

European Department

De-dollarizing the Belarusian economy



Jacques Miniane, IMF Mission Chief for Belarus

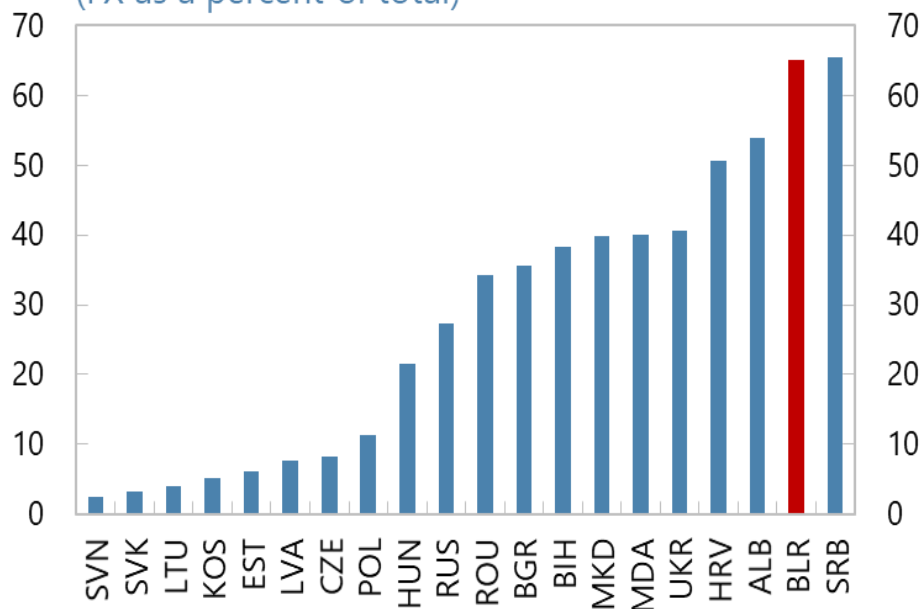
National Bank of the Republic of Belarus, October 31, 2019

Belarus – high level of loan and deposit dollarization



Deposit Dollarization, 2018

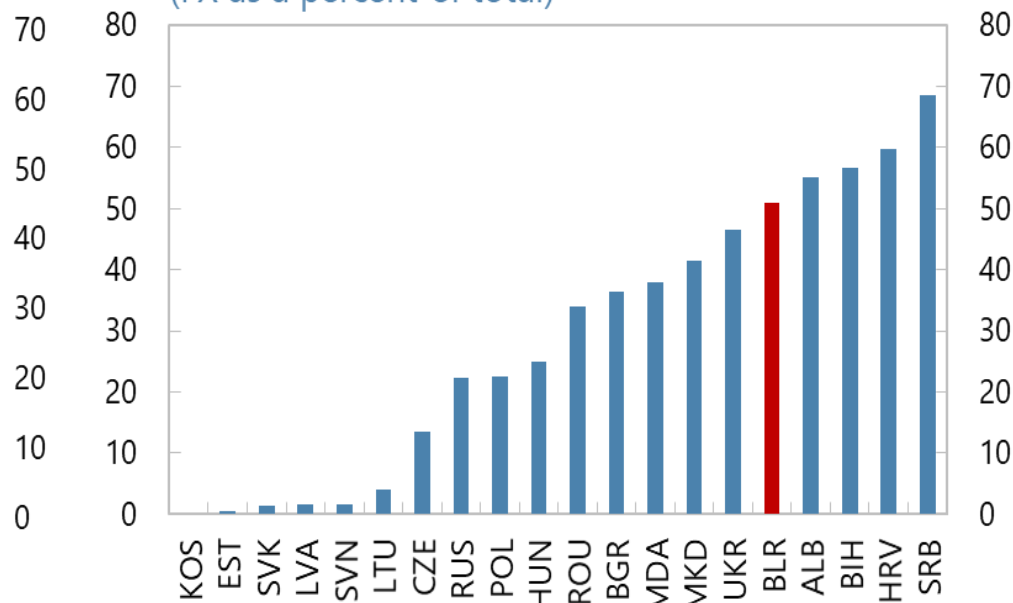
(FX as a percent of total)



Sources: Belarusian authorities, FSI, MFS, and IMF staff calculations.

Loan Dollarization, 2018

(FX as a percent of total)



Sources: Belarusian authorities, FSI, MFS, and IMF staff calculations.

Belarus – dollarization decreasing, but still higher than a decade ago



Household Deposits

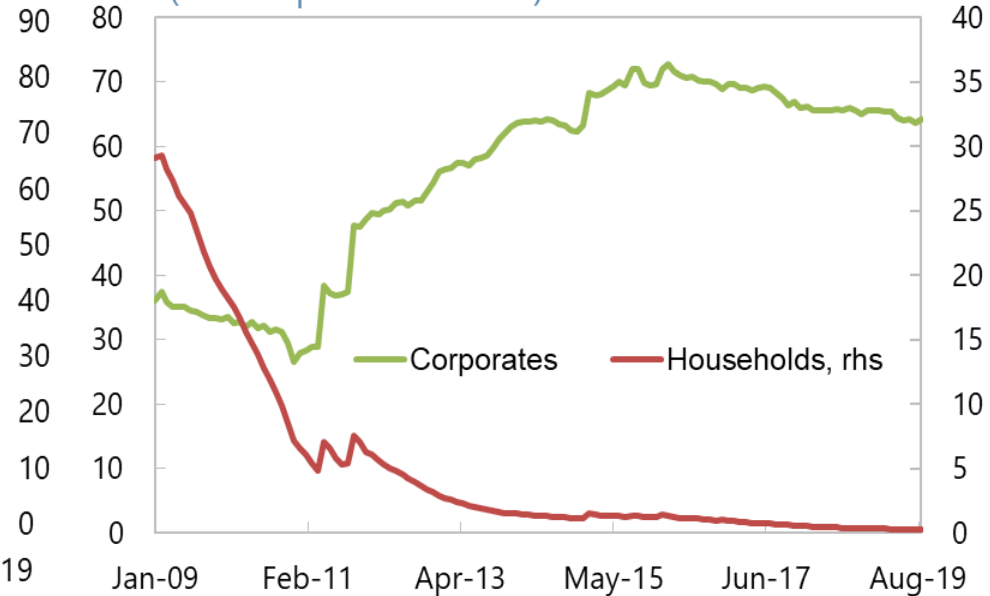
(FX in percent of total)



Sources: Belarusian authorities, MFS, and IMF staff calculations.

Loan Dollarization

(FX as a percent of total)



Sources: Belarusian authorities and IMF staff calculations.

High dollarization creates systemic risks and vulnerabilities



- Liquidity risk: run on FX deposits would put pressure on FX reserves
- Balance sheet risk: unhedged FX position of banks and/or borrowers
- Reduced effectiveness of monetary policy
- Aggregate debt ratios worsen sharply with any depreciation of the domestic currency

Successful de-dollarization requires various factors

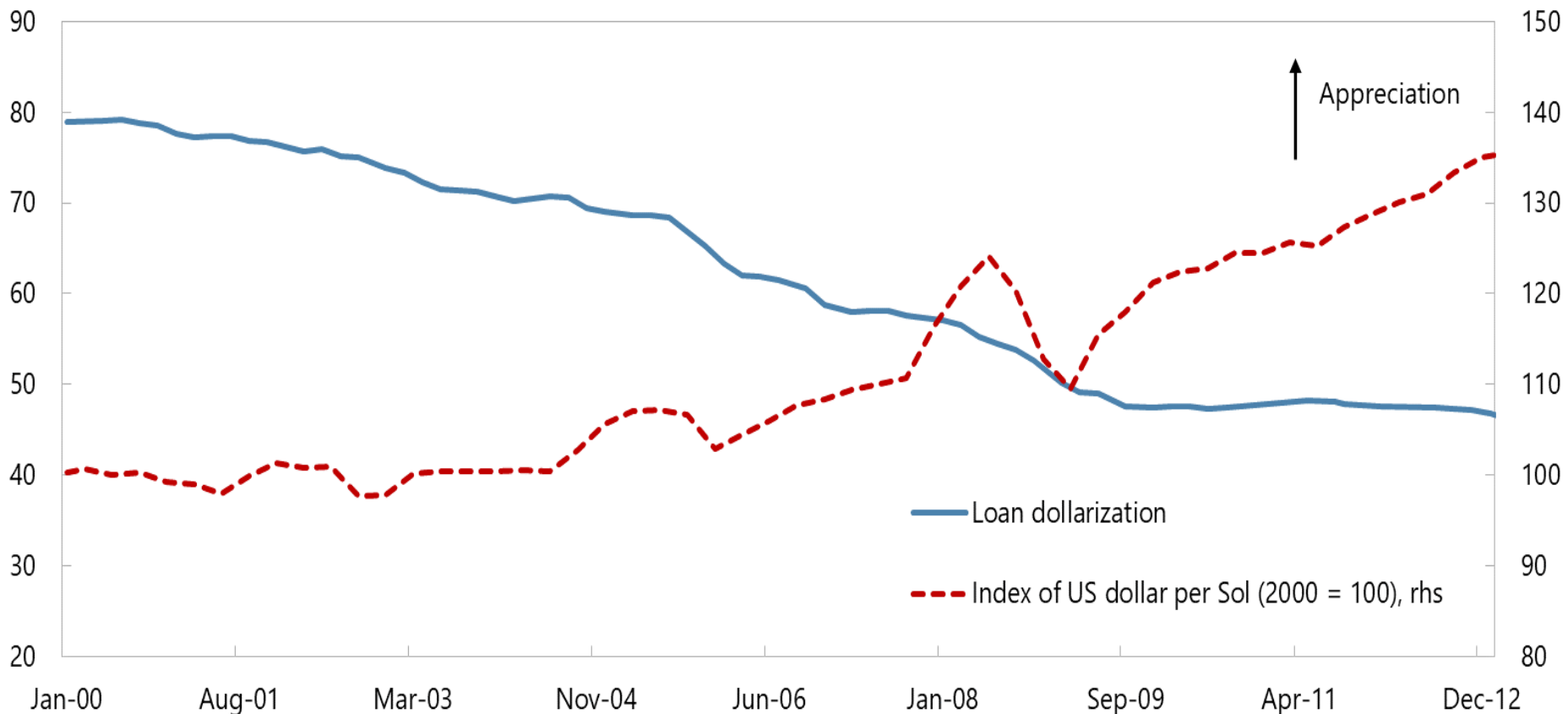


- A (public) de-dollarization strategy
- Better macro-policies
- Better prudential policies
- Deeper domestic currency capital markets
- The X-factor

Successful de-dollarizers did it on the back of an appreciating currency



De-dollarization in Peru
(Percent)

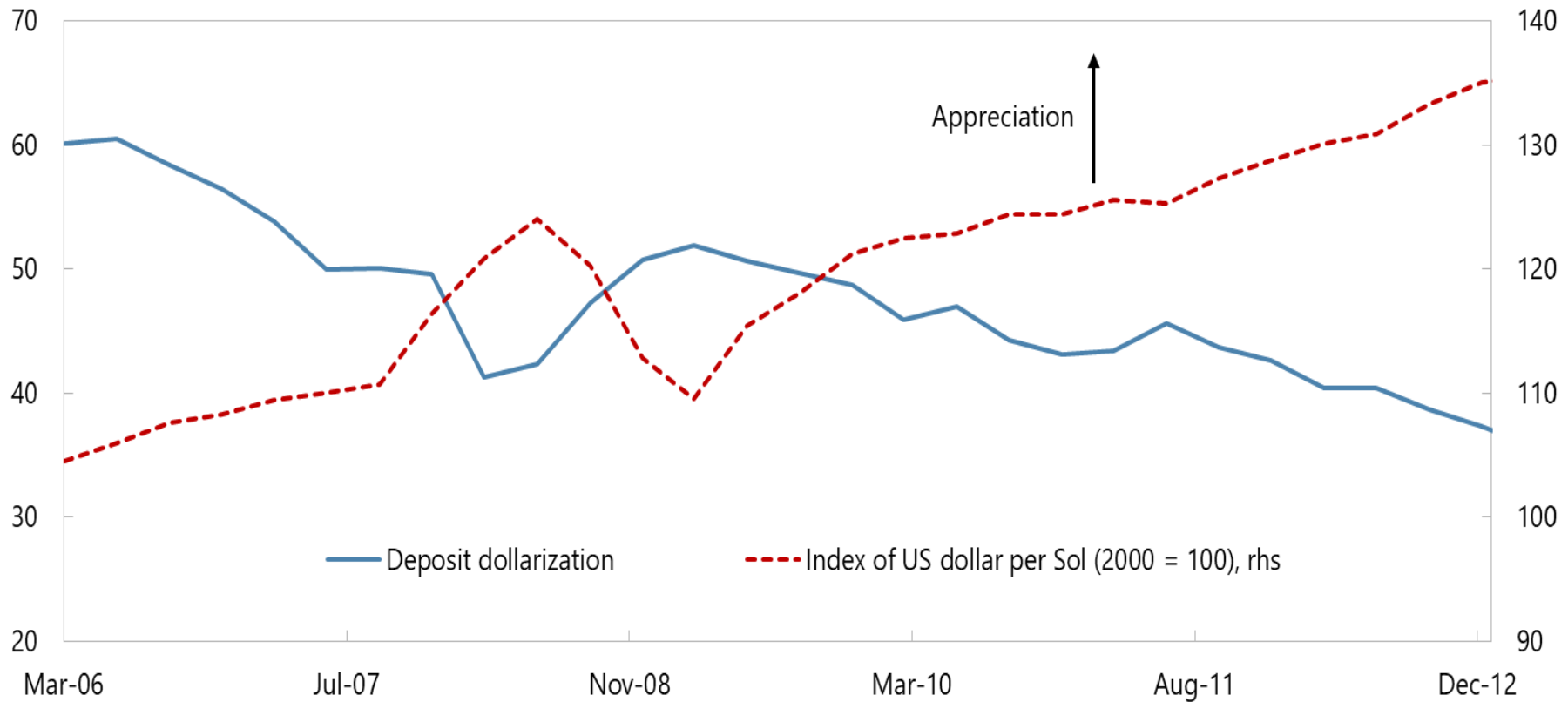


Source: Central Bank of Peru, IMF *World Economic Outlook*, and IMF staff calculations.

Peru (continued)



Deposit Dollarization
(Percent)

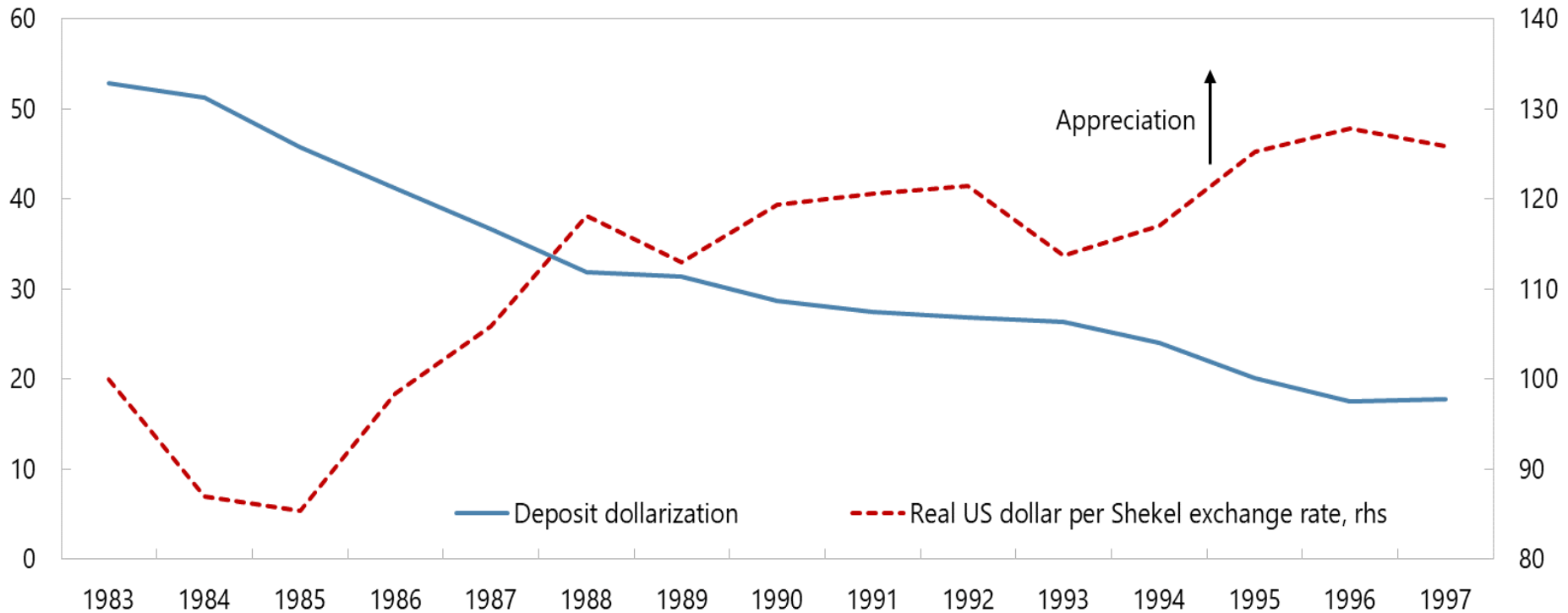


Sources: IMF *Monetary and Financial Statistics* and IMF staff calculations.

Similar picture in Israel...



De-dollarization in Israel (Percent)



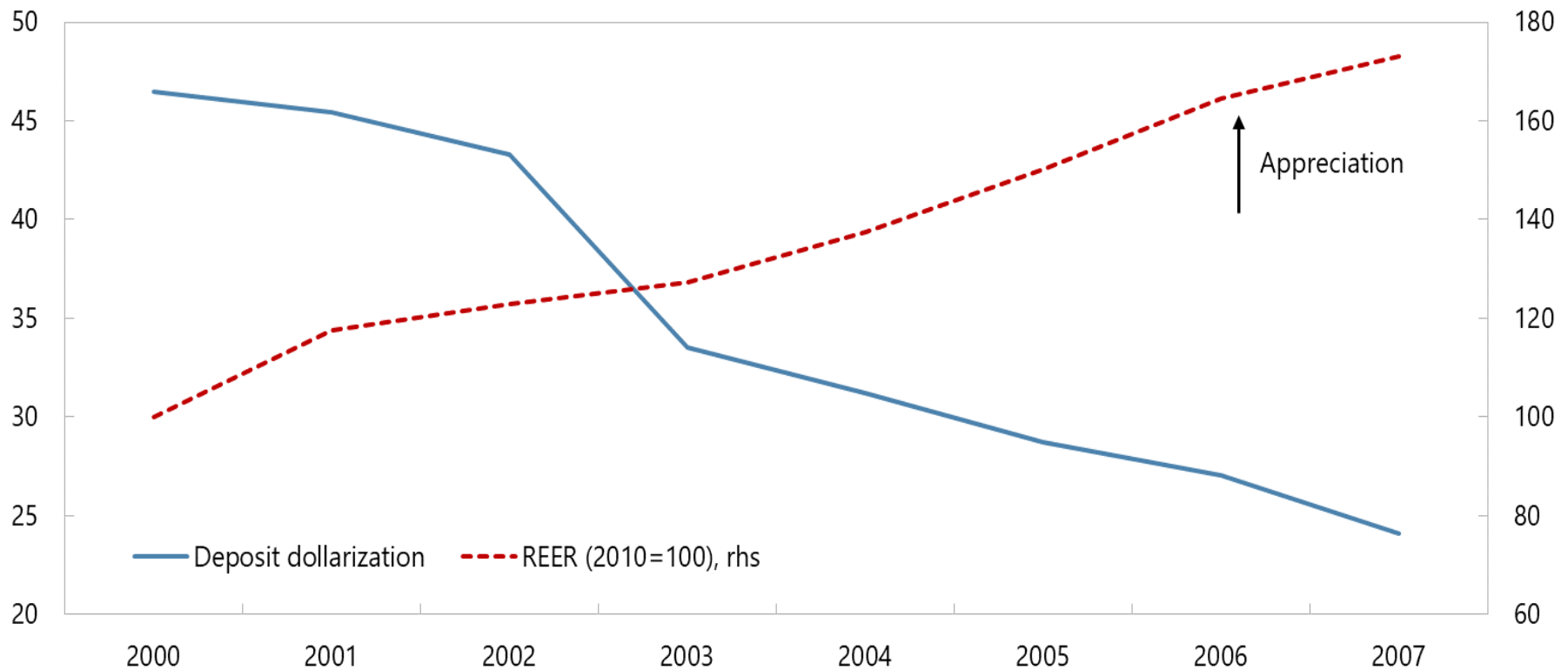
Sources: Alvarez-Plata and Garcia-Herrero *To Dollarize or De-dollarize: Consequences for Monetary Policy*, IMF *International Financial Statistics*, and IMF staff calculations.

...and in the Russian Federation as well



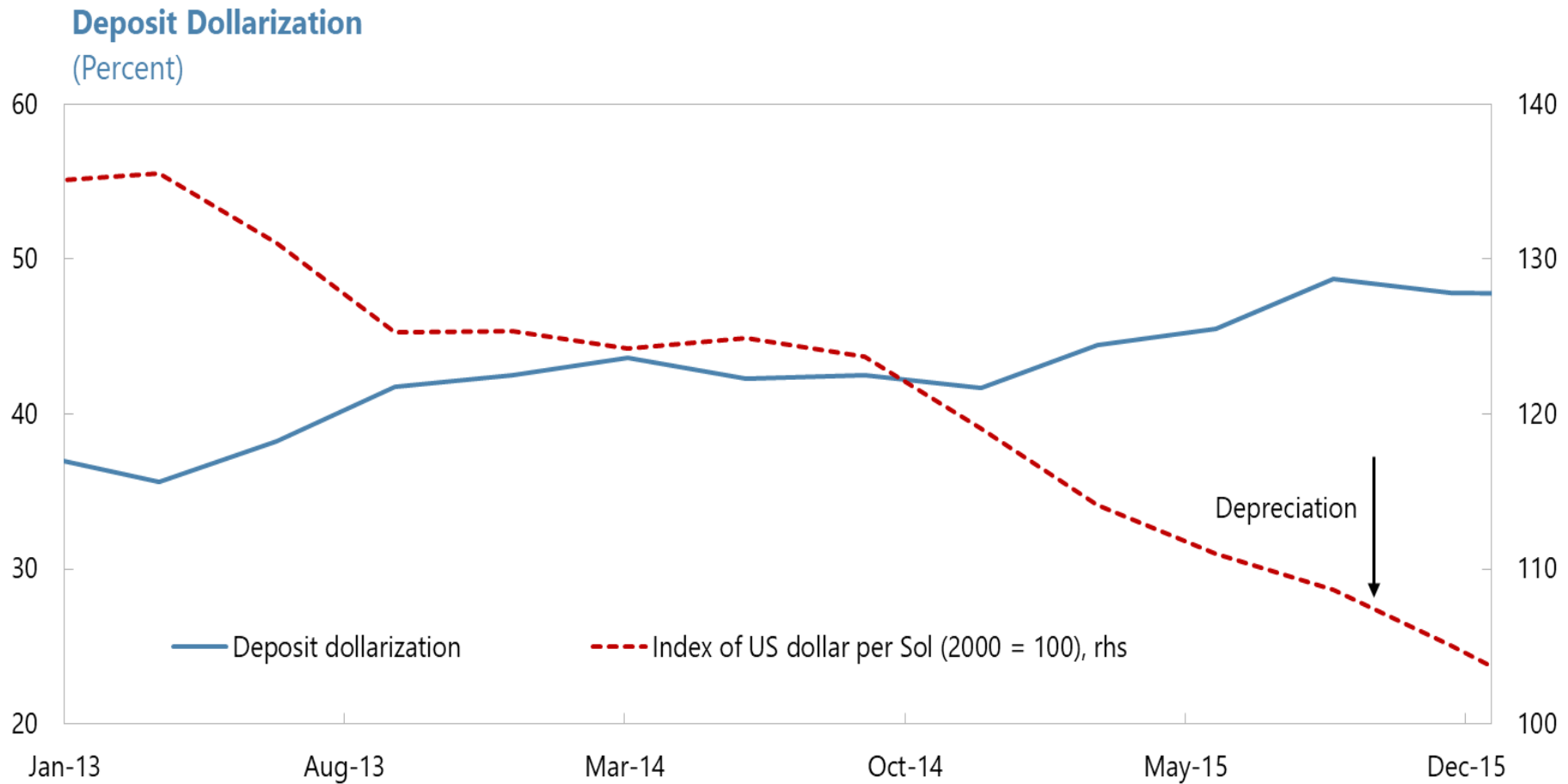
De-dollarization in the Russian Federation

(Percent)



Sources: Haver Analytics, Central Bank of the Russian Federation, and IMF staff calculations.

Even successful de-dollarizers have seen reversals following currency depreciation



Sources: IMF *Monetary and Financial Statistics* and IMF staff calculations.



Thank you