

Interest rate to reflect real worth of borrowed funds

Recent amendments to the Banking Code prevent banks from taking payments from borrowers for loan use, as from January 2013. How will this affect the cost of borrowing?

Sly payments

Of course, we cannot accuse the banks of cheating customers. Rather, they have used masterful marketing to add commission fees to loans. For example, a declared rate of 30 percent per annum may bring an additional fee of almost three percent per month, which adds on an extra 36 percent per annum (plus 3 percent of the initial amount). All together, customers may be paying around 70 percent per annum. Some banks are closer to 100 percent or, even, 140 percent.

Real assessment

Now, the declared interest rate must reflect the full cost of borrowing, notes the Deputy Chairman of the National Bank, Sergey Dubkov. Experts predict that rates will rise visually but will actually stay the same, simply revealing the full cost to customers. The most expensive

loans are those requiring no guarantor or proof of earnings, with such products generally costing 100 percent per annum. Without question, borrowers need to appreciate the full cost of a loan before committing themselves.

"Initially, there may be a psychological barrier," admits financial analyst Yevgeny Mandrusov. "Few people seriously consider the interest rate. Loans are an instrument of financing purchases and for funding business ventures, so their popularity will eventually be restored, as incomes rise and the economy grows. Naturally, people should always read terms carefully, deciding whether they can afford repayments rather than simply being lured by the promise of instant money."

Matter of psychology

Banks need to change their approach to advertising, to ensure

complete honesty, stresses banking expert Yekaterina Smirnova. "We should draw attention not just to the full interest rate, but to monthly payments. To improve the financial literacy of the population, a programme has been drafted for 2013-2018, developed jointly by the Government and the National Bank."

The Deputy Chairman of the National Bank, Nikolay Luzgin, notes that no change to the refinancing rate is planned in the near future but that, by the end of the year, it should be reduced to 15 percent. The exchange rate of the Belarusian Rouble is guided by market principles and received nominal devaluation last year. "In reality, the exchange rate of the Belarusian Rouble rose by 14.9 percent," explains Mr. Luzgin. "This year, inflation is forecast to stand at around 10-12 percent, with gradual devaluation neutralised by GDP growth and rising real incomes."

Mogotex textiles fashion to attract Americans' attention

Mogilev's Mogotex fabrics help set spring-summer 2014 trends at New York exhibition

By Vladimir Mikhailovsky

Two decorative fabric samples made by Mogotex have drawn attention at the International *Texworld USA 2013* trade fair. According to the Director General of the enterprise, Victor Matievich, this was his company's second trip to the prestigious exhibition, presenting products to American consumers and meeting the leadership of the American Apparel and Footwear Association, alongside those from member enterprises. Conversation covered the requirements of American companies, alongside prospects for co-operation between enterprises from our two countries.

"The main outcome of our negotiations is a joint strategy to promote Belarusian textiles and ready products to the American market. It will take about 18-24 months to come to full fruition but, if we can sell our products there, it will guarantee export revenue and market diversity, bringing new prospects for development and increasing production volumes," Mr. Matievich emphasises.

Mogotex intends to become a member of the American Apparel and Footwear Association, allowing it to sell to major textile enterprises. "In the near future, we'll



Mogotex Director General Victor Matievich at production site

prepare our application, detailing a well-prepared logistical chain covering customs clearance and delivery. We'll need recommendations from foreign partners, to show our financial security and reliability in making high-quality deliveries on time," explains the Director General.

The New York trade fair saw American consumers most interested in Mogotex textiles suitable for police uniforms. Mr. Matievich notes that, thanks to large-scale modernisation, his enterprise can produce high quality, competitively priced fabrics. Last year, Mogotex exported

to 18 countries, including Russia, Ukraine, Kazakhstan, Germany, Poland, Denmark, Finland and Serbia. In total, 67 percent of its output was exported. "For the first time, in 2012, Mogotex surpassed \$70m of exports, with foreign trade surplus standing at \$45m. In the pre-crisis year of 2008, we managed to export \$46m of goods. Our huge improvement is down to the technical re-equipment of our main production line. Investment — from state and company funds — is having a significant economic impact," asserts the Director General of Mogotex.



Attitude to marketing techniques to become more severe

Hybrid and compact cars to follow sedans

By Kirill Lukianov

First passenger cars from joint Belarusian-Chinese assembly line to go on sale in February

BelAZ JSC, which owns 50 percent of shares in the joint venture, has partnered BelGee enterprise and Chinese Geely (32.2 percent of shares).

"Building and assembly works are now complete at Borisov's Autogidrousilitel Plant," notes Belarus' Industry Minister, Dmitry Katerinich.

The preliminary stage will see screwdriver manufacture of 10,000 sedan-type mid-class cars, priced at \$12,990. The project has two stages, with construction of a plant at Minsk FEZ, near Peresady village, between Borisov and Zhodino, by September 2013. By late 2015, capacity should reach 60,000 cars annually. During the second stage, in 2016-2017, capacity should rise to 120,000 annually, including press-work, painting, robotic welding and assembly. The project is costing around \$245m.

The Industry Ministry is confident that passenger cars assembled in Belarus will be competitive not only on the domestic market but across

Customs Union states. The Industry Minister notes that the decision adopted by Russia last year — to introduce utilisation tax — has significantly raised the cost of new and second-hand cars in Customs Union states.

"The advantage of our project is that we don't pay the utilisation tax. Moreover, we're exempt from paying customs duties for components used in car production," stresses Mr. Katerinich.

Sale of the first Chinese passenger cars assembled in Belarus is being performed through an Industry Ministry enterprise located in Minsk; several pre-orders have been received.

Mr. Katerinich explains the Industry Ministry's co-operation with Chinese Geely Company, saying, "This young and dynamic company has acquired a package of shares in Volvo. Undoubtedly, they'll use best practise in our automobile assembly." Tests have already been conducted on the sedan class and trials are now to begin with compact and hybrid low fuel consumption cars.



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