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Belarus, Turkmenistan Devalue Currencies as Russia's Crisis Hits Its Neighbors

By The Moscow Times

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People stand in line to withdraw money at an automated teller machine (ATM) of a bank in central Minsk.

MINSK — Former Soviet republics Belarus and Turkmenistan have devalued their currencies, in the latest fallout from market turmoil in neighboring Russia following the ruble's steep decline.

Countries around the former Soviet Union are feeling the pain as Russia, often the main trading partner, has been hit by Western sanctions over Ukraine and a sliding oil price, sending the Russian ruble down by around 40 percent against the dollar last year.

Belarus's Central Bank said on Monday it was lowering its official rate for the Belarussian ruble versus the dollar by around 7 percent.

From Jan. 1, Central Asian gas producer Turkmenistan devalued its manat currency by around 19 percent to 3.5 to the dollar, according to the Central Bank's website, which gave no commentary or details.

Over half of Belarus's exports go to Russia, mainly trucks, tractors and industrial machinery, and Belarussian President Alexander Lukashenko, who runs his command-style economy with a firm grip, said late last month he had demanded all transactions with Russia be carried out in dollars or euros.

On Monday, the Central Bank said it was reducing the currency's official rate to 12,740 rubles per dollar on Jan. 6 from 11,900 rubles on Monday, a further weakening of a currency which fell around 20 percent against the dollar in 2014.

It also said it had reduced to 10 percent the tax on buying foreign currency that it had put in place because of increased demand.

"These steps ... are to normalize the situation in the financial sector of the Republic of Belarus," the bank said in a statement.

In December the bank imposed a 30 percent duty on all purchases of foreign currency by companies and citizens due to Russia's currency crisis. The bank had earlier cut the duty to 20 percent.

The bank said that the situation on the currency market remains stable but Reuters data quoted the ruble at between 14,200 and 15,200 to the dollar.

Lukashenko has promised to protect Belarus from Russia's economic woes and sacked his prime minister, Central Bank head and top ministers in late December after warning them there would be dismissals if they missed his economic objectives. At that time he said Belarus would not devalue its own currency over the weakness of the Russian ruble.

In December, the Central Bank increased its overnight refinancing rate to 50 percent from 24 percent, but kept the key refinancing rate unchanged at 20 percent, and imposed currency controls to try to support the Belarussian ruble.

Turkmenistan, ruled by autocrat President Kurbanguly Berdymukhamedov, was the only country in Central Asia to keep its currency rate unchanged last year despite the depreciation of other regional currencies as the Russian ruble slumped.

Its currency regime is not transparent, but it had kept the manat unchanged at 2.84 per dollar since 2009.

Kazakhstan devalued its tenge currency by 19 percent against the dollar in February last year to ease pressure on its economy as its competitiveness suffered from a weakening Russian ruble.

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