The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Forex Policy Wobbles as Belarus Awaits Loan

By The Moscow Times

April 24, 2011

President Alexander Lukashenko facing the Belarussian parliament last week for his state-of-the-nation address. **Nikolai Petrov**

MINSK — Belarus' currency crisis deepened Friday as interbank foreign-exchange trading ground to a halt, participants said, following a policy U-turn on valuations from the central bank.

The bank, battling to restore confidence in the country's depreciating ruble, said Tuesday that it would allow the currency to float on the interbank market, taking a step toward a full-scale devaluation.

But after the currency immediately fell to 5,000 per dollar in trading, the central bank informally recommended on Friday that banks transact at a valuation closer to the official rate of 3,044.

"The central bank has strongly recommended banks work within the 4,500 to 4,600 corridor," one source said.

"There is no trading," another said.

The central bank, which operates separate exchange rates for banks and corporations on the one hand and individuals on the other, declined to comment on Friday's interbank trading.

The move effectively reversed Tuesday's decision to allow a free-floating rate on the interbank market.

"The central bank must have been terrified that the rate had become uncontrollable," said one market player who spoke on condition of anonymity.

Facing a large current account deficit, Belarus has lost a quarter of its foreign currency reserves this year trying to support the ruble before resorting to trading restrictions in March.

Belarussian exporters must sell 30 percent of their export revenue to the central bank at the official rate, which also serves as an indicator for retail currency exchange. But since the official rate is unattractive, many businesses are holding on to their currency reserves and turning off the flow of dollars to retail exchanges.

The currency crisis and the operation of a two-tier exchange rate system, which has spawned a currency black market and led to panic buying of consumer goods, represent a setback for President Alexander Lukashenko.

He promised steady improvement in living standards prior to his re-election last December.

Some Belarussians are making money transfers to themselves in Russia, then driving across the border to pick them up in Russian rubles and sell them at a profit back home on the black market.

Ordinary Belarussians are having to wait for hours in lines at exchange points to snap up whatever currency is sold by others.

"Scuffles are taking place at exchange points ... as citizens argue about queue order," Interfax news agency quoted senior Interior Ministry official Viktor Senko as saying.

The central bank has said it will unify rates and do away with different tiers once the free-floating exchange rate becomes "balanced." Deputy Prime Minister Sergei Rumas told Reuters this week that he saw 3,800 to 4,100 rubles per dollar as a fair exchange rate.

Analysts say the authorities are waiting for a $3 billion loan that Belarus has requested from Russia and which will allow the central bank to regain control of the market.

"We are expecting some foreign borrowing, and talks with Russia, in particular, are going on," Anatoly Moroz, head of the currency control department at the central bank was quoted by state news agency BelTA as saying Friday.

"In May, this [loan] issue will be resolved," he said.

Russia, however, has said it wants to see a more detailed economic stabilization plan. Analysts say another option for Belarus is to sell some state assets.

"We also expect to see news about a possible privatization of state assets intensifying in coming weeks as this remains one of the few real options for refilling the reserves that the authorities have at their disposal," VTB Capital said in a note.

A devaluation would be a setback for Lukashenko, who promised to double the average monthly wage to $1,000 by 2015 as he campaigned for a fourth term in office last year.

Belarus received about $4 billion in foreign-currency income from exports in March, an increase of 82 percent compared with the same month last year, and 38 percent more than in February, the central bank said on its web site, Bloomberg reported Friday.
The nation's currency revenue jumped an annual 62 percent to about $9 billion in the first quarter, signaling a "balancing of demand and supply of foreign currency on the domestic market," according to the statement.