



Pricing Policy: Problems and Solutions

The difficult pricing situation on the country's consumer market is only temporary

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This year's pricing situation on the country's consumer market is a result of several factors, primarily external ones. Belarus is an open economy. Price hikes on global markets of raw materials and commodities spur the growth of prices and tariffs on the home market.

Reasons Behind Skyrocketing Prices

According to the National Statistics Committee of Belarus, in January-July 2011 consumer price index reached 141%, CPI for foods stood at 141.6%, non-foods 152.3%, services 123.1%.

The price growth has been caused by external factors to a considerable degree. According to official information of the International Monetary Fund, in July 2011 global prices for high-quality wool, cotton, rubber (gum), leather, sunflower oil, rapeseed oil demonstrated the highest growth in comparison with the

previous year. As a result, prices for the raw materials Belarus buys rose considerably. The sharp increase in prices for imported fuel and energy resources played their part, too.

Monetary factors – devaluation of the Belarusian ruble and devaluation expectations – are another essential reason behind the skyrocketing prices on the home market this year. They have affected both imported consumer products and Belarus-made products due to the higher import component in the prices of the latter.

With a considerable share of imports in prime costs of products (59% in January-July 2011),



Belarusian manufacturers had to compensate for higher costs with higher prices. In January-July 2011 industrial producer price index totaled 158.8% (109.1% in January-July 2010).

The uncertain currency market has forced importers to set higher prices to compensate for possible exchange rate risks.

In addition, domestic retail prices have been affected by the increased demand for Belarusian products in neighboring countries due to considerable differences in prices. The foreign demand has put essential pressure on the availability of Belarusian products on the home market and has predetermined the need to raise prices for the food products, which are subject to regulations.

As for commodities that are not covered by state pricing regulations, in response to the increased demand Belarusian manufacturers raised prices for their merchandise. In January-July 2011 prices for refrigerators went up 64.9%, vacuum cleaners 57.2%, furniture

In July 2011 the Slutsk sugar refinery reached the sugar output landmark of five million tonnes





ОАО Mogilev Khimvolokno boasts the CIS' only nonwoven fabric manufacturing line

41.7%, some foodstuffs, including popular oat flakes Hercules, 75%.

This year the government has taken decisions to regulate prices taking into account the following factors:

- higher prices for agricultural raw materials brought about by higher prices for the material and technical resources that agriculture uses, the need to compensate for expenses of processing enterprises, the need to reduce the disparity of prices between Belarus and the neighboring countries, and the need to prevent unorganized export of consumer goods have necessitated higher producer and retail prices for staple foods;
- the need to reduce cross-subsidies and budget subsidies, to turn round enterprises has necessitated an increase in prices and tariffs on certain kinds of regulated services.

In order to slow down the growth of prices for main foods and non-foods and to prevent the shortage of commodities on the home market due to price differences in Belarus and the neighboring countries the government has taken several prompt measures to stabilize the consumer market. In particular, the list of staple goods, prices for which are regulated by the government, has been expanded. Trade markups for the bulk of foods have

been limited to 12-30%. Restrictions on the export of certain commodities have been put in place to allow Belarusians to buy them at existing prices. The government is keeping a close eye on prices for staple foods and non-foods. Monopolies are under systemic control.

Towards Reasonable Prices

The reduction of administrative regulation of prices and fur-

ther improvement of pricing regulations are the most important areas of the government's pricing policy.

These efforts are part of the work to carry out Belarus President Directive No. 4 "Development of entrepreneurship initiative and encouragement of business activity in the Republic of Belarus" of 31 December 2010, the treaty on common principles and competition rules for the sake of forming the Single Economic Space.

A new underwear manufacturing enterprise has been opened in the town of Ushachi, Vitebsk Oblast. ООО Patolya employs 43 people. In July alone the new enterprise turned out Br45 million worth of commodities





In particular, several regulations have been adopted to improve the existing pricing system through liberalizing entrepreneur initiative, improving the country's investment climate, and ruling out the interference of government agencies in pricing practices of economic entities.

Belarus President Decree No. 72 of 25 February 2011 systematized approaches towards pricing regulations, clearly defining its area of application. Economic entities are free to set prices for products and services not on the list.

Taking into account the policy towards optimizing economic operation terms and the approaches set by Directive No. 4 it is understandable that the enforcement of administrative restrictions on prices can lead to a reverse effect while prices on global markets are on the rise and the country's currency market is in a difficult situation. Such restrictions can deteriorate the status of economic entities, reducing

production and import of certain commodities, resulting in their shortage, growth of shady trade operations and other negative consequences. In this situation it is important to keep processes on the consumer market manageable and to prevent the price situation from getting out of hand.

It is worth noting that existing problems are temporary. Their effect will gradually subside as the economic situation grows more stable, primarily through the stabilization of the Belarusian ruble exchange rate, removal of multiple exchange rates and the resumption of the ability of economic entities to freely buy foreign currency, and the saturation of the home market with commodities. It will be fostered by a coordinated policy on pricing and tax regulations, incomes and salaries, antimonopoly laws, satisfaction of the domestic demand thanks to purchasing interventions and commodity interventions among other things. ■

COOPERATION

The contract to construct a new wire rod mill has been signed between Belarusian Steel Works and the Italian company Danieli.

The €100m project will be implemented within 30 months. The capacity of the new mill will reach 700,000 tonnes per year and can be subsequently increased to 1 million tonnes. The products can be applied in various industries, including automobile production.

Danieli has been cooperating with Belarusian Steel Works since the latter's establishment. In 1982 it won a contract to supply equipment for the BMZ. During the construction of the second and third stages of the plant in 1987 and 1991, Danieli was also a major supplier of equipment for the BMZ metalware shops.

BelAZ quarry trucks are well-known in Russia and many other countries across the globe

