

Anatoly Kharitonchik, BEROCC
June 2025

Private and Public Sectors in the Belarusian Economy: Where Has the Pendulum Swung After 2019?

The private sector in Belarus experienced dynamic growth in the 2010s and, by the start of the current decade, matched the public sector in its contribution to GDP. However, since 2020, the institutional environment for entrepreneurship has significantly deteriorated. Combined with a reduction in the volume of publicly available official statistics, this has raised concerns about a significant decline in the private sector's contribution to the Belarusian economy. This policy brief aims to systematize and analyze the dynamics of key development indicators of the private and public sectors in Belarus after 2019. It shows that private businesses have continued to play a crucial role in the Belarusian economy, generating about half of the gross value added in 2021–2024. However, the trend of increasing the share of private businesses in the economy, observed prior to 2020, came to a halt in 2021–2024. The share of state-owned enterprises also remained excessively high, despite being less efficient than private firms. If the status quo persists, sustainable long-term economic growth in Belarus is unlikely.



The Private and Public Sectors Before 2020

After a period of high growth in the 2000s, the Belarusian economy entered a prolonged stagnation period. The annual GDP growth slowed from 7.1 percent in 2000–2011 to 0.7 percent in 2012–2021 and 1.1 percent in 2022–2024. The oversized state-owned enterprise (SOE) sector, extensively supported by the state via credit and other measures until 2015, is responsible for both the rapid growth in the 2000s and the subsequent stagnation (Hartwell et al., 2022).

The low efficiency of the public sector in the 2010s was partially offset by the expansion of more productive private firms. While this was not sufficient for Belarus to achieve high economic growth or close the wealth gap with Central and Eastern European countries, it did help maintain an upper-middle income per capita status – according to the World Bank classification, which Belarus has had since the mid-2000s.

The private sector developed dynamically in the 2010s, largely due to liberalized business conditions (Mironchik & Shcherba, 2022; BEROC, 2023). Labor resources flowed from SOEs to private firms (Chubrik, 2021).

By 2020, the private sector's contribution to GDP approached 50 percent (Mironchik & Shcherba, 2022), and according to some estimates, exceeded that level — increasing by more than 10 percentage points since 2012 (Daneyko et al., 2022).

In 2020, the Belarusian economy however entered a period of turbulence. The Covid-19 pandemic, socio-political tensions and the government's reactionary policies, a significant increase in sanctions pressure, and the forced restructuring of production chains significantly altered the business environment (Marozau, 2023). Support for SOEs from the government increased once

again (Kalechits, 2024), while the regulatory environment deteriorated.

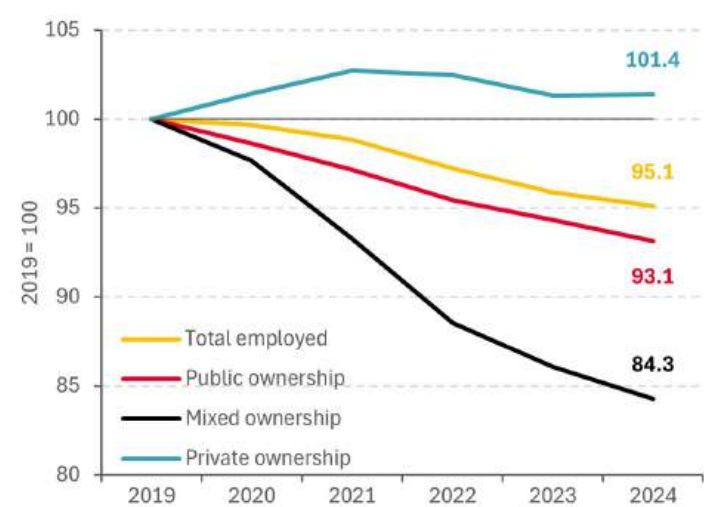
These changes, combined with a reduction in the volume of available statistics, have raised concerns about a decline in the private sector's contribution to the economy after 2019. There are no known studies that have examined economic indicators of public and private sectors since 2020. This policy brief aims to close this gap.

Economic Indicators of the Private and Public Sectors in 2020–2024

Employment. The trend of gradual worker loss in SOEs persisted after 2019, while employment in the private sector expanded, even amidst an overall decline in the workforce.

The number of people employed declined by nearly 5 percent between 2020 and 2024 due to unfavorable demographic trends and intensified emigration. Employment dynamics varied significantly depending on the form of company ownership. The number of workers in SOEs and firms with state participation continued to decrease, whereas in the private sector, employment grew by just over 1 percent (see Figure 1).

Figure 1. Dynamics of employment in Belarus



Source: Author's calculations based on Belstat data.

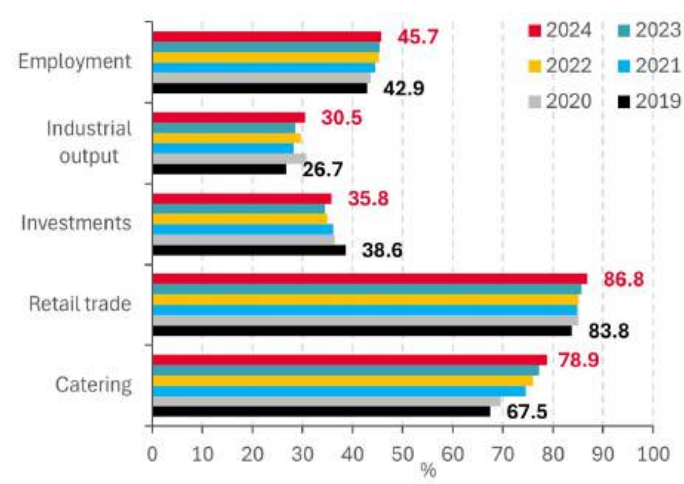


The share of the private sector in total employment increased from 42.9 percent in 2019 to 45.7 percent in 2024, while the share of the public sector declined from 57.1 percent to 54.3 percent (see Figure 2).

Industrial output and exports. *The role of the private sector in manufacturing and exports of goods has remained nearly unchanged since 2019. However, the pre-2019 trend of its increasing role in the economy has stalled.*

In 2024, private commercial organizations accounted for 30.5 percent of industrial production, an increase by 3.8 percentage points since 2019 (see Figure 2). Assessing the impact of individual industries on these changes is challenging, as Belarus Statistical Agency **Belstat** stopped publishing data on production in industrial sectors in 2022. The decline in the share of SOEs in production is, at least in part, linked to oil refining, whose output has not returned to 2019 levels due to the impact of sanctions.

Figure 2. Private Sector Share in Selected Economic Indicators of Belarus



Source: Author's calculations based on **Belstat** data.

Note: Hereafter, mixed ownership enterprises (with any share of state participation) are considered part of state-owned enterprises (or the public sector).

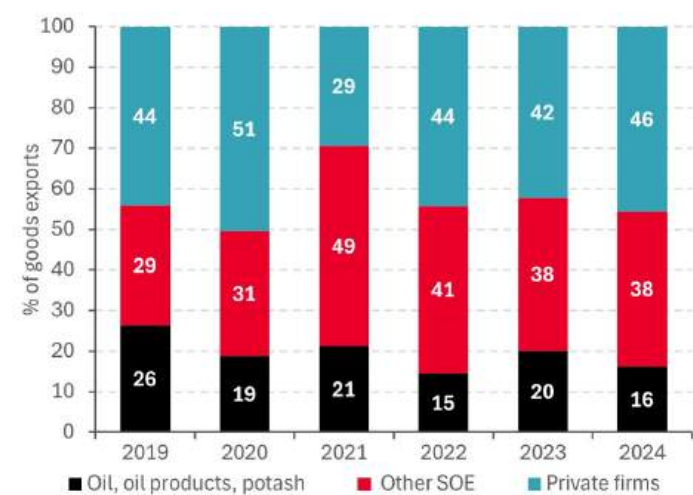
The Belarusian industry is export-oriented, with around 70 percent of manufactured goods supplied to foreign markets. Detailed foreign trade data has also been restricted since 2022, but the volume of oil products and potash fertilizer

exports can be estimated using mirror statistics, media leaks, and statements from Belarusian officials. According to this, the volume of export of oil products and potash fertilizers has significantly declined since 2019, and their share in total goods exports has decreased from 26 percent in 2019 to 15–20 percent in 2022–2024 (see Figure 3).

Other exports from SOEs have grown significantly since 2019, increasing their share of total goods exports by nearly 9 percentage points (see Figure 3). This has been driven by enhanced industrial cooperation between Belarus and Russia following the tightened sanctions in early 2022. It led to increased shipments of machinery and equipment to Russia, with the defense sector likely accounting for a significant portion.

Private firms also took advantage of vacant niches in the Russian market, increasing their exports after 2019. However, private sector exports grew at a slower pace than SOEs. With the decline in oil products and potash exports, the share of the private sector in total exports remained close to the 2019 level in 2022–2024 (see Figure 3).

Figure 3. Structure of goods exports



Source: Author's calculations based on data from **Belstat**, National Bank of Belarus, World Bank, UN Comtrade and various news outlets.



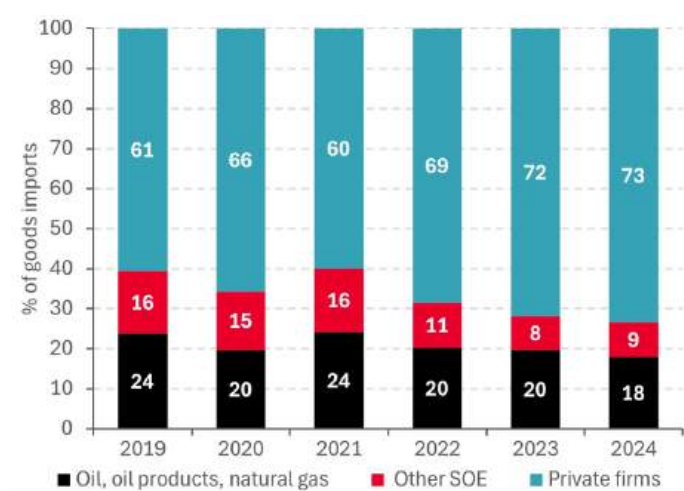
Imports. The private sector has played a crucial role in rebuilding Belarus's goods supply chains after sanctions were tightened in early 2022.

According to statistics from **Belstat**, the share of SOEs in goods imports decreased by 9.8 percentage points – from 28.2 percent in 2019 to 18.4 percent in 2024. However, it is reasonable to isolate the imports of oil and petroleum and gas products as the way Belstat classifies ownership may bias these figures. For example, natural gas from Russia is imported by Gazprom Transgaz Belarus – a 100 percent subsidiary of Russian state-owned Gazprom – yet classified in the data as private sector imports.

Adjusting for this, the private sector's share of non-energy goods imports rose by almost 13 percentage points since 2019, reaching 73 percent in 2024 (see Figure 4). This signifies the private sector's ability to adapt to the new economic reality, not only recovering but even growing its imports against the backdrop of the supply chain and financial disruptions of 2022–24.

Without the high adaptability of private businesses under drastically changing conditions, the economic downturn in Belarus in 2022 would have been much deeper, and the recovery in 2023 and growth in 2024 significantly slower.

Figure 4. Structure of goods imports



Source: Author's calculations based on data from **Belstat**, National Bank of Belarus, World Bank, UN Comtrade, and various news outlets.

Investment and trade. The importance of state-owned enterprises in investments has increased slightly since 2019 but declined in sectors related to meeting consumer demand.

In 2019, 61.4 percent of all investments were generated by SOEs. During 2022–2024, this share fluctuated between 63.6–65.5 percent, while the private sector accounted for nearly 34.5–35.8 percent (see Figure 2). The slight increase in the role of SOEs in investment is linked to government efforts to intensify investment activity. This includes directives and recommendations for enterprises to initiate a new investment cycle.

In retail trade and catering, the private sector strengthened its position after 2019. Its share increased by 3 and 11.4 percentage points, respectively, reaching 86.8 percent and 78.9 percent in 2024 (see Figure 2).

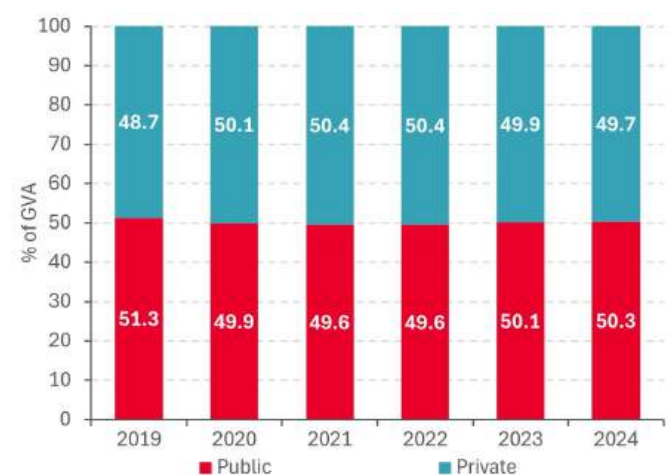
Assessing the Contribution of the Private and Public Sectors to Gross Value Added There is no available data on the contribution of the public and private sectors to the gross value added (GVA) or GDP in Belarus. To estimate this contribution, an approach proposed by Daneyko et al. (2022) has been applied. This method assumes that labor productivity in the public and private sectors corresponds to overall productivity in the same proportion as wages in these sectors relate to the average wages in the economy.

According to these estimates, the private sector accounted for nearly 50 percent of Belarus's GVA in 2019, while the public sector contributed slightly over 50 percent (see Figure 5). Between 2020 and 2024, the sectoral shares in GVA fluctuated around 50 percent.

Thus, despite the deterioration of the institutional environment for business after 2020, the significance of the private sector in Belarus's economy has at least not declined. However, while the private sector's importance in the economy increased before 2020, this trend did not continue between 2021 and 2024.



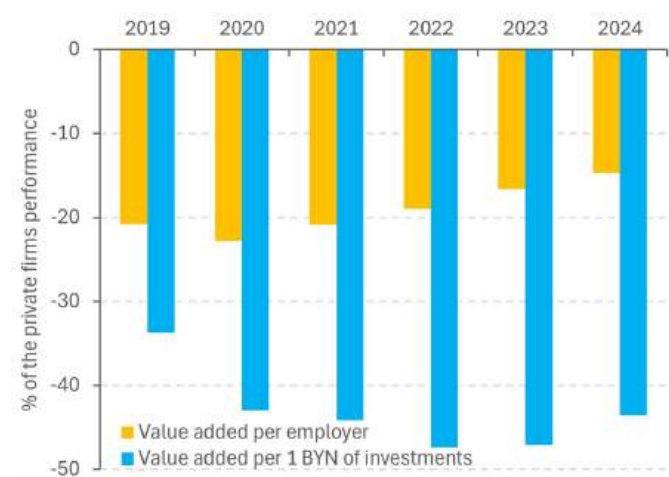
Figure 5. Contribution of private and public sectors to Belarus's gross value added



Source: Author's calculations based on Belstat data.

The public sector continued to generate less value added per employee than private businesses between 2020 and 2024. However, the gap narrowed from over 20 percent in 2019 to nearly 15 percent in 2024 (see Figure 6).

Figure 6. Efficiency of the public sector relative to the private sector



Source: Author's calculations based on Belstat data.

Labor productivity growth in the public sector exceeded that of the private sector. However, given the influence of temporary production growth factors (vacated market niches in 2022–2023 and increased demand from Russia), this development is unlikely to be sustainable in the long term. Indirect evidence for this is the lack of a corresponding improvement in the relative

efficiency of public sector investments. Between 2020 and 2024, each ruble invested by SOEs in fixed capital generated nearly 45 percent less value added than in the private sector — and this gap has widened since 2019.

Conclusion

The private sector in Belarus continued to generate around half of the country's GVA after 2019 and remained the most productive part of the economy. Its significance did not diminish, even amid a deteriorating institutional environment and tightened sanctions against Belarus. Private businesses played a decisive role in restructuring supply chains during 2022–2024, following the disruptions in early 2022.

At the same time, the trend of increasing private sector participation in the economy, observed before 2020, has stalled, while the size of the public sector has remained substantial — particularly in industrial production. In turn, the efficiency of SOEs still lags significantly behind that of private firms, especially in terms of investment. If the current balance between the private and public sectors persists, and the conditions that underpin it remain unchanged, Belarus's long-term economic growth prospects will remain weak once the specific growth factors of 2023–2024 are exhausted.

References

- BEROC (2023). "Development of the private sector. Instead of reforms and for the economic sovereignty of Belarus". (*Ideas Bank*). https://ideasbank-assets.s3.eu-central-1.amazonaws.com/Private_Sector_Development_Belarus.pdf (in Russian)
- Daneyko, P., KEF experts (2022). "Reforming the SOE sector in Belarus: conceptual directions". (*Ideas Bank*). https://ideasbank-assets.s3.eu-central-1.amazonaws.com/Public_Sector_Reforms.pdf (in Russian)
- Chubrik, A. (2021). "Back to the future or a short historical note on the Belarusian private sector". (2021/03, *IPM Research Center Discussion paper*). <https://www.research.by/webroot/delivery/files/english/pdp/dp2021r03.pdf>



Hartwell, C.A., Bornukova, K., Kruk, D., Zoller-Rydzek, B. (2022). "The economic reconstruction of Belarus: next steps after a democratic transition". (*European Parliament coordinator: Policy Department for External Relations. Directorate for External Policies of the Union*). [https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU\(2022\)653663](https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU(2022)653663)

Kalechits, D. (2024). "Ensuring financial stability in 2023 and tasks for 2024". (*Bank Bulletin Journal, No 1/726*).

Marozau, R. (2023). "Belarusian business in turbulent times". (*FREE Network Policy Brief Series*). <https://freepolicybriefs.org/2023/10/23/belarusian-business-challenges/>

Mironchik, N. & Shcherba, E. (2022). "What indicators may be useful for monitoring economic security of the Republic of Belarus?" (*Bank Bulletin Journal, No 6/707*)





Anatoly Kharitonchik

BEROC

kharitonchik@beroc.org

<https://www.beroc.org/en/>

Anatoly Kharitonchik is a Research Associate at the Belarusian Economic Research and Outreach Center (BEROC). Before joining BEROc in 2022, Anatoly worked at the National Bank of the Republic of Belarus and at the Eurasian Development Bank, where he was involved in macroeconomic analysis, forecasting, modeling, and policy decision support.

Anatoly Kharitonchik obtained his Ph.D. in banking and finance from Belarus State Economic University in 2022. His research interests are focused on the fields of macroeconomics and monetary policy.

freepolicybriefs.com

The Forum for Research on Eastern Europe and Emerging Economies is a network of academic experts on economic issues in Eastern Europe and the former Soviet Union at BEROc (Minsk), BICEPS (Riga), CEFIR (Moscow), CenEA (Szczecin), ISET-PI (Tbilisi), KSE (Kyiv) and SITE (Stockholm). The weekly FREE Network Policy Brief Series provides research-based analyses of economic policy issues relevant to Eastern Europe and emerging markets. Opinions expressed in policy briefs and other publications are those of the authors; they do not necessarily reflect those of the FREE Network and its research institutes.

