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Official Expects $10Bln Budget Windfall From Weakening Ruble

By The Moscow Times

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Steady weakening of the ruble will contribute to inflation, but may also boost revenues to the treasury by $10 billion, a senior finance official has predicted, a news report said Thursday.

Since the federal budget for 2014 assumed an exchange rate of 33 rubles to the dollar, a weaker domestic currency will add a massive surplus to state funds, Deputy Finance Minister Tatyana Nesterenko was cited as saying by Izvestia.

If the exchange rate sticks to at least 35 rubles to the dollar — 2 rubles higher than the assumed exchange — the budget will get 360 billion rubles ($9.98 billion) more than planned, Nesterenko said.

The ruble fell to new record lows in trading on Wednesday, reaching an all-time low of 49.4 rubles against the euro and a five-year record of 36 rubles to the dollar.

A study by Moscow's Higher School of Economics published earlier this week predicted even larger additions to the budget, saying that the ruble could slide further to 37 rubles per dollar by the end of 2014, boosting federal income by $28 billion and pushing the state treasury into surplus.

A devaluation of the ruble lowers expenditures on domestic spending, such as pensions, in comparison to tax revenues generated from commodities priced on the world market, such as oil.

While pushing prices for import, the sliding currency is expected to ease pressure on a government that has had to contend with the prospect of spending cutbacks in coming years amid stagnant growth.

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