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Central Bank Head Sees Ruble Reaction Reasonable

By The Moscow Times

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Russian people are behaving "entirely reasonably" in their response to the falling ruble, Central Bank governor Elvira Nabiullina said in a television interview broadcast on Saturday.

The behavior of households is seen as a key factor that may determine whether the Central Bank will resume forex market interventions following its float of the ruble last week.

"The population, in fact, is behaving entirely reasonably ... There has been a certain increase in demand for foreign currency," Nabiullina told "Vesti on Saturday with Sergey Brilev", a TV discussion program.

"But if we are talking about the share of foreign currency deposits, it has risen just a bit, a little more than 20 percent. But that is all the same not significant."

The Central Bank abolished its remaining interventions of $350 million a day on Nov. 10,

completing the transition to a floating currency. However, it has said that it may carry out ad hoc interventions if financial stability is threatened.

Nabiullina said in Saturday's interview that such interventions "could be sudden, strong but rare", adding that the Central Bank also had other tools, such as regulating ruble liquidity, to "influence speculators", whom she blamed for the ruble's recent slide.

Asked whether there was a "red line" ruble value that would trigger interventions, she said: "There is no such level."

The ruble was worth 47.17 against the dollar on Saturday, slightly firmer than its record low of 48.65 touched on Nov. 7.

Nabiullina reiterated the central bank's view that the ruble is undervalued. "Even with the present falling price of oil, with those objective economic indicators that we have, in our view the ruble is undervalued, it has the potential to strengthen," she said.

The ruble has shed more than a quarter of its value against the dollar since June, dragged down by sliding prices for Russia's major export, oil, as well as by Western financial sanctions imposed in response to Russia's actions in Ukraine.

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