

1. Macroeconomic
environment for
implementing the
Republic of Belarus
Monetary Policy
Guidelines
for 2003



Compared with 2002, the economic situation in 2003, on the whole, was characterized by deceleration of inflationary and devaluation processes, higher rates of GDP growth, production of goods and services in most industries, investment in fixed capital, and foreign trade. Based on the results of performance in 2003, the Republic of Belarus joined the group of countries with a high pace of economic growth.

In 2003, GDP in current prices amounted to BYR35.9 trillion, a 6.8% increase in comparable prices relative to 2002, the forecast for the year being 6-6,5% (in 2002 GDP grew by 5%). The growth was secured with less power consumption (by 5.3%, the forecast being 4.5%). Industrial output grew in comparable prices by 6.8% and consumer goods production by 7.3%. Agricultural output was 6.8% higher in 2003 than in 2002 (Annex 1). Major contributors to production growth were rather favorable, on the whole, foreign economic conditions which promoted exports as well as an increase in domestic demand (higher expenditure for final consumption and gross savings).

Production of goods and services was increasing with simultaneous reduction in the number of employed which indicates that intensive factors of growth were effective. Productivity (relative to GDP) in 2003 grew by an estimated 8.5%.

Investments in fixed capital increased in comparable prices by 17.7% relative to 2002.

In the budgetary sphere, efforts continued to cut and streamline overall public expenses, while the budget was still socially-oriented.

In 2003, increment in domestic debt was within specified parameters – by BYR751.4 billion (2.1% of GDP), amounting to BYR2.2 trillion (6% of GDP) as at January 1, 2004.

The consolidated budget of the state² received BYR12.2 trillion (33.9% of GDP), up 0.9 percentage point on the previous year's figure.

Preliminary data from the Ministry of Finance of the Republic of Belarus suggest that the republican budget in 2003 ran a BYR579.5 billion deficit (1.6% of GDP), the target being BYR974.2 billion (including republican budget adjustments specified in Edicts of the President of the Republic of Belarus No. 194 dated May 16, 2003, No. 328 dated July 28, 2003, No. 341 dated July 31, 2003, No. 601 dated December 30, 2003, No. 607 dated December 31, 2003, and No. 47, dated January 27, 2004).

Households' real money incomes in 2003 grew by 3.4% compared with 2002.

Households' money incomes in 2003 accounted for 70.7% of GDP versus 73.3% in 2002. Their growth facilitated the expansion of consumer demand which boosted retail trade and paid services to the general public. Retail trade turnover increased by 9.9% and services by 11.1%.

In 2003, the tendency to higher propensity to save by households persisted. The share of households' incomes used for purchasing goods and paying for services in the monetary income utilization pattern was 71.7% versus 74% in 2002. Households' savings in deposits and securities in the monetary income utilization pattern grew by 0.9 percentage point compared with 2002, amounting to 4%.

Financial condition of enterprises in 2003 was somewhat better than in 2002.

In 2003, proceeds from marketing products (works, services) (adjusted for GDP deflator) in real terms grew by 6.1%. Balance sheet profit in the economy at large grew in real terms by 11.4% and proceeds from sale of goods increased by 13.4%.

Certain improvements occurred in the dynamics of products' profitability which grew by 0.6 percentage point com-

² According to the Ministry of Finance preliminary information.

pared with 2002, reaching 9.1%. The share of loss-making enterprises dropped from 32 to 27.2%.

A trend towards reducing the real amounts of outstanding accounts receivable and accounts payable persisted in 2003. As of January 1, 2004, outstanding accounts payable adjusted for the producer price index amounted to BYR4.9 trillion (a 17.2% drop in real terms from year ago) while outstanding accounts receivable amounted to BYR4.2 trillion (a 17.5% drop in real terms compared to January 1, 2003).

Due to a faster growth in 2003 of nominal volume of money with respect to that of outstanding accounts payable, current paying capacity of enterprises, as at January 1, 2004, was 7.8 percentage points higher than the previous year's figure, amounting to 23.5%.

As at the end of 2003, the number of unemployed officially registered with state employment offices was 136.1 thousand, or 3.1% of gainfully occupied population, compared with 130.5 thousand, or 3%, a year earlier.

Consumer price index in December 2003 was 25.4% higher than a year ago (or 1.9% a month on average against 2.5% in 2002), the rate of inflation in 2003 being the lowest for the past 12 years.

According to the Ministry of Statistics and Analyses of the Republic of Belarus data, the rate of core inflation³ in April-December 2003 amounted to 114.4%. In the whole of 2003, core inflation stood at 118.8%, or 74.2% of the total consumer price index (CPI). Owing to state regulation, consumer prices climbed by 10.8%. Its share in the total CPI growth amounted to 42.5%.

In foreign trade, 2003 saw high rates of growth of goods export and import. As the Balance of Payments of the Republic of Belarus preliminary data suggest, export of goods and services amounted to USD11,580.4 million and import to

³ Core inflation – inflation excluding impact of changes in prices for goods regulated by the state and prices subject to seasonal movements.

USD12,286.3 million, an increase by 25% and 25.5% respectively compared with the previous year's figures. As a result, the adverse balance of foreign trade amounted to USD705.9 million compared to USD522.5 million in 2002.

Adherence to monetary policy intended to ensure smooth and predictable dynamics of exchange rate of the Belarusian ruble in all segments of the foreign exchange market, establishment of civilized principles of foreign exchange market functioning, development and strengthening of the banking system, raising the level of banks' lending support to the real sector of the economy, and gradual reduction of interest rates on the money market was conducive to the achievement of positive trends in the development of the real sector of the economy and investment process, in budget implementation, growth of households' real incomes, improvement of financial situation of enterprises, and reduction of price growth rates.

