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Savers Should Dump Ruble and Buy Hard Currency, Economist Says

By The Moscow Times

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Printing paper money at Goznak factory in Perm. **Alexey Kudenko**

Russians should not keep their savings in rubles, as the currency is likely to depreciate, the head of the Banking Institute at the Higher School of Economics Vasily Solodkov said.

"From now on, ruble exchange rate fluctuations against dollar and euro will be far more significant," newspaper Argumenty i Fakty quoted Solodkov as saying Wednesday.

"Considering the condition of the Russian economy — slowing production growth, budget deficits and so on — the ruble's value is likely to gradually decrease. I would advise people to convert their savings into hard currency," he said.

Solodkov was responding to a question from one of the newspaper's readers asking whether he should buy dollars and euros following the Central Bank's decision to abandon its policy of direct currency interventions and move toward a floating exchange rate.

Forty percent of Russians have savings in rubles, while only 5 percent and 3 percent of the Russians have savings in dollars and euros, respectively, according to a public opinion poll conducted by VTsIOM this month.

About half of the respondents said they do not follow the exchange rates, the poll found.

On Jan. 13, the Central Bank said it will no longer conduct direct currency interventions, which previously amounted to $60 million per day in order to move toward a floating exchange rate by 2015.

First deputy Central Bank chief Ksenia Yudayeva said in a television interview to Rossiya 24 last week that the decision to abandon targeted currency interventions may contribute to ruble's volatility, but said their effect had been more cosmetic than real, given that the ruble's increasing volatility is determined by macroeconomic factors.

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