

bne:Invest in Belarus

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Belarus' Snopkov says economy doing better than it appears

Belarus held its first investment conference in New York on September 22 to introduce the Eastern European republic to the international investment community. Once the production base for finished goods in Soviet times, Belarus is looking for help to retool and reform to retake its place as the manufacturing jewel of Eastern Europe. Nikolai Snopkov, Belarusian Minister of the Economy, talks exclusively to bne.

Like everywhere else, Belarus has been hurt by the pall hanging over the Continent and economic growth is expected to be a modest 1.7% this year, according to the state committee on statistics. "In the current global economic situation it is not possible to have high economic growth," says the ebullient Snopkov, sipping coffee on the 16th floor terrace bar of the Grand Hyatt in New York where the Belarusian Investment



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REPUBLIC OF BELARUS

Forum took place. "It also would contradict the government's policy of macroeconomic balances. We are trying to rethink our situation and looking for new factors for growth. We are not pursuing high growth in the near term. Instead, we want to invest into the fundamentals and build up a foundation so that we can grow in the long term."

Belarus has a long tradition of manufacturing. Under the communists production of nearly everything was split between the various republics and regions, but all these inputs were often gathered in Belarus for final assembly where the quality of work was highest. Since independence in 1991 the republic has managed to hang onto this tradition and is one of the few Eastern European countries to export finished goods – such as its famous Minsk fridges and the giant MAZ dumper trucks amongst other things – to the rest of the world.

Green shoots

Despite the soggy growth, the minister points to several signs that the Belarusian economy is doing better than it might first appear. "The industrial complex is showing signs of recovery," says Snopkov, "and services sector has maintained its high rate of growth throughout the crisis period."

No one is denying the economy remains weakened by the years of crisis. The country's hard currency reserves are low, but still sufficient to ensure the value of the currency following two painful devaluations in recent years (though the current account deficit of \$4.5bn in 2013 has shrunk to next to nothing as exports recovered this year). And the open trade regime that Belarus runs – 50% of its exports go to Russia and 20% to the EU – exposes it to external shocks. "External shocks are happening all the time," says Snopkov. "Against this we have to ensure that the internal growth of the economy is well balanced, which makes it easier to deal with these external shocks. But if we have an open economy, then we need to be able to absorb these

shocks and improving efficiency, and attracting investment will help make the economy more robust."

The key to reforming the Belarusian economy will not just be attracting more foreign direct investment, but to improve productivity, says Snopkov, and this means changing the way the government works. "We need to change the system of how the ministries work from being just regulators to increasing their productivity," says Snopkov. "This means changing the system of internal governance and separating the functions of who owns an industry from who governs it."

This approach is being applied to the whole economy, but part of these changes will be privatisation. "The main idea of privatisation is not just to sell the companies, but to find a strong investors that can run the companies more efficiently than the state," says Snopkov, who addressed over 100 US investors at the conference.

Snopkov said the state is interested in any deal that will deliver on this end from an outright sales through joint venture – everything, he says, will be considered.

Opportunity in crisis

Even though the economy is growing only slowly, Belarus is still doing better than most of its peers thanks to the already relatively diversified economy. And the sanctions that Russia imposed on EU agricultural products in September will give it another fillip as Belarusian producers rush to fill the gap. "Russian sanctions on food imports from EU is an opportunity for us, but we have a saying in Belarus: 'if our neighbour suffers, then it is not possible to build our success on his suffering'," says Snopkov.

Still, Belarus will rally to Russia's aid and its agricultural sector is



expecting to see exports of some products leap in the short term. The sector can also expect new investment from Russia.

However, Snopkov's comment on neighbours is an illustration of a theme that has run throughout the Belarusian Investment Forum: when you invest into Belarus, you don't just tap its market of 9m souls, but have direct access to the much larger market of 170m in the Customs Union of Belarus, Russia and Kazakhstan.

Belarus is an attractive and fast growing market in its own right, but this free trade area set up in 2010 (and about to become the even more integrated Eurasia Economic Union in January next year) means the small republic could become an entrepôt or manufacturing centre to service the much larger area that currently could soon also encompass Armenia and Kyrgyzstan too. "Today we are intending to use this advantage to maximum effect," says Snopkov, who has been spearheading Belarus' efforts to modernise itself. "Currently the whole world is in competition for investment and we need to make the most of our competitive advantages if we are to stay in the race."

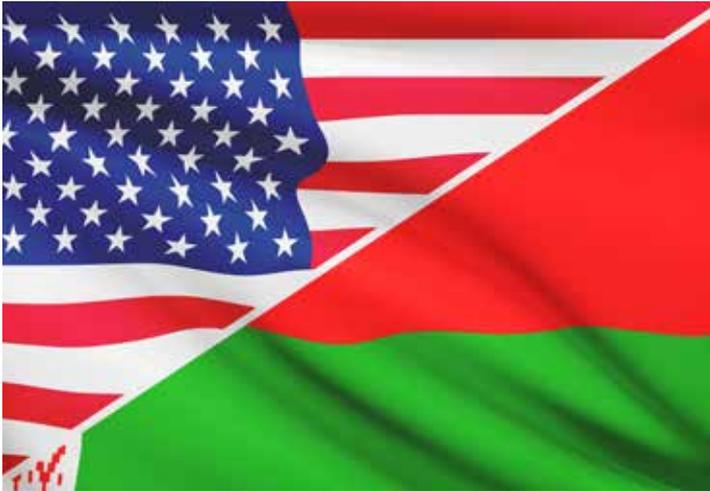
Russia is already the second largest consumer market in Europe and unlike the countries in

the West its retail turnover continues to grow in double digits in most segments. And Belarus is catching up fast as its own middle class emerges.

Today some two-thirds of Belarusians consider themselves to be middle class, while those who define themselves as lower middle class only account for 3.5% of the population and those living in poverty are less than 1% of the population. "In terms of the Gini coefficient, Belarus ranks among the top ten in the world," says Snopkov, referring to the economic measure that is used as a broad calculation of wealth by including non-liquid assets like property.

And the entrepreneurial class is also growing, says Snopkov. About a third of the middle class describe themselves as entrepreneurs and these small and medium-sized enterprises (SME) already account for about a quarter of GDP. "Our task is to increase this share of SMEs to 50% of GDP by 20210," says Snopkov, "as this is one of the most important parts of the economy, playing a fundamental role in the wellbeing of the of the population." •





Belarus makes pitch to US investors

"Where is Belarus heading? What will be the nature of the structural and institutional reforms we are carrying out? The answer to these questions is both simple and complex: simple as we know what we need to do, but complex as this requires knowledge, resources and energy."

Belarusian Prime Minister Mikhail Myasnikovich opened the first Belarusian Investment Forum on September 22 with a pragmatic, rhetorical question and called on US investors to take advantage of a "reset" that the Republic is enjoying in its relations with the West.

About a 100 US investors turned out to listen to a high-powered panel that as well as the PM included the minister of the economy, the deputy finance minister and the head of the Republic's development bank, expound on the progress the country has made in recent years. "Our intention is to create a productive environment for companies that want to come and work with us," Myasnikovich told the assembled delegates.

Myasnikovich admitted frankly that despite the recent progress and recovery, Belarus needs help if it is to fulfil its potential. "So we came here to build a solid future together with our American

partners, and we want our partners to benefit from our success together," said Myasnikovich. "Our economy is based on knowledge and innovation, and we are committed to opening up on these lines."

Buffing up image

The conference was the first step in addressing the country's poor image and low profile amongst the international investment community. And obviously investors' curiosity was piqued, as there was barely an empty seat in the hall of the Grand Hyatt's ballroom in the heart of New York.

But the PM has a good story to tell. While this year's economic growth is expected to come in at just 1.7%, that is still a lot better than most of its peers. And the country boasts a long tradition of manufacturing excellence it has managed to capitalise on post-independence; not only does Belarus have a reasonably diversified economy, it is also the only country to have significant exports to both Russia (50%) and the EU (20%). "Industrial production has increased and surpassed the levels of in the Soviet Union, while per-capita GDP has increased three-fold since 2000," Myasnikovich told delegates. "Poverty is amongst the lowest in the region and indeed is lower than in most of the developed countries of Europe. We have a balance budget and low state debt, while our trade has grown consistently each year. However, we need to look for new sources of growth and a key will be improving the productivity of the existing capacity."

That was the core of the pitch to the US investors: we need your help to continue the progress we have already made. The government has been investing heavily into its capital – both fixed and human – and is already reaping rewards in several sectors, with IT standing out as the most prominent amongst them. Capital expenditure is running at about 30% of GDP, with a third of this going into heavy industry, according to the Ministry of Economy.



The upshot is that Belarus has one of the most diversified economies in the former Soviet Union. Minister of Economy Nikolai Snopkov rattles off a long list of the republic's achievements that are unique in Eastern Europe: the republic produces 16% of the world's Potash, 30% of its dump trucks, 6% of its tractors and 16% of its linen. It is the sixth largest cheese producer in the world, the third largest butter producer and the number one IT services producer in per-capita terms.

But this positive side of the Belarusian story is not well known, which was the point of the conference. The National Investment Agency has recently been beefed up and the state has introduced a raft of incentives to appeal to potential investors. The republic already offers attractive tax conditions: profit tax have been slashed to 18%, which is one of the lowest levels in the CIS; and workers pay a flat 12% income tax, slightly lower than even Russia's 13% flat tax.

But the main focus has been, as in other countries, on creating industrial parks and

special economic zones that have been used to such great effect by the Chinese. Today, there are six special economic zones and several specialist industrial parks, with a new large Sino-Belarusian industrial park in the works. In these business havens, companies enjoy a 10-year tax holiday and a 50% discount on profit for the next decade. For the high-tech park, profit tax is also 0% and VAT is 0%, although companies have to pay their workers social taxes.

For Belarus, it will be a hard sell to attract the kind of share of FDI the government needs, but it seems committed to making the effort. "I sincerely believe that this forum and a series of other major political events initiated by Belarus, including the Ukraine peace process, will result in the restart of the relations between Belarus and the United States," the PM noted. "We are open for a dialogue – so is our country." •



Feature



Belarus looks to develop international financial centre in Minsk

Belarus plans to turn Minsk into an international financial centre as part of its ongoing reforms to create a domestic capital market.

On September 22, Belarusian President Alexander Lukashenko signed a decree to create the "Experimental multi-purpose complex Minsk-Mir" – a building that will house a new stock exchange that the government hopes will become the centre of the republic's international financial centre.

The new building is a physical manifestation of a raft of reforms the government has pushed through to deepen the country's nascent capital market and so make more financial resources available to its leading companies. "The financial markets are growing dynamically and all the legal instruments to that lay the foundation of a capital market have already been put in place," Deputy Finance Minister Maxim Yermolovich told delegates at Belarus' first international investment forum in New York at the end of

September. "Large companies can now report in IFRS and launch an IPO if they want."

The government has been moving towards establishing a liquid capital market for some time, but the efforts have begun to gather pace recently. There is an extensive privatisation programme on the agenda and the plan is to sell off many of the companies via IPOs. But progress has been slow and the poor state of the global economy has stymied these efforts.

However a lot more progress has been made with building up an insurance industry, which is growing fastest. "It is not large, but it has been developing very dynamically in recent years," says Yermolovich. "The total assets of the sector were \$750m in 2013, but that was up 43% year on year. It is a huge potential market."

Insurance has the advantage that it has existed since Tsarist times after. The leading companies were taken over by the Communists and today the state-owned BelGosStrakh remains the market leader.

Currently, the insurance sector accounts for about 1% of GDP, but the minister says the goal is to increase this to 3% of GDP by 2025, when a single regulator will also come into existence. "We are already ready for foreign investors to come into the sector and the Ministry of Finance has already liberalised the legal framework to accommodate them."

"After 2025, these companies will also have access to the entire Eurasian Economic Union markets of 170m people," Yermolovich added.

Currently there are some 25 insurance companies operating on the market, of which 11 have foreign capital participation. •



Sector



Belarus' agricultural sector set to be big winner from turmoil

Belarus' agricultural sector is set to be the big winner from the turmoil in Eastern Europe. Happily, Belarus forecasts good harvests for this year.

Following Moscow's decision to ban imports of European agricultural products earlier this year in retaliation at Western sanctions, Russia has turned to its smaller neighbour and fellow Customs Union member to help keep Russian shop shelves stocked.

Russia has long been one of the main export markets for Belarusian agricultural goods, however the trade is getting an enormous fillip from the fact that most of the European competition has at the stroke of a pen disappeared. In some product categories exports to Russia are expected to double or treble this year alone.

Following Moscow's decision on the EU ban on August 7, it immediately turned to Belarus and agreed to increase Belarusian agricultural exports to Russia, Russian Deputy PM Arkady Dvorkovich told Russian news agency Tass on August 13.

According to Adrian Rogstad, an analyst at IHS Global: "Russia's ban on Western food imports and its turn to Belarus for increased import volumes is good news for Belarusian exporters at a time when regional exports have fallen, in large part due to the regional instability as a result of the conflict in Ukraine. Exports to other Commonwealth of Independent States (CIS) countries, including Russia and Ukraine, fell by 5% year on year in January-June 2014 due to the conflict in Eastern Europe, while exports to other countries rose by 3.5%."



"Belarusian importers could benefit from the ban as Western exporters seek new ways of reaching the Russian market," Rogstad added. "Belarusian producers of processed food, including seafood and meat-based products, could benefit from a re-direction of exports to Belarus for processing ahead of export to Russia."

Belarusian dairy products in particular are set to soar. Even before the bans, Russia was a net importer of raw milk and has now cut itself off from major supplies in Western Europe. In August-December, Belarus intends to ship roughly 40% more milk and dairy products to Russia than it did in the same period of 2013, according to the Belarusian Agriculture and Food Minister Leonid Zayats.

"In August-December 2014 the volume of dairy supplies will grow by roughly 40%. Those will be cheese, skimmed milk powder and full-cream powder, whole milk products," Zayats said in remarks quoted to BelTA.

Next year, Belarus is ready to ship over 4m tonnes of dairy products in milk terms to Russia, he added.

Meat products are another item where exports will increase. The Agriculture and Food Ministry estimates in 2015 that Belarusian manufacturers will be able to ship about 400,000 tonnes of meat products to Russia. "If necessary, we can ship more without hurting the domestic market," Zayats said.

Other products that will see the volume of exports increase are: over 100,000 tonnes of rye flour; 12,000 tonnes of colza oil; about 1m tonnes of potatoes; 107,000 tonnes of carrot, 30,000 tonnes of cabbage, and 27,000 tonnes of apples.

Happily, Belarus along with the other countries in the CIS are on track for record harvests. "Despite the weather, we expect a better vegetable crop than last year and these will be high quality

vegetables," Deputy Minister of Agriculture and Food Vladimir Grakun told local newswires.

The boost to exports is like to feed back into Belarus' industry, as the windfall profits will be reinvested in domestic production. For instance, the fight for market share amongst cheese producers has become fierce in recent years and Ukraine in particular has several large hard cheese producers in direct competition with Belarusian cheese producers on the Russian market. However, as this competition has largely disappeared as a result of the tensions, Belarus is expecting to see cheese exports to Russia become a veritable mountain – an increase of 70,000 tonnes of cheese exports in August-December alone.

"Belarus has a perfect chance to export 200,000 tonnes of cheese instead of the current 100,000 tonnes," the press service of the Belarusian Ministry of Agriculture and Food quoted Sergei Fankvert, the head of Russia's veterinary and sanitary watchdog Rosselkhoz nadzor, as saying in August.

Another side effect of the sanctions has been to improve trade relations between Belarus and Western Europe. As the smaller countries in the region that are not under the Russian ban scramble to feed the 143m-strong Russian population, Minsk decided to lift an import ban on live cattle from Europe in order to adequately supply its food processing industry with meat to produce exports to Russia. Exports of meat and meat products to Russia were worth \$1.35bn in January to May, but are expected to rise by somewhere between 15% and 40% in the second half of this year.

Meat imports is one of the most lucrative items amongst food categories under the interdiction. Russia imported \$17.2bn of food last year from countries covered by the ban, of which \$9.2bn was in the affected categories,



the International Trade Center, a joint venture of the UN and World Trade Organization, said.

The ban should also catalyse joint ventures. Russia's milk deficit has already spurred Belarus to open talks with neighbour Lithuania on milk production joint ventures, according to the Lithuanian Minister of Agriculture Virginija Baltraitiene, who was in Minsk in August shortly after Russia imposed its ban.

Perhaps the most significant effect of the current crisis will be to allow Belarus to set up agricultural companies in Russia, Belarusian President Alexander Lukashenko said in a

television interview on in September. "They tell me however that all kinds of outlets called Belorusskoye (Made in Belarus) open in Russia and Ukraine; however, these outlets sell nothing made in Belarus. This brand is used to sell anything but Belarusian. We do our best to prevent it," the president said.

But according to Lukashenko, Belarus has been upgrading its facilities in Russia and hopes to expand its cooperation with Russia significantly. "The high quality of Belarusian products is well-known in Russia and Belarusian products are very popular there." •

Lukashenko the most popular politician in Ukraine, finds poll

A survey conducted by the Ukrainian pollster Rating asking the population about their attitude to global leaders found that the Belarusian president, Alexander Lukashenko, was the most popular foreign leader.

Some 62% respondents in the "Ukrainians' attitude to global leaders" survey said they have a positive attitude to Lukashenko, beating US President Barack Obama (54%) and German Chancellor Angela Merkel (51%). Russian President Vladimir Putin scored just 16%.

Lukashenko was most popular in the southern and eastern parts of Ukraine, whereas those in the western, central and northern regions were more inclined to support Obama, Merkel and Poland's president, Bronislaw Komorowski.

In general, the survey found that Ukrainians have the most positive attitude to Belarusians (53% definitely positive and 41% rather positive) amongst their surrounding neighbours. The attitude to Russians has deteriorated sharply (39% definitely positive and 33% rather positive).

The poll is mirrored by similar polls at home for Lukashenko: the president's ratings have increased by five percentage points since December, to reach 39.9%, while over the past six months the number of Belarusians who think that the country is headed in the right direction is up by nearly 10 points from 31.9% to 42.3% – the highest approval rating in three years, according to the Independent Institute for Socio-Economic and Political Studies in Minsk. •



Economics & finance

China to lend Belarus \$1bn for investment projects

The Finance Ministry and the China Development Bank signed a memorandum of understanding on September 26 for \$1bn worth of long-term loans to be spent on various investment projects within the Republic.

The agreements will run over 15 years, including a five-year repayment grace period under the guarantee of the Belarusian government. The borrowers will include the leaders of the Belarusian banking credit and finance system, the Development Bank of Belarus and ASB Belarusbank.

According to Belarusian Prime Minister Mikhail Myasnikovich, Belarus and China have reached a new level of cooperation that does not only pertain to trade and economy but also investment. The implementation of two joint projects, which is the production of BelGee cars and the construction of the China-Belarus Industrial Park, testifies to the fact.

"It is investment and loan cooperation, a very good signal for business, for Chinese and Belarusian companies," the PM said. •

Belarus economy gets back on track

The Belarusian economy has performed relatively well in recent months, year-on-year industrial growth turning positive in July after contracting 4.8% over the whole 2013. Analysts now expect to see slightly better GDP growth both this year and

next due to a stronger performance in agriculture in particular. Inflation, however, is expected to be higher.

In July, industrial output expanded 1.9% on year, putting the seven-month tally at just -0.6%. Industrial output is expected to close the year in positive territory at around 1.5% growth.

A strong performance in chemical industries helped pulled Belarusian industry out of its slump. Potash production soared 34% on year in July, putting the January-July figure at up 25.5%. By mid-year, strong growth was also recorded in pharmaceuticals, metallurgy and several other industrial sectors, such as construction materials.

Agriculture could easily deliver double-digit growth this year on the back of strong harvests, which would strongly support GDP growth and offset the decelerating trend in retail sales, says analysts with VTB Capital in Moscow. "GDP was up 1.6% year-on-year in the first seven months of this year (from 0.5% in 1Q14), and we expect GDP growth to exceed 2% this year (around 2.4%)," says VTB Capital.

Belarus' economy expanded by 1.5% between January and August this year, according to the National Statistics Committee of Belarus.

Due to the fact that the potash crisis is over and Belarus has resumed exports, the trade deficit has narrowed this year, totaling just \$122m in January-July. There is a good chance it will come in below \$500bn for the whole of this year (versus \$4.5bn in 2013), which would equal around 0.7% of GDP.

The current account is expected to post a larger deficit this year than previously expected, as the secondary



income balance has been strongly negative since 2011, and the deficit was nearly \$2.6bn in 2013. All in all, analysts expect the negative current account to total \$3.5bn this year, which will be around 4.7% of GDP, but still much better than 2013's \$7.3bn current account deficit.

As the current account was in deficit and capital inflow was unable to fully offset this, foreign reserves fell below \$6bn in early 2014, but slightly increased in June-July as Belarus received a new loan from Russia's VTB (\$2bn) and the Finance Ministry placed forex bonds on the domestic market. Analysts expect international reserves to retreat to below \$6bn by year-end but remain relatively stable in 2015 as the balance of payments improves further.

Belarus may issue \$1bn bond in US

Belarus is considering the possibility of issuing bonds worth \$1bn on the US capital market, according to Belarusian Deputy Finance Minister Maxim Yermolovich, speaking in New York on September 22.

Yermolovich said that talks were already underway with potential US investors who had also bought part of previous bond issues.

"We are going to redeem \$1bn worth of bonds next year out of the \$1.8bn worth of bonds that we have sold abroad," noted Yermolovich.

Belarus wants to set up domestic venture capital funds

The Belarusian government is looking into the possibility of creating domestic venture capital funds to invest in budding private companies,

according to the chairman of the State Science and Technology Committee, Alexander Shumilin.

Next year the state intends to set aside money to set up several venture capital funds and seek investments. The state is also hoping to attract private enterprise to invest in the funds. The government is hoping to repeat the success of similar schemes that have been organised in Russia, Israel and China.

"Belarus should develop venture capital financing in a fast pace. The classical scheme of the state foundation of venture capital funds based on the Israeli model Yozma is seen as the most preferable method from the perspective of efficiency. The analogues of the model analogues are implemented in a number of countries, including in Russia," Shumilin said, reports BelTA.

The legislative basis for venture capital investments was already put in place in March 2008 as part of the founding of the Belarusian innovation fund.

Belarusian companies look to IPO on international markets

Belarusian companies are looking to IPO on international stock markets in order to raise investment funds, Deputy Finance Minister of Belarus Maksim Yermolovich said during an investment conference in New York on September 22.

"Belarusian companies are gearing up to use the IPO mechanisms to attract resources from international financial markets. It is clear that New York will be one of the hubs for our companies to hold IPOs," the deputy minister told journalists.

So far only the software engineer company EPAM, which has most of



its operations located in Belarus, has managed to list abroad. EPAM is traded on the New York Stock Exchange.

Earlier there were plans to IPO Belarusbank, but these were abandoned due to the deteriorating market conditions following the 2008 crisis.

But now there is light at the end of the tunnel and Belarusian companies are looking abroad for badly needed investment resources and getting ready to offer their shares.

"Our companies have prepared their data on international standards, held necessary preparatory work for advancing to the international market and formed the relevant legislation. I hope the corresponding decree will be adopted in the near future. We also hope that these efforts of our companies will bring results," Yermolovich said.

Belarusian trade surplus at \$653m in Jan-Aug vs deficit last year

Belarus had a trade surplus of \$652.8m in the first eight months of 2014 compared with a trade deficit of \$839.6m in the same period last year, the National Bank reported.

Belarus narrowed the merchandise trade deficit 78% to \$469.6m. The trade surplus in services declined 15.1% to \$1.12bn in the eight months.

Trade in merchandise and services fell 3.3% to \$58.58bn in January-August, including \$49.93bn for merchandise trade (down 4.8% on year) and \$8.66bn for services (up 5.8%).

Exports of merchandise and services declined 0.9% to \$29.62bn, including \$24.73bn for merchandise (down 1.7%) and \$4.89bn for

services (up 2.9%). Imports dropped 5.8% to \$28.96bn, including \$25.2bn for merchandise (down 7.7%) and \$3.77bn for services (up 9.8%).

The National Bank said that the trade balance for merchandise and services in August was positive and amounted to \$139.7m.

In July, the trade balance was negative at \$9.3m.

International financial centre to open in Minsk

Belarusian President Alexander Lukashenko signed off on a decree in September to create an international financial centre building in the heart of the capital Minsk.

Dubbed the "Experimental multi-purpose complex Minsk-Mir," the complex will house a new bourse as well as offices, shops and some residential space.

NBB hope to attract more foreign capital to the banking system

The National Bank of Belarus hopes to attract more foreign investment and increase the share of the foreign capital in the Belarusian banking system, Deputy Chairman of the NBB Sergei Kalechits said at the first Belarusian-investment forum in New York on September 22.

According to Kalechits, the banking sector of Belarus has been steadily developing, becoming more attractive for foreign investors. Today the share of foreign capital in the banking system is about 20%.



"It is important for us to increase this share. We see an acceptable share of the foreign capital as at least 50%. It means that with today's structure of authorized funds the potential of attracting foreign capital makes up \$1bn. It would increase the capacity of the banking system," Kalechits said.

Belarus 2014 inflation to exceed forecasts

Inflation in Belarus remains too high. The government is predicting full-year inflation of 17.3%, higher than the 11% it was predicting at the start of this year. That level was already surpassed in July.

Prices has been driven by the government's removal of price controls on food, and the removal of those on meat in particular; meat was up 32% in the first half of this year compared with the same period a year earlier. Increases in the cost of services are also contributing to inflation.

Although the growth of real wages in the first half of 2014 slowed down, it remains in the green. Increases in real income have helped to reduce the number of households with incomes below the national poverty line.

Wages up, poverty down

Average wages in Belarus continued to increase slowly in the first half of this year and a number of people living on or below the official poverty line continue to decrease.

At the same time, the income gap between the country's richest cities and its poorer ones has been narrowing. The Vitebsk region's average nominal salary was BYR5.7 m (\$557), in Minsk this figure was BYR8.3m (\$809).

According to a sample survey of households in the first half of 2014, the number of families living on or below the poverty line in Belarus has decreased: the share of households with disposable incomes below the subsistence minimum was 3.5% overall, while in the first half of 2013 it was 4.2%. This gradual income growth helped to support higher growth levels for retail turnover.

The city growth of wages is having a positive impact on the retail business in the Republic. In January-August retail trade in Belarus amounted to Br197.7 trillion, up 9.7% from the same period of last year in comparable prices according to the National Statistics Committee of Belarus. Food accounts for 49.7% of retail trade in Belarus.



Chart

Retail sales growth decelerates

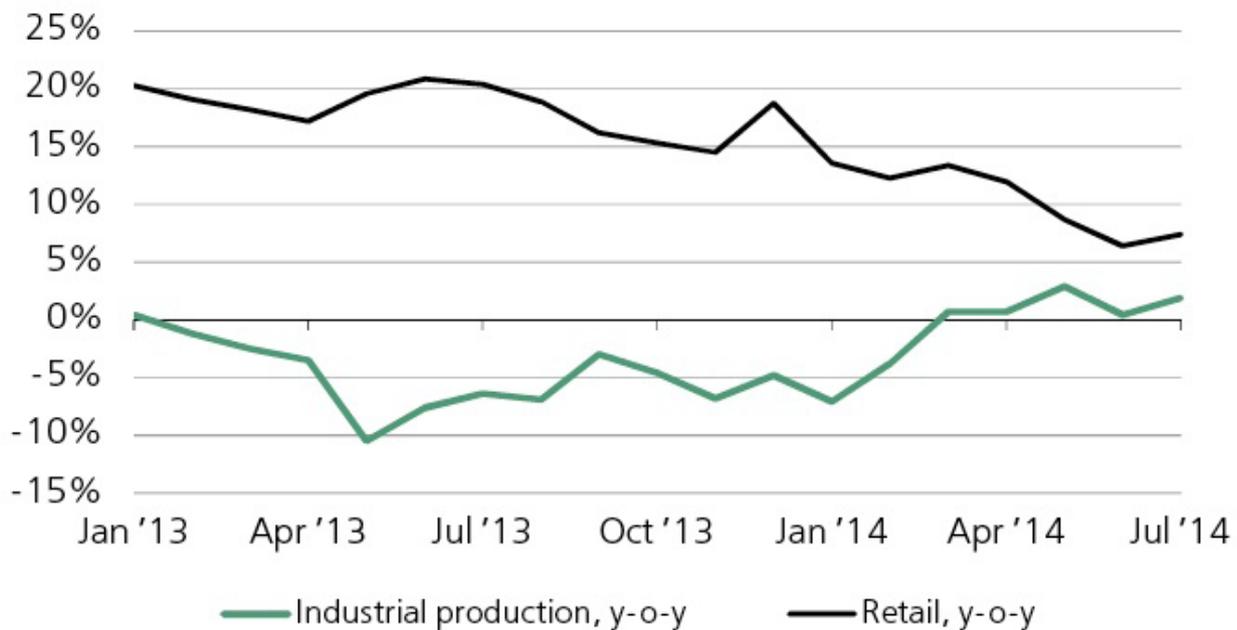
After several years of hardship, retail sales in Belarus are on an upward trend, but the pace of this recovery has slowed recently, says Russia's Sberbank CIB.

At the turn of the year, growth in retail turnover stood at around 15% on year, but throughout 2014 that growth rate has fallen. In the January-July period, retail turnover was up 10.3% on year.

Analysts say incomes are still rising modestly as the economy stabilizes, which is driving the retail spending.

Analysts are hopeful that retail sales will remain stable going forward on the back of a gentler pace in the economic recovery. However the future remains uncertain given the general economic turmoil in the region and a looming recession in Europe. •

Back to normal: retail sales growth decelerates from abnormally high rates, while industrial growth gains pace



Source: National Statistics Committee



News in brief

Healthcare efficiency in Belarus better than in US, survey finds

The efficiency of healthcare services in Belarus is better than that in the US, according to an annual report by Bloomberg released in September.

Belarus' healthcare system ranked 42nd of 51 nations assessed by Bloomberg in its annual report "Bloomberg Ranking: Most Efficient Health Care 2014". Belarus was two positions higher than the United States.

Each country was ranked on three criteria: life expectancy (weighted 60%), relative per-capita cost of healthcare (30%), and absolute per-capita cost of health care (10%).

Belarus was included in the ranking for the first time. According to Bloomberg, the average life expectancy in Belarus is 72.1 years, the healthcare cost per-capita at \$339 and healthcare cost as a percentage of GDP at 5%.

Singapore was at the top of the ranking, while Russia was at the bottom of the 51 countries in the table.

GM looks to launch car production in Belarus

The government of Belarus has been negotiating with US carmaker General Motors to launch the production of cars in the republic.

"We have agreed on gradual creation of these capacities to make the localization of the production at least 30% by 1 January 2017 and

reach 50% and more by 1 July 2018 in line with the agreements within the Customs Union and the Eurasian Economic Union," Mikhail Myasnikovich said on the sidelines of the UN general meeting in New York at the end of September.

The plan is to start producing some 20,000-25,000 cars together with the Belarusian SKD assembling plant, which will take on some of the body welding and painting work of the production.

"Since GM has its production plants in the countries of Eastern Europe and the Russian Federation, we will not repeat these model lines. According to the company's management, the Belarusian production will be oriented on new models of small volume," Myasnikovich told journalists.

Uralkali CEO confirms reunion with Belaruskali is unlikely in 2014

Leading Russian potash producer Uralkali said it has no plans to resume its marketing pact with Belaruskali, disappointing producers who had been hoping for a reformed deal to push up prices.

Uralkali confirmed to Industrial Minerals that another joint venture with Belaruskali is unlikely, as the Russian company is operating successfully on its own, meaning that price increases that many producers have been hoping for will be slower to materialise. "There are no negotiations going on at the moment with Belarus," the company was quoted as saying.



However, Bloomberg reported that the two companies have settled the issues brought up in mid-2013, when Uralkali quit a joint trading venture with the Belarusian company, changing the strategy to increasing volumes over prices and decreasing the prices for the supplies to lower than \$300 per tonne from \$400 per tonne.

Uralkali's decision to quit the joint venture tore apart the potash fertilizer market, as the prices fell by about 33% and the world's companies of the sector lost billions of U.S. dollars. Belarus started criminal cases against several officials of the joint venture, including the then Uralkali CEO Vladislav Baumgertner.

Belarus to invest \$1bn in the construction of logistics centres in 2015

The government of Belarus says it will invest \$1bn in the construction of logistics centres in 2015, according to Deputy Transport and Communications Minister Natalia Zhamoitina.

"It is estimated that the volume of investment in construction and development of logistics centres will total almost \$1bn in 2015. It should be noted that more than \$130m will be injected in the development of transport and logistics infrastructure," Natalia Zhamoitina said, reports BelTA.

Investment in the development of the logistics sector in 2014 will exceed \$150m. The logistics grounds will increase by about 150,000 square meters. Currently logistics account for about 7.5% of GDP in Belarus.

Belarus government considers anti-corruption bill

An anti-corruption bill was submitted to the government in September that would make both the bribe giver and the bribe taker equally responsible before the law.

"It is good that fight against corruption is in progress in Belarus and this document has been submitted for public discussion. The majority of Belarus citizens are law-abiding. Corruption manifestations are at a very low level in comparison with other CIS states," Vladislav Tsydik, Deputy Chairman of the Agrarian Policy Commission of the House of Representatives of the National Assembly of Belarus told BelTA.

Belarus signs four big contracts during the Belarus-Moldova forum

The government of Belarus signed off on four large contracts with leading companies of Moldova during a summit in the Moldovan capital of Chisinau on September 24.

Amongst the deals were Stadler Minsk Company signing an agreement with the Chisinau Electric Transport Department on the supplies of vehicle sets and joint production of trolleybuses in the Moldavian capital through 2018.

The Smorgon Auto-Aggregate Plant signed a contract with Agrofermotech to supply tractor sets for industrial assembling of horticultural tractors in Moldova.

A contract was signed between Keramin and a joint trading company



Keramin Moldova on the delivery of ceramic tiles and sanitary ware. And an agreement to cooperate was signed between the Brest Distillery Belalko and Tiraspol's Kvint.

Belarus President Alexander Lukashenko, who was leading the Belarusian delegation to the summit, said that he looks forward to closer ties with Moldova and hopes mutual trade turnover will top \$1bn a year.

Moldova ranks fifth in Belarus' total trade with the CIS states. Since 2000 Belarus-Moldova trade has increased five-fold to top \$360m in 2013.

Belarus benefits from more Russian tourism as sanctions bite

Minsk was Russian holidaymakers' most affordable European destination in November, according to a survey conducted by the travel portal Traveler.ru.

The number of visitors to Belarus from Russia has been boosted by the EU sections imposed on Russia and the devaluation of the ruble, which has made trips to Western Europe a lot more expensive this year.

Travel.ru compiled the rating taking into account an average €40 per day travel budget for the period of November 2-3, which includes accommodation in two and three-star hotels situated within five kilometers from downtown, food in cafes, excursions, a one-day transport card, the cost of a visit to the city's most popular museum, and a transfer from the airport to the city's downtown by public transport.

The top ten also included St Petersburg (with the budget of €44), Bucharest (€45), Krakow (€46),

Zagreb (€47), Belgrade (€49), Kaliningrad (€50), Vilnius (€51), Budapest (€52), and Riga (€53).

Beyond Minsk, the number of tourists visiting Belarus' Narochansky National Park was up by a quarter on year between January and September this year to a total of more than 40,000 people, according to the tourism department of the national park Lyudmila Kravchonok.

The biggest number of tourists was registered in July. "A little more than 40,000 people visited the park last year. In 2014 the park saw the same amount of tourists in nine months," Lyudmila Kravchonok said.

China to Provide Belarus With Over \$24m for Joint Industrial Park

The Chinese government will provide non-repayable assistance to Belarus in the amount of 150m Yuan (over \$24m), the agreement published on the National Legal Internet Portal of the Republic of Belarus said at the start of October.

The agreement on technical and economic assistance between the Belarusian and the Chinese governments was signed on September 27 in Minsk in order to further develop the interstate relations.

The funds will be allocated for the electrification project of the joint Sino-Belarusian industrial park, as well as for some other projects.

Sino-Belarusian Great Stone Industrial Park is situated in Smolevichy district, Minsk region, in the distance of 25 kilometers from the capital Minsk. The park provides a number of tax and other preferences for its residents.



Evroopt to invest \$350m in Belarus economy in 2014

Belarus' leading internet store Evroopt says it will invest at least \$350m in expansion, Evroopt Director General Andrei Zubkov told BelTA in September.

Evroopt has been expanding in the other cities of the country: "Our company is now building outlets in dozens of district capitals of Belarus at once. We believe that the total investment of the retail chain will reach at least \$350m in 2014," he said.

Half of all medicines manufactured in Belarus is exported

About half of all the medicines manufactured in Belarus are bound for export, according to Viktor Shein, deputy director, head of economy and marketing at the pharmaceutical industry department of the Healthcare Ministry of Belarus, BelTA reports.

"Almost 50% of medicines produced domestically is shipped to foreign markets, which attests to the high demand for Belarusian medicines," said Viktor Shein.

The Belarusian-made medicines are exported to about 30 countries. In addition to the CIS member states, Belarus exports its medicines to the countries of Southeast Asia, Latin America and Africa.

Twenty-four investment projects are currently underway in the pharmaceutical industry in Belarus. Another 10 investment projects are being implemented independently by both the companies affiliated with the pharmaceutical

industry department and also privately-held enterprises.

Russia, Belarus, Kazakhstan to set up pan-regional transport company

The governments of Russia, Belarus and Kazakhstan have joined forces to establish a pan regional transport company to better integrate their economies on the eve of the establishment of the Eurasian economic union that comes into force on January 1, 2015.

The new company, United Transportation and Logistics Company, will be created in accordance with agreements signed within the framework of the Common Economic Space.

Smart office complex opens in Minsk with EBRD investment

The Clover Park smart office building was opened in Minsk in at the end of September, thanks to a loan of €8.7m from the European Bank for Reconstruction and Development (EBRD).

The energy-efficient building was built by the Israeli company Fishman Group and consumes nearly half as much power as the average office building in Belarus.

15,000 square metre building is located in the middle of Russia's high-tech Park and will cater for the growing demand for modern office space there.



Belarus' toll road network expands by 256km

Belarus's toll road network expanded by 256km as of August 1, according to the state agency BelToll, the national digital road toll collection system.

Tolls were collected for using some of the country's motorways from August 1, including

the M5 Minsk-Gomel, M6 Minsk-Grodno, M7 Minsk - Lithuanian border and R1 Minsk-Dzerzhinsk roads.

The new stretch of road brings the total of toll roads in the republic to 1,189km.

The second stage of BelToll's deployment also envisages the opening of eight customer service points, including in Minsk, Grodno, Shchuchin, Oshmyany, and Maryina Gorka.

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