

**EDICT
OF THE PRESIDENT OF THE REPUBLIC OF BELARUS**

August 29, 2008

No. 460

Minsk

On Approval of the Republic of Belarus
Monetary Policy Guidelines for 2009

1. To approve the Republic of Belarus Monetary Policy Guidelines for 2009.
2. To ensure the execution by the National Bank, in concert with the Council of Ministers of the Republic of Belarus, of the Republic of Belarus Monetary Policy Guidelines for 2009.
3. This Edict shall come into force on January 1, 2009.

A. LUKASHENKO
President of the Republic of Belarus

APPROVED
Edict of the President
of the Republic of Belarus
No. 460 of 29.08.2008

REPUBLIC OF BELARUS MONETARY POLICY GUIDELINES FOR 2009

SECTION 1 BASIC PROVISIONS

1. In 2009, like in previous years, monetary policy of the Republic of Belarus aims to create conditions for maintaining high rates of economic growth, to meet the targets of social and economic development, and to enhance the prosperity of the people, primarily, through the maintenance of Belarusian ruble stability, including its purchasing power and exchange rate against foreign currencies; the development and strengthening of the banking system; and the enhancement of reliability and safety of payment system functioning.

2. The Republic of Belarus Monetary Policy Guidelines for 2009 (hereinafter “the Guidelines”) have been developed taking into account Edicts of the President of the Republic of Belarus No. 384 “On the Approval of the Program of Social and Economic Development of the Republic of Belarus for 2006-2010” dated June 12, 2006 (National Register of Legal Acts of the Republic of Belarus, 2006, No. 92, 1/7667) and No. 27 “On the Approval of the Program of Development of the Banking Sector of the Economy of the Republic of Belarus for 2006-2010” dated January 15, 2007 (National Register of Legal Acts of the Republic of Belarus, 2007, No. 16, 1/8268).

SECTION II MONETARY POLICY IMPLEMENTATION IN 2008

CHAPTER 1 MACROECONOMIC SITUATION AND ATTAINMENT OF MONETARY POLICY OBJECTIVES

3. The macroeconomic situation in the Republic of Belarus in January-June 2008, compared with the same period in 2007, was characterized by high rates of economic growth, high investment activity in the majority of the sectors of the national economy; rising households’ real monetary incomes and real wages, as well as acceleration of inflation and substantial deficit of external trade operations.

4. In the first half of 2008, monetary policy was pursued in accordance with the

Republic of Belarus Monetary Policy Guidelines for 2008 approved by Edict of the President of the Republic of Belarus No. 687 dated December 30, 2007 (National Register of Legal Acts of the Republic of Belarus, 2008, No. 5, 1/9276).

Exchange rate policy. As at July 1, 2008, the Belarusian ruble/US dollar official exchange rate was BYR2,125:USD1, strengthening by 1.2% since the start of 2008.

Interest rate policy. The dynamics of interest rates on the National Bank's operations were determined by the refinance rate, which remained unchanged in the first half of 2008 – 10% per annum, 0.8 percentage points lower than in the same period in 2007.

With a view to encouraging natural and legal persons to increase their ruble bank deposits and to increase return on households' savings, on July 1, 2008 the refinance rate was set at the level of 10.25% per annum.

To regulate the interbank market rate, the National Bank was using both standing facilities (overnight credit and deposit, SWAP transactions) and auction operations. In the first half of 2008, the rates on standing facilities as well as reserve requirements remained unchanged.

The refinance rate and interbank market rates were influencing the setting of interest rates on credits and deposits in the national currency. In January – June 2008, the average interest rate on banks' new ruble credits amounted to 13.2% per annum, 0.9 percentage points lower than in the same period in 2007, and on new term ruble deposits of natural and legal persons 9.5%, 2.2 percentage points lower than in the same period in 2007.

Monetary indicators. In the first half of 2008, the ruble money supply grew by 14.4% (by 2.41 trillion Belarusian rubles), amounting to 19.18 trillion Belarusian rubles as at July 1, 2008, broad money by 15.4% (by 3.78 trillion Belarusian rubles) and 28.29 trillion Belarusian rubles respectively.

The economy's monetization ratio with respect to broad money increased from 19.9% as at the start of 2008 to 21.1% as at July 1, 2008, with respect to the ruble money supply from 13.5% to 14.1%.

In January – June 2008, the ruble monetary base grew by 12% (by 822.1 billion Belarusian rubles), amounting to 7.74 trillion Belarusian rubles as at July 1, 2008.

As at July 1, 2008, international reserve assets of the Republic of Belarus (gold and foreign exchange reserves of the country) were estimated, on the national definition, in the amount of USD5.55 billion, increasing by USD555.1 million as at the beginning of 2008, and on the IMF's SDDS definition USD4.62 billion and by USD435.3 million respectively.

Banking sector development. In January – June 2008, banks' assets grew by 22.3% (by 9.31 trillion Belarusian rubles), claims on the economy by 24.6% (by 7.47 trillion Belarusian rubles), including in the national currency by 24.4% (by 4.57 trillion Belarusian rubles).

As at July 1, 2008, the share of problem assets in the banks' assets subject to

credit risk was 1.8%, and the share of problem debt in the borrowers' debt under credit and other assets operations of the banks 0.71%.

At the end of the first half of 2008 return on capital of the banking sector was 11.9%, banks' profit amounted to 402.1 billion Belarusian rubles, up 1.6 times on the same period of previous year.

Payment system functioning. In January – June 2008, 27.9 million payments worth 295 trillion Belarusian rubles were effected in the interbank settlements automated system, up by 11.6% by number and by 17.9% by value on the same period of 2007.

There were no late (cancelled) payments in the period under review, like in the same period in 2007. No unauthorized access to the payment system was allowed.

SECTION III MONETARY POLICY IN 2009

CHAPTER 2 ECONOMIC SITUATION ASSESSMENT, MONETARY POLICY OBJECTIVES AND INSTRUMENTS

5. Social and economic development of the Republic of Belarus in 2009 is characterized by high rates of growth the main macroeconomic indicators and increasing demand for money. Taking into account internal and external conditions, the consumer price index is forecasted to be at the level of 109-111%.

6. In 2009, monetary policy will be aimed at ensuring economic growth rates through relevant exchange rate, interest rate, and issue policies.

Exchange rate policy will continue to be the most important instrument for achieving external and internal stability of the Belarusian ruble. The Belarusian ruble is expected to be pegged to a basket of foreign currencies (the euro, the US dollar, and the Russian ruble). The Belarusian ruble/US dollar exchange rate is expected to fluctuate within plus/minus 5%.

Interest rate policy. By the end of 2009, the refinance rate will be 10-12% per annum, provided the inflation level and exchange rate movements are within the projected band.

To regulate the money supply and current liquidity of the banks, standing facilities (overnight credit and deposit, SWAP transactions), bilateral operations, and open market operations, as well as the required reserves mechanism will be used. Through its operations in the money market, the National Bank will make sure the interbank credit interest rate moves at the level close to the refinance rate.

Interest rate policy is geared towards ensuring credit availability to economic entities and encouraging the attraction of bank deposits from natural and legal persons. As at the end of 2009, interest rates on new credit to the non-financial sector will amount to 13-15% per annum, and on new term deposits in banks 10-12% per

annum.

Monetary policy indicators. In 2009, taking into account GDP growth (by 110-112%) and changes in other factors of the economy's demand for money, the ruble monetary base is scheduled to increase by 28-34%, the ruble money supply by 32-40%, and broad money by 32-39%. Natural persons' deposits are planned to increase by 4.2-5.2 trillion Belarusian rubles, and legal persons' deposits by 4.8-5.7 trillion Belarusian rubles.

Implementation of monetary and economic policies will be conducive to increasing the economy's monetization ratio with respect to the ruble money supply up to 16.5%, and with respect to broad money up to 24.5%.

International reserve assets of the Republic of Belarus on the national definition are projected to reach, as at January 1, 2010, USD5.87-7.75 billion.

CHAPTER 3 BANKING SECTOR, FINANCIAL MARKET, AND NON-CASH SETTLEMENTS SYSTEM DEVELOPMENT

7. In 2009, taking into account expanding demand of the non-financial sector and households for banking services, enhancing the sustainability of the **banking sector's** functioning will be a priority in its development.

Regulatory capital in the banking sector will grow in the whole of 2009 by 18-25%, return on banks' capital (after tax) by no less than 10%, and the share of problem assets in the assets subject to credit risk will not exceed 5%.

Banks' assets are planned to increase by 35-42%, which means that by the end of 2009 banks' assets (chiefly credit) in GDP will account for 50-51%.

Banks' claims on the economy will grow by 36-44%. Investment credit of the banks will reach 7-7.5 trillion Belarusian rubles, of which 2.9-3.8 trillion Belarusian rubles for housing construction.

For the purpose of expanding the national **financial market** and involving new market participants, work will be ongoing to create new financial instruments and mechanisms that are widely used in the world financial practice.

8. In 2009, the National Bank will ensure efficient, reliable, and safe functioning of the national payment system, as well as further expansion of non-cash settlements in the domestic economy and contraction of cash settlements.

CHAPTER 4 INTERNATIONAL COOPERATION

9. In 2009, implementation of measures designed to integrate the banking systems of the Republic of Belarus, the Russian Federation, and other CIS member states as well as cooperation with the International Monetary Fund, the World Bank, the European Bank for Reconstruction and Development, and the International

Financial Corporation will continue.

SECTION IV FINAL PROVISIONS

10. In 2009, monetary policy will be aimed at ensuring sustainable economic growth rates and meeting the targets of the country's social and economic development.

The envisaged pegging of the Belarusian ruble exchange rate to a basket of foreign currencies would ensure greater stability of the nominal effective exchange rate of the national currency.

To ensure sustainability of the national currency, the use of various monetary instruments is scheduled.

The banking system will be developing on the basis of expanding the resource base of the banks.

Financial market efficiency is planned to be enhanced by developing market infrastructure and broadening the range of financial instruments used therein.

Thus, implementation in 2009 of intended monetary policy objectives, tasks, and measures adequate to economic development will ensure the integrity of economic policy.

Appendix
to the Republic of Belarus
Monetary Policy Guidelines
for 2009

Key Performance Indicators of the National Bank and Banks for 2009

Indicators	Forecast as at January 1, 2010
Changes in the Belarusian ruble/ US dollar official exchange rate, % [*]	plus 5-minus 5
The refinance rate, %	10 - 12
International reserve assets of the Republic of Belarus on national definition, million US dollars	5,870-7,750
Growth	
of ruble monetary base, %	28-34
of banks' regulatory capital, %	18-25
of banks' claims on the economy, %	36-44
Investment credits issue, trillion Belarusian rubles	7.0-7.5
Share of banks' problem assets in the assets subject to credit risk, %	not to exceed 5
Return on regulatory capital, %	not less than 10
Average annual parameter of clients' access to the interbank settlements automated system, % of daily working hours fund	not lower than 99.5

^{*} It is planned that in 2009 the Belarusian ruble will be pegged to a basket of foreign currencies which would improve the flexibility of the Belarusian ruble/ US dollar exchange rate. The Belarusian ruble/ US dollar exchange rate is expected to fluctuate within the plus/minus 5% band.