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Russia Funnels More Billions Into its Sovereign Wealth Funds

By The Moscow Times

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The National Welfare Fund grew by 61 billion rubles, or 2 percent, over August to reach 3.15 billion rubles ($85.3 billion) on Sept. 1.

Russia's two oil revenue-funded sovereign wealth funds swelled by 353.3 billion rubles ($9.4 billion) last month to reach combined reserves of 6.54 trillion rubles ($177 billion), boosting the state's financial firepower as the West applies the economic screws on Russia over the Ukraine crisis.

Russia's Reserve Fund, which hoards U.S. dollars, euros and pounds sterling to insulate Russia against falling oil and gas prices, had assets worth 3.4 trillion ($91.7 billion) on Sept. 1, up 292 billion rubles, or 9.4 percent, from the start of August, according to the Finance Ministry.

The National Welfare Fund, which is designed to backstop Russia's pensions system and has a freer reign to invest in infrastructure and business, grew by 61 billion rubles, or 2 percent, over August to reach 3.15 billion rubles ($85.3 billion) on Sept. 1.

Both funds are financed from taxes on sales of oil and gas, and are meant to safeguard the long-term stability of an economy currently mired in difficulties. Though oil prices — the lynchpin of Russia's commodity-driven economy — remain high, Western sanctions on Russia over its policies in Ukraine have exacerbated a slowdown and pushed the country to the brink of recession in recent months.

However, the budget is still balanced and the Central Bank is sitting on reserves of nearly half a trillion dollars, an amount that includes the parts of the Reserve Fund and the National Welfare Fund held in foreign currency.

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