

Financial boost for economic pickup

Russian credit to be used to significantly stabilise foreign exchange market of the country, which should not lead to any large problems with its repayment

By Andrey Fiodorov

Mikhail Kovalev, Professor, Doctor of Physical and Mathematical Sciences and Dean of Faculty of Economics of the Belarusian State University, advanced this opinion during *Economic Produces of 2013 and Estimates for 2014* Internet video-briefing.

As it is known, on December, 25,

in a panel session of the Supreme State Council of the Union State, presidents of Russia and Belarus agreed on the credit level of \$2bn dollars for 2014. On the following day the Government of Russia endorsed an agreement about giving to Belarus \$450m of state credit at 4 percent per annum for 10 years.

“As to the repayment of their obligations, Belarus has never had any

problems with it,” noted Mr. Kovalev. He remembered that during the whole of last year Belarus properly met obligations towards the World Bank and other creditors.

The Dean of the Belarusian State University didn't think that this Russian credit is the most important economic event. “It is, let's say, a not bad finishing touch to the year. This

credit will allow us to stabilise foreign exchange markets, to boost gold and foreign currency reserves which decreased during last year. And not at cost of debt repayment, it is in virtue of specificity of their formation,” noted Mr. Kovalev.

As the Dean of the BSU explained, about a third of Belarusian reserves are made up of gold, and gold went down

in value. “So the credit will piece out this difference and stabilise foreign exchange markets. This will allow us to lower the refinancing rate, money for economy will be cheaper, and it will develop faster. So, on the whole, it will give impulse to the development of our economy and of the Single Economic Space,” Mikhail Kovalev explains, sure in his opinion.

Contribution to financial stability

The average annual rate of refinancing in July could reach 14-16 percent a year

By Svetlana Sokolova

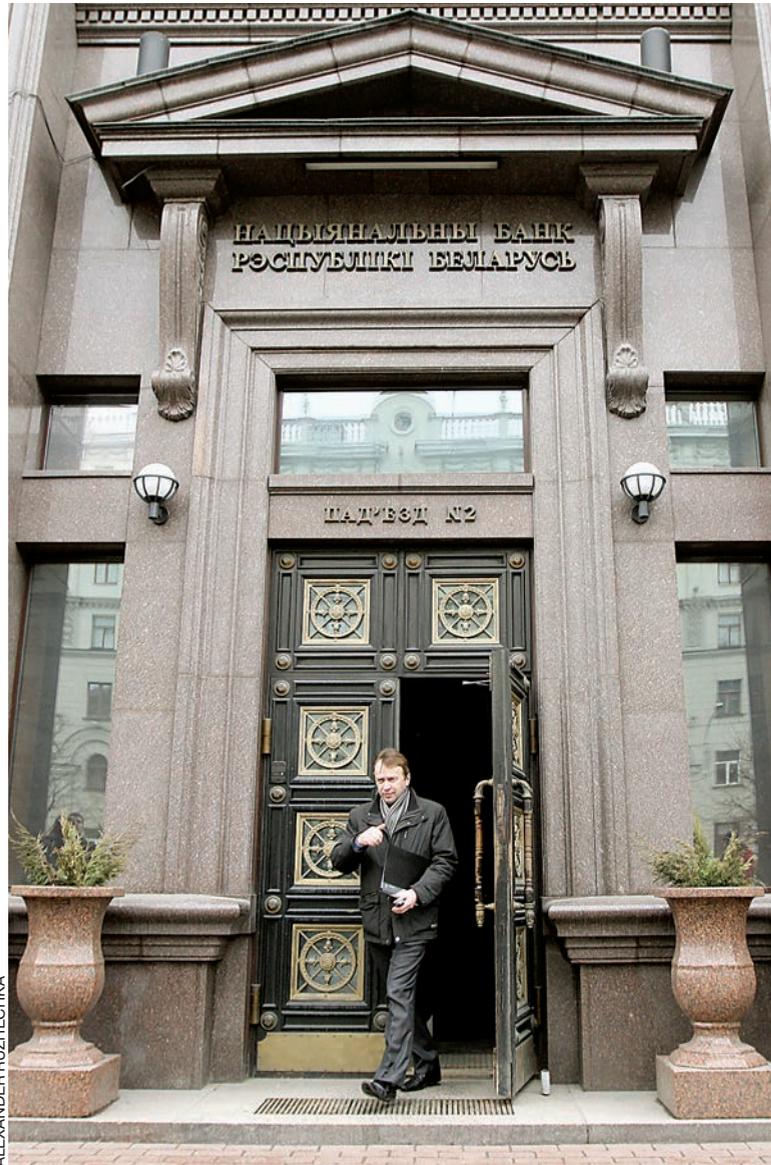
Such figures are given by the National Bank in ‘Basic Guidelines of Monetary and Credit Policy of Belarus for 2014’.

Currently, the refinancing rate is 23.5 percent, though it was planned that by the end of last year it would be closer to 13-15 percent. In spite of the fact that the planned indicator has not been reached, a rate decrease nevertheless was seen. The figure dropped by 6.5 percent last year. “The refinancing rate in January 2014 will remain at the former level, and hereafter its changes will be carried out depending on dynamics of inflation and the situation on the financial market and will be of smooth character,” emphasise the workers of the National Bank.

At the same time, many experts notice that the refinancing rate last year was not a key rate in the economy and it is quite probable that situation will not change this year too, even in spite of the fact that it defines the limiting rate on credits. Such a tendency is explainable. “The refinancing rate is that rate on which the National Bank finances commercial banks, but it is neces-

sary to consider that it is not always possible to receive resources at this rate, therefore banks use other channels of money reception where rates are higher. After all, the refinancing rate is the bottom border of percent on which financial establishments can attract credits. Therefore today it is not the only rate by which it is necessary to be guided,” explained the Candidate of Economic and Legal Sciences, Sergey Ovseiko. “If the National Bank completely satisfied all applications of banks for liquidity through interbank crediting at refinancing rate, there would be no need for deposits. But the National Bank's offer of monetary resources is limited, therefore, when it was impossible to lend in the bank, money was borrowed from the population at depositary rates.”

As far as depositary rates are concerned, the maintenance of Rouble deposits at an attractive level which would provide protection against inflation and a higher level of profitability in comparison with percent on deposits becomes a base principle of interest-rate policy in 2014. “In turn it will promote the strengthening of confidence in the national currency and the ‘de-dol-



National Bank is guarding financial stability

larisation’ of the economy,” noted the workers of the National Bank.

According to the expert, as for prospects of the credit-depositary market as a whole, it is difficult to predict something concrete. “The first question consists of the following — in what currency will the population prefer to keep their savings? National or foreign? The Rouble exchange rate will influence this,” Mr. Ovseiko commented. “The

second important factor is the policy of the National Bank. Reduction in the interest rate of refinancing, for example, will cause an increase in offers of money, which will lead to increase of volume of credits on the one hand, and decrease of the number of deposits on the other hand.”

Rouble deposits in Belarus have grown by 20 percent during the last year, while currency deposits increased almost by 10 percent.

Prognoses against expectations

By Victoria Ivanova

Annual average exchange rate of Belarusian Rouble to the US Dollar for this year planned to be Br9,800

The exchange rate is defined to make calculations for the coming year: for example, to total the country's GDP, taking into account import and export or to make a prognosis on inflation. The exchange rate is influenced by a lot of factors, some of which are impossible to predict. The question about the Belarusian Rouble's rate is open.

Financially, the previous year can be considered relatively stable, with no acute fluctuations. The planned average Rouble's rate to Dollar has been successfully kept at Br8,875, against a planned Br8,950. But the last tendencies in the rate's dynamics give us cause to think. In the last quarter of the last year, drawdown of the rate of Belarusian Rouble accelerated.

Experts explain that it has happened because of the deterioration of the situation in external trade, and the consequences of the fast pace of quantitative monetary easing in the first six months of 2013. “In the first six months, the refinancing rate regularly decreased and then deposit rates dropped. When, during the summer, they were under 25 percent, people began to convert their money into foreign currency on a massive level,” commented Vadim Iosub, financial analyst of Alpari Official Partner.

“Consequently, in the first half of the year, the national currency was stable, and even got stronger, but in the second half it began to cheapen. We expect this year to be different from 2013. In the second half of the last year, the National Bank returned to carrying out of a sufficiently soft monetary policy, and this year it plans its tightening.”

According to the expert, the demand and offers for currency in the domestic market, and the payment of debts will be among the factors which will influence the exchange rate this year. The promise by Russia to give Belarus \$2bn credit became the good news of the last year, and part of this money, \$450m, has been already received.

Millions of square metres for thousands of families

By Andrey Smirnov

About Br40 trillion to be used to finance house building this year

The credit resources from banks will make up about a third from this sum along with budget funds and the own resources of people and organisations, will be used to construct new houses.

This year, domestic banks will give more than

Br15 trillion of credit resources for the construction and lodgement of living quarters. Belarusbank, BPS-Sberbank, Belinvestbank and Belagroprombank will become the biggest creditors of the housing programme. They will give credit resources at the expense of their funds.

During 2014, 5m square metres of housing are planned to be built in Belarus. More than 2m

square metres will be built using state support for people who need housing improvements. 1,635 houses will be built for workers of agricultural organisations, as well as of social and cultural sphere in rural localities will be put into service. Besides these buildings, the country will see the construction of houses for more than 5,000 ‘families with many children’ built this year.



One of new Minsk's real estate developments