EXPERT REVIEW

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Summary

- THE ISSUE OF SYSTEMIC STABILITY OF THE BANKING SECTOR WILL EMERGE IN HALF A YEAR/YEAR

At the moment, profits and operating income of banks have good dynamics. However, this is happening against the backdrop of dropping sales and shrinking trade volumes, investment activity, the number of bank clients, employment rate and real incomes of the population. Growth of revenues and bank profits is based on short-term bursts of price factors. However, the return on capital may soon decline significantly. In the future, the banking sector of Belarus will face reformatting of the market, redistribution of clients and their flows due to numerous challenges and restrictions.

- BELARUS HAS VERY LITTLE TIME LEFT TO GET AWAY FROM THE POPULATION IMPOVERISHMENT PATHWAY

Persisting political crisis and growing economic crisis will exacerbate the situation of the citizens most at risk of poverty. Among them are families with children, citizens with disabilities and the unemployed. There is only one way out of this: to end political repressions, to stop the Belarusian regime's support to Russia's military aggression against Ukraine, and to start a dialogue within the Belarusian society. Otherwise, the impoverishment of Belarusians will continue, and we will see poverty scaling up next year.

- MARKETS WILL REMEMBER THE BELARUSIAN EUROBOND DEFAULT FOR A LONG TIME

Despite the statements by the Ministry of Finance of Belarus, in the optics of the Eurobond holders, Belarus defaulted on them. The negative effect of the default will be quite limited in the short run. Eurobond holders have no leverage to force Belarus to pay. It is not yet clear whether relations between them and the Belarusian public authorities will somehow settle in the foreseeable future. Other foreign investors are not that much concerned about the default due to the stronger impact of the war in Ukraine and the political crisis in the country on the economy. The consequences of a spoiled reputation will not bypass Belarus in the long run.

The issue of systemic stability of the banking sector will emerge in half a year/year

Top manager of one of the banks who wished to be anonymous

What is the state of the banking system of Belarus?

It is quite difficult to understand the state of the banking system in Belarus today. One of the most significant challenges hindering this is the lack of reliable information. Data on the balance sheets of commercial banks and available statistics are significantly distorted due to various reasons, including the use of countercyclical measures permitted by the regulator. We know that the assets of banks and the National Bank are being frozen; therefore, the figures reflected in the balance sheets according to the national reporting standards do not fully portray the real state of things either.

The picture could be clarified by the statistics compliant with the international reporting standards, which do not consider these measures and provide a forward-looking understanding of the portfolio quality and real profitability. However, none of the major banks published it for Q1, as far as I know. This gives grounds to say that most likely a rather serious deterioration in the quality of portfolios is already taking place.

According to the publicly available data, the estimated risk cost in the banking system increased more than the interest margin of banks in the first half of the year. However, the data do not fully reflect the standing of the sector.

If we talk about the quality of assets, then the problem is projected to be quite acute in the sector of state-owned enterprises, and this will affect commercial loans to a smaller extent, and household lending will be affected even less.

Lending and liquidity of banks

An important aspect that deserves attention in order to understand the state of the banking sector is liquidity. With regard to the Belarusian ruble liquidity, there are several particularities. A significant flow of transactions and savings into cash in circulation (there has been an increase in the Belarusian ruble cash by almost a quarter since the beginning of the year) reduces liquidity in Belarusian rubles. However, we can see a sustained structural liquidity surplus today, which is close to the record-breaking figures throughout the entire observation history.

Where does this money come from? Firstly, this is the net balance of sales of foreign currency to the National Bank by all business entities. Secondly, in recent months, statistics have been showing a progressive increase in the National Bank's balance sheet for bank loans (and this cannot be explained by standard liquidity management tools) and in the purchase of securities. This can be called a credit issue. However, the very fact that this happens against the backdrop of a steady excess of liquidity indicates that non-market tools are being used.

If we go up a notch and look at the situation more broadly, we can see that liquid funds — the recurring deposits of individuals and legal entities — cannot fully flow into lending. State-owned banks, the Development Bank of Belarus and a few private banks that are not under sanctions are gathering their lending momentum. However, there has been no overall recovery in lending rates yet. Accordingly, this also increases excess liquidity of banks (physical liquidity, not adjustment factors).

Why don't banks lend when there are sufficient resources? This is because of the package of shocks that have materialized and the consequences of which are not fully described by the risk assessment models available to banks. While new models are being recalculated and calibrated, and banks' new risk appetite is being refined, “excessive” credit risk is envisaged for new deals, and this often becomes a stop-factor for specific lending deals. Moreover, quite recently, banks were not fully convinced yet that the inflow of the resource base had recovered steadily, and the attraction rates had already exceeded local maximum values. The statement by the chairperson of the National Bank that a third of loans are issued at preferential rates can just be deciphered in such a way that we do not have many preferential loans, but that market lending is depressed. What do we end up with? We have low “transfer” of the resource base into loans and, as a result, excess liquidity.

Accordingly, we can see that the liquidity picture has been generally non-standard and rather anomalous since the beginning of the year. There was a traditional buildup of activity during the first two months of the year. The following months were guided by shocks, both external (first of all, unevenly imposed sanctions) and those generated by the policy of responding to them, as well as the adaptation of agents and banks to the changing situation. Speaking about liquidity, a disclaimer should be made that that it has behaved differently in the context of foreign currencies. This was due to many factors: cash balances in early spring; sanctions and disconnections from international settlement systems; access to credit and settlement (including for swapping) limits of foreign banks, etc.

New trends in the banking system

An important trend worth paying attention to is a significant increase in the share of the Russian ruble in lending to legal entities: its share has grown from 5-6% to 25-27% (individuals get their loans in the national currency usually). On the one hand, this reflects looping of the flows in the Belarus-Russia vector; on the other hand, this indicates a transition to Russian rubles in all possible settlements. Moreover, the situation is affected by the low availability of the US dollar and the euro for banks and enterprises under sanctions. Based on this, one can conclude that the dynamics of the key interest rate and the dynamics of the Russian ruble in the Russian Federation will be increasingly important to Belarusian businesses. And banks are likely to lose some of their forex conversion revenues in the long run. This trend is likely to continue.

Another important point in terms of lending is capital adequacy. On the one hand, the regulatory capital adequacy of the banking system is at good estimated levels and is even growing. But, again, this is taking into account the countercyclical measures of the National Bank. By the way, they officially expire on January 1, 2023, although a significant part of these measures will immediately move to Guidance 138 of the National Bank of the Republic of Belarus (NBRB) “On the procedure of creating and using special reserves to cover possible losses on assets and operations not reflected in the balance sheet”; in other words, they migrate to a “normal” regulatory modality. Nevertheless, many shareholders are very cautious about capital preservation. Among other things, they have no confidence that the Belarusian ruble will remain strong in the long run. The fact that banks' capital is denominated in the national currency determines long-term strategies regarding the opportunity to grow a loan portfolio. At the moment, this is not a limitation, but it may become a significant factor guiding lending activities in general by the end of the year.

It is important to note that liquidity is probably distributed very unevenly in the system, and different owners of the Belarusian banks pursue different objectives. Therefore, when talking about general trends, it is important to note that the situation may greatly depend on individual banks and groups of banks.

Be that as it may, at the moment, clients have started to return funds to banks (even to the banks under sanctions); deposit interest rates get lower; access to foreign bank resources is being replaced by Russian banks in the Russian ruble. This, mathematically, will lead to a reduction in lending interest rates and to lending revival.

What factors will affect interest rates and lending?

Several major factors come into play here. The first factor is the policy of the National Bank aimed at easing in all directions: both through the forex rate channel and through the issuing channel.

The interest rate policy is also built into this trend. However, the National Bank has practically no influence on interest rates in foreign currencies, and this is most of the clients' indebtedness (one should add foreign corporate debt liabilities on top of the loans of Belarusian banks). It is also not obvious to what extent the National Bank influences the interest rates in the national currency. It is rather difficult to say that there is a direct influence. Again, let's recall the statement by Pavel Kallaur, Chairperson of the National Bank, about the share of soft loans at preferential rates that differ from market interest rates and which are allegedly regulated by the National Bank.

Another important factor is the trend in the interest rates of global central banks, including the interest rates of the Bank of Russia, as well as the cost of borrowing from the parent structures of Russian banks. We have seen that the policy of central banks against the backdrop of global crises is also unconventional.

These factors determine the underlying cost of funds. When banks raise funds from abroad, a country and client risk premium is imposed on it, which can be several times higher. Therefore, ceteris paribus, there is certainly a trend towards lower interest rates versus the February-March period.

Today, the interest rates for funds attracted by banks are largely determined by excess liquidity. And loan interest rates vary quite a lot depending on the different types of borrowers, and the rates consider the individual risks of the borrowers.

What can be expected? I think the answer to this question will largely depend on the forex rate policy. It has been de facto adjusted by the National Bank this year. The National Bank tried to target the basket of currencies until May, after which the US dollar has been actually targeted while it has been weakened against the Russian ruble. This is obviously being done, among other things, to maintain the balance of payments with the main trading partner. Accordingly, when it comes to projecting the nominal rates, one should consider the expectations regarding the exchange rate of the Russian ruble against the US dollar and the exchange rate of the Belarusian ruble against the Russian ruble. However, such reasoning is probably unproductive because the current exchange rate of the Russian ruble is substantiated by strong — let's call them “not very economic” — factors, including significant foreign currency restrictions, oil pricing, etc. Theoretically, considering current levels of exchange rates and global inflation, nominal rates can be practically at any level.

One can expect an intensified use of non-market lending arrangements. Accordingly, it is quite challenging to discuss any average rates in this context. Ceteris paribus, if the National Bank continues expanding its balance sheet, rates will also drop. However, this will not be a manifestation of stabilization, but this will rather indicate a continuously expanding isolation and manual control over the banking system.

The financial health of banks is projected as unfavorable in the future

As for financial performance, we are now in a period of great illusions about profitability in the banking sector. At the moment, profits and operating income of banks have good dynamics even if the last six months are compared with the first half of 2021. The problem is that this growth in income and profits in the banking sector takes place against the backdrop of suppression of the fundamental drivers of bank profitability: falling sales, shrinking trade and settlements, a long-term investment activity reduction in the country, a decreasing number of customers (this can be seen in the statistics on individual entrepreneurs and the number of the working age population), employment, and real incomes of the population.

Today's growth in income and profits of banks is primarily based on short-term bursts of price factors: interest margins, relatively wide exchange rate spreads. And also, for obvious reasons, this is due to the volume of foreign exchange transactions. At the same time, fee and commission income, which is a stable core of banks' profitability, is not growing practically.

Therefore, the return on capital can significantly decrease in a fairly short period of time. Moreover, part of the income will be eaten away by the need to add more reserves to portfolios. I believe we will see a real picture in six months or a year, i.e., when the Q2-2022 financial statements are published in line with international standards in Q2-2023. This picture will likely be unfavorable.

Interest and trading incomes are likely to shrink, as does the overall operating income base. This is a long-term risk for the banking system. In addition, as statistics show, there has been a forced capitalization of state-owned banks. This can be seen as a signal that the issue of systemic stability of the banking sector will also emerge in six months or a year.

Specific factors that will influence the development of the situation in the banking system

Firstly, this is the already mentioned decrease in transparency (in the form of limited statistics and reporting, distortion of available figures by non-standard situations) and the lack of complete information for decision-making by banks.

Secondly, this is sanctions. There is a suspicion that in the foreseeable future the compliance policy will turn the country or the jurisdiction as a whole into the de facto under-sanctions area in the eyes of a number of key external counterparties despite the fact that some Belarusian banks are not under the sanctions. There are signs pointing to a high probability of such a development already. Clients of banks can practically see this: a certain percentage of bank cards issued even by the banks that are not under sanctions are rejected in foreign jurisdictions. The same happens at the level of transactional activity of legal entities.

Thirdly, this is the creativity of banks and non-banking companies in terms of launching new products. One should not underestimate their technological and legal ingenuity when there is effective demand. In other words, new non-standard solutions have been offered and will be offered.

In search of a new equilibrium

I think that banks will be more and more segmented over time; i.e., sanctioned banks will be more willing to work with sanctioned clients, and sanctioned clients will look for tools to support the settlements of the sanctioned banks. And non-sanctioned ones will try to get themselves out of this impact. This is superimposed by the significant trend mentioned above: the substitution of other currencies by the Russian ruble in assets and liabilities.

That is, the situation we have is non-standard as always. It is obvious that we are in transition to a new equilibrium today. In any case, the economy will continue operating under sanctions, and it will need financial support and banking services. What this “new normality” will be like is difficult to predict. But there will definitely be reformatting of the market, redistribution of clients and their flows in the context of the existing sanctions, and technological and financial restrictions of individual banks.

Belarus has little time left to get off the population impoverishment pathway

Poverty drivers in Belarus

Official statistics indicate an economic crisis: in the 1st half of 2022, GDP fell by 4.2%, wholesale trade decreased by 14.6%, investments shrunk by 17.1%, cargo turnover dropped by 21.9%. This will inevitably lead to an income decline in all populations. Although the average real wage fell by a modest 0.3% in the first half of the year.

At that, the average salary indicator does not fully indicate the situation with the incomes of the population. The number of people laid off exceeded the number of people hired by 15-30% in January-May 2022 (depending on the month). This will become one of the poverty growth factors in the future, because the crisis will raise the number of the unemployed.

The second factor in the near future will be the deterioration of the employment structure towards people with lower wages. Outbound relocation of highly qualified specialists due to the ongoing political repression (the most easy-to-relocate are IT specialists) will increase the share of lower-paid jobs in the labor market. This factor has already started making a negative impact on the economy of Belarus: in the first half of 2022, the information technology sector was among the anti-leaders in terms of a drop in real wages (minus 3.8% compared to 2021), as well as in terms of net outflow of personnel (the number of dismissed employees was 4 times higher than number of people hired).

Another negative poverty growth factor in Belarus is a reduced availability of social services. The numbers of educational institutions shrunk in 2016-2020: preschool education institutions (from 3879 to 3799), general secondary education/high schools (from 3155 to 3009), vocational education institutions (from 196 to 176), secondary specialized education institutions (from 230 to 223), higher education institutions/colleges/universities (from 51 to 50), additional education institutions for children and youth (from 298 to 271). The number of hospital organizations decreased from 636 to 600.

The most vulnerable populations are at the highest poverty risk

There are three populations that are at the highest poverty risk: families with children, citizens with disabilities, and the unemployed. The most vulnerable in Belarus are households with two or more children. In 2020, 10.3% of such families had an income below the subsistence minimum budget (less than 250 Belarusian rubles per person per month net). At the same time, the share of families with one child with an income below the subsistence minimum budget (SMB) was 4.5%. The risks of poverty increase with the number of children in a family.

At that, poverty risk in Belarus is exacerbated due to decreasing availability of state support provided to families with children: despite the fact that the total public spending on state benefits paid to families raising children increased from 1.88 billion Belarusian rubles to 2.42 billion Belarusian rubles in 2016-2020, the share of children provided with state benefits in the total number of children aged 0 to 18 years decreased from 30.2% to 24.9%.

Citizens who have lost their jobs in Belarus are also at a significant poverty risk primarily due to the critically small financial support provided by the state to the unemployed. The maximum amount of the unemployment benefit, subject to the engagement of the person in employment promotion activities, is 45% lower than the subsistence minimum budget, and the welfare payments to the unemployed in Belarus vary between 8-22 euros per month. By contrast, unemployment benefits in Poland are 139-210 US dollars per month, in Lithuania they are at least 120 euros, and in Latvia they are 25-65% of the average salary of a citizen over the last 12 months. Poverty risks for the unemployed got higher due to the introduction of the so-called parasite tax. Therefore, a citizen who has lost her/his job and is in a critical situation in terms of her/his family income actually has additional financial obligations. Such an approach directly contradicts global practices and complicates the solution of the poverty problem in the country.

The third group at risk of poverty are people with disabilities. The number of citizens in need of care and assistance due to disability exceeds 500 thousand people in Belarus. However, public spending to support them remains low. In particular, only 32.2 million Belarusian rubles (circa US $13 m) were allocated to provide citizens with technical means of social rehabilitation in 2020 (20.0 million Belarusian rubles in 2016). Financial aid for health improvement decreased from 1.5 million Belarusian rubles in 2016 to 0.9 million Belarusian rubles in 2020. Maintenance costs of the National Rehabilitation Center for Children with Disabilities State Institution amounted to 2.8 million Belarusian rubles in 2020 (1.7 million Belarusian rubles in 2016). The state targeted social assistance expenditures amounted to 112.4 million Belarusian rubles in 2020. At that, only 0.4 million Belarusian rubles were allocated for targeted assistance to families with children with disabilities in 2020.

There are no prospects for reducing poverty in Belarus under the existing model

The Belarusian “welfare state” model has been growing at an average rate of less than 1% per year since 2012. During this period, Belarus' GDP per capita has increased by modest US $350.6, while the corresponding figure in Poland has increased by US $4,743.7, by US $6,794.8 in Latvia, and by US $9,065.7 in Lithuania. Thus, the growth in the well-being of the population in more developed neighboring countries is 10 or more times higher than the indicators of the Belarusian model. There are no prospects for reducing poverty in Belarus under the existing model.

State support provided to the population includes various benefits and targeted social assistance. If we characterize the overall performance of the state financial support provided to the population, then despite the increase in social payments to the population from 12.8 billion Belarusian rubles to 19.4 billion Belarusian rubles in 2016-2020, the indicators of social support generally decreased both in real and relative terms. The share of social payments in the total money income of the population decreased by 0.4 percentage points, the share of social payments in GDP decreased by 0.3 percentage points. As a result, the share of state support provided in various forms (transfers to the population) in the total income of the population decreased from 24.2% to 23.1%. Performance of the social support measures can also be assessed by the fact that about half (49.8%) of all targeted social assistance costs are allowances to buy diapers.

Another indicator of the low performance of the social support provided to the population is the gap between official and actual unemployment rates in Belarus. The gap between the actual number of the unemployed (according to the methodology of the International Labor Organization (ILO)) and the number of the unemployed registered with the public employment authorities of Belarus is explained by the extremely low financial assistance provided by the government to the jobless. In particular, the number of the officially registered unemployed was 7.2 thousand people in 2020 in Belarus, while, according to the ILO methodology, the number of the unemployed was 206.2 thousand people.

What tools would be in demand to support the most vulnerable groups?

The solution to the poverty problem is complex and is not limited solely to the provision of financial support to low-income families or the indexation of wages and various social benefits. The problem of poverty is due to the lack of opportunities for citizens to earn the income necessary for normal development, i.e., the opportunity to get relevant education, to improve skills, and to find employment in the area of residence. Accordingly, a set of measures is required to address the poverty problem, e.g., in the field of regional policy, education modernization, and the development of social infrastructure. A regional policy is needed to facilitate the development of depressed regions, since this type of regions is a "center of gravity" for poverty. This challenge is closely related to the ability of the regions to incentivize the development of entrepreneurship, to ensure the development of the necessary infrastructure for industrial facilities, to create favorable conditions for attracting qualified personnel to the region, to maintain a high level of social infrastructure (healthcare and educational institutions, support centers for people with disabilities), personnel training centers.

If we talk about specific priority measures, then in the context of a likely increase in unemployment, it is necessary to raise the unemployment allowance by two times at least. In addition, if an unemployed person has children (which is the second poverty risk factor that affects households with the unemployed), such families need to be provided with additional support. Accordingly, an additional allowance for minor children of the unemployed should be introduced.

In addition, in the context of declining incomes of the population, it is necessary to increase financial assistance for families with children, since this group of households is at the highest risk of poverty and trapping into the so-called poverty circle. The amount of the childcare allowance should increase as the number of children in the family grows, which will mitigate poverty risks in this group of households.

Along with increasing the financial assistance provided to families with children in general, it is necessary to adjust the criterion of need and, accordingly, to lower thresholds to access targeted financial assistance for families raising children with disabilities, as well as to increase the amount of relevant assistance considering the fact that this type of households is affected by the two most significant risk poverty factors. In the long run, a policy is needed to promote the formation of human capital for children growing up in poor families ("preschool social programs"); the purpose of the policy should be improving the quality of nutrition for children, improving health services, and providing free preschool educational services to these children. This will ensure targeted impacts on the availability and affordability of critical social services to the poorest households.

A short-term forecast

In the near future, the financial standing of Belarusians will be affected by the key income reducing factors. The government will continue to grow the money supply to cover the budget deficit and to provide financial support to state-owned enterprises against the backdrop of declining sales in the domestic and foreign markets. This will heat up inflation despite the repressive measures against retail chains. As a result, prices will continue to rise faster than nominal wages.

Deepening of the sanction pressure on Belarus and Russia will undermine the exports of Belarusian enterprises. The plans of the Belarusian government to increase exports to Russia or China will not come true, as Russian companies will need to look for markets for their products, and they will force Belarusian competitors out of their market. Due to decreasing demand, domestic enterprises will continue to lay off their workers or reduce their working hours or wages. Thus, explicit and hidden unemployment will continue growing.

The persistence of the political crisis, along with the growth of the economic crisis, will increase the number of political and economic emigrants from among the most skilled workers. This, in turn, will lead to a reduction in the general level of incomes of the population and effective demand, which means it will create prerequisites for a further increase in unemployment.

There can be only one way out of this situation: to end political repressions, to stop the Belarusian regime's support to Russia's military aggression against Ukraine, and to start a dialogue within the Belarusian society. Otherwise, the impoverishment of Belarusians will continue, and we will see poverty scaling up next year. Belarus has little time left to get off the population impoverishment pathway.

Markets will "remember" the Belarusian Eurobond default for a long time

The default affects investments not like the political crisis and the war

International rating agencies are talking about the default of Belarus on Eurobonds. The Ministry of Finance disagrees with this and states that it has not refused to repay its debts, but has not been able do it in the right currency due to sanctions. Nevertheless, in the eyes of the Eurobond holders, there certainly has been a de-fault, since they had expected repayments in US dol-lars. For other current and potential foreign investors of Belarus, it is not so important whether there has been a formal default or not. This is primarily because most of the negative consequences for foreign investment have already happened due to the political crisis in Bel-arus in 2020 and the consequences of which are still being felt, as well as due to Russia's military actions in Ukraine. Given this context, repayment for Eurobonds in Belarusian rubles instead of US dollars is unlikely to greatly influence their decisions, especially since so far it is formally linked not to the creditworthiness of the Belarusian state, but to the sanctions. Time will tell whether this will change.

In the meantime, one can look into history and recall how foreign investors behaved when some countries defaulted. The closest example to Belarus is the default of Russia in 1998. There has been no significant out-flow of direct investment since its announcement. Prac-tice shows that it is rather difficult to quit the market overnight, and investors, who do not work directly with the state, often continue doing their business in the country, especially if the market itself is attractive. First of all, this concerns foreign direct investments, and not portfolio investments.

As for Belarus, it is quite difficult to withdraw foreign investments: the government deliberately complicates this option. However, given the events mentioned above, whoever had the will and the ability has brought investments out over the last few years.

Long-term consequences of the default will be expressed in high lending rates

The default, of course, has a negative impact on the economy in general and on the foreign investment po-tential in particular. However, the negative effect will be relatively small and rather related to the news agenda.

One of the obvious long-term consequences is the per-sistence of high credit risks for Belarusian companies and the state for many years to come. This means that the Belarusian state and the private sector will pay a few percentage points more. However, it should be re-iterated that in the current situation the very fact of de-fault is only one of many factors and far from being the most important one.

Moreover, one cannot speak of a complete loss of foreign investors. There will always be some investments, even from "unfriendly" countries. At the same time, it can be expected that there will be very little new money from there. And the remaining investors will demand a very large risk premium, and they will be ready to buy Belarusian assets only at very low prices.

Obviously, default, even in the form in which it concerns Belarus, is closely related to reputation. Theoretically, one can re-enter the market in just a couple of years after a default: it all depends on the financial standing of the state. In case of Belarus, this is the implementation of a scenario in which sanctions will be lifted, reforms will be carried out, and there will be a stable standing of public finances. Although, anyway, the markets will "remember" the default for a long time: and it will be more expensive than if there was no default. On the other hand, it is hard to say how big the effect of the "memory of default" will be versus the "memory of sanctions, political crises and other events in the country's history."

Investors will try getting at least some of their money back

In cases of default, countries usually negotiate restructuring with their creditors (i.e. lowering interest payments, extending liabilities, reducing the principal debt). This often happens through the mediation of the International Monetary Fund (IMF). This process can take years. Moreover, in case of Belarus, the "default" is still quite unusual: it has been caused precisely by the sanctions, and not by the lack of funds; so, I don't think that the issue can be quickly resolved. Perhaps there will be a special exemption from the sanctions so that investors can get their money back, perhaps something else, or perhaps, they will get nothing.

Lenders have no mechanism to force Belarus to pay: they committed to the country risk and bought unsecured bonds at a fairly high interest rate. And it was this risk that came true, although not quite the way it usually happens when countries, for example, run out of their gold and foreign exchange reserves. It will hardly be possible to find any significant assets of Belarus in "unfriendly" countries and to force selling these assets. And inside the country, assets are most likely protected from forced sale.

I think that no one will wait for better times to get their funds back. Nobody knows when this time comes. Time is running out, and investors are losing the opportunity to invest their money in alternative options. So, creditors will try to somehow get at least some of their money back. For this to happen, Belarus, investors, the IMF, the governments of "unfriendly" countries shall agree on some arrangement for resolving the issue. Since there are multiple stakeholders, this is unlikely to be a quick process.