Optimal balance of supply and demand

Concerns over currency have significantly intensified recently, with the IMF recommending that Belarus devalue the Belarusian Rouble. Rumours have spread like ripples on water, yet our fears are exaggerated

By Yevgeny Nikonov

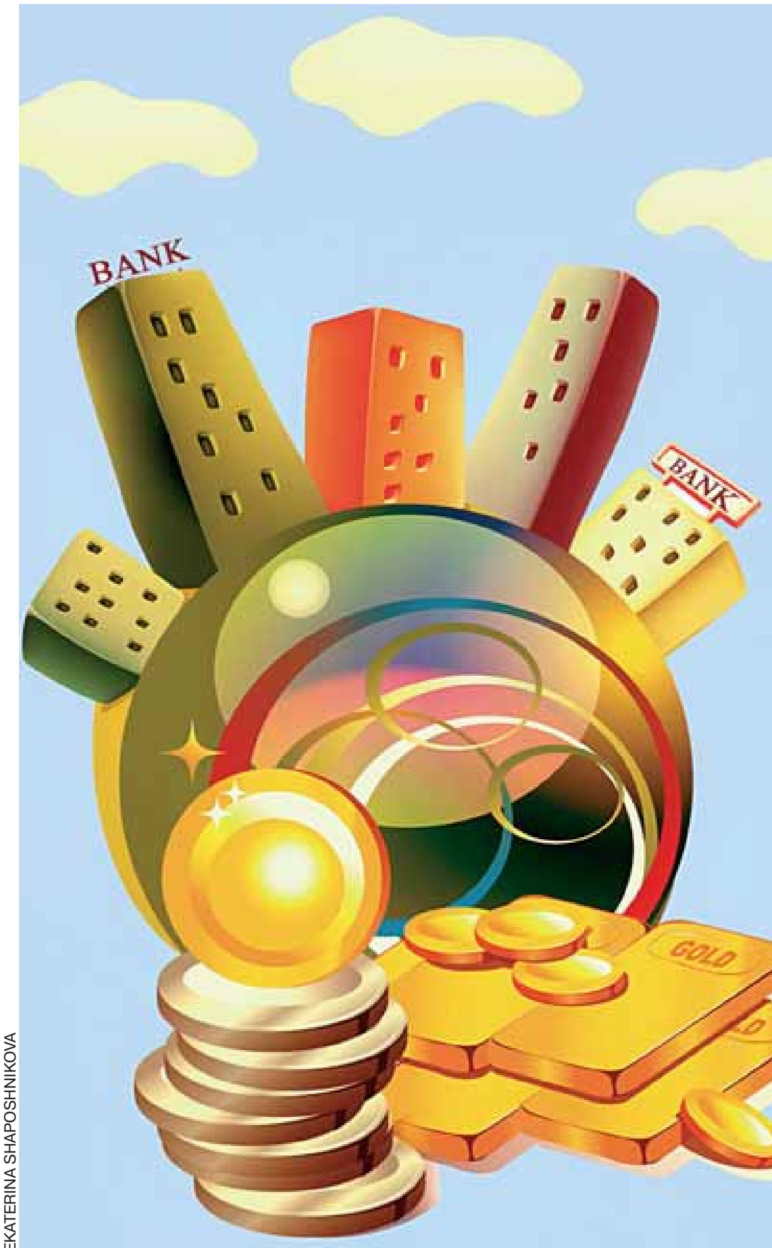
On April 1st, 2011, the National Bank abolished the 30-day Rouble reservation requirement for acquiring foreign currency on the stock exchange (introduced earlier). As before, banks are able to purchase foreign currency more promptly — one working day prior to bidding. The purposes of the transaction are taken into account, with funds needed to pay for medicine and natural gas given priority, alongside credit repayments in foreign currency.

Financial analyst Alexander Mukha sees this as a positive signal, showing that the situation on the domestic currency market is improving. He notes that the stock market has already rallied, intensifying applications for currency purchase. The first step has been taken in calming the feverish demand for Dollars and Euros by the Belarusian population.

The Head of the National Bank, Piotr Prokopovich, promises, "As long as I'm Chairman of the Board, there won't be any one-time devaluation, even by five percent."

The National Bank plans to raise its gold-and-currency reserves to $10bn this year and won't reduce them anymore, creating a reliable safety cushion for the country's economy. Additionally, $1bn is soon to be attracted from the Russian Government and $2bn from the EurAsEC Anti-Crisis Fund. These new loans will settle the currency market. However, the major problem remains: to combat the negative trade balance for goods and services. "Everything now happening on the currency market comes from the imbalance of exports and imports," explains Mikhail Kovalev, the Dean of the Belarusian State University's Economic Department.

The volume of exported goods and services needs to be rapidly increased, with the Government planning to balance foreign trade by 2014. From 2015, it hopes for a surplus of $500m. To achieve this goal, the National Export Promotion Programme for the coming five years envisages the creation of new, export-oriented manufactures while increasing the share of high-tech and science-intensive products with high value added. Commodity and geographical diversification of export sales should be also stimulated.



EKATERINA SHAPOSHNIKOVA

Domestic market for foreign currency observes improving situation

A serious guarantee

Rechitsa Hardware Plant launches new workshop

This is the first facility of its kind in Belarus, although the local market needs at least 3 or 4 of them. "We primarily aim to satisfy internal demand," explains Rechitsa Hardware Plant's Director, Adam Vashkov. "Our estimations show that this will save around $15m of foreign currency for the country annually. The project is very important from the point of view of import substitution." Already, Rechitsa Hardware Plant is among the major earners of foreign currency for the country, with an import-export ratio of 1:15.

The company aims to use the large scale investment project to meet growing demand. Its currently operational hot dip zinc galvanising line is proving profitable but cannot handle large-sized machinery, so the new workshop is to cover this segment. It will satisfy the needs of agricultural, transport and energy companies, adding protective anti-corrosion zinc coatings to prolong the life of products. Importantly, the Rechitsa plant gives a 100 year guarantee on its goods.

"We hope to reach planned volumes by late 2011," explains the plant's chief engineer, Victor Samonchik. A major part of foreign and domestic loans have already been used to purchase the latest technologies, to conduct construction-and-assembly works and to create necessary infrastructure. Italian Gimeco has been the major supplier. It was initially planned that the new workshop (begun last March) would be ready by December 2011. However, it is ahead of schedule. "We've worked hard to achieve this — personnel and contractors alike," notes Mr. Samonchik.

Harvester recognised as best

Amkodor's forest harvester wins timber cutting contest, beating foreign rival

The contest was organised by the Belarusian Forestry Ministry, at Starye Dorogi Forestry. The Belarusian 'Amkodor-2551' (made by Minsk's Amkodor JSC) took part, in addition to a Finnish Ponsse model. The vehicles in the mid-class competed, boasting similar engine size, manipulator arm length and load capacity. Over nine hours of operation, Amkodor's harvester cut 420 square metres of dense timber, across an area of about 14,000 square metres. The Ponsse Beaver harvester was driven by two workers from Starye Dorogi Forestry, preparing 360 cubic metres of timber over an area of over 10,000 square metres. Amkodor JSC began manufacturing timber cutting machinery five years ago, aiming to create simple yet effective vehicles able to be repaired by their operator. Importantly, Belarus-made machinery is price competitive.

Creating a flax holding in two years

Draft business plan for linen branch development studied by Council of Ministers' Presidium

By Inna Levkova

A flax holding is to be set up in Belarus by 2013, with Orsha Linen Mill heading the organisation, uniting another 29 enterprises. Among them will be 22 linen mills, the Flax Institute and flax-seeding stations. "We are to establish a holding by 2013," explains the Agriculture and Food Minister, Mikhail Rusy. By then, the system of long flax-fibre supplies to Orsha Linen Mill will have been established; this raw material will further be used to manufacture fabrics of enhanced quality.

Companies which are to join the holding will be modernised, while others will undergo restructuring and re-specialisation. "Some small plants are economically inefficient, employing just 22-24 staff," explains the Minister. "We are now re-equipping them with lines to process flax-fibre (they currently produce ribbon and rope)." Additionally, four new lines producing linen oil are to be launched, with the necessary equipment already purchased.

BELTA

Orsha Linen Mill to become major part of linen holding

The linen branch needs technical modernisation. "This is the most problematic avenue," Mr. Rusy stresses, adding, "We've prepared a business plan and eighteen new foreign lines are to be launched." The latter are to work in three shifts, making it possible to increase production volumes and improve quality.

According to Mr. Rusy, foreign investors are interested in the Belarusian flax industry. He cites Belarus' plans to co-operate with a Belgian company as an example. Belgian investors are eager to finance short flax-fibre processing in Belarus, with further plans to manufacture deluxe products. "We're negotiating with Japan and France as well," Mr. Rusy adds.

Interest from foreign investors in Belarusian flax companies is growing due to falling flax supplies worldwide. Belarus can only benefit from this situation, while promoting local products.

The Agriculture and Food Minister emphasises that flax companies receive government subsidies in many counties: in Belgium, each tonne of flax receives funding worth $800. Moreover, Belgian manufacturers export their products at world prices. Orsha Linen Mill is also backed by the state but sells its manufactures at a lower price. "It's essential to co-ordinate the two aspects of the flax industry: that responsible for profit making and that overseeing the distribution of state support," Mr. Rusy is convinced.