8	100,50
Salihorsk	1 771,7	2028,5	2 031,90	104,6	85,20
Staryja Darohi	1 032,6	1195,0	1 331,20	105,7	99,00
Staubcy	1 077,1	1249,6	1 418,60	105,9	99,90
Uzda	1 014,6	1182,5	1 375,80	106,4	100,20
Cervien	1 018,1	1154,7	1 293,90	103,6	97,40
Zodzina	1 184,6	1451,1	1 774,70	111,9	105,00
Mahiliou region	**1 010,0**	**1147,3**	**1 315,60**	**103,7**	**98,70**
Bialynicy	973,8	1099,4	1255,1	103,1	99

Babruisk	874,7	1019,5	1193,4	106,5	102
Bykhau	881,4	1010,1	1130,6	104,7	97,7
Hlusk	867,2	972,4	1154,8	102,4	103
Horki	953,5	1059,0	1182,3	101,5	99,2
Drybin	858,7	988,3	1094,9	105,1	97,4
Kirausk	910,1	1011,0	1155,1	101,5	99,9
Klimavicy	857,3	994,7	1105,4	105,9	97,4
Klicau	867,8	993,3	1141,5	104,6	100,1
Kasciukovicy	976,5	1125,1	1250	105,2	96,8
Krasnapollye	858,1	955,8	1092,5	101,7	99,4
Krycau	934,3	1063,1	1217,2	103,9	99,7
Kruhlaye	834,0	943,0	1078,4	103,3	100,9
Mahiliou	1 077,9	1250,9	1 414,10	105,9	96,10
Mscislaul	805,0	916,8	1047,5	104,0	101,3
Asipovicy	1 062,1	1201,7	1 370,80	103,3	99,30
Slauharad	831,6	941,9	1045	103,5	98,8
Khocimsk	826,4	938,6	1036,8	103,7	96,3
Cavusy	854,2	965,9	1067	103,3	99
Cerikau	886,7	1001,3	1066,6	103,1	95,1
Sklou	1 023,1	1157,1	1 368,80	103,3	105,30
Mahiliou city	1 126,3	1275,5	1 450,60	103,4	98,20
Babruisk city	988,2	1124,9	1283	103,9	99

ANNEX 5

DYNAMICS OF THE REAL WAGES INDEX (BY REGIONS WITH LARGE SANCTIONED ENTERPRISES)

Region	District/city	2018	2019	2020	2021
For reference:	*Belarus (local budgets)*	*112,6*	*106,5*	*108,8*	*105,1*
Minsk	Minsk	111,0	107,4	109,8	103,8
Minsk region	Minsk district	110,7	108,2	106,4	104,6
Minsk region	Zodzina	118,0	96,9	93,3	113,5
Hrodna region	Hrodna	112,3	105,9	106,5	105,0
Minsk region	Salihorsk district	115,5	108,6	103,6	104,7
Minsk region	Barysau district	110,7	108,0	106,5	104,2
Viciebsk region	Polack district	112,1	105,1	106,3	107,3
Hrodna region	Lida district	111,2	107,1	107,9	102,9
Viciebsk region	Navapolack	112,6	108,4	110,3	99,5
Viciebsk region	Orsa district	112,8	107,5	106,7	102,6
Minsk region	Cervien district	107,5	108,7	112,9	103,6
Mahiliou region	Babruisk	109,0	103,5	106,9	104,3

ANNEX 6

EMPLOYMENT AT THE LARGEST STATE ENTERPRISES UNDER SANCTIONS IN THE AREAS OF THEIR LOCATION**

City/ district	Popula-tion***, people	Average annual employ-ment***, people	Share of employed in the local popula-tion	Employed at large sanctioned state-owned enterprises, people	Including, people	Share of people employed at sanctioned enterprises in local em-ployment
Minsk**	2014959	1083300	54%	20242	621 at OJSC “AGAT-electromechanical plant”, 4,234 OJSC “MZKT”, 15,387 at OJSC “MAZ”	2%
Smaliavicy district (including Zodzina)	116739	54589	47%	10614	10,614 at JSC “BelAZ”	19%
Hrodna district (including Hrodna)	407023	195922	48%	8131	7,328 at JSC “Gordon Azot” and JSC “Grodno Khimvolokno”, 803 at OJSC “Grodno Tobacco Factory NEMAN”	4%
Salihorsk district	131003	68137	52%	16527	16,527 at JSC “Belaruskali”	24%
Barysau district	174826	75350	43%	844	844 at JSC “140 Repair Plant”	1%
Polack district (including Navapolack)	201238	90014	45%	13325	9,873 at JSC “Naftan”, 3,452 at JSC “Polotsk-Steklovolokno”	15%
Lida district	134884	55602	41%	1129	1,129 at JSC “Lakokraska”	2%
Mazyr district	127676	56992	45%	4956	4,956 at JSC “Mozyr Oil Refinery”	9%
Babruisk district (including Babruisk)	229891	92356	40%	8239	8,239 at JSC “Belshina”	9%

**Based on data for 2020.*

***The share of people employed (of total employment) at sanctioned enterprises by district/city is probably higher than indicated due to the unavailability of data of employee numbers in head offices of the sanctioned enterprises and local sanctioned enterprises.*

****Data for 2020. Population figures for 2021 are being questioned due to possible distortions of statistical information, and we have therefore chosen not to use the later data figures.*