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## ANALYSIS OF ECONOMIC GROWTH AND ITS DYNAMICS IN THE REPUBLIC OF BELARUS

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**Abstract:** At the moment, the model of the Belarusian economy is constantly developing, acquiring new content in respond to the changing external conditions and internal factors of the national economic system functioning. Based on the analysis of the past, assessment of the existing problems and achieved presuppositions in the present, it is possible to avoid possible risks in the future, and that is the excellence in management. Correct perception and analysing the causes for the gap offer the growth capacity. The present study has analysed the economic growth in the Republic of Belarus.

**Keywords:** economic growth, GDP, economic crisis, inflation, devaluation, investment, dynamics.

Economic growth is a long-term tendency of increasing potential output, corresponding to the state of full employment. A long-term growth trend does not mean that economy is moving from one state of full employment to another. The volume of production is characterized, as a rule, by an oscillatory movement around the trend line. But if cyclical rises exceed temporary declines in output, then in the long run the trend line rises. In this case, there is an economic growth.

The result of economic growth, its main indicator, is the growth of real GDP. The process of economic growth is accompanied by quantitative and qualitative changes in economy and society. For example, as society's needs for food become saturated, the share of agriculture in GDP production declines; the rural population decreases and the lifestyle and values of a large number of people change. GDP growth allows a large share of society's resources to be used for the production of durable goods and meeting the need for services; creates conditions for improving the quality of life [1, p. 225].

Economic growth can be viewed in a narrow and broad senses.

In the narrow sense, economic growth is a process that emerges at the stage of direct production, acquires a stable character at remaining stages of social production, leads to a quantitative and qualitative change in productive forces, an increase in social product over a certain period of time, and an increase in national welfare.

In a broad sense, economic growth as an economic development indicator is the main trajectory of the society development. Along with social, political, demographic and other attributes it determines the direction of society's movement, establishing the nature of social development as a whole.

Economic growth is reflected not only through an increase in output, but also through an increase in product quality. When assessing economic growth, the productive capacity of the domestic economy must also be considered.

It is important that when analyzing economic growth, only the change in real GNP (GDP) is taken into account. The trend of changes in nominal indicators cannot be considered as an economic growth. That is, economic growth represents an increase in real GNP (GDP) over a period of time [2, p. 192].

Next, consider the factors and types of economic growth.

The economic growth factors are understood as phenomena, circumstances and processes that can determine the pace and scale of a long-term increase in the real volume of national production [3].

Macroeconomic analysis applies various schemes of classifying economic growth factors. There are, for example, factors of the first and second level, internal and external, objective and subjective, etc. As a means of influence, there are direct and indirect factors. Direct are factors that make growth physically possible (*supply factors*):

- quantity and quality of natural resources;
- quantity and quality of labor resources;
- the amount of fixed capital;
- technology and organization of production;
- the level of developing entrepreneurial capabilities in society [1, p.225].

Factors of economic growth are usually divided into external and internal.

External factors include the participation of the country in the international division of labor, the degree of openness of the national economy, the involvement of the country in international economic integration processes, interaction with international financial and economic organizations, etc.

Internal factors of economic growth:

Labor resources act as economic growth factors due to the workforce quality (*level of education, professional training, economic consciousness, discipline, etc.*). Within CIS space, the labor resources of the Republic of Belarus are

quite high, but in terms of standards of developed countries, this level, for example, for working professions, is not entirely satisfactory. And entrepreneurial abilities presuppose the presence of entrepreneurial qualities (*education, talent, diligence, initiative, honesty, commitment to national interests, etc.*).

Scientific and technological progress is the most important factor of economic growth.

It is characterized by:

- the emergence of fundamentally new achievements of science and technology (appearance of low-waste and non-waste technologies, new energy sources, resulting in increased labor productivity);
- formation of a modern type of employee – educated, proactive, disciplined, able to use sophisticated technical and economic systems [4, pp. 90-92].

Natural resources are a necessary, but not the main factor, of economic growth. In many countries, rich minerals are not used efficiently enough. But the intensification and complex processing of resources, as a rule, contribute to better efficiency.

For example, in the Republic of Belarus, one of the new directions of developing fuel industry at present is the production of peat-lignin briquettes resulting from complete lignin utilization – waste of Rechitsa and Bobruisk hydrolysis plants production.

The world economic science distinguishes two main types of economic growth. With the extensive type, economic growth is achieved through the use of greater amount of production factors. New factories and plants are constantly being put into operation. Extra labor is attracted from households resulting in growing employment of the population. However, the increase in production capacity is implemented on the same technical basis. That is, the technological method of production at this time interval remains unchanged. Output per employee remains the same.

Extensive growth has long been the dominant development option. Today it is believed that this is the simplest type of economic growth. Its negative aspects include technical stagnation. The rate of economic growth due to decreasing marginal productivity may lag behind the rate of involvement in the production of economic resources. So, the extensive type of development inevitably acquires a pricey character, which has become characteristic, for example, for the administrative system of "state socialism".

The intensive type of economic growth is characterized by an increase in the scale of production, which is based on the use of more efficient and qualitatively more advanced factors of production and technology, more economical resources, advanced training of workers, i.e. production potential increases on a new technological basis. The focus is made on the issues of science and technology progress, reconstruction and modernization of production. The quality of products is constantly improving. Raw materials and materials are used extremely effectively as a result of introducing more advanced processing methods. The emphasis is on resource-saving technologies. Of course, the intensive type of economic growth implies a high level of equipment and technology development, as well as a high level of the workforce training. The "economy of modern knowledge" is being formed. The economic system, the economic order and the economic mechanism are continuously improving. Economic relations are reforming at a faster pace, taking into account the requirements of technological progress.

Intensive or extensive types of economic growth do not exist in their pure form. There is always a combination of them with the predominance of one – mainly intensive or mainly extensive economic growth. Attributing of growth to one type or another depends on the magnitude of the specific weight of the increase in production obtained due to qualitative or quantitative changes in its factors.

Let's also consider models of economic growth.

Like any models, growth models are an abstract, simplified expression of the real economic process in the form of equations or diagrams. A number of assumptions that precede each model initially pushes the result away from real processes, but, nevertheless, makes it possible to analyze individual aspects and patterns of such a complex phenomenon as economic growth.

Most growth models assume that the increase in real output is primarily influenced by the growth of the main factors of production - labor ( $L$ ) and capital ( $K$ ). The "labor" factor is usually weakly influenced from the exterior, whereas the amount of capital can be adjusted by a certain investment policy. As is known, the capital stock in economy decreases over time by the amount of disposal (depreciation) and increases due to the growth of net investments. It is quite obvious that economic growth is valuable not in itself, but as a basis for improving the welfare of the population, therefore, a qualitative assessment of growth is often given through assessing the consumption pattern [5].

Neo-Keynesian growth models emerged on the theoretical and methodological basis of J. Keynes' theory of macroeconomic equilibrium. They are characterized by two most important features:

- a) the approach to growth from aggregate demand;
- b) a key role in the economic growth of investments.

Inside neo-Keynesian direction, there are E. Domar and R. Harrod's growth models.

E. Domar's model is built taking into account the dual role of investment – as an element of aggregate demand and as a factor in creating a production capacity, which means an aggregate supply. The model allows to identify the rate at which investments should constantly grow, ensuring the necessary economic growth of national income. This rate is directly dependent on the relative propensity to save and the average efficiency of investments.

R. Harrod's model describes the mechanism of balanced growth based not only on functional relationships between income, savings and investments, but also on the analysis of entrepreneurs' expectations.

The maximum possible growth rate of the economy with full use of resources was called the natural rate in R. Harrod's model. A stable dynamic equilibrium of the economic system is achieved with the equality of guaranteed and natural growth rates in conditions of full employment. However, maintaining such equality is possible only with active state intervention.

Neoclassical growth models, on the contrary, were based on the premise of achieving a stable equilibrium without state intervention. The analysis in these models was carried out using the production function apparatus, which takes into account several factors of production and assumes their interchangeability.

The R. Solow's growth model proceeds from the fact that equality of aggregate demand and aggregate supply is a necessary condition for balanced economic growth. Aggregate supply is determined in the model by the production function, and aggregate demand is determined by investment and consumer spending. The model is based on the "golden rule" of accumulation, according to which the outflow of capital should not exceed its marginal product.

In G. Mead's model, the stable rate of economic growth is achieved under the condition of the stable growth rate of capital and its equality with the growth rate of national income. G. Mead drew attention to the need to comply with the correspondence between the rates of labor growth and capital accumulation.

A. Lewis' model is built taking into account two sectors of the economy: agricultural and industrial. The supply of labor resources in the agricultural sector is unlimited, and in the industrial sector it is a function of available capital, the level of technology and demand for manufactured products. Therefore, the task is to reallocate part of the labor resources from agriculture to industry and thereby enhance economic growth.

therefore, all above enables the appropriate conclusions to be drawn.

Economic growth is a stable and long-term increase in the potential of the national economy. Its main goals are to meet the increasing needs of people, to increase the quality of products and, accordingly, the standard of living. There are many factors of economic growth that can be classified in different ways. There are internal and external, objective and subjective, direct and indirect factors. The positive and negative consequences of economic growth for the country have been revealed. Of course, state should fight negative phenomena and prevent them as much as possible, for it is impossible to abandon economic growth because of some negative consequences.

It should also be noted here that the economic growth issues currently occupy a central place in economic debates and discussions conducted by representatives of different countries and governments. This is due to the fact that the growing volume of real production allows to some extent to solve the problem that any economic system faces: limited resources with unlimited human needs. Economic growth makes it possible to reduce the intensity of social tension, as well as significantly level the problem of inequality in the distribution of benefits.

In order to identify the causes and find solutions to the existing problems associated with the economic growth of our country, it is necessary to carefully analyze and give an objective assessment of the current state of the national economy using generally accepted indicators.

As known, the main indicator of economic growth is the GDP level [6].

The dynamics of GDP production in Belarus based on national accounts is shown in Table 1.

Table 1 - GDP production in the Republic of Belarus for 2015-2020

Indicator	2015	2016	2017	2018	2019	2020
Gross domestic product						
in current prices, billion rubles (since 2016 – million rubles)	899,098	94,949	105,748	129,568	131,951	147,466
in comparable prices, as a percentage of the previous year	96.2	97.5	102.5	122.5	101.8	99.1

Note - Source: [7]

As seen from Table 1, the dynamics of GDP production in the Republic of Belarus demonstrates a stable positive trend, including per capita.

GDP per capita is the gross domestic product divided by the average annual population. GDP is the sum of the gross value added created by all resident producers in the economy plus any taxes on products and minus any subsidies not included in the cost of products. GDP per capita is represented in US dollars per person (Fig. 1).

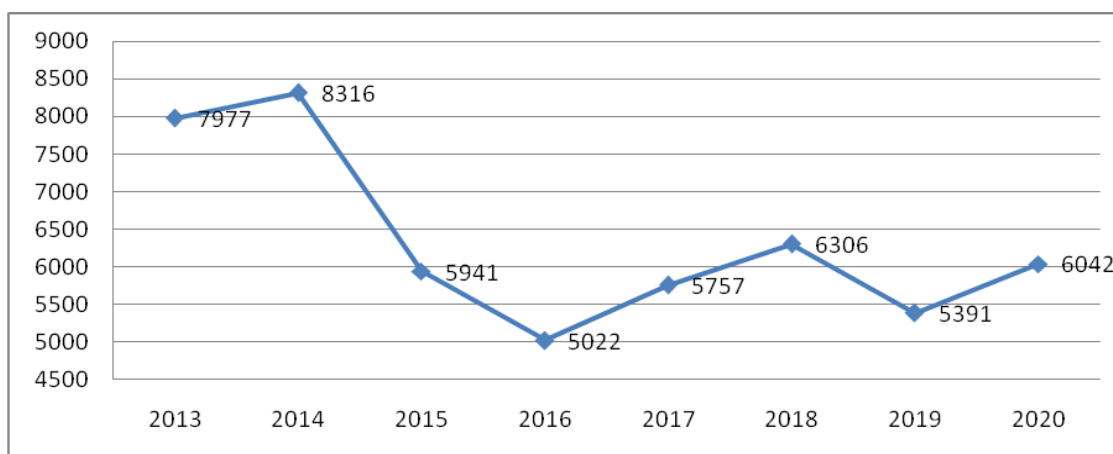


Figure 1 – Dynamics of GDP per capita in the Republic of Belarus, USD

One of the barriers to economic growth in the Republic of Belarus is the growth of gross external debt.

From 2006 to 2021, the external debt in the Republic of Belarus in all sectors of the economy increased from 5.1 to 42.1 billion USD. Gross external debt in terms of each resident of the Republic of Belarus increased over the same period from USD525 to USD4485, the volume of external debt compared to GDP increased from 17% to 70.2%, including 53.2% for long-term debt and 17% for short-term [8].

The ratio of public debt to GDP is 36.7% (as of January 1, 2021) [8].

At the end of 2018, it became known that USD4.9 billion of public debt should be paid in 2019, and part of this amount is planned to be refinanced by obtaining new loans. The state budget for 2019 planned to pay 5.8 billion rubles (~USD2.8 billion) to repay the main external debt (96% is denominated in foreign currency) and about 3 billion rubles (~USD1.4 billion) to pay interest [9].

As of December 31, 2020, there were 66 external public loans, the servicing and repayment of which involve the republican budget of the Republic of Belarus with various purposes, creditors and maturity dates. The largest number of loans under the guarantees of the Council of Ministers of the Republic of Belarus was taken from Chinese state-owned banks (25) and International Bank for Reconstruction and Development (18). All Chinese loans were taken for specific projects (*infrastructure, upgrading industrial enterprises and construction of new ones*). Targeted loans were also provided by the Russian Federation (*construction of the Belarusian NPP*), the International Bank for Reconstruction and Development (*several projects*) and the European Bank for Reconstruction and Development (*several projects*) [10].

According to the Ministry of Finance of the Republic of Belarus, it is possible to draw up the following picture of changes in GDP and external debt of the Republic of Belarus, for example, in 2019 (Table 2).

Table 2 - The state of public debt of the Republic of Belarus in 2019.

	Public debt, total		External public debt		Domestic public debt	
	million rubles.	% of GDP	millions USD	% of GDP	million rubles.	% of GDP
01.01.2019	45 375,4	35.4	16 894,0	28.4	8 887,6	7.0
01.02.2019	44 940,2	35.1	16 707,4	28.1	8 879,0	7.0
01.03.2019	44 321,6	34.8	16 681,2	28.0	8 648,9	6.8
01.04.2019	44 102,1	34.7	16 609,4	27.8	8 749,0	6.9
01.05.2019	43 663,3	34.7	16 671,7	27.9	8 504,3	6.8
01.06.2019	43 886,4	34.9	16 611,7	27.7	9 079,9	7.2
01.07.2019	43 099,3	35.1	16 689,8	27.8	8 997,1	7.3
01.08.2019	42 728,2	34.7	16 500,0	27.3	9 154,1	7.4

Note - Source: [10]

From the standpoint of internationally accepted criteria, the amount of the external debt of the Republic of Belarus does not exceed the established norms. External borrowings are steadily growing, the average ratio of domestic and external debt to GDP was 34.9% during the study period.

However, neither in absolute, nor in relative, nor in per capita terms do they look excessive. This concerns both the state and the general external debt, which in no way relates to the current situation. Probably, the main threats to the country's economy do not lie in this area [11]. It should be recognized that most of the government borrowings were not directed to production or commercial projects, but were used to maintain the balance of payments and restructure existing debts [10].

Next, consider the cost of living in the Republic of Belarus. The subsistence minimum is a minimum set of food and non-food goods and services necessary to preserve human health, ensure its vital activity, the cost of which is determined as a fixed share of the cost of the minimum set of food.

The dynamics of the subsistence minimum budget is shown in Table 3.

Table 3 – Subsistence minimum in the Republic of Belarus, rubles per month for 2013, 2017, 2018, 2020

Years	All population	Including by population groups				
		working age population	pensioners	children aged		
				below 3 y.o.	3 to 6 y.o.	6 to 18 y.o.
2013	974.1	1074.7	803.4	846.1	1079.7	1093.1
2017	199.3	219.4	153.2	129.9	178.5	217.8
2018	216.9	240.8	166.3	140.3	192.2	235.9
2020	239.8	265.9	184.2	155.6	212.7	260.5

Note - Source: [9, p. 63]

In 2020, compared with 2017, the budget of the subsistence minimum in the Republic of Belarus as a whole in the country increased by 21.2%. In the Republic of Belarus, the budget of the subsistence minimum is used to assess the level of poverty of the population.

Summing up, it is possible to draw appropriate conclusions and give an objective assessment of the ongoing situation in the Republic of Belarus.

In 2018, Belarus recorded the highest economic growth rates since 2011, the country's GDP increased by 3% after 2.5% in 2017.

Higher commodity prices and solid external demand favored exports, while domestic demand was boosted by high rates of investment and wage growth. Within 2018 and 2019, the dynamics were not uniform – the growth rate gradually decreased by the end of the year from 4.6% in Q1 2018 to 1.5% in Q4 2018 [12].

In 2020, the nominal exchange rate of the Belarusian ruble to the Russian ruble decreased by 6%. Following the Russian currency, the Belarusian ruble weakened against the US dollar by 5.8% and against the euro by 3.5%. In Q1 2019, the Belarusian ruble on average weakened slightly against all three currencies.

The refinancing rate for 2020 was lowered by 1.25 percentage points to 7.75% per annum. In August 2020, inflationary risks increased significantly due to increased geopolitical tensions in the region and the subsequent weakening of the Russian ruble. In response, the National Bank of the Republic of Belarus suspended the cycle of monetary policy easing. In general, the monetary policy was successful and achieved its goal.

Prudent monetary policy combined with increased confidence in the national bank allowed holding inflation at historically low levels despite a number of external and internal adverse factors.

The growth of lending by banks of the Republic of Belarus to the sectors of national economy increased by 14.6%, which corresponds to the GDP growth rate. However, the expansion of credits to the population in 2020 (an increase of 28.4% YoY) was in the nature of expansion and provided almost 50% of the expansion of the banking loan portfolio.

On April 5, 2019, Standard & Poor's Ratings (S&P) confirmed the credit rating of the Republic of Belarus at the level of "B/B", the forecast is "stable". This S&P forecast reflects anticipation that external economic imbalances will not increase [13]. Similarly, the fiscal policy of the National Bank of the Republic of Belarus will remain comparatively restrained in the next 12 months, and the Government of the Republic of Belarus will retain access to international capital markets and will receive support from the Russian Federation to refinance government debt obligations with upcoming maturities [14]. This testified to the effectiveness of the direction of development chosen by the Government of the Republic of Belarus, however, due to the COVID pandemic and other distressing circumstances, the rating agencies S&P and Fitch on 11.09.20 and 13.11.20, respectively, assigned the Republic of Belarus a credit rating of "B" with a negative outlook. At the moment, the Republic of Belarus is actively using its gold and foreign exchange reserves to stabilize the growing internal social and economic tensions.

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