



EDICT  
OF THE PRESIDENT OF THE REPUBLIC OF BELARUS

December 7, 2009

No. 591

Minsk

On the Approval of the Republic of Belarus  
Monetary Policy Guidelines for 2010

1. To approve the Republic of Belarus Monetary Policy Guidelines for 2010.
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 2010.
3. This Edict shall come into force on January 1, 2010.

A. LUKASHENKO  
President of the Republic of Belarus

APPROVED  
Edict of the President  
of the Republic of Belarus  
No.591 of 07.12.2009

## REPUBLIC OF BELARUS MONETARY POLICY GUIDELINES FOR 2010

### SECTION 1 BASIC PROVISIONS

1. In 2010, monetary policy of the Republic of Belarus aims to create conditions for stable economic development of the country, to meet the targets of social and economic development, and to enhance the well-being of the people, primarily, through the maintenance of Belarusian ruble stability, including its purchasing power and the exchange rate against foreign currencies; the development and strengthening of the banking system; and the enhancement of reliability and safety of the payment system functioning.

2. The Republic of Belarus Monetary Policy Guidelines for 2010 (hereinafter—"the Guidelines") have been developed having regard to 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 2009

#### CHAPTER 1 MACROECONOMIC SITUATION AND ATTAINMENT OF MONETARY POLICY OBJECTIVES

3. As a result of the impact of external factors associated with the global financial and economic crisis, the macroeconomic situation in the Republic of Belarus in January-October 2009, compared with the same period in 2008, was characterized by decelerating growth rates of the economy, lower investment

activity, decelerating growth rates of households' real monetary incomes, as well as growing deficit of foreign trade operations.

4. In January-October 2009, **monetary policy** was pursued in accordance with the Republic of Belarus Monetary Policy Guidelines for 2009 approved by Edict of the President of the Republic of Belarus No. 460 dated August 29, 2008 (National Register of Legal Acts of the Republic of Belarus, 2008, No. 211, 1/9980), having regard to the current economic situation.

**Exchange rate policy** was aimed at preserving financial stability and sustainability of the Belarusian ruble exchange rate versus the currency basket, which includes the US dollar, the euro, and the Russian ruble in equal shares.

From January 2 to November 1, 2009, the Belarusian ruble exchange rate versus the cost of the currency basket was fluctuating within the prescribed range. During this period the cost of the currency basket increased by 5.4% (from BYR960 to BYR1,012). Taking into account prevailing cross-rates of foreign currencies, the official exchange rate of the Belarusian ruble dropped, from January 2 to November 1, 2009, versus the US dollar by 3.5% (from BYR2,650 to BYR2,743:USD1), versus the euro by 9.2% (from BYR3,703 to BYR4,044:EUR1), and versus the Russian ruble by 3.7% (from BYR90.16 to BYR93.48:RUR1).

For the purpose of exchange rate policy's timely response to the additional unfavorable external factors, the range of the acceptable fluctuations in the cost of the currency basket was extended from  $\pm 5\%$  to  $\pm 10\%$ .

In January-October 2009, the index of the real effective exchange rate of the Belarusian ruble increased, compared with the same period in 2008, by 2.3% which is due to a sharp depreciation in January-February 2009 of the Russian ruble, whose share in calculating the above-mentioned index is significant, versus the world currencies. In October 2009, the index of the real effective exchange rate of the Belarusian ruble fell, compared with October 2008, by 13.2%, while from December 2008 to October 2009 by 17.9%, including versus the Russian ruble by 15.7%.

As at the end of 2009, the cost of the currency basket will not exceed 1,056 Belarusian rubles (or 10% compared with the beginning of 2009).

**Interest rate policy.** With a view to lowering inflation and devaluation pressures and encouraging the attraction of natural and legal persons' bank deposits in Belarusian rubles, the National Bank raised, beginning on January

8, 2009, the refinance rate by two percentage points (from 12% to 14% per annum).

Provided that annual increment in inflation is estimated at 11% and monetary and foreign exchange markets are balanced, the **refinance rate** will amount, by the end of 2009, to 12-13.5% per annum.

In order to maintain financial stability, the interest rates on the National Bank's operations were increased, at the beginning of January 2009, by two percentage points (up to 22% per annum on overnight credit and overnight swaps and up to 10% per annum on deposits). In April 2009, the above-mentioned rates were cut by two percentage points due to the drop in the inflation rates.

In May-June 2009, households' demand for foreign exchange increased, while natural persons' time deposits in Belarusian rubles declined. In this connection, the National Bank increased, beginning on June 17, 2009, the interest rates on the above-mentioned instruments by two percentage points for the purpose of preventing further development of negative trends in the monetary markets.

The National Bank retained the interest rate in the intraday ruble interbank market at the level close to the ceiling set by standing facilities through auction operations in the open market. As a result, in October 2009 the average weighted interest rate on the intraday interbank credit amounted to 21.2% per annum.

With a view to ensuring a continuous payment process, the National Bank supported banks by providing significant resources. The average daily debt balance of operations designed to maintain banks' current liquidity amounted, in January-October 2009, to 2.73 trillion Belarusian rubles.

The setting of interest rates on deposits and credits in the national currency was influenced by the refinance rate and the rates in the interbank market. In October 2009, the average interest rate on legal and natural persons' fresh time deposits in Belarusian rubles amounted to 18% per annum; and on banks' fresh ruble credits to 21.4% per annum.

**Monetary indicators.** In January-October 2009, the ruble money supply shrank by 7.8% (by 1.59 trillion Belarusian rubles), amounting to 18.95 trillion Belarusian rubles as at November 1, 2009, and broad money grew by 14.7% (by 4.55 trillion Belarusian rubles), amounting to 35.51 trillion Belarusian rubles.

The economy's monetization ratio with respect to the ruble money supply

fell from 14.4% as at the beginning of 2009 to 13.3% as at November 1, 2009 and with respect to broad money rose from 21.3% to 24%.

Natural persons' deposits increased by 29% (by 3.84 trillion Belarusian rubles) and legal persons' deposits by 0.7% (by 92 billion Belarusian rubles).

In January-October 2009, the ruble monetary base shrank by 4.8% (by 0.35 trillion Belarusian rubles), amounting to 6.92 trillion Belarusian rubles as at November 1, 2009.

As of November 1, 2009, international reserve assets of the Republic of Belarus stood, on the national definition, at USD4.74 billion, up by USD1.08 billion since the beginning of 2009, and, on the IMF's SDDS definition, at USD4.43 billion and by USD1.37 billion respectively.

As at the end of 2009, international reserve assets were assessed, on the IMF's SDDS definition, at USD4.5-5.6 billion.

**Banking sector development.** In January-October 2009, banks' assets grew by 23.1% (by 14.63 trillion Belarusian rubles) and banks' claims on the economy by 31.3% (by 14.76 trillion Belarusian rubles), including in the national currency by 33.2% (by 10.6 trillion Belarusian rubles).

In January-October 2009, regulatory capital of the banking sector grew 12.1%, the return on capital was 8.53%, and the share of problem assets in banks' assets exposed to credit risk was 5.51%.

**Payment system functioning.** In January-October 2009, payments worth 942.3 trillion Belarusian rubles were effected in the automated system of interbank settlements, up by 70.8% on the same period of 2008.

### SECTION III MONETARY POLICY IN 2010

#### CHAPTER 2 ECONOMIC SITUATION ASSESSMENT, MONETARY POLICY OBJECTIVES AND INSTRUMENTS

5. Social and economic development of the Republic of Belarus in 2010 will be determined, for the most part, by the dynamics of foreign economic conditions' impact.

In accordance with the projection of social and economic development for

2010 real gross domestic product (hereinafter—"GDP") will grow by 111-113% and investments in fixed capital by 123-125%. The consumer price index (inflation) is projected to be 108-110%. In 2010, the republican budget deficit will not exceed 1.5% of GDP.

6. In 2010, **monetary policy** will be aimed at maintaining external and internal balance of Belarus's economy as the key condition for its stable development.

**Exchange rate policy** will continue to be the most important instrument for achieving external and internal stability of the Belarusian ruble.

In 2010, the National Bank will carry on pegging the Belarusian ruble to the currency basket (the euro, the US dollar, and the Russian ruble).

With a view to ensuring required flexibility of the exchange rate response to changes in the external markets, the National Bank will make use of the band within which the cost of the currency basket will fluctuate between plus and minus 10% of its central value equal to the cost of the basket as at the beginning of 2010.

**Interest rate policy.** By the end of 2010, the refinance rate will stand at 9-12% per annum, provided inflation is within the projected band.

Standing facilities (overnight credit and deposit, swap transactions), bilateral operations and open market operations, as well as the required reserves will be used to regulate banks' money supply and current liquidity. The National Bank will make sure, through its operations in the money market, the interbank credit interest rate fluctuates close to the refinance rate. By the end of 2010, the interest rates on overnight credit and swap transactions will amount to 17-20% per annum and on deposits to 5-8% per annum.

Interest rate policy is geared to provide access to credits for economic entities and to encourage the attraction of bank deposits from legal and natural persons. By the end of 2010, the interest rates on fresh ruble credits to the non-financial sector will amount to 12-15% per annum and on fresh time bank deposits in Belarusian rubles to 10-13% per annum.

**Monetary policy indicators.** In 2010, an increase in the ruble monetary base (including banks' refinancing) is assessed at 36-43%, the ruble money supply at 35-42%, and broad money at 34-42% (see Appendix). At the same time, natural persons' deposits will grow by 5.6-7.2 trillion Belarusian rubles and legal persons' deposits by 5.1-6.2 trillion Belarusian rubles.

In 2010, the implementation of monetary, fiscal and economic policies will be conducive to increasing the economy's monetization ratio with respect to the ruble money supply up to 14.6-14.8% and with respect to broad money up to 26.6-27.2%.

In 2010, international reserve assets are projected to increase, on the IMF's SDDS definition, by USD0.5-1.83 billion.

Monetary policy indicators for 2010 have been calculated on the basis of the projection about the key parameters of social and economic development of the Republic of Belarus. In cases where the above-mentioned parameters are changed during 2010, monetary indicators will be formed in corresponding proportions.

### CHAPTER 3 BANKING SECTOR, FINANCIAL MARKET, AND PAYMENT SYSTEM DEVELOPMENT

7. Recovering from the adverse effects of the global financial and economic crisis and ensuring the sustainability of banks' functioning will have priority in the development of the banking sector in 2010.

Regulatory capital in the banking sector will grow in the whole of 2010 by 24-25% and the share of problem assets in the assets exposed to credit risk will not exceed 10%.

Banks' assets are planned to increase by 31-36%, amounting to 63% of GDP. Banks' claims on the economy will grow by 36-40%, reaching 51% of GDP.

At the same time, the share of credits granted by banks under public programs in the total volume of banks' claims on the economy will decline, compared with 2009, by 2-3 percentage points.

With a view to expanding the financial market and involving new market participants, work will be ongoing in 2010 to create new financial instruments and mechanisms that are widely used all over the world.

In 2010, the National Bank will ensure efficient, reliable and safe functioning of the payment system as well as further expanding of non-cash settlements in the economy and reducing the share of cash settlements.

## CHAPTER 4 INTERNATIONAL COOPERATION

8. In 2010, the implementation of measures designed to integrate the banking systems of the Republic of Belarus and other countries–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

9. In 2010, monetary policy will be conducive to maintaining financial stability, lowering external imbalances, and ensuring sustainable economic growth and employment.

The implementation in 2010 of monetary policy's stated objectives, tasks, and measures adequate to the development of the economy will ensure the integrity of economic policy.



Appendix  
to the Republic of Belarus  
Monetary Policy Guidelines  
for 2010

KEY PERFORMANCE INDICATORS OF  
the National Bank and Banks for 2010

Indicators	Projection for January 1, 2011
Change in the cost of the currency basket, %	plus 10-minus 10
The refinance rate, %	9-12
Increment in	
international reserve assets of the Republic of Belarus on the IMF's SDDS definition, USD million	0.5-1.83
ruble monetary base, %	36-43
banks' regulatory capital, %	24-25
banks' claims on the economy, %	36-40
Share of banks' problem assets in the assets exposed to credit risk, %	not to exceed 10
Average annual parameter of banks' access to the automated system of interbank settlements, % of its daily working hours fund	not lower than 99.5