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Storchak Predicting Caution in Debt Sales

By Rachel Nielsen

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The government will wade slowly into the international bond market next year, selling less than a quarter of its planned offering of ruble-denominated government debt in the first quarter as it grapples with hesitant investors, a deputy finance minister said Monday.

"Out of the 1.8 trillion rubles [$58 billion] that we plan to borrow during the year, there's a sense that not even a quarter will be in the first quarter," Deputy Finance Minister Sergei Storchak said in a question-and-answer session on RIA-Novosti's web site.

Noting that the government has had difficulty selling four-year bonds — its "most liquid security" — he said sovereign debt investors "obviously have taken a wait-and-see attitude, and that's a factor we will take into account."

The government is taking a cautious approach and will observe first-quarter sales of Greece's

sovereign debt to gauge investor appetite for Russian bonds, Storchak said.

"It's very important for us to have not just Russian buyers and investors coming into the Russian market for federal loan bonds, but also overseas investors who are willing to invest in our securities for the long term," Storchak said.

The deputy minister fielded a question about whether the Eurasian Union — an economic collaboration that would add more CIS countries to the customs union of Russia, Belarus and Kazakhstan that Prime Minister Vladimir Putin and President Dmitry Medvedev have touted — would bear the same fate as the European Union.

In reply, Storchak praised the EU for improving living standards for "several hundreds of millions of people in 30 years" and said the Eurasian Union wouldn't face the debt problems of the EU. "Russia is one of the leading creditors for our partners in the Eurasian Union and ... we pay close attention to the issue of whether our borrowers can repay us," Storchak said.

The deputy finance minister also predicted that the Russian ruble would become more of an international currency standard for investments in Russia and Belarus.

With greater integration and more direct investment by corporations into both countries' economies, there will be more confidence in the "internationalization of the Russian ruble," he said.

Storchak suggested that “major Russian enterprises” are evaluating what Russia’s entrance into the World Trade Organization means for them. He has “no doubts” that Russian consumers “will win out” with the WTO accession.

In addition, Storchak said Russia is "displeased that the U.S. debt has risen fourfold in the past 12 years."

He also said the Finance Ministry selected Citigroup, Deutsche Bank, BNP Paribas, Sberbank and VTB Group to manage the sale of its eurobonds, which is planned for the first quarter.

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