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Russia's Ruble Dives to Record Low as Rumors of Capital Controls Spread

By The Moscow Times

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The ruble fell to 39.71 against the dollar Tuesday, its lowest level since the currency was restructured in 1998.

Russia's currency dropped sharply Tuesday to new historic lows following a media report that the Central Bank was looking at the introduction of capital controls.

The ruble fell to 39.71 against the dollar, its lowest level since the currency was restructured in 1998, while the Central Bank's currency basket dropped to 44.36, a hair's breadth away from the point at which the regulator has said it will intervene on currency markets.

The sharp dive came after a report issued by Bloomberg news agency that quoted two unidentified officials saying that the Central Bank was discussing the implementation of restrictions on the free flow of money out of the country.

Russia abolished capital controls eight years ago in a landmark reform, but capital outflow

has ballooned this year on the back of international tension over Ukraine and the imposition of Western sanctions on Moscow.

The Economic Development Ministry has said that capital outflows could reach as much as $120 billion this year, the highest level since the 2008 financial crisis and a sum equal to 6 percent of Russia's gross domestic product.

Kremlin adviser Sergei Glazyev suggested earlier this month that Russia should introduce a tax on the export of capital in a bid to stem the flood of money leaving the country.

"The mere mention of capital controls ... affirms that the policy elite in Moscow is very nervous," Timothy Ash, head of emerging market research at Standard Bank, said in e-mailed comments to investors.

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