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ANTI-INFLATIONARY REGULATION BY MONETARY METHODS IN THE REPUBLIC OF BELARUS

АНТИИНФЛЯЦИОННОЕ РЕГУЛИРОВАНИЕ МОНЕТАРНЫМИ МЕТОДАМИ В РЕСПУБЛИКЕ БЕЛАРУСЬ

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ABSTRACT

ANTI-INFLATIONARY POLICY, INFLATION,
MONETARY POLICY, INFLATION TARGETING,
ECONOMIC STABILIZATION

The dynamics of inflation and its main factors in various time periods of development of the national economy of the Republic of Belarus are considered. The measures taken by the National Bank to ensure price stability and their effectiveness are analyzed. In the chronology, the features of the applied monetary policy regimes, the change in targets and regulatory tools are considered. The features of anti-inflationary regulation by monetary methods in current conditions of the Republic of Belarus are described.

АННОТАЦИЯ

АНТИИНФЛЯЦИОННАЯ ПОЛИТИКА, ИНФЛЯЦИЯ, МОНЕТАРНАЯ ПОЛИТИКА, ТАРГЕТИРОВАНИЕ ИНФЛЯЦИИ, ЭКОНОМИЧЕСКАЯ СТАБИЛИЗАЦИЯ

Рассмотрена динамика инфляции и ее основные факторы в различные временные периоды развития национальной экономики Республики Беларусь. Проанализированы принимаемые меры Национального Банка по обеспечению ценовой стабильности и их эффективность. В хронологии рассмотрены особенности применявшихся режимов денежно-кредитной политики, характер изменения целевых ориентиров и инструментов регулирования. Изложены особенности антиинфляционного регулирования монетарными методами в современных условиях Республики Беларусь.

The task of achieving a stable low inflation rate is relevant for many states, including the Republic of Belarus. Effective implementation of anti-inflationary policy requires a comprehensive analysis of the determinants of inflation, as well as its forecasting. Inflation

in Belarus until the mid-2000s was clearly monetary in nature. This is evidenced by the close relationship between the growth rate of the money supply and inflation. The influence of monetary factors to a lesser extent persisted in subsequent years. In this regard, the role of monetary policy is relevant in anti-inflationary regulation.

The monetary policy of the Republic of Belarus is a part of economic policy. Its implementation is provided by the National Bank in conjunction with the Government of the Republic of Belarus. Since the sovereignty there has been a constant adjustment of the priorities and ultimate goals of the monetary policy, based on the current macroeconomic situation and problems to be solved. The main direction was to ensure the stability of the Belarusian ruble and achieve price stability, as a condition for balanced development of the open economy of the country. Lack of experience in monetary regulation during the period of economic transformation, negative trade balance, dollarization and other problems of the 1990s not allowed to achieve high efficiency monetary policy. In some years, the consumer price index reached more than one thousand percent.

Measures taken by the National Bank in 2000 to terminate targeted equity lending to the economy, limit the growth of the ruble money supply, reach positive real interest rates and eliminate the problem of multiple exchange rates became the foundation for effective containment of inflation. Adhering to the system of monetary guidelines, consisting of a target parameter (nominal anchor) and indicative variables, the National Bank monitored the inflation rate annually. Since 2003, the exchange rate has been used as the nominal anchor. Currency targeting together with fiscal measures and the regulation of prices and wages generally had positive results. If in 2003 the inflation rate reached 25 %, then in 2008 it did not exceed 14 %. Since 2009, the exchange rate gradually began to be less fixed, was tied to a basket of foreign currencies (Euro, US dollar, Russian ruble), and since 2012, after the currency crisis, it got minimal regulation from the National Bank. This crisis, as a result of the high negative current account balance of the balance of payments, together with a softening of the fiscal and monetary policy, price liberalization and other reasons, led to an inflation rate of 108.7 % in 2011. In 2012 price stability was determined as a priority objective of monetary policy. The National Bank started using tight monetary policy aimed at maintaining high interest rates, refinancing banks only on market conditions and increasing reserve requirements. The result was a decrease in inflation in 2012 to 21.8 %. Slowing inflation remained a priority in subsequent years. In 2013-2014 in order to ensure anti-inflation orientation of the interest rate policy and maintain a stable situation in the deposit and foreign exchange markets, the National Bank carried out a gradual reduction in the refinancing rate. On the credit and deposit market, a positive level of real interest rates was ensured with a higher profitability of deposits in national currency. In conditions of external stability the taken measures reduced inflation to 16.5 and 16.2 % in 2013 and 2014, respectively. [6, p. 207]

At the end of 2014, there was a negative abrupt change in the foreign economic

situation. Significant devaluation of the Russian ruble amid falling oil prices, repayment of foreign liabilities, and a decrease in business activity in the countries - trade partners of Belarus negatively affected the foreign trade, the volume of foreign exchange earnings and devaluation expectations. Net demand for foreign currency began increasing in the foreign exchange market. At the same time there was an outflow of ruble deposits of the population in the deposit market. In order to stabilize the situation, the National Bank, together with the Government of the Republic of Belarus, took a number of operational measures, including exchange rate adjustment, increase in interest rates, restriction on foreign currency lending to legal entities, increase in the norms for compulsory sale of foreign currency. Positive changes in the foreign exchange and deposit markets at the beginning of 2015 contributed to the gradual cancellation of the introduced measures. [3]

In order to create conditions for accelerating economic growth and increasing the effectiveness of economic policy, the Anti-inflationary Program (2015) was developed. It presented a set of monetary, fiscal, antitrust, pricing and organizational measures. The 2017 goal was to achieve an inflation value of not more than 10 %. The monetary policy measures developed in the program were aimed at limiting the growth rate of the broad money supply, maintaining positive real interest rates, and ensuring a balanced situation in the domestic foreign exchange market. [1]

Since 2015, the National Bank began to control the money supply in the monetary targeting regime and set an interim goal - control over the growth of the broad money supply. In 2016, its value was determined in the range of 16-20 %, in 2017 – 12-16 %. An increase in the ruble monetary base was an operational goal in 2015-2017. In order to stabilize the situation in the foreign exchange market, the National Bank adhered to the regime of controlled floatation of the exchange rate and conducted tenders in the form of a continuous double auction, which made it possible to establish the rate based on supply and demand with minimal its participation. [4]

An important component of monetary policy was the formation of a mechanism for managing inflation expectations based on their monitoring, ensuring transparency of the current monetary policy, and the general availability of economic information for the population. Starting in November 2017, the National Bank of Belarus began to quarterly publish materials on inflationary expectations.

The measures taken to ensure price stability made it possible to systematically achieve a slowdown in inflationary processes. Later in 2018, a new Anti-inflationary program was developed. It determined the need for the formation of monetary conditions conducive to ensuring inflation in the medium-term period of 4 % with legislative consolidation of the responsibility of the National Bank. For non-inflationary economic growth, measures were developed to increase confidence in the national currency and de-dollarize the economy, ensure information transparency of monetary policy. [2]

The implementation of monetary policy was continued in the regime of monetary targeting. The intermediate target for the growth of the broad money supply in 2018 and 2019 was 9-12 %. However, in 2018 there was a change in the operational benchmark. Instead of an increase in the ruble monetary base, the interest rate on overnight interbank loans in national currency began to be used. In the context of stabilization in the foreign exchange market in 2018, restrictions on the purchase of foreign currency were lifted and a single procedure for foreign exchange transactions for legal entities and individual entrepreneurs in the domestic foreign exchange market was established, the mandatory sale of foreign exchange earnings was canceled. [5, p.3]

The measures noted above allowed to achieve established in 2016–2018 inflation parameters and stabilize the situation in the foreign exchange market, which contributed to the formation of conditions for the transition to inflation targeting in the medium term as that was noted in the Program of Socio-Economic Development of the Republic of Belarus for 2016–2020.

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