

MACROECONOMIC SUSTAINABILITY OF THE EAEU MEMBER STATES DURING THE PANDEMIC

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Annotation. The article is devoted to the analysis of the implementation of the macroeconomic sustainability indicators by the EAEU member states in 2015-2020, as well as assessing the economic implications of the pandemic in 2020 on the further functioning of the EAEU.

Keywords: Eurasian Economic Union, macroeconomic sustainability, pandemic.

The Eurasian Economic Union (the EAEU) is completing its five-year period of activity this year. This was a difficult period, while the member states of the Union acted harmoniously, enhancing integration cooperation, strengthening their own position in the world arena.

The EAEU has carried out productive work on the formation of Single economic space, providing four freedoms principle: free movement of Goods, Capital, Labor, freedom to establish and provide Services, as well as the gradual implementation of projects to create common markets for pharmaceutical and medical products, the electricity market, and, ultimately, the financial market by 2025. However, 2020 has shown how important cohesion of the participating states and coordination of their actions to solve problems that have arisen due to the difficult epidemiological situation, when the allied states, like the rest of the world, faced with coronavirus disease and its economic consequences.

The analysis of the macroeconomic sustainability of the EAEU member states is carried out by assessing their compliance with the standards specified in the EAEU Treaty. Thus, the following targets that define the economic sustainability of the Union are prescribed in Article 63 of the EAEU Treaty:

- 1) The annual deficit of the consolidated budget of a state-controlled sector should not exceed 3 % of the GDP;
- 2) Debt of a state-controlled sector should not exceed 50 % of the GDP;

3) Inflation rate per annum (December to December of the previous year, in percent) shall exceed the inflation rate in the member state with the lowest value by not more than 5 % [4].

During the period from 2015-2019, Armenia fully complied with the normative requirement for the inflation rate. Exceeding the target for the level of the deficit of the consolidated budget of a state-controlled sector was observed in 2015-2017 against the background of one-time budget expenditures. Debt of a state-controlled sector exceeded the established standard in 2016-2018 due to the growth of currency lending (table 1).

Table 1. – Indicators of macroeconomic sustainability of the EAEU member states in 2015-2019

Indicators Years	Annual deficit of the consolidated budget of a state-controlled sector, % of GDP	Debt of a state-controlled sector, % of GDP	Inflation rate per annum (December to December of the previous year), %
Armenia			
2015	-4,8	43,7	99,9
2016	-5,5	51,6	98,9
2017	-4,8	53,4	102,6
2018	-1,6	51,2	101,8
2019	-0,8	49,9	100,7
Belarus			
2015	2,2	32,6	112,0
2016	1,7	41,5	110,6
2017	2,9	42,1	104,6
2018	4,1	37,6	105,6
2019	2,5	35,6	104,7
Kazakhstan			
2015	-2,2	17,5	113,6
2016	-2,6	19,2	108,5
2017	-5,2	19,3	107,1
2018	1,4	18,3	105,3
2019	-0,7	18,8	105,4
Kyrgyzstan			
2015	-1,4	57,1	103,4
2016	-4,4	58,9	99,5
2017	-2,9	59,7	103,7
2018	-0,2	55,3	100,5
2019	0,5	54,8	103,1
Russia			
2015	-2,5	11,4	112,9
2016	-3,0	11,9	105,4
2017	-0,6	12,0	102,5
2018	3,5	11,1	104,3
2019	2,5	12,2	103,0

Source: compiled by the author according to the Eurasian Economic Commission data [1].

Belarus successfully performed the indicators of economic sustainability (the level of the deficit of the consolidated budget and the debt of a state-controlled sector) during the period, except for the consumer price index, which was exceeded in 2015, 2016 and 2018.

Kazakhstan also fulfilled specified targets for the first two indicators, with the exception of exceeding the level of the budget deficit by 2,2 % in 2017. The inflation rate exceeded the normative indicator in 2015-2016, having stabilized in the following years.

Kyrgyzstan, like Armenia, successfully provided inflation targets during the period under review. At the same time, the budget deficit exceeded the standard by 1,4 % in 2016 [3, p. 20]. The established standard of maximum debt of a state-controlled sector didn't constantly carry out due to the weakening of the national currency, a positive average real interest rate debt of a state-controlled sector, and the acquisition of financial assets in 2015-2019. It should be noted that the Government is working to reduce the debt burden on the economy in order to optimize budget spending.

Russia, like Belarus, has successfully followed the established indicators of economic sustainability (the level of the deficit of the consolidated budget and the debt of a state-controlled sector) during this period. Failure to comply with the inflation targets, which observed in the first two years of the Union's functioning, stabilized in subsequent years, similar to Kazakhstan.

In 2020, the whole world is faced with a new challenge, a difficult epidemiological situation caused by coronavirus infection. Against the background of a pandemic coronavirus infection a failure has occurred in many areas of public life. Volatility in financial and commodity markets has increased. There have been supply disruptions in the global market, consumer and investment activity has decreased significantly, personal and business income has decreased, and unemployment has increased [2, p. 63].

The current epidemiological situation has greatly affected the world economy, including touching on the Eurasian economic space. Based on the analysis of the aforementioned indicators for assessing the economic sustainability of the EAEU member states, it should be noted their negative dynamics in the first half of 2020.

Thus, in the first half of this year, the EAEU member states worsened the implementation of the size of the deficit of the consolidated budget of a state-controlled sector. Its standard value was exceeded in Belarus (3, 3 %), Kazakhstan (6,8 %), Kyrgyzstan (5 %), while in the same period of the previous year the situation was much better: a surplus was observed in all countries (table 2).

As of June 2020, negative dynamics is observed in the implementation of the established amount of the debt of a state-controlled sector. Armenia and Kyrgyzstan, which had difficulties with the implementation of this indicator in previous years, in June exceeded the norm by 4,5 and 8,6 percent respectively.

By the results of September 2020 it should be noted the acceleration of the annual growth rate of inflation in all countries of the Union, except for Kyrgyzstan, where there is a slight slowdown. Also, the rate of inflation growth in Armenia slowed down in September as compared to June this year. In general, inflation accelerated in September relative to March 2020 in Armenia (by 1,5 %), Belarus (by 1,2 %), Kazakhstan (by 0,6 %), Russia (by 1,2 %), as a result of growth food inflation. Kazakhstan doesn't comply with the inflation target level in the current year.

Table 2. – Indicators of macroeconomic sustainability of the EAEU member states in 2019-2020

States Years	Armenia	Belarus	Kazakhstan	Kyrgyzstan	Russia
Deficit / surplus of the consolidated budget of a state-controlled sector, % of GDP					
6 months 2019	4,9	4,2	0,8	0,3	5,4
6 months 2020	-1,5	-3,3	-6,8	-5,0	-1,3
Debt of a state-controlled sector, % of GDP					
June 2019	49,2	37,0	18,8	54,0	11,8
June 2020	54,5	36,7	21,3	58,6	13,2
Inflation rate (to the corresponding month of the previous year), %					
March 2019	101,9	105,8	104,8	99,3	105,3
June 2019	102,5	105,7	105,4	100,9	104,7
September 2019	100,5	105,3	105,3	102,3	104,0
March 2020	99,9	104,9	106,4	105,9	102,5
June 2020	101,7	105,2	107,0	105,8	103,2
September 2020	101,4	106,1	107,0	105,4	103,7

Source: compiled by the author according to the Eurasian Economic Commission data [1].

In conclusion, it should be noted that a recession began in the global economy against the background of an unstable state due to geopolitical tensions and trade wars, which was facilitated by the widespread spread of coronavirus infection. In this difficult period, the EAEU member states need to strengthen integration processes, ensure financial stability, and increase mutual trade and economic interaction in order to overcome the period of turbulence with the least losses.

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