

Belarusian Monthly Economic Review

- OSCE expresses concern about the situation with freedom of the press in Belarus.
- In most regions of Belarus the share of loss making enterprises exceeds 50%.
- Not a single application has been submitted to investment auctions on selling Belarusian petrochemical enterprises.
- Merchandise trade deficit went up by 40%.
- Demand of commercial banks for government securities increased.
- Bodies of power order 13.4% of all loans given by commercial banks.

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Politics: OSCE Expresses Concern about the Situation with Freedom of the Press in Belarus

On May 16 the Council of Ministers passed a Resolution that introduced a new list of names of positions of heads of organizations. There is no position of "president" in this new list. It means that organizations that have the position of "president" in their authorized documents should adjust them to the new norm. Hence they should go through the procedure of re-registration of these documents. It will take time and money to do it.

On May 25 the Ministry of Information issued two resolutions that suspended activities of the independent newspaper "Beloruskaya Delovaya Gazeta" and its supplement "BGD. Dla Sluzhebnogo Polzovaniya" for 3 months. It happened after these newspapers had been given three official warnings on breaking the law on mass media. As three other independent papers have similar warnings there is real threat of their being closed down. Chairman of OSCE Committee for Mass Media sent Minister of Foreign Affairs of Belarus a letter in which he expressed his concern about the negative development of the situation with freedom of the press in Belarus and about application of the law on media to stifle freedom of the press in the country.

Real Sector: In Most Regions of Belarus the Share of Loss Making Enterprises Exceeded 50%

Official statistics states that in Jan-Apr real GDP grew by 5.1% yoy. Real industrial production growth was even stronger (by 6.2% yoy). Production of consumer goods grew by 8.2% yoy and cargo turnover of transportation companies went up by 11.8%.

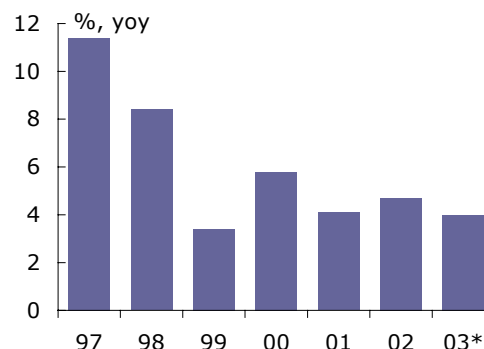
In Jan-Mar the share of barter operations in revenues went down by 5.3 percentage points compared to the same period of the previous year. It amounts to 15.5% of the revenues. Barter was reduced fastest in foreign trade operations.

At the same time financial status of enterprises remains difficult. In the first quarter of 2003 the share of loss making enterprises was 47.4% and increased by 4.8 percentage points compared to the first quarter of 2002. In Vitebsk, Gomel, Minsk and Mogilyov regions the share of loss making enterprises varied from 54.2% to 58.8%. Stock of finished goods grew from 65.3% of the average monthly production as of January 1, 2003 to 70.5% as of May 1, 2003.

In 2003 employment keeps shrinking and unemployment is growing. In Jan-Mar employment went down by 35900 people and unemployment increased by 15200 people. Unemployment went up from 2.7% in April 2002 to 3.3% in April 2003.

Population: 9.9 m
Industry/GDP: 26%
Agriculture/GDP: 9%
Investment/GDP: 16.6%
Export destination: Russia 50%, EU 17%
Import origin: Russia 65%, EU 17%

Real GDP Growth



Source: Ministry of Statistics and Analysis.
 * Own estimates.

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As of April 30 wage arrears amounted to BYR 42.2 bn (7.1% of overall wage bill for March). At the same time loans of commercial banks to enterprises to cover wage debts amounted to BYR 399.6 bn (67.2% of wage bill for March).

Sectoral Trends: Investment Auction to Sell Four Belarusian Petrochemical Enterprises Failed

May 21 was the deadline for submitting applications to investment auction to sell four Belarusian petrochemical enterprises. The Government planned to sell 43% of each of the enterprise. However, not a single application has been submitted. On May 22 the government commission headed by Deputy Prime Minister declared that the auction did not take place.

In the beginning of May Presidium of the Council of Ministers approved starting conditions for setting up a joint venture based on the company "Beltransgaz". The Government estimated that the market price of the company is BYR 7000 bn (about USD 3.5 bn), which is 5 times higher than the authorized capital of the company. Belarus is going to keep the control stock of the company. The additional requirements to the Russian side are investment in gas transportation system of Belarus in the amount of USD 200 m, increase of gas deliveries to Belarus at internal Russian prices etc. It is highly unlikely that such terms will be acceptable to "Gazprom".

According to Belarusian-Russian inter-government agreement a joint venture based on "Beltransgaz" should be set up and the Government should declare terms of its creation one month prior to that date. Otherwise previous agreements on cheap gas deliveries to Belarus can be revised.

Foreign Trade: Growth of Merchandise Trade Deficit

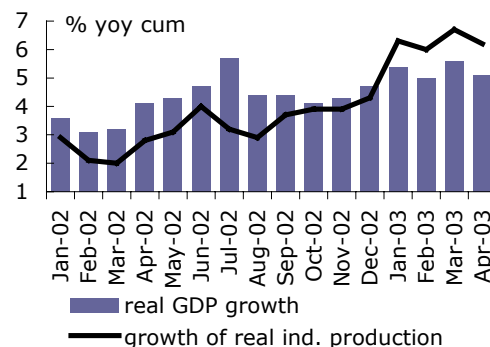
According to the preliminary data, in Jan-Mar merchandise export increased by 39.2%, import grew by 39%. Merchandise trade deficit for the period is USD 187.6 m. It increased by 40% yoy. In the first quarter of the year increase of export and import of all goods took place. Export of agricultural and food products went up by 48%, export of chemical industry products grew by 22.7%, export of machines and equipment raised by 20%. Import of machines and equipment, non-precious metals, and plastics grew by 26%, 25%, and 29% respectively. The main reason of such rapid export and import growth remains high prices for crude oil and oil products compared to the same period of 2002. 58.1% of merchandize export growth took place due to price rise of oil products for export outside CIS countries. 57.2% of import growth was due to more expensive crude oil import from Russia.

Public Finance: Foreign Financing was Negative

In Jan-Apr consolidated revenues amounted to BYR 3347 bn (36% of GDP). Consolidated expenditures for the period were about BYR 3318 bn (35% of GDP). In Jan-Apr the deficit of the central budget was BYR 19 bn. Local budgets have surpluses due to necessity to accumulate funds to pay off their old loans. Surplus of the consolidated budget in Jan-Apr was BYR 29 bn. Foreign financing was negative (BYR -64 bn). The NBB credits to the central budget were BYR 34 bn; BYR 124 was received from selling of the government securities. Other sources of finance, including the Government's deposits reduction, were BYR 66 bn.

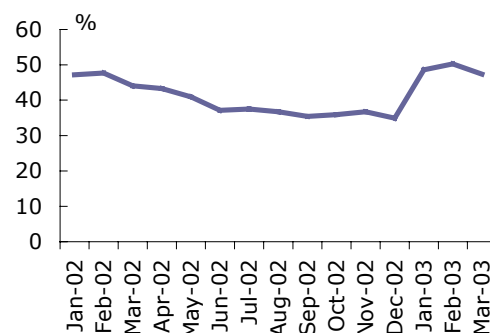
After the failure of investment auctions to sell four Belarusian petrochemical enterprises the Ministry of Economy proposed to the Government to reduce the plan of budget revenues

GDP and Industrial Production



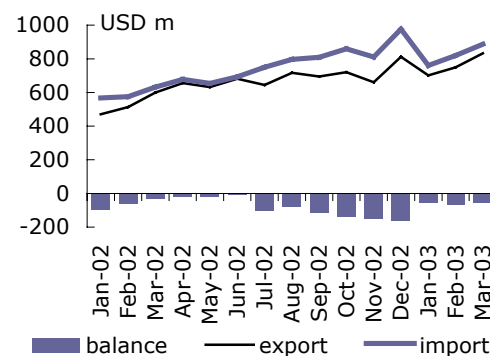
Source: Ministry of Statistics and Analysis.

Share of Loss Making Enterprises



Source: Ministry of Statistics and Analysis.

Merchandise Trade



Source: National Bank.

Regional Structure of Merchandise Trade

	Jan-Mar 02	Jan-Mar 03	Change *
Merchandise export			
Russia	51.3	43.0	-8.3
Rest of the world	48.7	57.0	8.3
Merchandise import			
Russia	61.4	70.3	8.9
Rest of the world	38.6	29.7	-8.9

* percentage points. Source: National Bank.

from selling shares of state enterprises from BYR 430 bn to BYR 26 bn.

Monetary Policy: Demand of Commercial Banks for Government Securities Increased

In April, the ruble money in circulation increased by 6.5% mom and went up by 16.5% since the beginning of the year. Inflation rate in April was equal 2% mom (10.4% for Jan-Apr). In spite of minor increase of inflation rate, the NBB reduced annual nominal refinancing rate from 37% to 35% from April 21. Starting from May 21 it was reduced further to 34%. In real terms the refinancing rate went down but remained positive (0.6% a month). Average interest rate on newly attracted time ruble deposits in April was 32.2% a year in accordance with the NBB requirements to keep it at the level of refinancing rate. As a result, in April the time ruble deposits went up by BYR 222.3 bn (4.7% mom). Deposits of the population went up by BYR 209.3 bn (by 5.7% mom in April and by 39.2% since the beginning of the year).

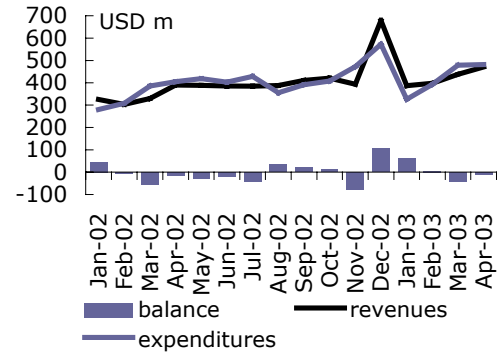
Under the bad financial state of real sector the banks faced difficulties in allowance of credits. High rates of growth of deposits resulted in bringing down the annual interest rates at the market of inter-bank credits from 41.9% in January to 27% in February and 22.7% in March. Besides, the NBB reduced annual deposit rates for commercial banks for the 8-14 days deposits to the level of 20-25%. As a result, demand of commercial banks for government securities increased, since the yield on these securities is relatively high (approximately equal to refinancing rate). In Jan-Apr commercial banks financed the central budget by means of purchasing ruble and currency bonds for BYR 162.8 bn.

In Jan-Apr the balance of foreign currency trade by commercial organizations was USD 229.4 m. It exceeds much the negative balance in the market of foreign currency cash transactions (USD 14.6 m). As a result, devaluation rate has slightly slowed down. In May Belarusian ruble lost 1% of its value to the US dollar. As of May 1, one US dollar was worth BYR 2022.

Banking Sector: Share of Credits Given by Orders of Bodies of Power Remains Quite High

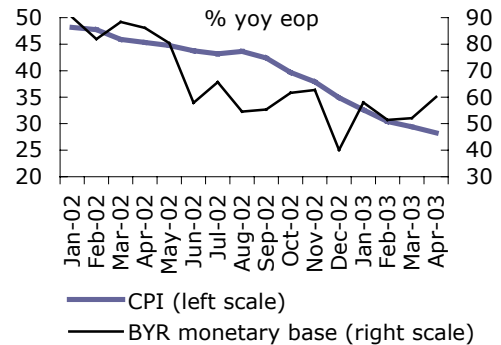
In Jan-Apr commercial banks were ordered by decision of the President and resolutions of the Council of Ministers to give loans in Belarusian ruble in the amount of BYR 464 bn (13.4% of all loans). Credit support of loss making enterprises, which amounts to almost half of all enterprises conserves the existing situation in the real sector of economy and blocks restructuring of enterprises.

Public Finance



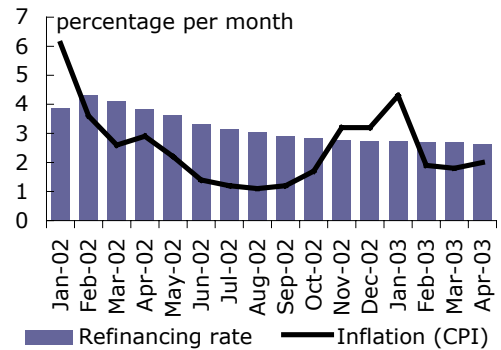
Source: Ministry of Finance, own calculations.

Ruble Monetary Base and CPI



Source: National Bank, own calculations.

Inflation and Refinancing Rate



Source: National Bank, own calculations.

Economic Trends		Q2 01	Q3 01	Q4 01	Q1 02	Q2 02	Q3 02	Q4 02	Q1 03	Feb 03	Mar 03	Apr 03
GDP growth	% yoy	5.2	1.6	7.0	3.7	5.5	4.0	6.2	5.6	--	--	--
GDP growth	% yoy cum.	3.9	4.4	4.1	3.7	4.7	4.4	4.7	5.6	5.0	5.6	5.1
Industrial production	% yoy cum.	4.1	4.6	5.9	2.0	5.6	3.7	4.3	6.7	6.0	6.7	6.2
Agricultural production	% yoy cum.	8.1	3.5	1.8	1.8	4.3	3.2	1.5	1.2	0.8	1.2	-0.5
CPI	% yoy eop	65	49	46	46	44	42	35	29	30	29	28
PPI	% yoy eop	79	47	41	39	38	44	42	43	44	43	41
Merchandise export (USD)	% yoy	17.1	4.3	-2.7	-7.0	8.4	10.2	24.1	39.2	40.1	35.6	--
Merchandise import (USD)	% yoy	6.3	3.1	10.0	-0.2	2.9	12.9	19.4	39.0	37.9	41.5	--
Merchandise trade balance	USD m cum.	-158	-340	-780	-137	-196	-451	-916	-188	-133	-188	--
Current account	USD m cum.	48	32	-270	31	106	-48	-352	-58	-41	-58	--
Current account	% GDP	1.7	0.4	-2.2	1.0	2.1	-3.8	-7.6	-1.0	-2.8	-1.3	--
International reserves	USD bn eop	399	304	347	275	257	251	457	463	374	463	--
Monetary Base	% yoy eop	161	114	120	88	58	55	40	52	51	52	60
Lending rate*	% p.a. aop	75	67	65	71	67	55	51	46	47	44	42
Exchange rate (official)	USD aop	1343	1433	1525	1652	1753	1837	1893	1960	1960	1985	2010
Exchange rate (official)	EUR aop	1175	1276	1367	1448	1613	1808	1891	2105	2112	2145	2181

Sources: Ministry of Statistics and Analysis, Ministry of Finance, NBB, own calculations.

* Nominal rate of commercial banks for newly issued loans in national currency (source: NBB).

Key Economic Indicators		1996	1997	1998	1999	2000	2001	2002
Nominal GDP*	BYR trillion	0.192	0.367	0.702	3.026	9.134	17.173	25.518
Nominal GDP	USD bn	14.3	12.7	9.3	6.3	8.9	12.1	14.3
GDP growth	% yoy	2.8	11.4	8.4	3.4	5.8	4.1	4.7
Industrial production	% yoy	3.5	18.8	12.4	10.3	7.8	5.9	4.3
Agricultural production	% yoy	2.4	-4.9	-0.7	-8.3	9.3	1.8	1.5
CPI	% yoy aop	53	64	73	294	169	61	43
CPI	% yoy eop	39	63	182	251	108	46	35
PPI	% yoy aop	34	88	72	355	186	72	41
PPI	% yoy eop	29	90	197	245	166	41	42
Exports (gs, USD)	% yoy	27.1	17.0	-9.6	-9.7	19.6	8.2	9.0
Imports (gs, USD)	% yoy	26.5	19.5	-6.6	-18.0	21.5	7.1	9.4
Current account	USD m	-516	-859	-1017	-194	-323	-445	-352
Current account	% GDP	-3.6	-6.8	-10.9	-3.1	-3.6	-3.7	-2.5
FDI (net)	USD m	105	350	201	443	119	108	434
International reserves	USD m	469	394	339	305	357	347	457
Fiscal balance**	% GDP	-3.4	-5.8	-5.0	-2.9	-0.6	-1.3	-0.6
Total public debt	% GDP eop	3.9	4.3	4.9	5.7	4.5	4.5	4.6
External debt (total)	% GDP eop	17	20	51	42	24	20	20
Monetary base	% yoy eop	78	96	102	204	52	225	32
Exchange rate (official)*	USD aop	17	34	151	572	1035	1394	1784
Exchange rate (official)*	USD eop	27	42	430	925	1213	1580	1920
Spread***	% aop	25.1	31.1	224.0	128.2	44.4	0.8	0.0
Spread***	% eop	71.0	35.5	301.9	189.1	2.8	0.2	0.0
Exchange rate (official)*	EUR aop	--	--	--	270	651	1239	1690
Exchange rate (official)*	EUR eop	--	--	--	323	1097	1392	1989

Sources: Ministry of Statistics and Analysis, Ministry of Finance, NBB, own calculations.

* In January 1, 2002 a denomination of Belarusian ruble was conducted (1:1000). All figures are given in "new" Belarusian rubles.

** Fiscal balance for 1996-1998 includes quasi-fiscal financing through commercial banks. "Minus" means budget deficit.

*** Spread between black market exchange rate and official (NBB) exchange rate.

Notes:

aop	average of period	m	million
avg	average	mom	month-on-month change
bn	billion	NBB	National Bank of Belarus
bp	basis points	p.a.	per annum
cum.	cumulative	yoy	year-on-year change
eop	end of period	ytd	year-to-date
gs	goods and services		

The Belarusian Monthly Economic Review is prepared under support of the Ministry of Economy and Labor (Germany) within the framework of TRANSFORM program