The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Crisis Forces Belarus to Ease Exchange Rules

By The Moscow Times

May 11, 2011



Belarus' central bank raised its benchmark-refinancing rate for the third time this year and abolished restrictions on commercial banks' currency sales to households to help steady the foreign-exchange market.

The refinancing rate will increase to 14 percent from 13 percent, effective from May 18, the regulator said on its web site Wednesday. Lifting currency controls is part of a plan to move toward a single exchange rate and stabilize the domestic currency market, the central bank said in a separate statement.

Belarus is seeking to overcome a currency shortage that led to the ruble plunging after the central bank lifted some restrictions for interbank trading on April 19. The shortage was caused by demand for vehicles from abroad paid for in foreign currencies, as well as rumors "which provoked panicky behavior by the population," the central bank said.

"This is a credible move that ought to unify or bring closer the interbank and the cash market, effectively eliminating part of the black market," Dmitry Gourov, an analyst at UniCredit in Vienna, wrote in response to e-mailed questions. "This was one of the moves that both the IMF and Russia were recommending Belarus do, so in that respect it could make way for an accelerated path for further negotiations."

The former Soviet republic is seeking a $3 billion bailout loan from Russia and other former Soviet partners to help reduce its current-account deficit. The International Monetary Fund agreed in 2009 to loan Belarus $2.3 billion for five years, and in March urged the country to curtail spending, raise interest rates and liberalize the exchange rate as foreign reserves slid $262 million to a 1 1/2-year low of $3.8 billion.

Russia expects to agree on the final conditions of the bailout loan to Belarus this week, Finance Minister Alexei Kudrin told reporters in Moscow on Wednesday.

The nation may receive annual disbursements of $1 billion in 2011 and the following two years from the $10 billion anti-crisis Eurasian Cooperation Fund set up by governments including Russia and Kazakhstan, with Russia contributing 80 percent of the funding, Kudrin said, adding that Belarus may also raise $2 billion this year from state asset sales.

Russia urged Belarus to seek additional financial assistance from the IMF because the bailout loan may be "insufficient" to meet its needs, Kudrin said.

The ruble is trading 23 percent weaker against the dollar on the streets of Minsk than the central bank's official exchange rate, a survey of banks in the capital shows. It is trading at 3,991 per dollar, according to the median price of five banks' quotes in Minsk on Wednesday.

Belinvestbank, BPS Bank and Fransabank SAL are all buying dollars for 3,990 and selling at 4,000, according to currency display boards in their branches and quotes on their web sites. Sombelbank is buying at 3,960 and selling at 4,000, while RRB Bank is buying at 3,980 and selling at 4,000, their boards showed.

Original url:
https://www.themoscowtimes.com/2011/05/11/crisis-forces-belarus-to-ease-exchange-rules-a6877