

Drastic fall in the level of currency reserves in Belarus

According to the Belarusian Central Bank, the level of foreign reserve assets decreased in January by US\$700 million, and is currently at its lowest level since October 2009. This downward plunge threatens the stability of the state's finances, and has forced the Belarusian government to further increase its foreign debt, and to gradually sell its shares in large industrial plants.

The level of Belarus' foreign reserve assets on 1 February was around US\$4.3 billion, compared to around US\$5 billion at the end of last year. The loss of reserves has been going on for four months, which constitutes a steady downward trend. As a result, the level of the Belarusian gold currency reserves in 2010 represented only 9.5% of GDP, the worst result of all the former Soviet republics (in comparison with 32% in Russia and 25% in Ukraine). The main reason for the drop in reserves is the country's steadily intensifying negative trade balance, which according to official data in 2010 (in trade exchange) amounted to over US\$9 billion, a record in the history of independent Belarus. An additional factor is the high demand for hard currency by the general public. Experts point out that the decrease in the level of reserves for January has occurred despite the emission of Euro-shares worth US\$800 million; this means that currently much of the credit is being used to service and repay the country's ever greater foreign debt, which already exceeded 50% of GDP at the beginning of 2011. It seems that in this situation, taking more loans may prove insufficient, and the Belarusian authorities will thus be forced to carry out at least a partial privatisation, of strategic businesses and other items, as well as a possible devaluation of the Belarusian rouble. <kam>