

Russia Kicks Off Currency Buying Spree With \$4.5 Billion Program
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By Olga Tanas

(Bloomberg) -- Russia's Finance Ministry will buy about \$4.5 billion in foreign currency over the next three weeks, increasing purchases after changes aimed at further limiting the economy's dependence on oil.

The amount of additional budget revenue earned in January from oil and gas is expected at 257.1 billion rubles (\$4.5

billion) as a result of higher crude prices, the Finance Ministry said on Wednesday. Under a so-called budget rule, the entire windfall will be spent on buying foreign currency in the domestic market, with daily purchases at 15.1 billion rubles from Jan. 15 to Feb. 1, it said in a statement.

The operations will help insulate the economy from the ups and downs in crude and shield the ruble's exchange rate from volatility. The government is absorbing all revenue earned when Russia's Urals export blend is above \$40 a barrel, channeling the excess income into its sovereign wealth fund.

Starting this year, the Finance Ministry will use a formula that effectively removes the impact of the exchange rate and increases the volume of foreign currency to be acquired. It bought 841.8 billion rubles in 2017, which will be transferred to the National Wellbeing Fund in 2018, according to Finance Minister Anton Siluanov.

"This policy will be continued in 2018," he said on Wednesday. "If oil prices and the exchange rate remain at the current level, we'll be able not only to spend reserves, but also to boost the National Wellbeing Fund."

Oil Scenarios

Foreign-currency purchases will total about 2 trillion rubles this year if prices for crude average \$54-55 a barrel, and rise to about 2.8 trillion rubles if oil is around \$60, Siluanov said last month.

Benchmark Brent -- which trades at a small premium to Urals -- advanced 29 cents to \$69.49 a barrel on the ICE Futures Europe exchange after adding 0.6 percent to close on Wednesday at the highest level since December 2014.

The ruble traded 0.3 percent stronger at 56.91 against the dollar as of 4:42 p.m. in Moscow. It's up 1.3 percent this year.

"With the current oil price, the impact of foreign-currency purchases won't have a significant impact on the ruble," said Vladimir Miklashevsky, senior economist at Danske Bank A/S in Helsinki. "But if crude prices rise, purchases may become more aggressive."

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