

## Abstract

In this thesis we provide evidence about the relative importance of foreign (Russian) and domestic monetary policy shocks for Belarusian economy. We employ a ten variable structural VAR model with block exogeneity and a set of dummy variables introduced to deal with instability of the data that corresponds to the periods of crises (2008 and 2011). We find that Belarus is significantly influenced by foreign shocks that account for 20 to 60 percent of fluctuations in domestic variables in the long run. The foreign demand and oil prices for Belarus are the main determinants of the domestic output and net export, while the foreign interest rate strongly affects Belarusian interest rate, money demand and the share of loans in GDP. Regarding the domestic monetary shocks, we find that the exchange rate is the most important channel in the Belarusian monetary transmission mechanism. We conclude that deeper trade integration with Russia could be beneficial for Belarusian economy, while in case of the monetary union creation the conduct of an independent monetary policy in Belarus could be further complicated.